

NDR highlights midstream optionality; FX risk hedged

NDR highlights midstream growth and optionality

Last Friday, we hosted investor meetings with UGI management in New York. After one of the coldest Februaries in recent history, investors focused on how UGI could leverage its Northeast pipeline capacity portfolio to capture upside from natural gas price volatility. When natural gas basis differentials become sufficiently wide, UGI can utilize its Temple LNG facility to partially supply its own utility business while selling its owned/contracted pipeline capacity to third parties. We view this "option" on cold weather in the supply-constrained Northeast positively and we recognize UGI's continued midstream growth in the region (Auburn/Temple expansions, Sunbury project, and PennEast natural gas pipeline).

Frigid February favorable (though not as much as 2014)

YTD through 14 March 2015, weather has been 7% colder than normal (measured by heating degree days (HDD)), largely driven by February (20% colder vs. normal). We view this positively for UGI's midstream business especially as colder weather was more focused in the Northeast. However, FY2Q15 results may still lag YoY as basis differentials did not blow out to the same degree as in 2Q14 (see page 3).

Totalgaz could be a positive catalyst in 2015

Management remains hopeful the €400-450mn Totalgaz acquisition will close during calendar 1H15 pending regulatory approval. Up-front synergies with UGI's Antargaz may only be moderate, but we continue to view the deal favorably as the estimated transaction multiple seems attractive (5-6x EBITDA pre-synergies, see: [Vive le LPGs! PO to \\$56](#)). The acquisition is not included in management's long-term EPS CAGR guidance of 6-10% and may provide upside.

Reiterate Buy despite FY15 guidance optimism

Although our revised FY15 EPS estimate of \$1.90 is at the lower end of guidance (\$1.88-1.98) due to unfavorable weather conditions during FY1Q15 and our outlook for UGI Energy Services (UGIES), the company's long-term growth trajectory remains intact, in our view. We fine-tune our PO to \$37 (from \$37.33) based on a 17x target P/E on our FY17 EPS estimate of \$2.18.

Estimates (Sep)

(US\$)	2013A	2014A	2015E	2016E	2017E
EPS	1.60	2.00	1.90	2.07	2.18
GAAP EPS	1.60	1.92	1.43	2.07	2.18
EPS Change (YoY)	36.8%	25.0%	-5.0%	8.9%	5.3%
Consensus EPS (Bloomberg)			1.90	2.12	2.17
DPS	0.75	0.82	0.91	0.98	1.04

Valuation (Sep)

	2013A	2014A	2015E	2016E	2017E
P/E	20.9x	16.7x	17.6x	16.2x	15.4x
GAAP P/E	20.9x	17.4x	23.4x	16.2x	15.4x
Dividend Yield	2.2%	2.4%	2.7%	2.9%	3.1%
EV / EBITDA*	9.7x	8.4x	9.7x	8.2x	8.0x
Free Cash Flow Yield*	5.4%	9.4%	7.0%	10.8%	11.4%

* For full definitions of *iQmethod*SM measures, see page 7.

Equity | United States | Natural Gas-Local Distribution
Companies
23 March 2015

Bank of America Merrill Lynch

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Stock Data

Price	US\$33.48
Price Objective	US\$37.00
Date Established	23-Mar-2015
Investment Opinion	B-1-7
Volatility Risk	MEDIUM
52-Week Range	US\$29.55-39.75
Mrkt Val / Shares Out (mn)	US\$5,849 / 174.7
BofAML Ticker / Exchange	UGI / NYS
Bloomberg / Reuters	UGI US / UGI.N
ROE (2015E)	12.5%
Total Dbt to Cap (Dec-2014A)	63.8%
Est. 5-Yr EPS / DPS Growth	8.0% / 6.0%

Key Changes

(US\$)	Previous	Current
Price Obj.	37.33	37.00
2015E EPS	2.00	1.90
2016E EPS	2.14	2.07
2017E EPS	NA	2.18
2015E EBITDA (m)	1,343.8	1,201.0
2016E EBITDA (m)	1,391.8	1,414.0
2017E EBITDA (m)	NA	1,452.6
2015E DPS	0.90	0.91

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Refer to important disclosures on page 8 to 10. Analyst Certification on Page 5. Price Objective Basis/Risk on page 5.

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23 March 2015

iQprofileSM UGI Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Return on Capital Employed	6.9%	7.8%	5.5%	8.1%	8.5%
Return on Equity	11.8%	13.6%	12.5%	13.2%	13.2%
Operating Margin	11.6%	12.1%	9.1%	12.1%	12.3%
Free Cash Flow	316	549	411	630	667

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Cash Realization Ratio	2.9x	2.9x	2.8x	2.9x	2.8x
Asset Replacement Ratio	1.3x	1.3x	1.4x	1.1x	1.1x
Tax Rate	27.6%	30.6%	33.2%	30.0%	30.0%
Net Debt-to-Equity Ratio	97.2%	90.1%	92.6%	83.8%	75.2%
Interest Cover	3.5x	4.2x	3.1x	4.4x	4.8x

Income Statement Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Sales	7,195	8,277	8,205	8,549	8,726
% Change	10.4%	15.0%	-0.9%	4.2%	2.1%
Gross Profit	2,870	3,102	2,874	3,200	3,267
% Change	19.2%	8.1%	-7.3%	11.3%	2.1%
EBITDA	1,194	1,381	1,201	1,414	1,453
% Change	42.6%	15.6%	-13.0%	17.7%	2.7%
Net Interest & Other Income	(241)	(238)	(244)	(236)	(222)
Net Income (Adjusted)	278	350	332	361	381
% Change	39.5%	25.7%	-5.0%	8.7%	5.4%

Free Cash Flow Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Net Income from Cont Operations (GAAP)	278	337	250	361	381
Depreciation & Amortization	363	363	375	377	377
Change in Working Capital	(44)	(6)	52	100	100
Deferred Taxation Charge	49	67	(60)	0	0
Other Adjustments, Net	156	245	320	199	216
Capital Expenditure	(486)	(457)	(526)	(408)	(408)
Free Cash Flow	316	549	411	630	667
% Change	-14.3%	73.9%	-25.1%	53.4%	5.8%

Balance Sheet Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Cash & Equivalents	389	420	629	531	543
Trade Receivables	746	685	661	561	461
Other Current Assets	492	559	669	669	669
Property, Plant & Equipment	4,480	4,544	4,663	4,693	4,724
Other Non-Current Assets	3,901	3,886	3,838	3,838	3,838
Total Assets	10,009	10,093	10,459	10,292	10,234
Short-Term Debt	295	288	606	606	606
Other Current Liabilities	1,130	1,143	1,363	1,363	1,363
Long-Term Debt	3,542	3,434	3,341	3,041	2,841
Other Non-Current Liabilities	1,494	1,565	1,565	1,565	1,565
Total Liabilities	6,461	6,430	6,875	6,575	6,375
Total Equity	3,548	3,663	3,583	3,716	3,859
Total Equity & Liabilities	10,009	10,093	10,459	10,292	10,234

* For full definitions of iQmethodSM measures, see page 7.

Company Description

UGI Corporation (UGI) is a natural gas transmission and energy distribution company headquartered in King of Prussia, PA. Operations are divided between four business units: Domestic Propane - AmeriGas Partners, LP (NYSE: APU), UGI International Propane, UGI Utilities and Midstream and Marketing. APU distributes propane to more than 2mn customers while UGI Utilities serves more than 600,000 customers in PA and MD.

Investment Thesis

We see UGI as attractively valued given its above peer average EPS growth potential and ample FCF generation that gives UGI flexibility on capital return and reinvestment, high customer growth potential at UGI Utilities, an attractive outlook for UGIES, its strong balance sheet and management's posture of remaining conservative with prospective acquisitions.

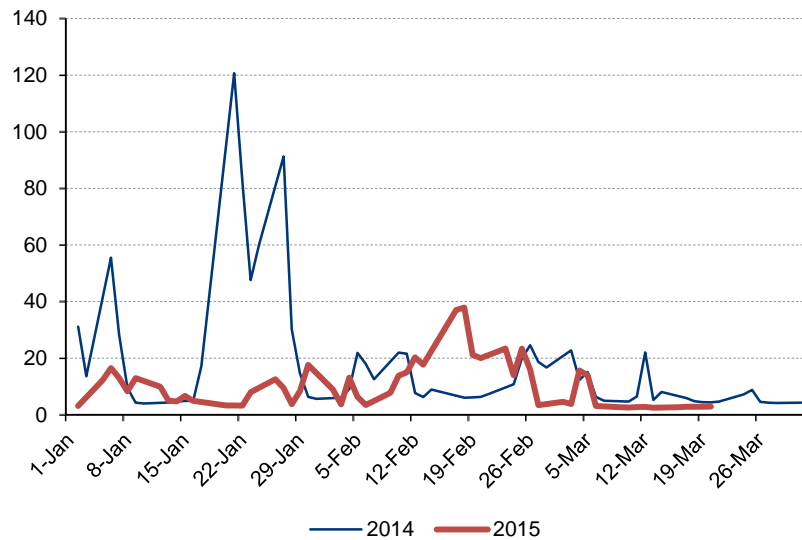
Stock Data

Average Daily Volume 1,136,053

Quarterly Earnings Estimates

	2014	2015
Q1	0.71A	0.66A
Q2	1.27A	1.15E
Q3	0.10A	NA
Q4	-0.07A	NA

Chart 1: FY2Q15 natural gas basis differentials relatively subdued in 2015 (Transco zone 6 spot price, \$/MMBtu)



Source: Bloomberg, BofA Merrill Lynch Global Research
Note: data as of 20 March 2015

Acquisition opportunities beyond Totalgaz

Additional acquisitions for UGI's international propane franchise could be incremental to the company's EPS growth, in our opinion. The European regulatory environment is similar to that of the U.S. (unregulated propane prices) and management thinks there could be meaningful opportunities in Germany (although anti-trust considerations could present difficulties). Additionally, UGI is exploring potential acquisitions of other midstream energy assets in Europe, which we view positively given the company's strong cash position (\$410mn as of FY1Q15).

Foreign exchange risk mitigated through hedges

A weaker Euro is a headwind for UGI in the long-run given its European earnings exposure. However, UGI's hedge position is relatively robust in the near term, in our opinion. Management noted it considers the company to be fully hedged (against its budgeted earnings) for 2015/16 and is 67/33% hedged for 2017/18, respectively.

Still putting off the MLP question

Management reiterated there is no current plan to spin off its midstream assets into an MLP. We recognize the scale of assets that could be placed in an MLP vehicle is relatively small but continue to think that an MLP vehicle could provide meaningful tax savings and a boost to UGI's trading multiple. The PennEast pipeline project (~\$200mn capex for UGI's 20% stake) could substantially expand UGI's midstream portfolio. The pipeline is not expected to come online before late 2017.

Totalgaz ~\$0.20 accretive to annual EPS

Management remains hopeful the Totalgaz acquisition will close during calendar 1H15 pending regulatory approval. Regardless of when the acquisition closes, Totalgaz will likely not contribute materially to FY15 EPS given the end of the FY14-15 heating season. However, we continue to view Totalgaz as a potential

positive catalyst for UGI's share price. Despite a weaker Euro since the acquisition announcement, the Totalgaz acquisition could be approximately \$0.20 accretive to annual EPS due to an attractive acquisition multiple and UGI's sizable cash balance, which could be used as a source of funding.

Adjusting estimates

We adjust our estimates to incorporate FY1Q15 results and introduce our FY17 estimates. Our revised FY15/16/17 EPS of \$1.90/2.07/2.18 compare to the consensus estimates of \$1.90/2.12/2.17, respectively. Our estimates exclude the impact of the Totalgaz acquisition given regulatory risks and we are unsure to what extent consensus reflects Totalgaz. Our FY15 EPS estimate of \$1.90 is towards the lower end of guidance (\$1.88-1.98) due to unfavorable weather conditions during FY1Q15 and our conservative outlook for UGIES.

Table 1: LDC comparables

Ticker	Name	BofAML Recommendation	BofAML Rating*	Current Price	Distribution Rate (%)	Market Value		EPS			P/E			Total Return		
						(mns)	Enterprise Value	2015E	2016E	2017E	2015E	2016E	2017E	1-YR	3-YR	5-YR
GAS	AGL Resources Inc.*	Underperform	A-3-7	49.81	4.1	5,973	10,955	2.80	2.97	3.15	17.8	16.8	15.8	8.0	46.1	63.7
ATO	Atmos Energy Corp*	Buy	A-1-7	55.44	2.8	5,597	8,479	3.00	3.20	3.40	18.5	17.3	16.3	25.1	101.9	133.1
LG	Laclede Group Inc.*	Buy	A-1-7	51.71	3.6	2,241	4,476	3.20	3.45	3.60	16.2	15.0	14.4	15.2	47.5	83.4
NJR	New Jersey Resources Corp.*	Underperform	A-3-7	31.11	2.9	2,664	3,625	1.65	1.65	1.73	18.9	18.9	18.0	34.1	55.8	98.9
NI	Nisource Inc.**	N/A	N/A	43.72	2.4	13,844	23,793	1.83	1.97	2.14	23.9	22.2	20.4	29.3	105.5	238.1
NWN	Northwest Natural Gas Co.*	Underperform	A-3-7	47.70	3.9	1,303	2,187	2.20	2.25	2.35	21.7	21.2	20.3	16.9	20.4	24.3
PNY	Piedmont Natural Gas Co.*	Underperform	B-3-7	36.90	3.6	2,910	4,795	1.85	1.98	2.12	19.9	18.6	17.4	10.0	32.7	61.1
OGS	ONE Gas*	Underperform	A-3-7	42.62	2.8	2,186	3,418	2.16	2.26	2.40	19.7	18.9	17.8	22.2	N/A	N/A
STR	Questar Corp*	Underperform	A-3-7	23.83	3.5	4,189	5,788	1.30	1.38	1.46	18.3	17.3	16.3	4.6	34.9	103.8
SRE	Sempra Energy *	Buy	C-1-7	111.54	2.5	27,631	42,164	4.86	5.20	5.60	23.0	21.5	19.9	19.3	108.8	157.6
SJI	South Jersey Industries Inc.**	N/A	N/A	54.96	3.7	1,883	3,088	3.18	3.27	3.75	17.3	16.8	14.7	4.1	20.9	54.5
SWX	Southwest Gas Corp.*	Neutral	A-2-7	58.09	2.8	2,708	4,347	3.15	3.40	3.60	18.4	17.1	16.1	11.7	47.8	120.7
UGI	UGI Corporation*	Buy	B-1-7	33.48	2.6	5,789	10,179	1.90	2.07	2.18	17.6	16.2	15.4	16.9	102.4	124.1
VVC	Vectren Corp.*	Underperform	A-3-7	44.66	3.4	3,694	5,341	2.40	2.55	2.70	18.6	17.5	16.5	22.7	75.5	134.1
WGL	WGL Holdings Inc.*	Underperform	A-3-7	55.73	3.3	2,773	4,139	2.86	3.05	3.25	19.5	18.3	17.1	48.2	56.7	99.2
Average:					3.2						19.2	18.2	17.2	19.2	61.2	106.9

Source: Company reports, FactSet, Bloomberg for uncovered companies, BofA Merrill Lynch Global Research analysis

Priced as of 23 March 2015

Note 1: * indicates BofA Merrill Lynch Global Research estimates

Note 2: ** indicates consensus estimates

Price objective basis & risk

UGI Corporation (UGI)

Our \$37 PO is based on a 17x target P/E on our FY17 EPS estimate of \$2.18. UGI offers an attractive EPS growth growth that should be driven by accelerated recovery on its regulated investments, attractive earnings growth at UGIES, and a high earnings retention ratio, which allows UGI to reinvest in its businesses while diminishing its potential financing overhang. However, UGI has a sizable exposure to the propane distribution business, which is more seasonal, volatile, and competitive than regulated utilities, in our opinion. Risks to our PO include: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, the potential inability to find new infrastructure projects through UGIES now that Auburn II is in-service, and unfavorable currency exchange rates. Macroeconomic concerns include rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Analyst Certification

I, Gabe Moreen, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Natural Gas Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY	Almos Energy	ATO	ATO US	Gabe Moreen
	Blueknight Energy Partners, LP	BKEP	BKEP US	Gabe Moreen
	Boardwalk Pipeline	BWP	BWP US	Gabe Moreen
	Buckeye Partners	BPL	BPL US	Gabe Moreen
	CONE Midstream Partners, LP	CNNX	CNNX US	Gabe Moreen
	CorEnergy Infrastructure Trust, Inc	CORR	CORR US	Gabe Moreen
	Crestwood Equity Partners LP	CEQP	CEQP US	Gabe Moreen
	Crestwood Midstream Partners, LP	CMLP	CMLP US	Gabe Moreen
	CrossAmerica Partners LP	CAPL	CAPL US	Gabe Moreen
	CSI Compressco, LP	CCLP	CCLP US	Gabe Moreen
	DCP Midstream	DPM	DPM US	Gabe Moreen
	Delek Logistics	DKL	DKL US	Gabe Moreen
	Energy Trans	ETE	ETE US	Gabe Moreen
	EnLink Midstream Partners, LP	ENLK	ENLK US	Gabe Moreen
	EnLink Midstream, LLC	ENLC	ENLC US	Gabe Moreen
	Enterprise L.P.	EPD	EPD US	Gabe Moreen
	EQT Midstream Partners LP	EQM	EQM US	Gabe Moreen
	Exterran	EXLP	EXLP US	Gabe Moreen
	Genesis Energy, L.P.	GEL	GEL US	Gabe Moreen
	Global Partners LP	GLP	GLP US	Gabe Moreen
	JP Energy Partner, LP	JPEP	JPEP US	Gabe Moreen
	Kinder Morgan, Inc.	KMI	KMI US	Gabe Moreen
	KNOT Offshore Partners, LP	KNOP	KNOP US	Gabe Moreen
	Magellan Mid	MMP	MMP US	Gabe Moreen
	Markwest Energy Partners L.P.	MWE	MWE US	Gabe Moreen
	Martin Midstream Partners, LP	MMLP	MMLP US	Gabe Moreen
	NGL Energy Partners, LP	NGL	NGL US	Gabe Moreen
	PBF Logistics, LP	PBFX	PBFX US	Gabe Moreen
	Plains AA	PAA	PAA US	Gabe Moreen
	Plains GP Holdings, LP	PAGP	PAGP US	Gabe Moreen

US - Natural Gas Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
	Sempra Energy	SRE	SRE US	Gabe Moreen
	Sprague Resources, L.P.	SRLP	SRLP US	Gabe Moreen
	Suburban Propane Partners L.P.	SPH	SPH US	Gabe Moreen
	Summit Midstream Partners, LP	SMLP	SMLP US	Gabe Moreen
	Sunoco Logistics	SXL	SXL US	Gabe Moreen
	Sunoco LP	SUN	SUN US	Gabe Moreen
	Targa Resources	NGLS	NGLS US	Gabe Moreen
	Tesoro Logistics LP	TLLP	TLLP US	Gabe Moreen
	The Laclede Group, Inc.	LG	LG US	Gabe Moreen
	TransMontaigne Partners L.P.	TLP	TLP US	Gabe Moreen
	UGI Corporation	UGI	UGI US	Gabe Moreen
	USD Partners, LP	USDP	USDP US	Derek Walker
	Valero Energy Partners LP	VLP	VLP US	Gabe Moreen
	VTTI Energy Partners, LP	VTTI	VTTI US	Derek Walker
	Western Gas Partners, LP	WES	WES US	Gabe Moreen
	Western Refining Logistics, L.P.	WNRL	WNRL US	Gabe Moreen
NEUTRAL				
	American Midstream LP	AMID	AMID US	Gabe Moreen
	AmeriGas Partners L.P.	APU	APU US	Gabe Moreen
	Columbia Pipeline Partners, LP	CPPL	CPPL US	Derek Walker
	Dominion Midstream Partners, LP	DM	DM US	Kathleen Morris
	Energy Transfer	ETP	ETP US	Gabe Moreen
	Kayne Anderson Energy Development Co.	KED	KED US	Gabe Moreen
	MPLX LP	MPLX	MPLX US	Gabe Moreen
	Nustar Energy LP	NS	NS US	Gabe Moreen
	Nustar GP	NSH	NSH US	Gabe Moreen
	ONEOK Partners	OKS	OKS US	Gabe Moreen
	Phillips 66 Partners LP	PSXP	PSXP US	Gabe Moreen
	Southwest Gas	SWX	SWX US	Gabe Moreen
	Spectra Energy	SE	SE US	Gabe Moreen
	Targa Resources Corp.	TRGP	TRGP US	Gabe Moreen
	Teekay Offshore	TOO	TOO US	Gabe Moreen
	Western Gas Equity Partners, LP	WGP	WGP US	Gabe Moreen
	Williams Partners, LP	WPZ	WPZ US	Gabe Moreen
	World Point Terminals, L.P.	WPT	WPT US	Gabe Moreen
UNDERPERFORM				
	AGL Resources Inc.	GAS	GAS US	Gabe Moreen
	Enable Midstream Partners, LP	ENBL	ENBL US	Gabe Moreen
	Enbridge Energy	EEP	EEP US	Gabe Moreen
	Enbridge Energy	EEQ	EEQ US	Gabe Moreen
	Ferrellgas Partners L.P.	FGP	FGP US	Gabe Moreen
	Holly Energy Par	HEP	HEP US	Gabe Moreen
	Midcoast Energy Partners, LP	MEP	MEP US	Gabe Moreen
	New Jersey Resources Corporation	NJR	NJR US	Gabe Moreen
	Northwest Natural Gas Co.	NWN	NWN US	Gabe Moreen
	ONE Gas, Inc.	OGS	OGS US	Gabe Moreen
	Piedmont Natural Gas	PNY	PNY US	Gabe Moreen
	Questar Corp	STR	STR US	Gabe Moreen
	Spectra Energy	SEP	SEP US	Gabe Moreen
	TC PipeLines LP	TCP	TCP US	Gabe Moreen
	Vectren Corp	VVC	VVC US	Gabe Moreen
	WGL Holdings, Inc.	WGL	WGL US	Gabe Moreen
RSTR				
	Tallgrass Energy Partners, L.P.	TEP	TEP US	Gabe Moreen

23 March 2015

***iQmethod*SM Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

*iQmethod*SM is the set of BoFA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

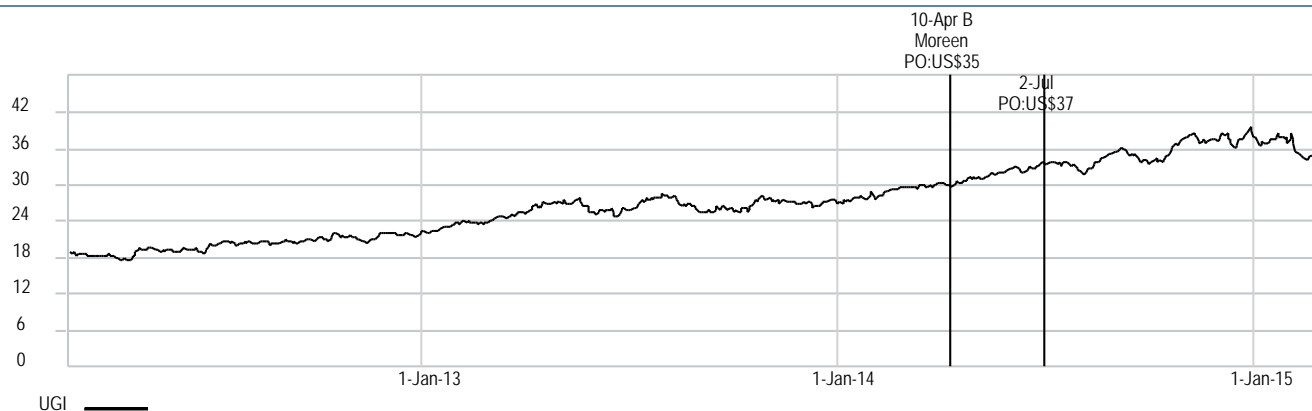
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23 March 2015

Important Disclosures

UGI Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of February 28, 2015 or such later date as indicated.

Investment Rating Distribution: Energy Group (as of 31 Dec 2014)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	132	52.80%	Buy	111	84.09%
Neutral	60	24.00%	Neutral	45	75.00%
Sell	58	23.20%	Sell	46	79.31%

Investment Rating Distribution: Global Group (as of 31 Dec 2014)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1724	51.69%	Buy	1271	73.72%
Neutral	791	23.72%	Neutral	587	74.21%
Sell	820	24.59%	Sell	520	63.41%

* Companies that were investment banking clients of BofA Merrill Lynch or one of its affiliates within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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23 March 2015

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FY2Q15 beat; FY15 guidance upsized on midstream strength

FY2Q15 beat; FY15 guidance raised

Yesterday after market close, UGI reported FY2Q15 adjusted EPS of \$1.23, above the BofAML/consensus estimates of \$1.16/1.20, respectively. The beat was largely attributable to better than expected Midstream & Marketing contribution. UGI also increased its 2015 EPS guidance to \$2.00-2.10 (from \$1.88-1.98), which compares to the prior BofAML/consensus estimates of \$1.90-1.91. UGI previously declared a FY2Q15 DPS of \$0.2275, which represents a 5% increase QoQ/YoY. We had forecasted a 8% increase in FY3Q15 and view the DPS increase as somewhat disappointing but also see a potential acceleration of UGI's dividend CAGR given the company's robust EPS growth guidance (6-10%) and relatively payout ratio (51% for 2015E).

Northeast midstream assets provide upside

UGI's Midstream & Marketing segment generated \$102mn in operating income during the quarter, above our estimate of \$92mn. We view this positively despite the 12% decline over FY2Q14, during which the segment generated record earnings due to extraordinary weather. The robust results, to some degree, reflect elevated regional natural gas volatility during February 2015 (although relatively mild YoY). However, results also may indicate greater contributions from UGI's completed midstream assets such as the Auburn expansions. Segment earnings may be augmented going forward as UGI's Temple LNG expansion came online during April 2015. The company's Northeast midstream footprint provide both a robust platform of further organic growth (current backlog includes the PennEast pipeline and Sunbury project) and optionality on regional basis differentials, in our view.

Reiterate Buy; raise PO to \$39

We reiterate our Buy rating on UGI for its focus on growing its midstream assets, diversified business operations, underappreciated GP interest in AmeriGas (APU) and exposure to the Marcellus Shale. We increase our PO to \$39 (from \$37) based on a 17.5 target P/E on our FY17 EPS estimate of \$2.24.

Estimates (Sep)

(US\$)	2013A	2014A	2015E	2016E	2017E
EPS	1.60	2.00	2.02	2.10	2.24
GAAP EPS	1.60	1.92	1.72	2.10	2.24
EPS Change (YoY)	36.8%	25.0%	1.0%	4.0%	6.7%
Consensus EPS (Bloomberg)			1.91	2.13	2.23
DPS	0.75	0.82	0.90	0.96	1.02

Valuation (Sep)

	2013A	2014A	2015E	2016E	2017E
P/E	21.5x	17.2x	17.0x	16.4x	15.4x
GAAP P/E	21.5x	17.9x	20.0x	16.4x	15.4x
Dividend Yield	2.2%	2.4%	2.6%	2.8%	3.0%
EV / EBITDA*	9.8x	8.4x	9.0x	8.3x	7.9x
Free Cash Flow Yield*	5.2%	9.1%	9.5%	10.6%	11.3%

* For full definitions of *iQmethod*SM measures, see page 6.

Equity | United States | Natural Gas-Local Distribution
Companies
05 May 2015

Bank of America Merrill Lynch

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Stock Data

Price	US\$34.40
Price Objective	US\$39.00
Date Established	5-May-2015
Investment Opinion	B-1-7
Volatility Risk	MEDIUM
52-Week Range	US\$30.75-39.75
Mrkt Val / Shares Out (mn)	US\$6,010 / 174.7
BofAML Ticker / Exchange	UGI / NYS
Bloomberg / Reuters	UGI US / UGI.N
ROE (2015E)	12.9%
Net Dbt to Eqty (Sep-2014A)	90.1%
Est. 5-Yr EPS / DPS Growth	8.0% / 6.0%

Key Changes

(US\$)	Previous	Current
Price Obj.	37.00	39.00
2015E EPS	1.90	2.02
2016E EPS	2.07	2.10
2017E EPS	2.18	2.24
2015E EBITDA (m)	1,201.0	1,299.7
2016E EBITDA (m)	1,414.0	1,408.1
2017E EBITDA (m)	1,452.6	1,468.2
2015E DPS	0.91	0.90

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05 May 2015

iQprofileSM UGI Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Return on Capital Employed	6.9%	7.8%	7.0%	7.9%	8.5%
Return on Equity	11.8%	13.6%	12.9%	12.8%	13.0%
Operating Margin	11.6%	12.1%	6.2%	12.2%	12.7%
Free Cash Flow	316	549	574	636	678

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Cash Realization Ratio	2.9x	2.9x	3.0x	2.8x	2.8x
Asset Replacement Ratio	1.3x	1.3x	1.3x	1.1x	1.1x
Tax Rate	27.6%	30.6%	27.6%	30.0%	30.0%
Net Debt-to-Equity Ratio	97.2%	90.1%	85.2%	77.0%	68.7%
Interest Cover	3.5x	4.2x	3.7x	4.7x	4.9x

Income Statement Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Sales	7,195	8,277	7,434	8,450	8,609
% Change	10.4%	15.0%	-10.2%	13.7%	1.9%
Gross Profit	2,870	3,102	2,558	3,156	3,244
% Change	19.2%	8.1%	-17.5%	23.4%	2.8%
EBITDA	1,194	1,381	1,300	1,408	1,468
% Change	42.6%	15.6%	-5.9%	8.3%	4.3%
Net Interest & Other Income	(241)	(238)	(237)	(221)	(222)
Net Income (Adjusted)	278	350	352	367	391
% Change	39.5%	25.7%	0.6%	4.2%	6.7%

Free Cash Flow Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Net Income from Cont Operations (GAAP)	278	337	301	367	391
Depreciation & Amortization	363	363	371	377	377
Change in Working Capital	(44)	(6)	52	100	100
Deferred Taxation Charge	49	67	(60)	0	0
Other Adjustments, Net	156	245	399	200	217
Capital Expenditure	(486)	(457)	(489)	(408)	(408)
Free Cash Flow	316	549	574	636	678
% Change	-14.3%	73.9%	4.6%	10.9%	6.5%

Balance Sheet Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Cash & Equivalents	389	420	786	688	706
Trade Receivables	746	685	661	561	461
Other Current Assets	492	559	669	669	669
Property, Plant & Equipment	4,480	4,544	4,629	4,660	4,690
Other Non-Current Assets	3,901	3,886	3,838	3,838	3,838
Total Assets	10,009	10,093	10,583	10,415	10,363
Short-Term Debt	295	288	606	606	606
Other Current Liabilities	1,130	1,143	1,363	1,363	1,363
Long-Term Debt	3,542	3,434	3,341	3,041	2,841
Other Non-Current Liabilities	1,494	1,565	1,565	1,565	1,565
Total Liabilities	6,461	6,430	6,875	6,575	6,375
Total Equity	3,548	3,663	3,708	3,840	3,988
Total Equity & Liabilities	10,009	10,093	10,583	10,415	10,363

* For full definitions of iQmethodSM measures, see page 6.

Company Description

UGI Corporation (UGI) is a natural gas transmission and energy distribution company headquartered in King of Prussia, PA. Operations are divided between four business units: Domestic Propane - AmeriGas Partners, LP (NYSE: APU), UGI International Propane, UGI Utilities and Midstream and Marketing. APU distributes propane to more than 2mn customers while UGI Utilities serves more than 600,000 customers in PA and MD.

Investment Thesis

We see UGI as attractively valued given its above peer average EPS growth potential and ample FCF generation that gives UGI flexibility on capital return and reinvestment, high customer growth potential at UGI Utilities, an attractive outlook for UGIES, its strong balance sheet and management's posture of remaining conservative with prospective acquisitions.

Stock Data

Average Daily Volume 1,195,882

Quarterly Earnings Estimates

	2014	2015
Q1	0.71A	0.66A
Q2	1.27A	1.23A
Q3	0.10A	0.18E
Q4	-0.07A	NA

Totalgaz close expected within two months

Management reiterated the expected closing date of the €400-450mn Totalgaz acquisition during calendar 1H15 pending regulatory approval. Despite potential risks to this timeline given regulatory uncertainty, we continue to view the deal favorably as the estimated transaction multiple seems attractive (5-6x EBITDA pre-synergies, see: [Vive le LPGs! PO to \\$56](#)). The acquisition is excluded from and could provide upside to management long-term EPS CAGR guidance of 6-10%. The acquisition is also excluded from our estimates and management's 2015 EPS guidance.

APU reports in-line FY2Q15 results

Concurrent with UGI's earnings release, APU reported FY2Q15 EBITDA of \$342mn, in-line with the BofAML/consensus estimates of \$356/336mn, respectively. Additionally, APU reiterated its FY15 EBITDA guidance to \$635-665mn, which compares to the prior BofAML/consensus estimates of \$652/648mn (see: [FY2Q15 in-line; DPU continues growth trajectory](#)).

Foreign exchange risk manageable

A weaker Euro is a headwind for UGI in the long-run given its European earnings exposure. However, UGI's hedge position is relatively robust in the near-term, in our opinion. Management previously noted it considers the company to be fully hedged (against its budgeted earnings) for 2015/16 and is 67/33% hedged for 2017/18, respectively.

Additionally, we expect the contribution from UGI's existing international operations to be relatively modest as the company focuses on more domestic organic growth. We forecast 13% of UGI's consolidated operating income in FY17 will be attributable the company's international businesses. Totalgaz is excluded from this calculation since a weaker Euro also means a cheaper purchase price (in USD).

Adjusting estimates

We adjust our estimates to incorporate FY2Q15 results and the increased FY2015 guidance. Our revised FY15/16/17 EPS of \$2.02/2.10/2.24 (from \$1.90/2.07/2.18) compare to the consensus estimates of \$1.91/2.13/2.23, respectively. Our estimates exclude the impact of the Totalgaz acquisition given regulatory risks and we are unsure to what extent consensus reflects Totalgaz. Our FY15 EPS estimate of \$2.02 is towards the lower end of guidance of \$2.00-2.10.

05 May 2015

Table 1: LDC comparables

Ticker	Name	BofAML Recommendation	BofAML Rating*	Current Price	Distribution Rate (%)	Market Value		EPS			P/E			Total Return			
						(mns)	Enterprise Value	2015E	2016E	2017E	2015E	2016E	2017E	1-YR	3-YR	5-YR	
GAS	AGL Resources Inc.*	Underperform	A-3-7	48.63	4.2	5,832	9,946	2.95	3.02	3.15	16.5	16.1	15.4	-5.6	43.4	55.2	
ATO	Atmos Energy Corp*	Buy	A-1-7	52.50	3.0	5,295	8,177	3.00	3.20	3.40	17.5	16.4	15.4	5.9	79.2	120.3	
LG	Laclede Group Inc.*	Buy	A-1-7	51.15	3.6	2,215	4,450	3.20	3.45	3.60	16.0	14.8	14.2	13.9	47.3	80.6	
NJR	New Jersey Resources Corp.*	Underperform	A-3-7	29.51	3.0	2,521	3,482	1.65	1.65	1.73	17.9	17.9	17.1	25.1	53.1	86.5	
NI	Nisource Inc.**	N/A	N/A	43.12	2.4	13,685	23,303	1.81	1.90	2.04	23.8	22.7	21.2	20.2	89.3	219.2	
NWN	Northwest Natural Gas Co.*	Underperform	A-3-7	45.18	4.1	1,235	2,045	2.20	2.25	2.35	20.5	20.1	19.2	6.8	12.2	18.3	
PNY	Piedmont Natural Gas Co.*	Underperform	B-3-7	36.17	3.6	2,849	4,734	1.85	1.98	2.12	19.6	18.3	17.1	7.2	37.5	61.3	
OGS	ONE Gas*	Underperform	A-3-7	41.41	2.9	2,178	3,237	2.20	2.30	2.40	18.8	18.0	17.3	16.7	N/A	N/A	
STR	Questar Corp*	Underperform	B-3-7	23.17	3.6	4,071	5,563	1.27	1.36	1.44	18.2	17.0	16.1	1.2	29.9	81.6	
SRE	Sempra Energy *	Buy	C-1-7	104.33	2.7	25,830	40,481	4.91	5.17	5.51	21.2	20.2	18.9	8.5	75.5	153.9	
SJI	South Jersey Industries Inc.**	N/A	N/A	51.27	3.9	1,754	2,959	3.32	3.40	3.75	15.5	15.1	13.7	-5.8	18.1	36.3	
SWX	Southwest Gas Corp.*	Neutral	A-2-7	53.42	3.0	2,491	4,131	3.15	3.40	3.60	17.0	15.7	14.8	0.9	39.6	97.2	
UGI	UGI Corporation*	Buy	B-1-7	34.40	2.6	5,944	10,334	1.90	2.07	2.24	18.1	16.6	15.4	12.8	93.8	124.1	
VVC	Vectren Corp.*	Underperform	A-3-7	42.36	3.6	3,500	5,147	2.40	2.55	2.70	17.7	16.6	15.7	8.4	64.7	115.2	
WGL	WGL Holdings Inc.*	Underperform	A-3-7	53.66	3.4	2,668	4,034	2.86	3.05	3.25	18.8	17.6	16.5	44.4	55.5	84.9	
Average:					3.3							18.5	17.5	16.5	10.7	52.8	95.3

Source: Company reports, FactSet, Bloomberg for uncovered companies, BofA Merrill Lynch Global Research analysis

Priced as of 5 March 2015

Note 1: * indicates BofA Merrill Lynch Global Research estimates

Note 2: ** indicates consensus estimates

Price objective basis & risk UGI Corporation (UGI)

Our \$39 PO is based on a 17.5x target P/E on our FY17 EPS estimate of \$2.24. UGI offers an attractive EPS growth growth that should be driven by accelerated recovery on its regulated investments, attractive earnings growth at UGIES, and a high earnings retention ratio, which allows UGI to reinvest in its businesses while diminishing its potential financing overhang. However, UGI has a sizable exposure to the propane distribution business, which is more seasonal, volatile, and competitive than regulated utilities, in our opinion. Risks to our PO include: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, the potential inability to find new infrastructure projects through UGIES now that Auburn II is in-service, and unfavorable currency exchange rates. Macroeconomic concerns include rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Analyst Certification

I, Gabe Moreen, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Natural Gas Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Atmos Energy	ATO	ATO US	Gabe Moreen
	Sempra Energy	SRE	SRE US	Gabe Moreen
	The Laclede Group, Inc.	LG	LG US	Gabe Moreen
	UGI Corporation	UGI	UGI US	Gabe Moreen
NEUTRAL				
	Southwest Gas	SWX	SWX US	Gabe Moreen
UNDERPERFORM				
	AGL Resources Inc.	GAS	GAS US	Gabe Moreen
	New Jersey Resources Corporation	NJR	NJR US	Gabe Moreen
	Northwest Natural Gas Co.	NWN	NWN US	Gabe Moreen
	ONE Gas, Inc.	OGS	OGS US	Gabe Moreen
	Piedmont Natural Gas	PNY	PNY US	Gabe Moreen
	Questar Corp	STR	STR US	Gabe Moreen
	Vectren Corp	VVC	VVC US	Gabe Moreen
	WGL Holdings, Inc.	WGL	WGL US	Gabe Moreen

05 May 2015

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
	Amortization	Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt}$ + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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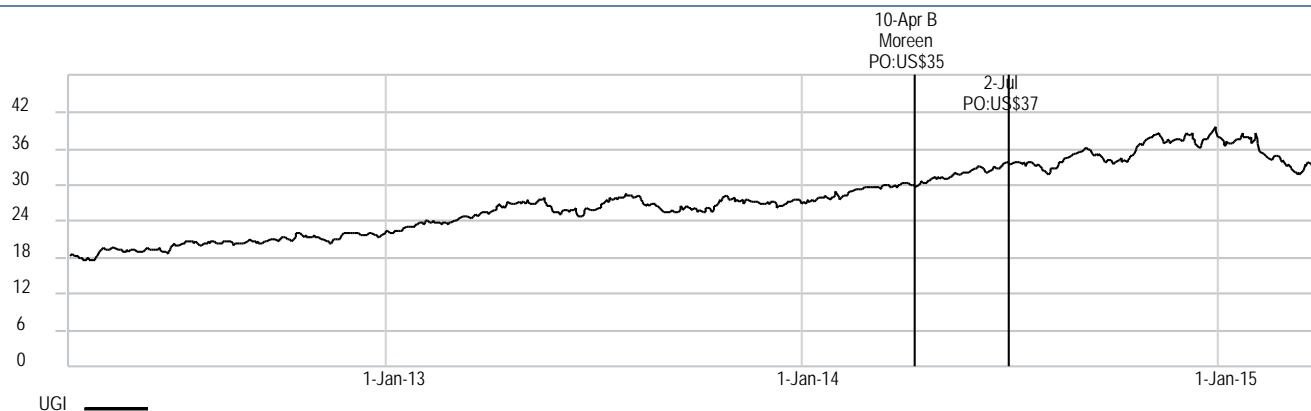
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05 May 2015

Important Disclosures

UGI Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Investment Rating Distribution: Energy Group (as of 31 Mar 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	129	51.81%	Buy	110	85.27%
Neutral	60	24.10%	Neutral	45	75.00%
Sell	60	24.10%	Sell	45	75.00%

Investment Rating Distribution: Global Group (as of 31 Mar 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1696	50.89%	Buy	1258	74.17%
Neutral	805	24.15%	Neutral	586	72.80%
Sell	832	24.96%	Sell	539	64.78%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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Some initial guidance on Totalgaz

Totalgaz to totally close shortly

Last Friday, UGI announced it had received the final approval from the French Competition Authority to complete its previously announced acquisition of Total's liquefied petroleum gas (LPG) distribution business in France. During our meeting with UGI at the AGA Financial Forum, management reiterated that it expects the acquisition to close during May 2015 for EUR 400-450mn (still no exact purchase price due to Total's reluctance to disclose).

Initial accretion/dilution guidance

Management expects the acquisition to be dilutive to FY15 EPS and accretive to FY16 and beyond. Totalgaz will be \$0.14-0.18 dilutive to FY15 EPS due to: (1) Totalgaz contributing to only the second half of FY15 (April – September 2015), when LPG distribution is seasonably weak, and (2) certain transaction costs. The exact EPS accretion was not disclosed for FY16 and beyond and management commentary indicates Totalgaz could have an unlevered earnings return profile of 8-10%, which we view positively. Assuming a 50/50% debt/equity financing mix, today's Euro exchange rate and the midpoint of the purchase price range, the annual EPS accretion corresponds roughly to our prior estimate of \$0.15-0.20.

Market underestimates Totalgaz

The market continues to underappreciate the EPS accretion as a result of the Totalgaz transaction, in our opinion, which is excluded from both our estimates and UGI's long-term EPS growth guidance of 6-10%. We reiterate our Buy rating on UGI for its focus on growing its midstream assets, diversified business operations, underappreciated GP interest in AmeriGas (APU), exposure to the Marcellus Shale and the Totalgaz acquisition. We increase our PO to \$40 (from \$39) based on a 17.5 target P/E on our FY17 EPS estimate of \$2.24.

Equity | United States | Natural Gas-Local Distribution
Companies
18 May 2015

Bank of America Merrill Lynch



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Stock Data

Price	US\$37.17
Price Objective	US\$39.00 to US\$40.00
Date Established	18-May-2015
Investment Opinion	B-1-7
Volatility Risk	MEDIUM
BofAML Ticker / Exchange	UGI / NYS
Bloomberg / Reuters	UGI US / UGI.N

Price objective basis & risk

UGI Corporation (UGI)

Our \$40 PO is based on a 17.5x target P/E on our FY17 EPS estimate of \$2.24. UGI offers an attractive EPS growth growth that should be driven by accelerated recovery on its regulated investments, attractive earnings growth at UGIES, and a high earnings retention ratio, which allows UGI to reinvest in its businesses while diminishing its potential financing overhang. However, UGI has a sizable exposure to the propane distribution business, which is more seasonal, volatile, and competitive than regulated utilities, in our opinion. Risks to our PO include: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, the potential inability to find new infrastructure projects through UGIES now that Auburn II is in-service, and unfavorable currency exchange rates. Macroeconomic concerns include rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

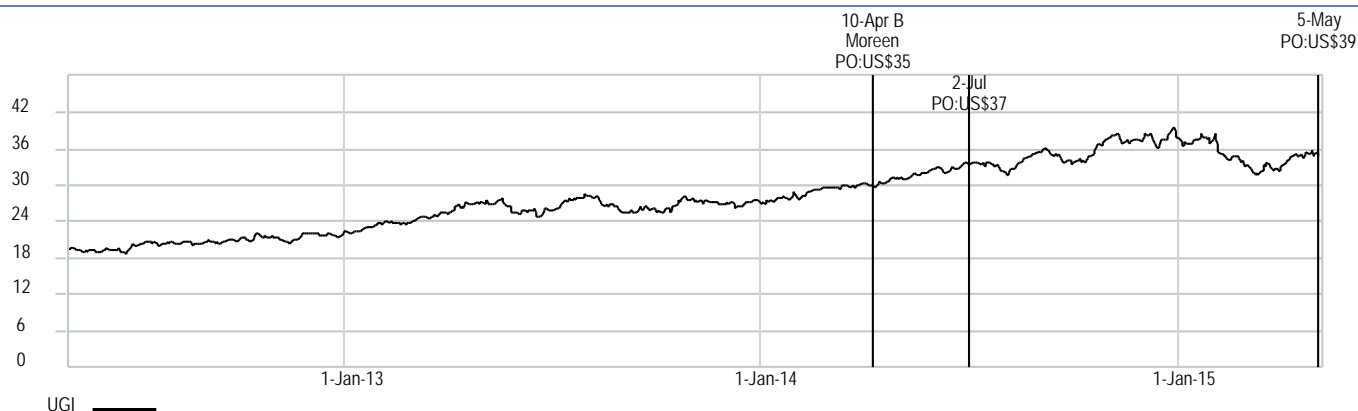
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I, Gabe Moreen, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

18 May 2015

Important Disclosures

UGI Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Investment Rating Distribution: Energy Group (as of 31 Mar 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	129	51.81%	Buy	110	85.27%
Neutral	60	24.10%	Neutral	45	75.00%
Sell	60	24.10%	Sell	45	75.00%

Investment Rating Distribution: Global Group (as of 31 Mar 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1696	50.89%	Buy	1258	74.17%
Neutral	805	24.15%	Neutral	586	72.80%
Sell	832	24.96%	Sell	539	64.78%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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18 May 2015

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Incorporating Totalgaz; \$0.10-0.15 accretive to FY16 EPS

Totalgaz totally closed

Last Friday, UGI announced that it has completed the acquisition of Totalgaz for €423mn (\$461mn), in line with the previously announced acquisition price range of €400-450mn (see: [Some initial guidance on Totalgaz](#)). UGI also completed the issuance of €600mn bank term debt to refinance €342mn of existing debt at Antargaz and to partially fund the Totalgaz acquisition. We adjust our estimates to incorporate the Totalgaz close.

\$0.10-0.15 EPS accretion in FY16

We estimate that the transaction could be \$0.10-0.15 accretive to annual EPS in FY2016 and beyond, based on management's guidance of an 8-10% unlevered return for Totalgaz. UGI will likely not issue incremental equity associated with the transaction, in our opinion, as the company can fund the purchase with the €258mn of net incremental debt and \$446mn of cash on hand as of the quarter ended 30 March 2015. Management does not expect material synergies in the near term, due to the relatively more labor-friendly regulatory environment in France. For FY2015, management guides to Totalgaz being \$0.14-0.18 dilutive, due to: 1) having Totalgaz contribute to only the second half of FY15 (April – September 2015), when LPG distribution is seasonably weak, and 2) certain transaction costs. We estimate ~\$15mn in nonrecurring transaction costs, roughly in line with guidance.

Leverage profile manageable

Despite the incremental debt associated with the transaction, UGI's leverage profile remains manageable, in our opinion, due to: 1) a relatively robust cash balance prior to the acquisition; and 2) a low dividend payout ratio (46% for FY2015E). We expect UGI's debt/total capital ratio to decrease to 52% by year-end FY2016 (from 56% in FY2015E), in line with LDC peers.

Reiterate Buy; \$40 PO

The market continues to underappreciate the EPS accretion as a result of the Totalgaz transaction, in our opinion, which is excluded from UGI's long-term EPS growth guidance of 6-10%. We reiterate our PO of \$40, based on a 17x target P/E on our FY17 EPS estimate of \$2.40.

Estimates (Sep)

(US\$)	2013A	2014A	2015E	2016E	2017E
EPS	1.60	2.00	1.93	2.20	2.40
GAAP EPS	1.60	1.92	1.64	2.20	2.40
EPS Change (YoY)	36.8%	25.0%	-3.5%	14.0%	9.1%
Consensus EPS (Bloomberg)			1.96	2.16	2.25
DPS	0.75	0.82	0.90	0.96	1.02

Valuation (Sep)

	2013A	2014A	2015E	2016E	2017E
P/E	23.2x	18.5x	19.2x	16.8x	15.4x
GAAP P/E	23.2x	19.3x	22.6x	16.8x	15.4x
Dividend Yield	2.0%	2.2%	2.4%	2.6%	2.7%
EV / EBITDA*	10.3x	8.9x	9.4x	8.4x	8.0x
Free Cash Flow Yield*	4.9%	8.5%	14.3%	10.6%	11.4%

* For full definitions of *iQmethod*SM measures, see page 5.

Equity | United States | Natural Gas-Local Distribution
Companies
01 June 2015

Bank of America Merrill Lynch

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Stock Data

Price	US\$37.04
Price Objective	US\$40.00
Date Established	18-May-2015
Investment Opinion	B-1-7
Volatility Risk	MEDIUM
52-Week Range	US\$31.53-39.75
Mrkt Val / Shares Out (mn)	US\$6,471 / 174.7
BofAML Ticker / Exchange	UGI / NYS
Bloomberg / Reuters	UGI US / UGI.N
ROE (2015E)	12.9%
Net Dbt to Eqty (Sep-2014A)	90.1%
Est. 5-Yr EPS / DPS Growth	8.0% / 6.0%

Key Changes

(US\$)	Previous	Current
2015E EPS	2.02	1.93
2016E EPS	2.10	2.20
2017E EPS	2.24	2.40
2015E EBITDA (m)	1,299.7	1,300.7
2016E EBITDA (m)	1,408.1	1,457.8
2017E EBITDA (m)	1,468.2	1,530.9

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01 June 2015

iQprofileSM UGI Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Return on Capital Employed	6.9%	7.8%	7.1%	8.3%	9.0%
Return on Equity	11.8%	13.6%	12.9%	14.7%	15.0%
Operating Margin	11.6%	12.1%	11.3%	11.5%	12.2%
Free Cash Flow	316	549	928	685	736

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Cash Realization Ratio	2.9x	2.9x	4.2x	2.8x	2.7x
Asset Replacement Ratio	1.3x	1.3x	1.3x	1.0x	1.0x
Tax Rate	27.6%	30.6%	27.5%	30.0%	30.0%
Net Debt-to-Equity Ratio	97.2%	90.1%	89.1%	78.9%	68.5%
Interest Cover	3.5x	4.2x	3.8x	4.9x	5.3x

Income Statement Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Sales	7,195	8,277	7,729	9,106	9,240
% Change	10.4%	15.0%	-6.6%	17.8%	1.5%
Gross Profit	2,870	3,102	3,015	3,350	3,455
% Change	19.2%	8.1%	-2.8%	11.1%	3.1%
EBITDA	1,194	1,381	1,301	1,458	1,531
% Change	42.6%	15.6%	-5.8%	12.1%	5.0%
Net Interest & Other Income	(241)	(238)	(251)	(213)	(214)
Net Income (Adjusted)	278	350	338	386	420
% Change	39.5%	25.7%	-3.4%	14.3%	8.8%

Free Cash Flow Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Net Income from Cont Operations (GAAP)	278	337	287	386	420
Depreciation & Amortization	363	363	378	407	407
Change in Working Capital	(44)	(6)	477	100	100
Deferred Taxation Charge	49	67	(34)	0	0
Other Adjustments, Net	156	245	316	200	217
Capital Expenditure	(486)	(457)	(497)	(408)	(408)
Free Cash Flow	316	549	928	685	736
% Change	-14.3%	73.9%	69.1%	-26.1%	7.4%

Balance Sheet Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Cash & Equivalents	389	420	576	526	601
Trade Receivables	746	685	446	346	246
Other Current Assets	492	559	468	468	468
Property, Plant & Equipment	4,480	4,544	5,012	5,013	5,013
Other Non-Current Assets	3,901	3,886	3,737	3,737	3,737
Total Assets	10,009	10,093	10,239	10,090	10,065
Short-Term Debt	295	288	560	560	560
Other Current Liabilities	1,130	1,143	1,289	1,289	1,289
Long-Term Debt	3,542	3,434	3,258	2,958	2,758
Other Non-Current Liabilities	1,494	1,565	1,491	1,491	1,491
Total Liabilities	6,461	6,430	6,599	6,299	6,099
Total Equity	3,548	3,663	3,640	3,791	3,966
Total Equity & Liabilities	10,009	10,093	10,239	10,090	10,065

* For full definitions of iQmethodSM measures, see page 5.

Company Description

UGI Corporation (UGI) is a natural gas transmission and energy distribution company headquartered in King of Prussia, PA. Operations are divided between four business units: Domestic Propane - AmeriGas Partners, LP (NYSE: APU), UGI International Propane, UGI Utilities and Midstream and Marketing. APU distributes propane to more than 2mn customers while UGI Utilities serves more than 600,000 customers in PA and MD.

Investment Thesis

We see UGI as attractively valued given its above peer average EPS growth potential and ample FCF generation that gives UGI flexibility on capital return and reinvestment, high customer growth potential at UGI Utilities, an attractive outlook for UGIES, its strong balance sheet and management's posture of remaining conservative with prospective acquisitions.

Stock Data

Average Daily Volume 1,058,617

Quarterly Earnings Estimates

	2014	2015
Q1	0.71A	0.66A
Q2	1.27A	1.23A
Q3	0.10A	0.16E
Q4	-0.07A	NA

Adjusting estimates

We adjust our estimates to incorporate the Totalgaz close. Our revised FY15/16/17 EPS of \$1.93/2.20/2.40 (from \$2.02/2.10/2.24) compare to the consensus estimates of \$1.96/2.16/2.25, respectively. We are unsure to what extent consensus reflects Totalgaz. Our FY15 EPS estimate of \$1.93 is in line with guidance (\$2.00-2.10 with \$0.14-0.18 dilution from Totalgaz).

Table 1: LDC comparables

Ticker	Name	BofAML Recommendation	BofAML Rating*	Current Price	Distribution Rate (%)	Market Value		EPS			P/E			Total Return		
						(mns)	Enterprise Value	2015E	2016E	2017E	2015E	2016E	2017E	1-YR	3-YR	5-YR
GAS	AGL Resources Inc.*	Underperform	A-3-7	50.37	4.0	6,047	10,161	2.95	3.02	3.15	17.1	16.7	16.0	-5.2	44.0	59.4
ATO	Atmos Energy Corp*	Buy	A-1-7	54.02	2.9	5,476	8,061	3.05	3.20	3.40	17.7	16.9	15.9	5.9	79.7	129.0
LG	Laclede Group Inc.*	Buy	A-1-7	53.51	3.4	2,334	4,351	3.30	3.46	3.60	16.2	15.5	14.9	13.7	45.6	83.8
NJR	New Jersey Resources Corp.*	Underperform	A-3-7	30.07	3.0	2,567	3,302	1.73	1.65	1.74	17.4	18.2	17.3	27.0	53.7	91.6
NI	Nisource Inc.**	N/A	N/A	47.18	2.2	14,958	24,575	1.81	1.90	2.04	26.1	24.8	23.2	20.1	88.2	229.9
NWN	Northwest Natural Gas Co.*	Underperform	A-3-7	44.70	4.2	1,218	2,027	2.15	2.25	2.35	20.8	19.9	19.0	6.7	10.6	20.9
PNY	Piedmont Natural Gas Co.*	Underperform	B-3-7	37.29	3.5	2,949	4,833	1.85	1.98	2.12	20.2	18.8	17.6	8.5	37.6	62.1
OGS	ONE Gas*	Underperform	A-3-7	44.33	2.7	2,333	3,391	2.20	2.30	2.40	20.2	19.3	18.5	16.4	N/A	N/A
STR	Questar Corp*	Underperform	B-3-7	22.70	3.7	4,006	5,498	1.27	1.36	1.44	17.9	16.7	15.8	0.4	28.7	84.6
SRE	Sempra Energy *	Buy	C-1-7	107.47	2.6	26,667	41,318	5.01	5.18	5.52	21.5	20.7	19.5	7.2	73.7	157.0
SJI	South Jersey Industries Inc.**	N/A	N/A	26.39	3.8	1,807	3,040	3.32	3.40	3.75	8.0	7.8	7.0	-3.6	20.4	41.8
SWX	Southwest Gas Corp.*	Neutral	A-2-7	54.46	2.9	2,586	4,089	3.15	3.40	3.60	17.3	16.0	15.1	0.8	37.6	96.1
UGI	UGI Corporation*	Buy	B-1-7	37.40	2.5	6,403	10,500	2.02	2.20	2.40	18.5	17.0	15.6	14.9	95.5	130.8
VVC	Vectren Corp.*	Underperform	A-3-7	42.57	3.6	3,519	5,081	2.45	2.55	2.70	17.4	16.7	15.8	8.3	63.4	122.3
WGL	WGL Holdings Inc.*	Underperform	A-3-7	57.54	3.2	2,875	4,064	3.04	3.06	3.25	18.9	18.8	17.7	46.4	55.9	89.1
Average:					3.2						18.3	17.6	16.6	11.2	52.5	99.9

Source: Company reports, FactSet, Bloomberg for uncovered companies, BofA Merrill Lynch Global Research analysis

Priced as of 1 June 2015

Note 1: * indicates BofA Merrill Lynch Global Research estimates

Note 2: ** indicates consensus estimates

Price objective basis & risk

UGI Corporation (UGI)

Our \$40 PO is based on a 17x target P/E on our FY17 EPS estimate of \$2.40. UGI offers an attractive EPS growth growth that should be driven by accelerated recovery on its regulated investments, attractive earnings growth at UGIES, and a high earnings retention ratio, which allows UGI to reinvest in its businesses while diminishing its potential financing overhang. However, UGI has a sizable exposure to the propane distribution business, which is more seasonal, volatile, and competitive than regulated utilities, in our opinion. Risks to our PO include: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, the potential inability to find new infrastructure projects through UGIES now that Auburn II is in-service, and unfavorable currency exchange rates. Macroeconomic concerns include rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Analyst Certification

I, Gabe Moreen, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Natural Gas Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Atmos Energy	ATO	ATO US	Gabe Moreen
	Sempra Energy	SRE	SRE US	Gabe Moreen
	Tallgrass Energy GP, LP	TEGP	TEGP US	Gabe Moreen
	The Laclède Group, Inc.	LG	LG US	Gabe Moreen
	UGI Corporation	UGI	UGI US	Gabe Moreen
NEUTRAL				
	Southwest Gas	SWX	SWX US	Gabe Moreen
UNDERPERFORM				
	AGL Resources Inc.	GAS	GAS US	Gabe Moreen
	New Jersey Resources Corporation	NJR	NJR US	Gabe Moreen
	Northwest Natural Gas Co.	NWN	NWN US	Gabe Moreen
	ONE Gas, Inc.	OGS	OGS US	Gabe Moreen
	Piedmont Natural Gas	PNY	PNY US	Gabe Moreen
	Questar Corp	STR	STR US	Gabe Moreen
	Vectren Corp	VVC	VVC US	Gabe Moreen
	WGL Holdings, Inc.	WGL	WGL US	Gabe Moreen

01 June 2015

***iQmethod*SM Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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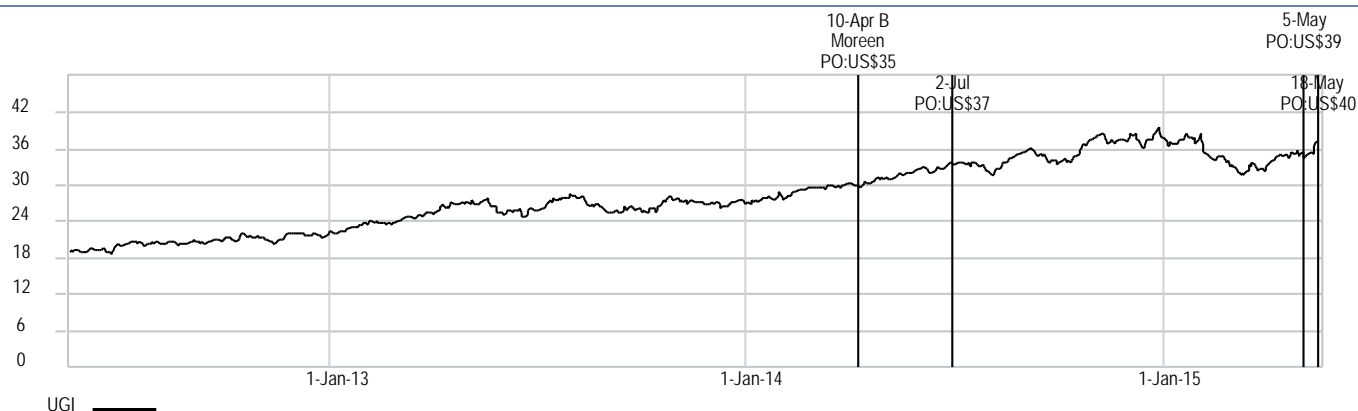
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01 June 2015

Important Disclosures

UGI Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Investment Rating Distribution: Energy Group (as of 31 Mar 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	129	51.81%	Buy	110	85.27%
Neutral	60	24.10%	Neutral	45	75.00%
Sell	60	24.10%	Sell	45	75.00%

Investment Rating Distribution: Global Group (as of 31 Mar 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1696	50.89%	Buy	1258	74.17%
Neutral	805	24.15%	Neutral	586	72.80%
Sell	832	24.96%	Sell	539	64.78%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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01 June 2015

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FY3Q15 somewhat weak; FY16-17 growth on track

Reiterate Rating: BUY | PO: 40.00 USD | Price: 35.13 USD

Equity | 04 August 2015

FY2Q15 beat; FY15 guidance raised

Yesterday after market close, UGI reported FY3Q15 EPS of \$0.03 (\$0.09 adjusted for transaction costs associated with the recent Totalgaz acquisition), below the BofAML/consensus estimates of \$0.16/0.14, respectively. The miss was largely attributable to warmer weather, which hastened the end of the 2014-15 heating season, as well as wet weather conditions (see: [FY3Q15 slight miss on weather; fundamental backdrop still decent](#)). As a result of the relatively weaker FY3Q15 results, UGI now expects FY15 EPS to be towards the lower end of guidance (\$2.00-2.10), which compares to the prior BofAML/consensus estimate of \$1.95. UGI previously declared a FY3Q15 DPS of \$0.2275, which represents a 0/4.5% increase QoQ/YoY, in-line with the BofAML estimate.

Long-term growth on track despite short-term noise

We recognize UGI's FY3Q15 and FY4Q15 results are likely to be somewhat noisy due to the recent Totalgaz transaction, which may result in: 1) transaction costs in the short-term; and 2) incremental interest expense that is only partially offset by Totalgaz's non-heating-season contributions during FY3Q and FY4Q. However, UGI's 2016-17 growth backlog remains one of the more robust among LDC peers, in our opinion. Major growth projects include the PennEast long-haul natural gas pipeline (\$200mn, expected in-service November 2017), the Sunbury project to service natural gas power generation (\$160mn, expected in-service early 2017), and Manning LNG to meet Northeast peaking demand (\$60mn, expected in-service early 2017). Management estimates \$600mn in identified growth projects. Although we do see some execution risk (particularly associated with PennEast), these projects, in addition to the recent Totalgaz acquisition, should enable UGI to grow EPS through 2017 at a rate meaningfully above its 6-10% guided CAGR, in our view.

Reiterate Buy and \$40 PO

UGI's underperformance today (down 4.1% vs. down 1.6% for LDC peers) overly penalized the company for short-term weather conditions, in our opinion. We reiterate our Buy rating on UGI for its focus on growing its midstream assets, diversified business operations, underappreciated GP interest in AmeriGas (APU) and exposure to the Marcellus Shale. Our \$40 PO is based on a 17 target P/E on our FY17 EPS estimate of \$2.35.

Estimates (Sep)

(US\$)	2013A	2014A	2015E	2016E	2017E
EPS	1.60	2.00	1.82	2.15	2.35
GAAP EPS	1.60	1.92	1.55	2.15	2.35
EPS Change (YoY)	36.8%	25.0%	-9.0%	18.1%	9.3%
Consensus EPS (Bloomberg)			1.95	2.17	2.25
DPS	0.75	0.82	0.90	0.96	0.76

Valuation (Sep)

	2013A	2014A	2015E	2016E	2017E
P/E	22.0x	17.6x	19.3x	16.3x	14.9x
GAAP P/E	22.0x	18.3x	22.7x	16.3x	14.9x
Dividend Yield	2.1%	2.3%	2.6%	2.7%	2.2%
EV / EBITDA*	10.0x	8.7x	9.4x	8.4x	7.9x
Free Cash Flow Yield*	5.1%	8.9%	15.0%	11.2%	12.0%

* For full definitions of *IQmethod*SM measures, see page 5.

Key Changes

(US\$)	Previous	Current
2015E EPS	1.93	1.82
2016E EPS	2.20	2.15
2017E EPS	2.40	2.35
2015E EBITDA (m)	1,300.7	1,272.7
2016E EBITDA (m)	1,457.8	1,429.3
2017E EBITDA (m)	1,530.9	1,507.8

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Stock Data

Price	35.13 USD
Price Objective	40.00 USD
Date Established	18-May-2015
Investment Opinion	B-1-7
52-Week Range	31.53 USD - 39.75 USD
Mrkt Val (mn) / Shares Out (mn)	6,137 USD / 174.7
Average Daily Value (mn)	26.75 USD
BofAML Ticker / Exchange	UGI / NYSE
Bloomberg / Reuters	UGI US / UGI.N
ROE (2015E)	12.2%
Net Dbt to Eqty (Sep-2014A)	90.1%

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iQprofileSM UGI Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Return on Capital Employed	6.9%	7.8%	6.8%	8.1%	8.8%
Return on Equity	11.8%	13.6%	12.2%	14.5%	15.0%
Operating Margin	11.6%	12.1%	11.2%	11.3%	12.0%
Free Cash Flow	316	549	921	686	734

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Cash Realization Ratio	2.9x	2.9x	4.4x	2.8x	2.7x
Asset Replacement Ratio	1.3x	1.3x	1.3x	1.0x	1.0x
Tax Rate	27.6%	30.6%	28.7%	30.0%	30.0%
Net Debt-to-Equity Ratio	97.2%	90.1%	89.8%	80.0%	69.9%
Interest Cover	3.5x	4.2x	3.5x	4.8x	5.0x

Income Statement Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Sales	7,195	8,277	7,229	9,058	9,174
% Change	10.4%	15.0%	-12.7%	25.3%	1.3%
Gross Profit	2,870	3,102	2,945	3,318	3,428
% Change	19.2%	8.1%	-5.0%	12.7%	3.3%
EBITDA	1,194	1,381	1,273	1,429	1,508
% Change	42.6%	15.6%	-7.8%	12.3%	5.5%
Net Interest & Other Income	(241)	(238)	(248)	(213)	(222)
Net Income (Adjusted)	278	350	318	378	412
% Change	39.5%	25.7%	-9.1%	18.8%	9.1%

Free Cash Flow Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Net Income from Cont Operations (GAAP)	278	337	272	378	412
Depreciation & Amortization	363	363	374	407	407
Change in Working Capital	(44)	(6)	477	100	100
Deferred Taxation Charge	49	67	(34)	0	0
Other Adjustments, Net	156	245	308	189	203
Capital Expenditure	(486)	(457)	(477)	(388)	(388)
Free Cash Flow	316	549	921	686	734
% Change	-14.3%	73.9%	67.8%	-25.5%	7.1%

Balance Sheet Data (Sep)

(US\$ Millions)	2013A	2014A	2015E	2016E	2017E
Cash & Equivalents	389	420	569	519	592
Trade Receivables	746	685	446	346	246
Other Current Assets	492	559	468	468	468
Property, Plant & Equipment	4,480	4,544	4,996	4,976	4,957
Other Non-Current Assets	3,901	3,886	3,737	3,737	3,737
Total Assets	10,009	10,093	10,216	10,047	10,001
Short-Term Debt	295	288	560	560	560
Other Current Liabilities	1,130	1,143	1,289	1,289	1,289
Long-Term Debt	3,542	3,434	3,258	2,958	2,758
Other Non-Current Liabilities	1,494	1,565	1,491	1,491	1,491
Total Liabilities	6,461	6,430	6,599	6,299	6,099
Total Equity	3,548	3,663	3,617	3,748	3,902
Total Equity & Liabilities	10,009	10,093	10,216	10,047	10,001

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

UGI Corporation (UGI) is a natural gas transmission and energy distribution company headquartered in King of Prussia, PA. Operations are divided between four business units: Domestic Propane - AmeriGas Partners, LP (NYSE: APU), UGI International Propane, UGI Utilities and Midstream and Marketing. APU distributes propane to more than 2mn customers while UGI Utilities serves more than 600,000 customers in PA and MD.

Investment Rationale

We see UGI as attractively valued given its above peer average EPS growth potential and ample FCF generation that gives UGI flexibility on capital return and reinvestment, high customer growth potential at UGI Utilities, an attractive outlook for UGIES, its strong balance sheet and management's posture of remaining conservative with prospective acquisitions.

Stock Data

Average Daily Volume 761,486

Quarterly Earnings Estimates

	2014	2015
Q1	0.71A	0.66A
Q2	1.27A	1.23A
Q3	0.10A	0.03A
Q4	-0.07A	-0.11E

Adjusting estimates

We adjust our estimates to incorporate FY3Q15 results. Our 2015 EPS estimate decreases due to a relatively weak FY3Q15 and we also temper our FY16/17 somewhat for higher interest expense. Our revised FY15/16/17 EPS of \$1.82/2.15/2.35 (from \$1.93/2.20/2.40) compare to the consensus estimates of \$1.95/2.17/2.25, respectively.

Management now expects FY15 EPS to be towards the lower end of guidance (\$2.00-2.10). However, guidance does not account for Totalgaz transaction costs or operationing contribution. Adjusted for Totalgaz-related transaction costs and a slight FY4Q15 loss from Totalgaz, our FY15 EPS estimate would be \$1.96, modestly below guidance.

As expected, foreign currency exchange rates had no material impact on UGI's FY3Q15 results. UGI's hedge position is relatively robust in the near-term, in our opinion. Management previously noted it considers the company to be fully hedged (against its budgeted earnings) for 2015/16 and is 67/33% hedged for 2017/18, respectively.

Table 1: LDC comp table

Ticker	Name	BofAML Recommendation	BofAML Rating*	Current Price	Distribution Rate (%)	Market Value		EPS			P/E			Total Return		
						Enterprise Value	(mns)	2015E	2016E	2017E	2015E	2016E	2017E	1-YR	3-YR	5-YR
GAS	AGL Resources Inc.	Neutral	A-2-7	47.76	4.3	5,735	9,787	2.95	3.02	3.15	16.2	15.8	15.2	-2.8	34.2	55.0
ATO	Atmos Energy Corp	Buy	A-1-7	54.66	2.9	5,522	8,106	3.05	3.20	3.40	17.9	17.1	16.1	18.3	68.5	126.5
LG	Laclede Group Inc.	Buy	A-1-7	53.41	3.4	2,314	4,331	3.30	3.46	3.60	16.2	15.4	14.8	20.2	44.7	87.6
NJR	New Jersey Resources Corp.	Underperform	A-3-7	28.39	3.2	2,428	3,162	1.73	1.65	1.74	16.4	17.2	16.3	17.5	40.5	80.4
NI	Nisource Inc.*	Hold	HOLD	16.82	3.7	5,346	15,260	1.36	1.07	1.14	12.4	15.7	14.8	19.8	88.0	212.7
NWN	Northwest Natural Gas Co.	Underperform	A-3-7	43.73	4.3	1,197	2,006	2.15	2.25	2.35	20.3	19.4	18.6	4.4	-0.1	9.1
PNY	Piedmont Natural Gas Co.	Underperform	B-3-7	37.91	3.5	2,995	4,661	1.85	2.00	2.13	20.5	19.0	17.8	14.1	33.5	66.3
OGS	ONE Gas	Neutral	A-2-7	44.45	2.7	2,318	3,383	2.20	2.35	2.50	20.2	18.9	17.8	28.5	N/A	N/A
STR	Questar Corp	Underperform	B-3-7	21.83	3.8	3,836	5,328	1.27	1.36	1.44	17.2	16.1	15.2	3.2	20.4	58.4
SRE	Sempra Energy	Buy	C-1-7	99.96	2.8	24,748	39,516	5.01	5.18	5.52	20.0	19.3	18.1	5.7	59.5	134.1
SJI	South Jersey Industries Inc.*	N/A	N/A	24.00	4.2	1,642	2,876	1.65	1.67	1.78	14.6	14.4	13.5	-6.4	1.6	18.1
SWX	Southwest Gas Corp.	Buy	A-1-7	55.54	2.9	2,602	4,105	3.15	3.40	3.60	17.6	16.3	15.4	16.7	36.4	95.0
UGI	UGI Corporation	Buy	B-1-7	35.13	2.6	6,060	10,157	1.82	2.15	2.35	19.3	16.3	14.9	16.2	93.6	137.8
VVC	Vectren Corp.	Underperform	A-3-7	41.72	3.6	3,447	5,009	2.45	2.55	2.70	17.0	16.4	15.5	14.3	59.9	108.1
WGL	WGL Holdings Inc.	Underperform	A-3-7	55.04	3.4	2,737	3,926	3.04	3.06	3.25	18.1	18.0	16.9	49.9	56.8	85.0
Average:					3.4						17.5	17.0	16.0	14.7	45.5	91.0

Source: Company reports, FactSet, Bloomberg for uncovered companies, BofA Merrill Lynch Global Research analysis

Note: data as of 4 August 2015

Note: * indicates consensus estimates

Price objective basis & risk

UGI Corporation (UGI)

Our \$40 PO is based on a 17x target P/E on our FY17 EPS estimate of \$2.35. UGI offers an attractive EPS growth that should be driven by accelerated recovery on its regulated investments, attractive earnings growth at UGIES, and a high earnings retention ratio, which allows UGI to reinvest in its businesses while diminishing its potential financing overhang. However, UGI has a sizable exposure to the propane distribution business, which is more seasonal, volatile, and competitive than regulated utilities, in our opinion. Risks to our PO include: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, the potential inability to find new infrastructure projects through UGIES now that Auburn II is in-service, and unfavorable currency exchange rates. Macroeconomic concerns include rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Analyst Certification

I, Gabe Moreen, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Natural Gas Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Atmos Energy	ATO	ATO US	Gabe Moreen
	Sempra Energy	SRE	SRE US	Gabe Moreen
	Southwest Gas	SWX	SWX US	Gabe Moreen
	The Laclede Group, Inc.	LG	LG US	Gabe Moreen
	UGI Corporation	UGI	UGI US	Gabe Moreen
NEUTRAL				
	AGL Resources Inc.	GAS	GAS US	Gabe Moreen
	ONE Gas, Inc.	OGS	OGS US	Gabe Moreen
UNDERPERFORM				
	New Jersey Resources Corporation	NJR	NJR US	Gabe Moreen
	Northwest Natural Gas Co.	NWN	NWN US	Gabe Moreen
	Piedmont Natural Gas	PNY	PNY US	Gabe Moreen
	Questar Corp	STR	STR US	Gabe Moreen
	Vectren Corp	VVC	VVC US	Gabe Moreen
	WGL Holdings, Inc.	WGL	WGL US	Gabe Moreen

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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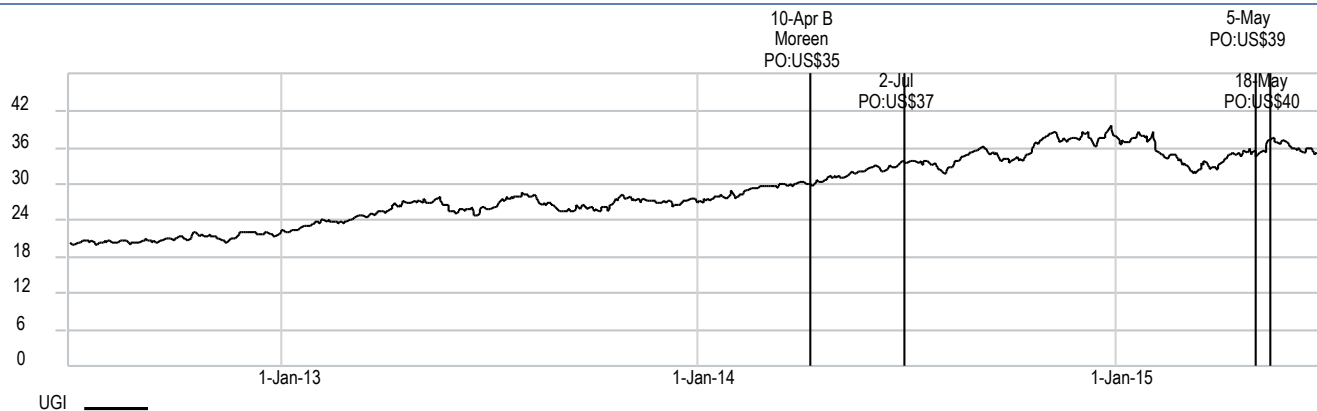
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Important Disclosures

UGI Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of June 30, 2015 or such later date as indicated.

Investment Rating Distribution: Energy Group (as of 30 Jun 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	135	53.78%	Buy	114	84.44%
Neutral	53	21.12%	Neutral	44	83.02%
Sell	63	25.10%	Sell	42	66.67%

Investment Rating Distribution: Global Group (as of 30 Jun 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1724	52.07%	Buy	1312	76.10%
Neutral	768	23.20%	Neutral	561	73.05%
Sell	819	24.74%	Sell	517	63.13%

* Companies that were investment banking clients of BofA Merrill Lynch or one of its affiliates within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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UGI Corporation

FY4Q15 beat and FY16 guidance robust; reiterate Buy

Reiterate Rating: BUY | PO: 40.00 USD | Price: 34.06 USD

Bank of America
Merrill Lynch

Equity | 12 November 2015

FY4Q15 beat

Earlier this week, UGI reported FY4Q15 adjusted diluted EPS of \$0.01 versus the BofAML/consensus estimates of \$(0.05)/(0.04). The beat was largely attributable to a lower than expected income tax expense during the quarter offsetting a slight APU miss (see: [FY4Q15 miss on weather; FY16 guidance robust](#)). Note due to the seasonal nature of UGI's business, FY3Q and FY4Q typically generate <20% of annual gross margin.

FY16 guidance robust

UGI introduced weather-normalized FY16 EPS guidance of \$2.15-2.30, above the prior BofAML/consensus estimates of \$2.17/2.15. We recognize some risk of warmer than normal weather given an unusually warm October 2015 and a high probability of El Nino negatively impacting the number of heating degree days (HDDs) during the 2015-16 heating season. However, the robust weather-normalized guidance likely also reflects contribution from recently completed organic growth projects (including Auburn III and Temple Liquefaction). Further, management quantified the expected EPS accretion from Finagaz (rebranded Totalgaz) to be \$0.15 during FY16, which compares to our prior expectation of \$0.10-15 (see: [Incorporating Totalgaz; \\$0.10-0.15 accretive to FY16 EPS](#)).

Visible growth through FY17

UGI's growth through FY17 will be largely driven by its midstream investments (PennEast and Sunbury), supplemented by its Manning LNG project. Management anticipates growth capex in FY16 to increase YoY from FY15 (an already robust \$470mn). We also see upside from an expected rate case for UGI's utility during FY16 (the first in 20 years) and potential synergies from the integration of Finagaz (an incremental \$0.08-0.12 to EPS though realized gradually over the next 36-48 months).

Reiterate Buy and \$40 PO

We are somewhat surprised by UGI's underperformance before and after the earnings announcement (down 7% MTD versus 2% for utilities). We reiterate our Buy rating on UGI for its focus on growing its midstream assets, diversified business operations, underappreciated GP interest in AmeriGas (APU) and exposure to the Marcellus Shale. Our \$40 PO is based on a 17 target P/E on our FY17 EPS estimate of \$2.38.

Estimates (Sep)

(US\$)	2014A	2015A	2016E	2017E	2018E
EPS	2.00	2.01	2.19	2.38	2.54
GAAP EPS	1.92	1.60	2.19	2.38	2.54
EPS Change (YoY)	25.0%	0.5%	9.0%	8.7%	6.7%
Consensus EPS (Bloomberg)			2.15	2.26	NA
DPS	0.82	0.90	0.96	1.02	1.08

Valuation (Sep)

	2014A	2015A	2016E	2017E	2018E
P/E	17.0x	16.9x	15.6x	14.3x	13.4x
GAAP P/E	17.7x	21.3x	15.6x	14.3x	13.4x
Dividend Yield	2.4%	2.6%	2.8%	3.0%	3.2%
EV / EBITDA*	8.6x	9.5x	8.3x	7.9x	7.7x
Free Cash Flow Yield*	9.2%	14.0%	9.2%	12.0%	12.7%

* For full definitions of *Qmethod*SM measures, see page 5.

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Key Changes

(US\$)	Previous	Current
2016E EPS	2.15	2.19
2017E EPS	2.35	2.38
2018E EPS	NA	2.54
2016E EBITDA (m)	1,429.3	1,437.1
2017E EBITDA (m)	1,507.8	1,511.5
2018E EBITDA (m)	NA	1,550.8

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Stock Data

Price	34.06 USD
Price Objective	40.00 USD
Date Established	18-May-2015
Investment Opinion	B-1-7
52-Week Range	31.54 USD - 39.75 USD
Mkt Val (mn) / Shares Out (mn)	5,950 USD / 174.7
Average Daily Value (mn)	25.13 USD
BofAML Ticker / Exchange	UGI / NYS
Bloomberg / Reuters	UGI US / UGI.N
ROE (2016E)	14.4%
Net Dbt to Eqty (Sep-2015A)	92.2%

iQprofileSM UGI Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Return on Capital Employed	7.8%	6.4%	7.9%	8.6%	8.9%
Return on Equity	13.6%	13.5%	14.4%	14.7%	14.7%
Operating Margin	12.1%	8.1%	11.7%	12.4%	12.6%
Free Cash Flow	549	834	549	715	756

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Cash Realization Ratio	2.9x	3.7x	2.8x	2.7x	2.6x
Asset Replacement Ratio	1.3x	1.3x	1.3x	1.0x	1.0x
Tax Rate	30.6%	30.0%	30.0%	30.0%	30.0%
Net Debt-to-Equity Ratio	90.1%	92.2%	85.0%	74.0%	63.1%
Interest Cover	4.2x	3.5x	4.9x	5.0x	5.7x

Income Statement Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Sales	8,277	6,691	8,795	8,912	9,053
% Change	15.0%	-19.2%	31.5%	1.3%	1.6%
Gross Profit	3,102	2,668	3,326	3,428	3,495
% Change	8.1%	-14.0%	24.6%	3.1%	1.9%
EBITDA	1,381	1,257	1,437	1,512	1,551
% Change	15.6%	-9.0%	14.3%	5.2%	2.6%
Net Interest & Other Income	(238)	(243)	(211)	(220)	(201)
Net Income (Adjusted)	350	354	385	417	445
% Change	25.7%	1.2%	8.8%	8.2%	6.9%

Free Cash Flow Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Net Income from Cont Operations (GAAP)	337	281	385	417	445
Depreciation & Amortization	363	371	407	407	407
Change in Working Capital	(6)	408	100	100	100
Deferred Taxation Charge	67	(40)	0	0	0
Other Adjustments, Net	245	295	188	203	215
Capital Expenditure	(457)	(481)	(532)	(412)	(412)
Free Cash Flow	549	834	549	715	756
% Change	73.9%	52.0%	-34.2%	30.2%	5.7%

Balance Sheet Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Cash & Equivalents	420	479	308	383	381
Trade Receivables	685	428	328	228	128
Other Current Assets	559	444	444	444	444
Property, Plant & Equipment	4,544	4,975	5,099	5,104	5,108
Other Non-Current Assets	3,886	4,038	4,038	4,038	4,038
Total Assets	10,093	10,365	10,218	10,198	10,100
Short-Term Debt	288	151	151	151	151
Other Current Liabilities	1,143	1,188	1,188	1,188	1,188
Long-Term Debt	3,434	3,628	3,328	3,128	2,828
Other Non-Current Liabilities	1,565	1,817	1,817	1,817	1,817
Total Liabilities	6,430	6,784	6,484	6,284	5,984
Total Equity	3,663	3,580	3,733	3,913	4,116
Total Equity & Liabilities	10,093	10,365	10,218	10,198	10,100

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

UGI Corporation (UGI) is a natural gas transmission and energy distribution company headquartered in King of Prussia, PA. Operations are divided between four business units: Domestic Propane - AmeriGas Partners, LP (NYSE: APU), UGI International Propane, UGI Utilities and Midstream and Marketing. APU distributes propane to more than 2mn customers while UGI Utilities serves more than 600,000 customers in PA and MD.

Investment Rationale

We see UGI as attractively valued given its above peer average EPS growth potential and ample FCF generation that gives UGI flexibility on capital return and reinvestment, high customer growth potential at UGI Utilities, an attractive outlook for UGIES, its strong balance sheet and management's posture of remaining conservative with prospective acquisitions.

Stock Data

Average Daily Volume 737,915

Quarterly Earnings Estimates

	2015	2016
Q1	0.66A	0.85E
Q2	1.23A	1.20E
Q3	0.03A	0.19E
Q4	0.01A	-0.05E

Share buyback could supplement dividend payout

UGI repurchased ~1mn shares outstanding during FY15 versus ~1.3mn during FY14. Although the share buyback program remains a more modest means of returning capital to investors in relation to UGI's dividend payout (amount spent on share buyback being <30% of dividends paid), we view the program positively. It may increase in size particularly as UGI's capex deployment potentially decelerates beyond FY18, in our view. UGI's payout ratio (40-50%) is towards the lower end of LDC peers. Our model does not incorporate significant share buyback going forward.

Finagaz synergies could provide upside

Due Finagaz's more labor-friendly operating base in France, we had not anticipated meaningful synergies in the foreseeable future. Management's \$0.08-0.12 potential synergy number within 36 to 48 months could provide upside to our estimates. Finagaz was acquired earlier this year for €423mn (then \$461mn) (see: [Incorporating Totalgaz: \\$0.10-0.15 accretive to FY16 EPS](#))

Adjusting estimates

We adjust our estimates to incorporate FY4Q15 results and FY16 guidance. Our FY16 EPS increases modestly but remain at the lower end of the guidance range (\$2.19 versus guidance of \$2.15-2.30) as we account for potentially warmer than normal weather. We also introduce our FY18 estimates, implying 7/6% DPS growth over FY17, which compares to UGI's long-term guidance of 6-10% EPS/DPS growth. Our FY16/17/18 EPS estimates of \$2.19/2.38/2.54 compare to consensus estimates of \$2.15/2.26, respectively.

Table 1: BofAML LDC comp table

Ticker	Name	BofAML rating		Current	Current	2014-17	Market		P/E*			S&P credit rating	Moody's credit rating
				Price (\$)	Dividend Rate (%)	DPS CAGR (%)*	Cap (\$mns)	EV (\$mns)	2015E	2016E	2017E		
GAS	AGL Resources Inc			61.74	3.3	3.9	7,424	11,823	20.9	20.4	19.6	BBB+	N/A
ATO	Atmos Energy Corp	A-1-7	Buy	60.58	2.8	6.7	6,149	8,789	19.6	18.6	17.6	A-	A2
LG	Laclede Group Inc/The	A-1-7	Buy	56.21	3.3	4.3	2,435	4,277	17.3	16.4	15.7	A-	Baa2
NJR	New Jersey Resources Corp	A-3-7	Underperform	29.82	3.2	6.7	2,550	3,142	17.2	18.1	17.1	N/A	N/A
NWN	Northwest Natural Gas Co	A-3-7	Underperform	46.14	4.1	5.6	1,263	2,092	20.9	20.1	19.3	A+	(P)A3
OGS	ONE Gas Inc	A-2-7	Neutral	47.02	2.6	6.7	2,452	3,512	21.4	20.0	18.8	A-	A2
PNY	Piedmont Natural Gas Co Inc	-6-	No Rating	57.53	2.3	3.1	4,557	4,794	19.9	28.8	27.0	A *	A2
STR	Questar Corp	B-3-7	Underperform	18.65	4.5	6.5	3,261	4,983	14.3	14.2	13.3	A	A2
SWX	Southwest Gas Corp	A-1-7	Buy	55.28	2.9	8.0	2,619	4,302	19.1	16.3	15.4	BBB+	A3
UGI	UGI Corp	B-1-7	Buy	34.06	2.7	7.6	5,885	10,288	16.9	15.5	14.3	N/A	N/A
VVC	Vectren Corp	A-3-7	Underperform	41.32	3.9	5.2	3,417	4,840	18.0	16.9	15.9	A-	N/A
WGL	WGL Holdings Inc	A-3-7	Underperform	59.22	3.1	5.0	2,945	3,813	18.4	19.4	18.2	A+	A3
NI	NiSource Inc			19.14	3.2	7.7	6,099	12,531	13.6	17.8	16.7	BBB+	(P)Ba1
SJI	South Jersey Industries Inc			23.74	4.2		1,645	2,967	15.3	14.6	13.7	BBB+	N/A
Average					3.3	5.9			19.0	18.4	17.3		

Source: Bloomberg, BofA Merrill Lynch Global Research

Data as of 12 November 2015

*2014-17 DPS CAGR is pro-rated for those names that IPOed during or after 2014 and used consensus DPS estimates when BofAML estimates are unavailable

*P/E ratios assume consensus EPS when BofAML estimates are unavailable

Price objective basis & risk

UGI Corporation (UGI)

Our \$40 PO is based on a 17x target P/E on our FY17 EPS estimate of \$2.38. UGI offers an attractive EPS growth growth that should be driven by accelerated recovery on its regulated investments, attractive earnings growth at UGIES, and a high earnings retention ratio, which allows UGI to reinvest in its businesses while diminishing its potential financing overhang. However, UGI has a sizable exposure to the propane distribution business, which is more seasonal, volatile, and competitive than regulated utilities, in our opinion. Risks to our PO include: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, the potential inability to find new infrastructure projects through UGIES now that Auburn II is in-service, and unfavorable currency exchange rates. Macroeconomic concerns include rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Analyst Certification

I, Gabe Moreen, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Natural Gas Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Atmos Energy	ATO	ATO US	Gabe Moreen
	Southwest Gas	SWX	SWX US	Gabe Moreen
	The Laclede Group, Inc.	LG	LG US	Gabe Moreen
	UGI Corporation	UGI	UGI US	Gabe Moreen
NEUTRAL				
	ONE Gas, Inc.	OGS	OGS US	Gabe Moreen
UNDERPERFORM				
	New Jersey Resources Corporation	NJR	NJR US	Gabe Moreen
	Northwest Natural Gas Co.	NWN	NWN US	Gabe Moreen
	Questar Corp	STR	STR US	Gabe Moreen
	Vectren Corp	VVC	VVC US	Gabe Moreen
	WGL Holdings, Inc.	WGL	WGL US	Gabe Moreen
RSTR				
	Sempra Energy	SRE	SRE US	Gabe Moreen

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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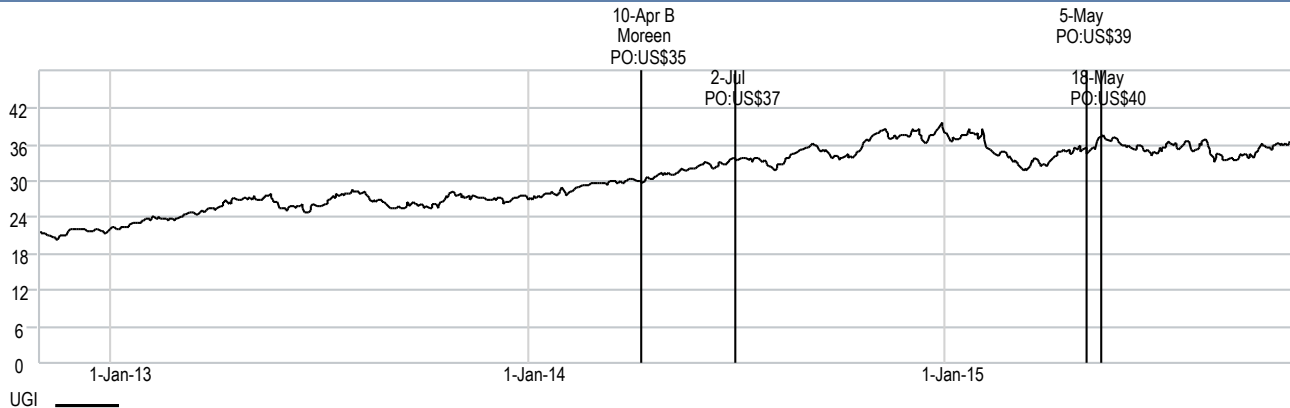
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UGI Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of October 31, 2015 or such later date as indicated.

Equity Investment Rating Distribution: Energy Group (as of 30 Sep 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	116	50.66%	Buy	101	87.07%
Hold	50	21.83%	Hold	39	78.00%
Sell	63	27.51%	Sell	49	77.78%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1732	51.79%	Buy	1301	75.12%
Hold	773	23.12%	Hold	550	71.15%
Sell	839	25.09%	Sell	515	61.38%

* Companies that were investment banking clients of BofA Merrill Lynch or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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FY1Q16 miss: global weather produces perfect swelter

Reiterate Rating: BUY | PO: 40.00 USD | Price: 34.83 USD

Equity | 03 February 2016

FY1Q16 miss

Monday after market close, UGI reported FY1Q16 diluted EPS of \$0.64 versus the BofAML/consensus estimates of \$0.83/0.73. Unlike for APU, we had not adjusted our UGI estimates heading into the quarter. The miss was due to significantly warmer than normal weather in both the U.S. and France (25/22% warmer than normal), negatively impacting almost every one of UGI's businesses, including its gas utility, midstream & marketing segment, and domestic/international propane distribution operations (though APU was able to offset lower retail volumes with lower costs; see: [Solid FY1Q16, as lower costs offset warmer weather](#)).

Minimal LT impact; growth drivers intact

We emphasize that despite UGI's disappointing FY1Q16 results (the company is unlikely to meet its prior FY16 EPS guidance of \$2.15-2.30), UGI's longer-term outlook remains largely unchanged by short-term weather conditions. 2Q16 weather conditions in both the U.S. and France in January 2016 have been less extreme (see p3). Additionally, assuming normalized weather conditions, UGI's medium-term growth drivers remain intact/progressing as planned. Organic growth projects such as the Sunbury/PennEast pipelines and UGI's Manning Liquefaction project should provide meaningful tailwinds to FY17/18 EPS growth (although we think PennEast has much regulatory 'wood to chop'). And, as previously announced, UGI Utilities filed its first rate case in 20 years. This could add material upside to our current estimates as UGI asks to double its current earned ROE. In the longer-term, Antargaz/Finagaz synergies could provide further growth.

Reiterate Buy and \$40 PO

We reiterate our Buy rating on UGI for its focus on growing its midstream assets, diversified business operations, underappreciated GP interest in APU and exposure to the Marcellus Shale. We think UGI's midstream assets (particularly its existing Auburn pipelines and stakes in Sunbury/PennEast) should support UGI's valuation (which currently reflects a discount versus LDC peers) given recent LDC acquisitions with premium multiples focused on midstream assets (see: [PNY](#), [GAS](#), and [STR](#)). Our \$40 PO is based on a 17x target P/E on our FY17 EPS estimate of \$2.35.

Estimates (Sep)

(US\$)	2014A	2015A	2016E	2017E	2018E
EPS	2.00	2.01	2.00	2.35	2.51
GAAP EPS	1.92	1.60	2.00	2.35	2.51
EPS Change (YoY)	25.0%	0.5%	-0.5%	17.5%	6.8%
Consensus EPS (Bloomberg)			2.08	2.28	2.27
DPS	0.82	0.90	0.96	1.02	1.08

Valuation (Sep)

	2014A	2015A	2016E	2017E	2018E
P/E	17.4x	17.3x	17.4x	14.8x	13.9x
GAAP P/E	18.1x	21.8x	17.4x	14.8x	13.9x
Dividend Yield	2.4%	2.6%	2.7%	2.9%	3.1%
EV / EBITDA*	9.0x	9.8x	9.6x	8.0x	7.8x
Free Cash Flow Yield*	9.0%	11.1%	6.5%	11.8%	12.4%

* For full definitions of *QmethodSM* measures, see page 6.

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Key Changes

(US\$)	Previous	Current
2016E EPS	2.19	2.00
2017E EPS	2.38	2.35
2018E EPS	2.54	2.51
2016E EBITDA (m)	1,437.1	1,289.6
2017E EBITDA (m)	1,511.5	1,540.9
2018E EBITDA (m)	1,550.8	1,577.3

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Stock Data

Price	34.83 USD
Price Objective	40.00 USD
Date Established	18-May-2015
Investment Opinion	B-1-7
52-Week Range	31.51 USD - 38.60 USD
Mkt Val (mn) / Shares Out (mn)	6,085 USD / 174.7
Average Daily Value (mn)	34.50 USD
BofAML Ticker / Exchange	UGI / NYS
Bloomberg / Reuters	UGI US / UGI.N
ROE (2016E)	12.8%
Net Dbt to Eqty (Sep-2015A)	98.5%

iQprofileSM UGI Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Return on Capital Employed	7.8%	6.4%	7.2%	8.4%	8.7%
Return on Equity	13.6%	13.2%	12.8%	14.4%	14.4%
Operating Margin	12.1%	12.5%	13.8%	14.2%	14.5%
Free Cash Flow	549	673	395	717	756

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Cash Realization Ratio	2.9x	3.3x	2.6x	2.7x	2.7x
Asset Replacement Ratio	1.3x	1.3x	1.7x	1.0x	1.0x
Tax Rate	30.6%	30.0%	30.7%	30.0%	30.0%
Net Debt-to-Equity Ratio	90.1%	98.5%	96.7%	85.1%	73.7%
Interest Cover	4.2x	3.5x	4.2x	4.5x	5.0x

Income Statement Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Sales	8,277	6,691	7,062	7,892	8,015
% Change	15.0%	-19.2%	5.5%	11.8%	1.6%
Gross Profit	3,102	2,955	4,023	3,440	3,513
% Change	8.1%	-4.7%	36.2%	-14.5%	2.1%
EBITDA	1,381	1,260	1,290	1,541	1,577
% Change	15.6%	-8.7%	2.3%	19.5%	2.4%
Net Interest & Other Income	(238)	(243)	(233)	(250)	(231)
Net Income (Adjusted)	350	354	351	413	440
% Change	25.7%	1.2%	-0.8%	17.6%	6.6%

Free Cash Flow Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Net Income from Cont Operations (GAAP)	337	281	351	413	440
Depreciation & Amortization	363	374	317	417	417
Change in Working Capital	(6)	192	100	100	100
Deferred Taxation Charge	67	14	0	0	0
Other Adjustments, Net	245	303	162	199	210
Capital Expenditure	(457)	(491)	(534)	(412)	(412)
Free Cash Flow	549	673	395	717	756
% Change	73.9%	22.7%	-41.3%	81.6%	5.4%

Balance Sheet Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Cash & Equivalents	420	370	344	472	470
Trade Receivables	685	620	520	420	320
Other Current Assets	559	470	470	470	470
Property, Plant & Equipment	4,544	4,994	5,212	5,206	5,201
Other Non-Current Assets	3,886	4,093	4,093	4,093	4,093
Total Assets	10,093	10,547	10,639	10,662	10,554
Short-Term Debt	288	448	448	448	448
Other Current Liabilities	1,143	1,231	1,231	1,231	1,231
Long-Term Debt	3,434	3,442	3,442	3,292	2,992
Other Non-Current Liabilities	1,565	1,854	1,854	1,854	1,854
Total Liabilities	6,430	6,974	6,974	6,824	6,524
Total Equity	3,663	3,572	3,665	3,837	4,030
Total Equity & Liabilities	10,093	10,547	10,639	10,662	10,554

* For full definitions of iQmethodSM measures, see page 6

Company Sector

Natural Gas-Local Distribution Companies

Company Description

UGI Corporation (UGI) is a natural gas transmission and energy distribution company headquartered in King of Prussia, PA. Operations are divided between four business units: Domestic Propane - AmeriGas Partners, LP (NYSE: APU), UGI International Propane, UGI Utilities and Midstream and Marketing. APU distributes propane to more than 2mn customers while UGI Utilities serves more than 600,000 customers in PA and MD.

Investment Rationale

We see UGI as attractively valued given its above peer average EPS growth potential and ample FCF generation that gives UGI flexibility on capital return and reinvestment, high customer growth potential at UGI Utilities, an attractive outlook for UGIES, its strong balance sheet and management's posture of remaining conservative with prospective acquisitions.

Stock Data

Average Daily Volume 990,531

Quarterly Earnings Estimates

	2015	2016
Q1	0.66A	0.65A
Q2	1.23A	1.22E
Q3	0.03A	0.18E
Q4	0.01A	-0.06E

FY2Q16 off to a less extreme start; France still warmer than normal

Compared to FY1Q16, FY2Q16 is off to a less extreme start. The U.S. was only slightly warmer than normal during January. France remained ~10% warmer than normal but this compares to 22% warmer during FY1Q16. Our forecasts assume normalized weather conditions.

Table 1: U.S. January 2016 HDD total unchanged YoY

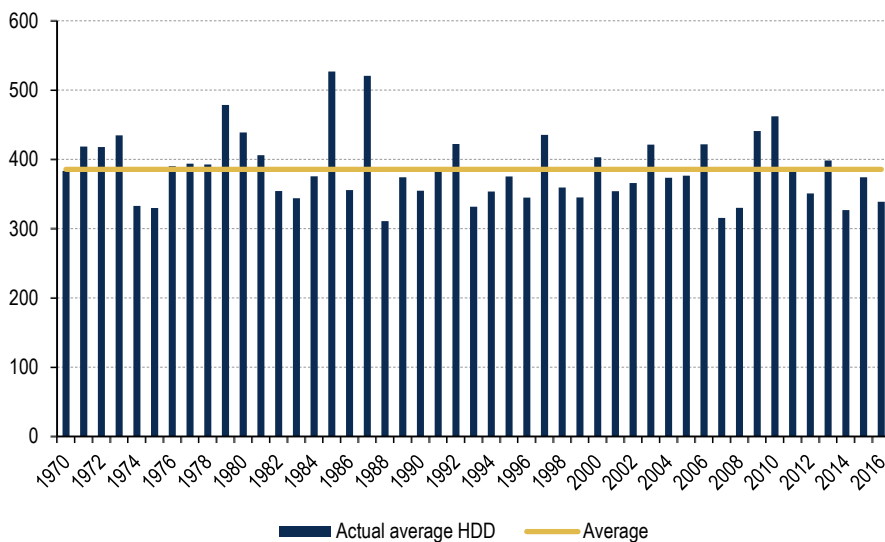
U.S. population weighted heating degree days

Week ending	HDD	Deviation from Normal	Change YoY
9-Jan	192	-15	-34
16-Jan	200	-9	-23
23-Jan	229	21	57
30-Jan	176	-29	-6
Total	797	-32	-6

Source: NOAA

Chart 1: France average HDD during January still lower than normal but not as extreme

January average HDDs across France



Source: Bloomberg; BofA Merrill Lynch Global Research

Note: HDD derived from the mean temperature across all weather stations within France

Adjusting estimates

We adjust our estimates to incorporate FY1Q16 results. Our FY17/18 estimates remain largely unchanged and are based on normalized weather. Our FY16/17/18 EPS estimates of \$2.00/2.35/2.51 compare to consensus estimates of \$2.08/2.28 for FY16/17, respectively.

Table 2: BofAML LDC comp table

Ticker	Name	BofAML rating		Current	Current	2014-17	Market	EV	P/E*			S&P	Moody's
				Price	Dividend	DPS			2015E	2016E	2017E		
				(\$)	Rate (%)	(%)*	Cap	(\$mns)	(\$mns)				
GAS	AGL Resources Inc	-6-	No Rating	64.65	3.2	3.9	7,774	11,823	21.9	21.4	20.5	BBB+	N/A
ATO	Atmos Energy Corp	A-1-7	Buy	69.90	2.4	6.7	7,133	8,789	22.6	21.5	20.0	A-	A2
LG	Laclede Group Inc/The	A-1-7	Buy	64.47	3.0	5.3	2,795	4,539	20.2	19.0	18.1	A-	Baa2
NJR	New Jersey Resources Corp	A-3-7	Underperform	35.80	2.7	6.1	3,071	3,472	20.3	22.5	21.2	N/A	N/A
NWN	Northwest Natural Gas Co	A-3-7	Underperform	52.48	3.6	5.6	1,436	2,092	23.7	22.9	22.0	A+	(P)A3
OGS	ONE Gas Inc	A-2-7	Neutral	57.94	2.4	10.2	3,022	3,512	26.2	23.2	21.9	A-	A2
PNY	Piedmont Natural Gas Co Inc	-6-	No Rating	59.12	2.2	3.1	4,803	6,391	19.9	30.0	28.2	A	*-
STR	Questar Corp	-6-	No Rating	24.98	3.4	6.5	4,371	4,983	19.2	19.1	17.8	A	*-
SWX	Southwest Gas Corp	A-1-7	Buy	59.41	2.7	8.0	2,815	4,302	20.1	18.0	16.7	BBB+	A3

Table 2: BofAML LDC comp table

Ticker	Name	BofAML rating		Current	Current	2014-17	Market	EV			P/E*			S&P	Moody's
				Price	Dividend	DPS	Cap			2015E	2016E	2017E	credit rating	credit rating	
				(\$)	Rate (%)	(%)*	(\$mns)	(\$mns)							
UGI	UGI Corp	B-1-7	Buy	34.25	2.7	7.6	5,906	10,334	17.0	15.6	14.4		N/A	N/A	
VVC	Vectren Corp	A-3-7	Underperform	42.73	3.7	5.2	3,534	5,191	18.6	17.4	16.4		A-	N/A	
WGL	WGL Holdings Inc	A-3-7	Underperform	67.14	2.8	5.0	3,347	4,190	21.3	22.0	20.9		A+	A3	
NI	NiSource Inc			21.26	2.9	7.7	6,775	12,531	18.9	19.9	18.7		BBB+	(P)Ba1	
SJI	South Jersey Industries Inc			25.46	4.1		1,764	3,076	17.2	15.9	15.7		BBB+	N/A	
Average					3.0	6.4			21.5	20.5	19.4				

Source: Bloomberg for non-covered, BofA Merrill Lynch Global Research

Data as of 2 February 2015

*2014-17 DPS CAGR is pro-rated for those names that IPOed during or after 2014 and used consensus DPS estimates when BofAML estimates are unavailable

*P/E ratios assume consensus EPS when BofAML estimates are unavailable

Price objective basis & risk

UGI Corporation (UGI)

Our \$40 PO is based on a 17x target P/E on our FY17 EPS estimate of \$2.35. UGI offers an attractive EPS growth growth that should be driven by accelerated recovery on its regulated investments, attractive earnings growth at UGIES, and a high earnings retention ratio, which allows UGI to reinvest in its businesses while diminishing its potential financing overhang. However, UGI has a sizable exposure to the propane distribution business, which is more seasonal, volatile, and competitive than regulated utilities, in our opinion. Risks to our PO include: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, the potential inability to find new infrastructure projects through UGIES now that Auburn II is in-service, and unfavorable currency exchange rates. Macroeconomic concerns include rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Analyst Certification

I, Gabe Moreen, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Natural Gas Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Atmos Energy	ATO	ATO US	Gabe Moreen
	Southwest Gas	SWX	SWX US	Gabe Moreen
	The Laclede Group, Inc.	LG	LG US	Gabe Moreen
	UGI Corporation	UGI	UGI US	Gabe Moreen
NEUTRAL				
	ONE Gas, Inc.	OGS	OGS US	Gabe Moreen
UNDERPERFORM				
	New Jersey Resources Corporation	NJR	NJR US	Gabe Moreen
	Northwest Natural Gas Co.	NWN	NWN US	Gabe Moreen
	Vectren Corp	VVC	VVC US	Gabe Moreen
	WGL Holdings, Inc.	WGL	WGL US	Gabe Moreen
RSTR				
	Sempra Energy	SRE	SRE US	Gabe Moreen

iQ^{method} SM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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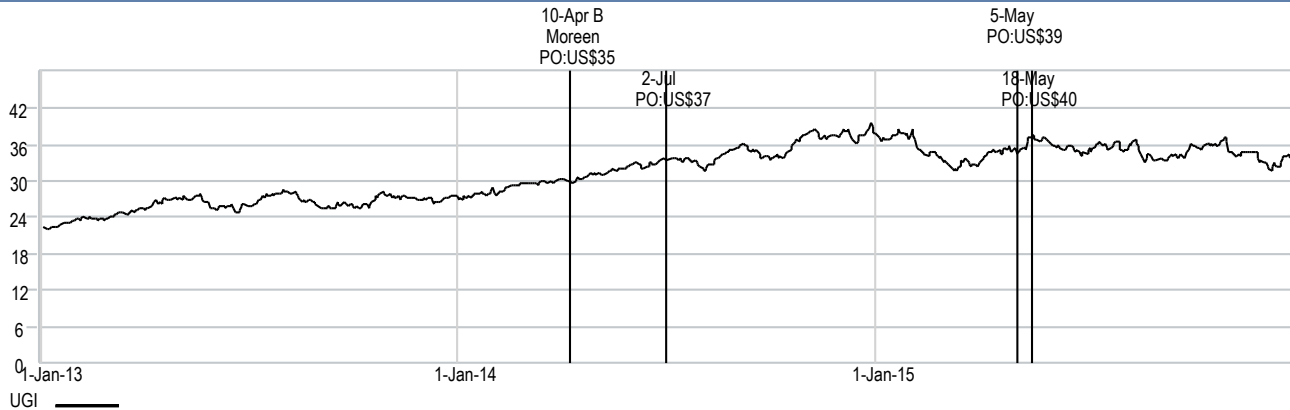
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UGI Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	114	48.93%	Buy	103	90.35%
Hold	53	22.75%	Hold	44	83.02%
Sell	66	28.33%	Sell	51	77.27%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2015)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1673	50.16%	Buy	1244	74.36%
Hold	777	23.30%	Hold	545	70.14%
Sell	885	26.54%	Sell	533	60.23%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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UGI Corporation

Updating estimates post-FY2Q16; favorable France offsets domestic downside

Reiterate Rating: BUY | PO: 46.00 USD | Price: 42.39 USD

Bank of America
Merrill Lynch

Equity | 16 May 2016

FY2Q16 in-line; APU cash flow growth slows

Last month, UGI reported EPS of \$1.24 versus the BofAML/consensus estimates of \$1.22/1.25. Warmer than normal weather was offset by robust propane distribution margins at UGI's recently expanded propane distribution business in France. Notably, APU decelerated its DPU growth rate to ~2% from ~5%, slowing UGI's IDR cash flow growth from APU as well. We do not expect this to have a material impact on UGI's EPS growth and note we had previously anticipated a DPU deceleration from APU (see: [APU: FY2Q16 miss on warm weather: DPU growth decelerated](#)).

FY17 growth supported by rate case, growth projects

We think UGI's FY17 earnings will benefit from a number of factors beyond possibly incrementally more favorable weather conditions: 1) management expects the pending UGI Gas Pennsylvania rate case, the first in over 20 years, to conclude by FY1Q17. The rate case could boost revenues to UGI's utility business by ~5%, in our opinion; and 2) the Sunbury Pipeline project received its FERC certificate recently and the \$160mn project is expected to be online in early 2017.

The two sides of PennEast delay

As the pipeline has previously announced, PennEast is now expected to be in-service by 2H18 (from late 2017 previously). We view the delay, which was largely due to regulatory difficulties, negatively in itself as UGI has a 20% equity stake (~\$200mn capex). However, we also emphasize this is a part of the recent trend of Northeast pipeline delays. Other delayed natural gas pipelines scheduled to delivery to Northeast market regions include Constitution and NED (see: [The MLP Maven](#)). The delay in these pipelines could extend the current lack of natural gas takeaway and has heightened natural gas volatility in the region, a boon for UGI's midstream segment, all else equal.

PO to \$46 (from \$40) due to higher sector valuations

We reiterate our Buy rating with UGI's focus on growing its midstream assets, underappreciated propane interests and exposure to the Marcellus Shale. Our PO moves to \$46 and is based on a 19.5x target P/E on our FY17 EPS estimate of \$2.39.

Estimates (Sep)

(US\$)	2014A	2015A	2016E	2017E	2018E
EPS	2.00	2.01	2.12	2.71	2.85
GAAP EPS	1.92	1.60	2.12	2.71	2.85
EPS Change (YoY)	25.0%	0.5%	5.5%	27.8%	5.2%
Consensus EPS (Bloomberg)			2.00	2.31	2.37
DPS	0.82	0.90	0.94	0.98	1.02

Valuation (Sep)

	2014A	2015A	2016E	2017E	2018E
P/E	21.2x	21.1x	20.0x	15.6x	14.9x
GAAP P/E	22.1x	26.5x	20.0x	15.6x	14.9x
Dividend Yield	1.9%	2.1%	2.2%	2.3%	2.4%
EV / EBITDA*	9.7x	10.6x	9.6x	8.4x	8.3x
Free Cash Flow Yield*	7.4%	9.1%	13.7%	10.5%	10.9%

* For full definitions of *Qmethod*SM measures, see page 5.

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Refer to important disclosures on page 6 to 8. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Key Changes

(US\$)	Previous	Current
Price Obj.	40.00	46.00
2016E EPS	2.00	2.12
2017E EPS	2.35	2.71
2018E EPS	2.51	2.85
2016E EBITDA (m)	1,289.6	1,402.3
2017E EBITDA (m)	1,540.9	1,589.2
2018E EBITDA (m)	1,577.3	1,624.4
2016E DPS	0.96	0.94

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Stock Data

Price	42.39 USD
Price Objective	46.00 USD
Date Established	16-May-2016
Investment Opinion	B-1-7
52-Week Range	31.51 USD - 42.48 USD
Mrkt Val (mn) / Shares Out (mn)	7,406 USD / 174.7
Average Daily Value (mn)	41.56 USD
BofAML Ticker / Exchange	UGI / NYS
Bloomberg / Reuters	UGI US / UGI.N
ROE (2016E)	13.1%
Net Dbt to Eqty (Sep-2015A)	98.5%

iQprofileSM UGI Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Return on Capital Employed	7.8%	6.4%	7.7%	8.6%	8.8%
Return on Equity	13.6%	13.2%	13.1%	16.8%	16.3%
Operating Margin	12.1%	12.5%	15.9%	15.4%	15.6%
Free Cash Flow	549	673	1,015	774	810

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Cash Realization Ratio	2.9x	3.3x	4.3x	2.5x	2.4x
Asset Replacement Ratio	1.3x	1.3x	1.2x	1.0x	1.0x
Tax Rate	30.6%	30.0%	28.5%	30.0%	30.0%
Net Debt-to-Equity Ratio	90.1%	98.5%	83.5%	69.7%	56.5%
Interest Cover	4.2x	3.5x	4.4x	5.4x	6.0x

Income Statement Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Sales	8,277	6,691	6,342	7,613	7,728
% Change	15.0%	-19.2%	-5.2%	20.0%	1.5%
Gross Profit	3,102	2,955	3,268	3,522	3,594
% Change	8.1%	-4.7%	10.6%	7.8%	2.0%
EBITDA	1,381	1,260	1,402	1,589	1,624
% Change	15.6%	-8.7%	11.3%	13.3%	2.2%
Net Interest & Other Income	(238)	(243)	(227)	(217)	(200)
Net Income (Adjusted)	350	354	352	476	501
% Change	25.7%	1.2%	-0.4%	35.0%	5.3%

Free Cash Flow Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Net Income from Cont Operations (GAAP)	337	281	372	476	501
Depreciation & Amortization	363	374	416	417	417
Change in Working Capital	(6)	192	448	100	100
Deferred Taxation Charge	67	14	25	0	0
Other Adjustments, Net	245	303	269	193	204
Capital Expenditure	(457)	(491)	(515)	(412)	(412)
Free Cash Flow	549	673	1,015	774	810
% Change	73.9%	22.7%	50.7%	-23.7%	4.7%

Balance Sheet Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Cash & Equivalents	420	370	782	976	1,044
Trade Receivables	685	620	258	158	58
Other Current Assets	559	470	382	382	382
Property, Plant & Equipment	4,544	4,994	5,137	5,131	5,126
Other Non-Current Assets	3,886	4,093	4,165	4,165	4,165
Total Assets	10,093	10,547	10,725	10,813	10,776
Short-Term Debt	288	448	236	236	236
Other Current Liabilities	1,143	1,231	1,231	1,231	1,231
Long-Term Debt	3,434	3,442	3,631	3,481	3,181
Other Non-Current Liabilities	1,565	1,854	1,933	1,933	1,933
Total Liabilities	6,430	6,974	7,030	6,880	6,580
Total Equity	3,663	3,572	3,694	3,933	4,196
Total Equity & Liabilities	10,093	10,547	10,725	10,813	10,776

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

UGI Corporation (UGI) is a natural gas transmission and energy distribution company headquartered in King of Prussia, PA. Operations are divided between four business units: Domestic Propane - AmeriGas Partners, LP (NYSE: APU), UGI International Propane, UGI Utilities and Midstream and Marketing. APU distributes propane to more than 2mn customers while UGI Utilities serves more than 600,000 customers in PA and MD.

Investment Rationale

We see UGI as attractively valued given its above peer average EPS growth potential and ample FCF generation that gives UGI flexibility on capital return and reinvestment, high customer growth potential at UGI Utilities, an attractive outlook for UGIES, its strong balance sheet and management's posture of remaining conservative with prospective acquisitions.

Stock Data

Average Daily Volume 980,522

Quarterly Earnings Estimates

	2015	2016
Q1	0.66A	0.64A
Q2	1.23A	1.33A
Q3	0.03A	0.12E
Q4	0.01A	0.01E

Midstream relatively resilient despite warmer weather

UGI's Midstream & Market segment generated 2Q16 income before taxes of \$77mn during. Although this represents a 22% decline YoY, it was above our estimate of \$73mn and provides a relatively decent data point for segment earnings during a warm FY2Q. During [FY2Q15](#) and [FY2Q14](#), the segment generated ~\$100mn or more in income before taxes, driven by favorable weather conditions.

FY2Q16 in-line

Last month, UGI reported EPS of \$1.24 versus the BofAML/consensus estimates of \$1.22/1.25. Warmer than normal weather, particularly in the U.S., had a negative impact on UGI's utility, midstream, and propane distribution businesses ([APU: FY2Q16 miss on warm weather; DPU growth decelerated](#)). However, the impact was somewhat less extreme than anticipated and partially offset by robust propane distribution margins at UGI's recently expanded propane distribution business in France. We view this positively though a portion of the robust margins may be due to the recent decline in European wholesale prices and we would expect the effect to diminish over time.

Guidance in-line with BofAML estimates

UGI lowered its FY16 adjusted EPS guidance to \$1.95-2.05, in-line with the BofAML estimate of \$2.00 but below the prior consensus estimate of \$2.06. The guidance was lowered from \$2.15-2.30 issued during November 2015 due to warmer weather since then.

Adjusting estimates

We adjust our estimates to incorporate FY2Q16 results. Our FY17/18 estimates increase slightly due to robust Finagaz and Midstream results. Our FY16/17/18 adjusted EPS estimates of \$2.02/2.38/2.54 (from \$2.00/2.35/2.51) compare to consensus estimates of \$2.08/2.28 for FY16/17, respectively.

Table 1: BofA Merrill Lynch LDC comp table

Ticker	Name	BofAML rating		Current Price (\$)	Current Dividend Rate (%)	2014-17 DPS CAGR (%)*	Market Cap (\$mns)	EV (\$mns)	2016E	P/E* 2017E	2018E	S&P credit rating	Moody's credit rating
GAS	AGL Resources Inc	-6-	No Rating	65.77	3.2		7,937	12,179	21.8	20.9		BBB+	N/A
ATO	Atmos Energy Corp	A-1-7	Buy	74.26	2.3	7.2	7,592	10,625	22.8	21.2	20.1	A	A2
SR	Spire Inc	A-1-7	Buy	64.90	3.0	5.5	2,943	5,040	19.0	18.3	17.7	A-	Baa2
NJR	New Jersey Resources Corp	B-3-7	Underperform	36.58	2.6	5.5	3,148	4,104	23.3	21.8	20.6	N/A	N/A
NWN	Northwest Natural Gas Co	A-3-7	Underperform	57.48	3.3	1.5	1,580	2,256	26.0	25.5	24.5	A+	(P)A3
OGS	ONE Gas Inc	A-2-7	Neutral	60.32	2.3	10.2	3,146	4,326	24.1	22.8	21.5	A-	A2
PNY	Piedmont Natural Gas Co Inc	-6-	No Rating	59.95	2.3		4,861	6,391	19.9	28.8		A *	A2
STR	Questar Corp	-6-	No Rating	25.11	3.5		4,404	5,802	19.5	18.2		A *	N/A
SWX	Southwest Gas Corp	A-1-7	Buy	69.89	2.6	10.7	3,318	4,517	22.0	20.8	19.5	BBB+	A3
UGI	UGI Corp	B-1-7	Buy	42.11	2.3	7.6	7,272	11,302	21.1	17.9	16.8	N/A	N/A
VVC	Vectren Corp	A-3-7	Underperform	49.97	3.2	4.9	4,138	5,248	20.4	19.2	18.2	A-	N/A
WGL	WGL Holdings Inc	A-3-7	Underperform	68.53	2.8	5.0	3,450	4,650	22.5	21.1	19.9	A+	A3
NI	NiSource Inc			24.12	2.7	7.7	7,756	14,543	22.6	21.0	20.2	BBB+	(P)Ba1
SJI	South Jersey Industries Inc			28.67	3.7		2,248	3,084	20.7	19.7		BBB+	N/A
Average					2.8	6.6			22.7	21.3	19.9		

Source: Bloomberg, BofA Merrill Lynch Global Research

Data as of 13 May 2016

*2014-17 DPS CAGR is pro-rated for those names that IPOed during or after 2014 and used CAGR consensus DPS estimates when BofAML estimates are unavailable

*P/E ratios assume consensus EPS when BofAML estimates are unavailable

Price objective basis & risk

UGI Corporation (UGI)

Our \$46 PO is based on a 19.5x target P/E on our FY17 EPS estimate. UGI offers an attractive EPS growth that should be driven by accelerated recovery on its regulated investments, attractive earnings growth at UGIES, and a high earnings retention ratio, which allows UGI to reinvest in its businesses while diminishing its potential financing overhang. However, UGI has a sizable exposure to the propane distribution business, which is more seasonal, volatile, and competitive than regulated utilities, in our opinion. Risks to our PO include: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, the potential inability to find new infrastructure projects through UGIES now that Auburn II is in-service, and unfavorable currency exchange rates. Macroeconomic concerns include rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Analyst Certification

I, Gabe Moreen, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Natural Gas Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Atmos Energy	ATO	ATO US	Gabe Moreen
	Southwest Gas	SWX	SWX US	Gabe Moreen
	Spire	SR	SR US	Gabe Moreen
	UGI Corporation	UGI	UGI US	Gabe Moreen
NEUTRAL				
	ONE Gas, Inc.	OGS	OGS US	Gabe Moreen
UNDERPERFORM				
	New Jersey Resources Corporation	NJR	NJR US	Gabe Moreen
	Northwest Natural Gas Co.	NWN	NWN US	Gabe Moreen
	Vectren Corp	VVC	VVC US	Gabe Moreen
	WGL Holdings, Inc.	WGL	WGL US	Gabe Moreen
RVW				
	Sempra Energy	SRE	SRE US	Gabe Moreen

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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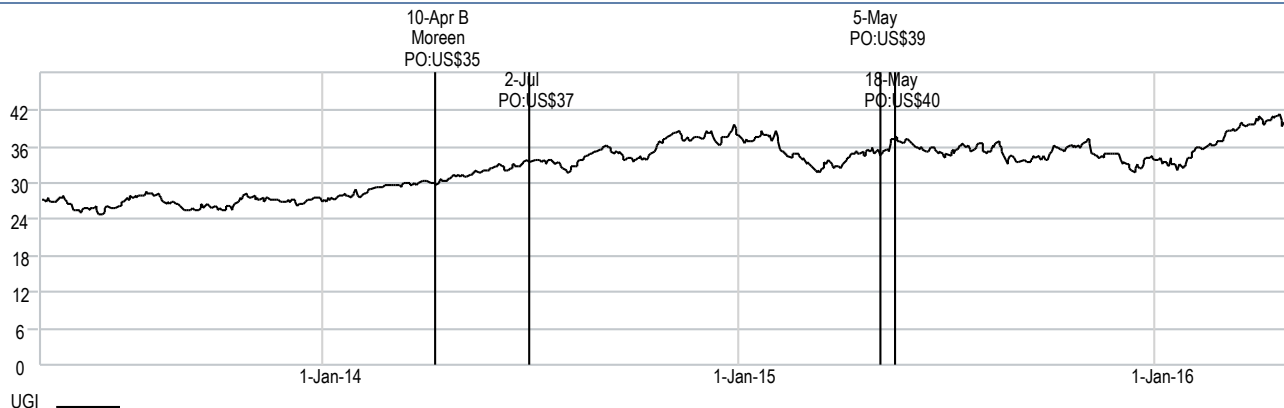
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Important Disclosures

UGI Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of April 30, 2016 or such later date as indicated.

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2016)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	98	45.16%	Buy	86	87.76%
Hold	50	23.04%	Hold	44	88.00%
Sell	69	31.80%	Sell	46	66.67%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2016)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1602	49.61%	Buy	1195	74.59%
Hold	754	23.35%	Hold	563	74.67%
Sell	873	27.04%	Sell	552	63.23%

* Issuers that were investment banking clients of BofA Merrill Lynch or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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UGI Corporation

FY3Q16 beat on robust international margins; utilities rate case settled

Reiterate Rating: BUY | PO: 51.00 USD | Price: 46.09 USD

Bank of America
Merrill Lynch

Equity | 02 August 2016

FY3Q16 beat driven primarily by international margins

Yesterday after market close, UGI reported adjusted EPS of \$0.23 for FY3Q16, above the BofAML/consensus estimates of \$0.12/0.08. Due to UGI's earnings seasonality, FY3Q is typically weaker and FY3Q16 represents only 11% of our full-year FY16 EPS estimate. The primary driver of the beat was higher than expected margins from UGI's international business. Note a sizable portion of the outperformance may be due to more transient factors such as a recent decline in UGI's international cost of propane leading to a short-term margin expansion. However, a portion of the beat was due to longer-term factors such as lower fuel costs. UGI now expects to achieve the higher end of or exceed its previously announced FY16 EPS guidance of \$1.95-2.05, (compares to the prior BofAML/consensus estimates of \$2.03/1.97).

Rate case settled for modest upside

On 30 June 2016, UGI filed a joint settlement petition with the Pennsylvania PUC. If approved, UGI Utilities will be permitted to increase its annual base distribution rates by \$27mn effective October 2016. This represents ~10% of UGI Utilities' operating income and ~7% of UGI's consolidated 2016 net income. We view this settlement positively despite the rate increase being lower than UGI's initial request for \$58mn.

Growth projects on-track

The Manning LNG and Sunbury Pipeline projects are scheduled to be completed in early/Summer 2017, which we think will support robust FY17 EPS growth (assuming normal weather conditions). Management commentary on strong demand for UGI's recent Temple LNG project is a positive read-through for the potential ramp-up of Manning, in our view. The PennEast Pipeline, in which UGI has a 20% equity stake (~\$200mn capex) is still expected to be in-service by 2H18 (previously delayed from 2017). We do not include this particular project in our estimates due to generalized potential regulatory risks for Northeast long-haul natural gas pipelines.

Reiterate Buy; PO to \$51

We reiterate our Buy rating with UGI's focus on growing its midstream assets, underappreciated propane interests and exposure to the Marcellus. Our revised \$51 PO (from \$49) is based on a 21x target P/E on our FY17 adjusted EPS estimate of \$2.40.

Estimates (Sep)

(US\$)	2014A	2015A	2016E	2017E	2018E
EPS	2.00	2.01	2.30	2.38	2.54
GAAP EPS	1.92	1.60	2.30	2.38	2.54
EPS Change (YoY)	25.0%	0.5%	14.4%	3.5%	6.7%
Consensus EPS (Bloomberg)			2.00	2.42	2.38
DPS	0.82	0.90	0.94	0.98	1.02

Valuation (Sep)

	2014A	2015A	2016E	2017E	2018E
P/E	23.0x	22.9x	20.0x	19.4x	18.1x
GAAP P/E	24.0x	28.8x	20.0x	19.4x	18.1x
Dividend Yield	1.8%	2.0%	2.0%	2.1%	2.2%
EV / EBITDA*	10.2x	11.2x	9.6x	9.4x	9.2x
Free Cash Flow Yield*	6.8%	8.4%	12.6%	8.6%	9.1%

* For full definitions of *Qmethod*SM measures, see page 5.

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Key Changes

(US\$)	Previous	Current
Price Obj.	49.00	51.00
2016E EPS	2.13	2.30
2016E EBITDA (m)	1,395.8	1,459.2
2017E EBITDA (m)	1,484.6	1,491.4
2018E EBITDA (m)	1,524.4	1,531.5

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Stock Data

Price	46.09 USD
Price Objective	51.00 USD
Date Established	2-Aug-2016
Investment Opinion	B-1-7
52-Week Range	31.51 USD - 45.65 USD
Mrkt Val (mn) / Shares Out (mn)	8,052 USD / 174.7
Average Daily Value (mn)	43.16 USD
BofAML Ticker / Exchange	UGI / NYS
Bloomberg / Reuters	UGI US / UGI.N
ROE (2016E)	13.5%
Net Dbt to Eqty (Sep-2015A)	98.5%

iQprofileSM UGI Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Return on Capital Employed	7.8%	6.4%	8.0%	8.1%	8.4%
Return on Equity	13.6%	13.2%	13.5%	14.8%	14.8%
Operating Margin	12.1%	12.5%	15.4%	17.1%	17.5%
Free Cash Flow	549	673	1,017	694	734

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Cash Realization Ratio	2.9x	3.3x	4.2x	2.6x	2.6x
Asset Replacement Ratio	1.3x	1.3x	1.3x	1.0x	1.0x
Tax Rate	30.6%	30.0%	30.4%	30.0%	30.0%
Net Debt-to-Equity Ratio	90.1%	98.5%	83.1%	72.5%	61.7%
Interest Cover	4.2x	3.5x	4.7x	4.9x	5.5x

Income Statement Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Sales	8,277	6,691	6,075	6,404	6,510
% Change	15.0%	-19.2%	-9.2%	5.4%	1.7%
Gross Profit	3,102	2,955	3,197	3,287	3,364
% Change	8.1%	-4.7%	8.2%	2.8%	2.3%
EBITDA	1,381	1,260	1,459	1,491	1,532
% Change	15.6%	-8.7%	15.8%	2.2%	2.7%
Net Interest & Other Income	(238)	(243)	(269)	(224)	(207)
Net Income (Adjusted)	350	354	364	417	446
% Change	25.7%	1.2%	3.0%	14.6%	6.9%

Free Cash Flow Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Net Income from Cont Operations (GAAP)	337	281	404	417	446
Depreciation & Amortization	363	374	412	395	395
Change in Working Capital	(6)	192	448	100	100
Deferred Taxation Charge	67	14	25	0	0
Other Adjustments, Net	245	303	249	193	204
Capital Expenditure	(457)	(491)	(522)	(412)	(412)
Free Cash Flow	549	673	1,017	694	734
% Change	73.9%	22.7%	51.0%	-31.7%	5.7%

Balance Sheet Data (Sep)

(US\$ Millions)	2014A	2015A	2016E	2017E	2018E
Cash & Equivalents	420	370	784	898	890
Trade Receivables	685	620	258	158	58
Other Current Assets	559	470	382	382	382
Property, Plant & Equipment	4,544	4,994	5,148	5,164	5,181
Other Non-Current Assets	3,886	4,093	4,165	4,165	4,165
Total Assets	10,093	10,547	10,738	10,768	10,676
Short-Term Debt	288	448	236	236	236
Other Current Liabilities	1,143	1,231	1,231	1,231	1,231
Long-Term Debt	3,434	3,442	3,631	3,481	3,181
Other Non-Current Liabilities	1,565	1,854	1,933	1,933	1,933
Total Liabilities	6,430	6,974	7,030	6,880	6,580
Total Equity	3,663	3,572	3,707	3,888	4,096
Total Equity & Liabilities	10,093	10,547	10,738	10,768	10,676

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

UGI Corporation (UGI) is a natural gas transmission and energy distribution company headquartered in King of Prussia, PA. Operations are divided between four business units: Domestic Propane - AmeriGas Partners, LP (NYSE: APU), UGI International Propane, UGI Utilities and Midstream and Marketing. APU distributes propane to more than 2mn customers while UGI Utilities serves more than 600,000 customers in PA and MD.

Investment Rationale

We see UGI as attractively valued given its above peer average EPS growth potential and ample FCF generation that gives UGI flexibility on capital return and reinvestment, high customer growth potential at UGI Utilities, an attractive outlook for UGIES, its strong balance sheet and management's posture of remaining conservative with prospective acquisitions.

Stock Data

Average Daily Volume 936,456

Quarterly Earnings Estimates

	2015	2016
Q1	0.66A	0.64A
Q2	1.23A	1.33A
Q3	0.03A	0.34A
Q4	0.01A	-0.02E

Euro exposure may present a longer-term headwind

Approximately 20% of UGI's operating income is generated in EUR and exposure to the USD/EUR exchange rate. The majority of UGI's EUR exposure is a result of the company's propane distribution business in France. UGI may still be benefitting from legacy currency hedges put on during 2014, when the UDS/EUR rate was ~1.30 versus 1.11 today. These hedges are expected to roll off in 2017/18. Management systematically hedges out forward currency exposure for the next ~3yrs.

Adjusting estimates

We adjust our estimates to incorporate FY3Q16 results and UGI's pending rate case. Our FY17/18 estimates increase slightly due to lower O&M expenses. Our FY16/17/18 adjusted EPS estimates of \$2.10/2.40/2.57 (from \$2.02/2.38/2.54) compare to consensus estimates of \$2.01/2.42 for FY16/17, respectively.

Table 1: BofA Merrill Lynch LDC comp table

Ticker	Name	BofAML rating		Current	Current	2014-17	Market	EV	P/E*			S&P credit rating	Moody's credit rating
				Price (\$)	Dividend Rate (%)	DPS CAGR (%)*	Cap (\$mns)		2016E	2017E	2018E		
ATO	Atmos Energy Corp	A-1-7	Buy	79.21	2.1	7.2	8,098	10,625	24.4	22.6	21.4	A	A2
SR	Spire Inc	A-1-7	Buy	69.07	2.8	5.5	3,132	5,040	20.3	19.5	18.8	A-	Baa2
NJR	New Jersey Resources Corp	B-3-7	Underperform	36.21	2.7	5.5	3,116	4,104	23.1	21.6	20.3	N/A	N/A
NWN	Northwest Natural Gas Co	A-3-7	Underperform	65.39	2.9	1.5	1,798	2,236	29.6	29.1	27.8	A+	(P)A3
OGS	ONE Gas Inc	A-2-7	Neutral	64.37	2.2	10.2	3,363	4,326	25.7	24.3	23.0	A-	A2
PNY	Piedmont Natural Gas Co Inc	-6-	No Rating	59.78	2.3		4,854	6,391				A	*-
STR	Questar Corp	-6-	No Rating	25.20	3.5		4,421	5,802				A	*-
SRE	Sempra Energy	C-1-7	Buy	110.80	2.7	5.4	27,643	41,485	22.7	20.4	18.3	BBB+	Baa1
SWX	Southwest Gas Corp	A-1-7	Buy	77.01	2.3	10.7	3,656	4,517	24.2	22.4	21.0	BBB+	A3
UGI	UGI Corp	B-1-7	Buy	46.16	2.1	7.6	7,971	11,302	23.0	17.0	16.2	N/A	N/A
VVC	Vectren Corp	A-3-7	Underperform	51.94	3.1	4.9	4,301	5,850	21.2	20.0	18.9	A-	N/A
WGL	WGL Holdings Inc	A-3-7	Underperform	69.70	2.8	5.0	3,509	5,185	22.9	21.4	20.2	A+	A3
NI	NiSource Inc	NC	Not Covered	25.93	2.5	7.7	8,354	14,543	24.2	22.4	21.5	BBB+	(P)Ba1
SJI	South Jersey Industries Inc	NC	Not Covered	31.49	3.4		2,502	3,400	24.1	23.0	19.6	BBB+	N/A
Average					2.7	6.5			23.8	22.0	20.6		

Source: Bloomberg, BofA Merrill Lynch Global Research

Data as of 02 August 2016

*2014-17 DPS CAGR is pro-rated for those names that IPOed during or after 2014 and used consensus DPS estimates when BofAML estimates are unavailable

*P/E ratios assume consensus EPS when BofAML estimates are unavailable

Price objective basis & risk

UGI Corporation (UGI)

Our \$51 PO is based on a 21x target P/E on our FY17 EPS estimate, representing a modest discount to LDC peers due to UGI's weather exposure. UGI offers an attractive EPS growth that should be driven by accelerated recovery on its regulated investments, attractive earnings growth at UGIES, and a high earnings retention ratio, which allows UGI to reinvest in its businesses while diminishing its potential financing overhang. However, UGI has a sizable exposure to the propane distribution business, which is more seasonal, volatile, and competitive than regulated utilities, in our opinion. Risks to our PO are: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, the potential inability to find new infrastructure projects through UGIES now that Auburn II is in-service, and unfavorable currency exchange rates. Macroeconomic concerns include rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Analyst Certification

I, Gabe Moreen, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Natural Gas Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Atmos Energy	ATO	ATO US	Gabe Moreen
	Sempra Energy	SRE	SRE US	Gabe Moreen
	Southwest Gas	SWX	SWX US	Gabe Moreen
	Spire	SR	SR US	Gabe Moreen
	UGI Corporation	UGI	UGI US	Gabe Moreen
NEUTRAL				
	ONE Gas, Inc.	OGS	OGS US	Gabe Moreen
UNDERPERFORM				
	New Jersey Resources Corporation	NJR	NJR US	Gabe Moreen
	Northwest Natural Gas Co.	NWN	NWN US	Gabe Moreen
	Vectren Corp	VVC	VVC US	Gabe Moreen
	WGL Holdings, Inc.	WGL	WGL US	Gabe Moreen

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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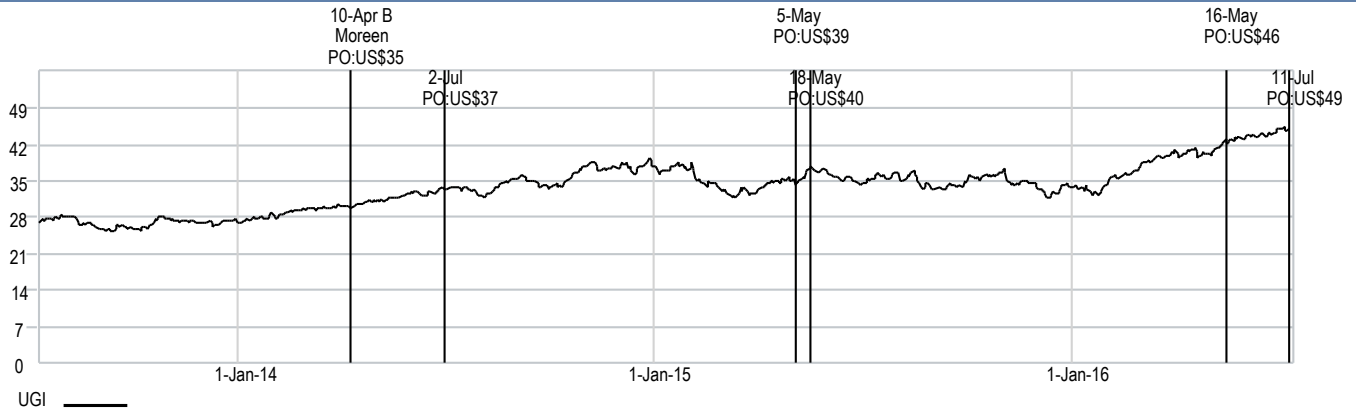
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Important Disclosures

UGI Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of June 30, 2016 or such later date as indicated.

Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2016)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	102	45.74%	Buy	92	90.20%
Hold	52	23.32%	Hold	44	84.62%
Sell	69	30.94%	Sell	52	75.36%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2016)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1560	49.41%	Buy	1178	75.51%
Hold	729	23.09%	Hold	552	75.72%
Sell	868	27.49%	Sell	547	63.02%

* Issuers that were investment banking clients of BofA Merrill Lynch or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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UGI Corp.

EPS Housekeeping

Expecting Normalized EPS to See Healthy Growth in 2015: UGI's shares have been among the top performers in its peer group over the past 12 months (+36.7% vs. +28.4% for a group of select LDCs). We think the market rewarded the company for its capital allocation policies, which included the announced purchase of TOTAL's LPG distribution operations in France, its participation in the PennEast Pipeline project, and a 10% y/y dividend increase (annualized), which was higher than the company's targeted level of 4%. Management expects core earnings (normalized for FY14's weather impact) to grow between 6%-12% in FY15 supported by contributions across its business segments. When UGI reports 1Q15 results on 2/5, we estimate EPS will be \$0.76. We raise our price target to \$37.

Equity Research

Energy | U.S. Diversified Natural Gas
27 January 2015

Stock Rating **EQUAL WEIGHT**
Unchanged

Industry View **NEUTRAL**
Unchanged

Price Target **USD 37.00**
raised 9% from USD 34.00

Price (26-Jan-2015) USD 38.07
Potential Upside/Downside -3%
Tickers UGI

Market Cap (USD mn) 6564
Shares Outstanding (mn) 172.43
Free Float (%) 99.33
52 Wk Avg Daily Volume (mn) 1.0
Dividend Yield (%) 2.3
Return on Equity TTM (%) 13.09
Current BVPS (USD) 15.30

Source: Thomson Reuters

Price Performance Exchange-NYSE
52 Week range USD 39.75-27.58



[Link to Barclays Live for interactive charting](#)

UGI: Quarterly and Annual EPS (USD)

	2014		2015		2016		Change y/y		
FY Sep	Actual	Old	New	Cons	Old	New	Cons	2015	2016
Q1	0.70A	N/A	0.76E	0.78E	N/A	N/A	N/A	9%	N/A
Q2	1.26A	N/A	1.08E	1.04E	N/A	N/A	N/A	-14%	N/A
Q3	0.10A	N/A	0.10E	0.12E	N/A	N/A	N/A	0%	N/A
Q4	-0.08A	N/A	-0.05E	-0.18E	N/A	N/A	N/A	38%	N/A
Year	1.99A	1.88E	1.89E	1.90E	N/A	2.18E	2.13E	-5%	15%
P/E	19.1		20.1			17.5			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

U.S. Diversified Natural Gas

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U.S. Diversified Natural Gas Industry View: **NEUTRAL**

UGI Corp. (UGI) Stock Rating: **EQUAL WEIGHT**

Income statement (\$mn)	2014A	2015E	2016E	2017E	CAGR
Revenue	N/A	N/A	N/A	N/A	N/A
EBITDA (adj)	1,368	1,358	1,471	1,507	3.3%
EBIT (adj)	1,005	980	1,052	1,076	2.3%
Pre-tax income (adj)	768	534	608	636	-6.1%
Net income (adj)	533	330	382	399	-9.2%
EPS (adj) (\$)	1.99	1.89	2.18	2.26	4.4%
Diluted shares (mn)	175.2	174.4	175.4	176.4	0.2%
DPS (\$)	0.82	0.87	0.90	0.94	4.7%

Price (26-Jan-2015) **USD 38.07**
Price Target **USD 37.00**

Why Equal Weight? UGI operates a collection of businesses that provide investors with exposure to a diverse set of customers, commodities, and geographies. With its core business strengthened and multiple reinvestment opportunities, UGI appears poised to deliver mid-single digit EPS growth over our forecast period.

Growth rates	Average				
EBITDA (adj) growth (%)	14.8	-0.8	8.3	2.5	6.2
EBIT (adj) growth (%)	20.8	-2.5	7.3	2.3	7.0
Net income (adj) growth (%)	24.6	-38.0	15.7	4.6	1.7
EPS (adj) growth (%)	24.1	-5.0	15.0	4.0	9.5
DPS growth (%)	11.3	6.1	4.0	4.0	6.4

Upside case **USD 39.00**

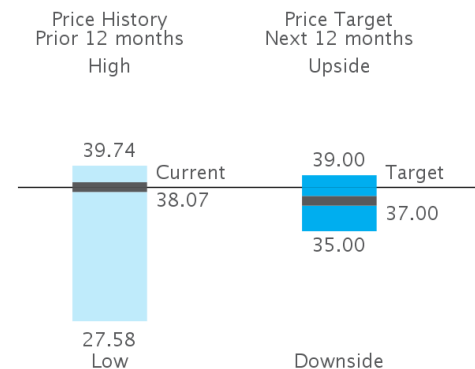
Our upside case is predicated on shares trading at 18x our FY16 EPS estimate of \$2.18.

Downside case **USD 35.00**

Our downside case is predicated on shares trading at 16.0x our FY16 EPS estimate of \$2.18.

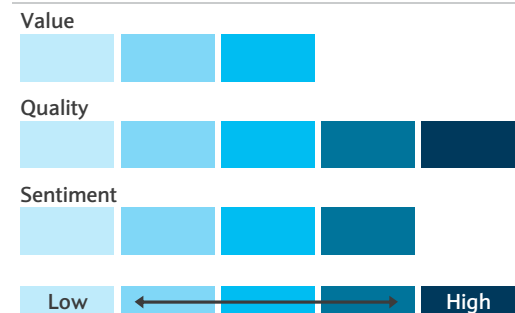
Balance sheet and cash flow (\$mn)	CAGR				
Tangible fixed assets	4,544	4,688	4,794	4,968	3.0%
Cash and equivalents	420	297	411	501	6.1%
Short and long-term debt	3,722	4,004	3,841	3,821	0.9%
Total liabilities	10,093	0	0	0	-100.0%
Net debt/(funds)	3,302	3,706	3,430	3,320	0.2%
Shareholders' equity	3,663	3,841	4,065	4,298	5.5%
Change in working capital	-7	0	0	0	N/A
Cash flow from operations	1,005	556	645	671	-12.6%
Capital expenditure	436	430	435	510	5.3%
Free cash flow	569	126	210	161	-34.4%

Upside/Downside scenarios



Valuation and leverage metrics				
P/E (adj) (x)	19.1	20.1	17.5	16.8
EV/EBITDA (x)	N/A	N/A	N/A	N/A
P/Sales (x)	N/A	N/A	N/A	N/A
Dividend yield (%)	2.2	2.3	2.4	2.5
Total debt/capital (%)	26.5	29.4	26.2	24.8

POINT® Quantitative Equity Scores



Source: POINT®. The scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, please go to the equity company page on Barclays Live.

Source: Company data, Barclays Research
Note: FY End Sep

Price Target

We raise our price target to \$37, based on shares trading at 17.0x our estimated FY16 EPS of \$2.18. Our prior price target of \$34 was based on shares trading at 17.0x our estimated FY15 EPS of \$1.88 plus \$2 tied to the acquisition of Total's LPG Distribution assets.

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Primary Stocks (Ticker, Date, Price)

UGI Corp. (UGI, 26-Jan-2015, USD 38.07), Equal Weight/Neutral, A/C/D/J/K/L/N/O

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U.S. Diversified Natural Gas

AGL Resources Inc. (GAS)	Atmos Energy (ATO)	Cheniere Energy (LNG)
Cheniere Energy Partners LP Holdings, LLC (CQH)	Enbridge Inc. (ENB.TO)	EQT Corporation (EQT)
Kinder Morgan Inc. (KMI)	Macquarie Infrastructure Co., Llc. (MIC)	MDU Resources Group (MDU)
National Fuel Gas (NFG)	ONEOK Inc. (OKE)	Plains GP Holdings LP (PAGP)
Questar Corp. (STR)	Spectra Energy Corp. (SE)	Targa Resources Corp. (TRGP)
UGI Corp. (UGI)	Williams Cos. (WMB)	

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UGI Corp. (UGI)

USD 38.07 (26-Jan-2015)

Stock Rating

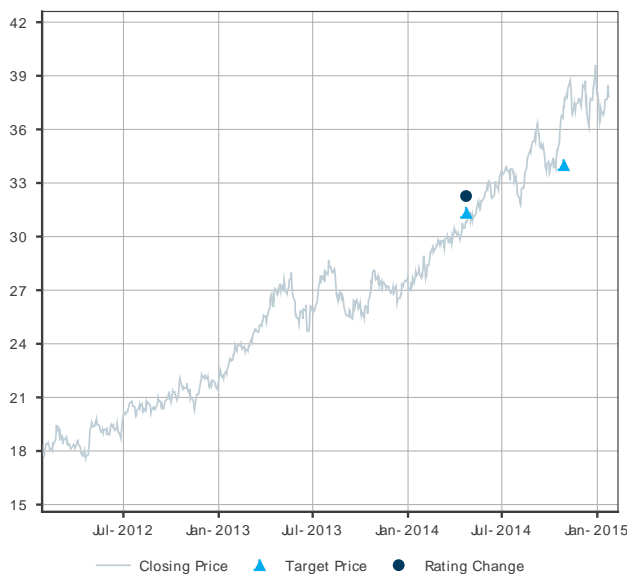
EQUAL WEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 26-Jan-2015)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
28-Oct-2014	37.36		34.00
23-Apr-2014	30.83	Equal Weight	31.33

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our \$37 price target is predicated on shares trading at 17.0x our FY16 EPS estimate of \$2.18.

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Equity Research | Instant Insights

4 February 2015

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UGI Corp.

Weather Drags on Results, Drives Miss

Stock Rating/Industry View: Equal Weight/Neutral

Price Target: USD 37.00

Price (04-Feb-2015): USD 37.47

Potential Upside/Downside: -1%

Tickers: UGI

1Q Results Recap

UGI reported adjusted EPS of \$0.66 vs. our estimate of \$0.76 and consensus of \$0.75. Operating income at Gas Utility and AmeriGas Propane (APU) declined over the prior year period, primarily on account of warmer weather. Results came in below our estimates at both segments. Gas Utility generated 1Q operating income of \$72 million compared to our estimate of \$84 million. Gross margin was pressured by temperatures that were 6.8% above last year's level (we note that the segment does not have a weather normalization mechanism in place), while O&M also inched higher due to increased distribution system maintenance, employee benefits, and IT expenses. APU generated operating income of \$140 million vs. our \$190 million. Margin declined by nearly \$37 million from 1Q14, driven primarily by lower retail volumes. While weather also posed a challenge to results at UGI International, the company was able to generally hold stable local currency results due to both effective margin management and expense controls. Nonetheless, a weaker Euro, and to a smaller degree, the British Pound, contributed to a modest decline in results compared to the prior year period. Operating income was \$54 million compared to our \$67 million. The sole bright spot was at Midstream and Marketing, which grew y/y and also topped our expectations. Reported operating income was \$45.5 million relative to our \$36.6 million estimate. Margin grew by ~\$15 million from the prior year period, supported by increases in capacity management services, which benefitted from favorable basis differentials, as well as higher peaking service margins. We will revisit our estimates following our review of the company's 10-Q.

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Energy

EPS Housekeeping

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We estimate that UGI will report 2Q EPS of \$1.16 and APU will report 2Q EBITDA of \$343 million. At UGI, we adjusted our numbers higher for the Gas Utility and Energy Services segments in order to account for the impact of colder weather than we had originally anticipated when first setting our estimates. We also revised our full year estimates for APU, consistent with the company's updated EBITDA guidance range of \$635-\$665 million, which management had revised down from \$670-\$700 million during the company's 1Q15 earnings call.

APU Price Target to \$51: We are raising our PT for APU to \$51, based on a 12-month distribution run-rate of \$3.83 and a target yield of 7.50%. Our previous price target of \$44 was based on a 12-month distribution run-rate of \$3.70 and a target yield of 8.4%. We also transfer coverage of APU to Rick Gross.

INDUSTRY UPDATE

U.S. Diversified Natural Gas

NEUTRAL

Unchanged

U.S. MLPs

NEUTRAL

Unchanged

For a full list of our ratings, price target and earnings changes in this report, please see table on page 2.

U.S. Diversified Natural Gas

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Investors should consider this report as only a single factor in making their investment decision.

PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 6.

Summary of our Ratings, Price Targets and Earnings Changes in this Report (all changes are shown in bold)

Company	Rating			Price Target				EPS FY1 (E)			EPS FY2 (E)		
	Old	New	Date	Price	Old	New	%Chg	Old	New	%Chg	Old	New	%Chg
U.S. Diversified Natural Gas	Neu	Neu											
UGI Corp. (UGI)	EW	EW	01-May-2015	35.10	37.00	37.00	-	1.89	1.90	1	2.18	2.20	1
U.S. MLPs	Neu	Neu											
AmeriGas Partners, L.P. (APU)	UW	UW	01-May-2015	48.73	44.00	51.00	16	3.01	2.74	-9	3.09	2.84	-8

Source: Barclays Research. Share prices and target prices are shown in the primary listing currency and EPS estimates are shown in the reporting currency.

FY1(E): Current fiscal year estimates by Barclays Research. FY2(E): Next fiscal year estimates by Barclays Research.

Stock Rating: OW: Overweight; EW: Equal Weight; UW: Underweight; RS: Rating Suspended

Industry View: Pos: Positive; Neu: Neutral; Neg: Negative

U.S. MLPs **Industry View: NEUTRAL**

AmeriGas Partners, L.P. (APU) **Stock Rating: UNDERWEIGHT**

Income statement (\$mn)	2014A	2015E	2016E	2017E	CAGR
EBITDA	655	639	683	708	2.6%
EBIT	463	308	485	506	3.0%
Pre-tax income	N/A	N/A	N/A	N/A	N/A
Net income	290	140	315	335	5.0%
Reported EPU (\$)	2.83	2.74	2.84	3.03	2.2%
Diluted units (mn)	92.9	92.9	92.9	92.9	0.0%
Cash distribution per unit	N/A	N/A	N/A	N/A	N/A

Price (01-May-2015) USD 48.73
Price Target USD 51.00

Why Underweight? APU has weather-sensitive cash flows that are also impacted by commodity price volatility and customer conservation. A challenging propane demand environment supports our UW rating.

Upside case USD 55.00

Our upside case is based on the same 12-month distribution as our base case, except assumes APU's target yield compresses by 50 bps to 7.0%.

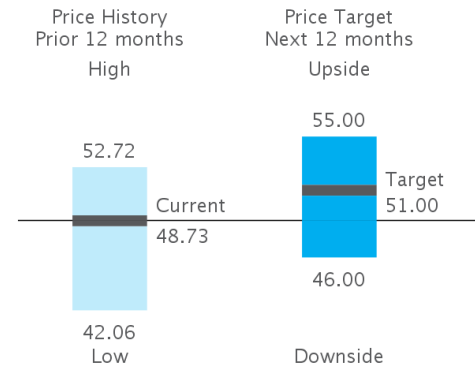
Downside case USD 46.00

Our downside case is based on the same 12-month distribution as our base case, except assumes APU's target yield widens by 75 bps to 8.25%.

Balance sheet and cash flow (\$mn)	CAGR				
Cash and equivalents	13	26	28	26	25.2%
Net PP&E	1,387	1,316	1,215	1,110	-7.2%
Total debt	2,401	2,593	2,593	2,593	2.6%
Net debt/(funds)	N/A	N/A	N/A	N/A	N/A
Shareholders' equity	N/A	N/A	N/A	N/A	N/A
Cash flow from operations	480	325	536	561	5.3%
Distributable cash flow	387	375	401	410	1.9%

Valuation and leverage metrics	Average				
Distribution coverage (%)	119.6	110.8	113.9	112.2	114.1
EV/EBITDA (x)	10.6	11.1	10.4	10.0	10.5
EV/EBITDA less MC, GP (x)	12.5	13.2	12.5	12.3	12.6
P/DCF (x)	N/A	12.1	11.3	11.0	11.5
EBITDA (adj)/interest expense (x)	N/A	N/A	N/A	N/A	N/A
Dividend yield (%)	7.2	7.5	7.8	8.1	7.6
Net debt/EBITDA (x)	3.6	4.0	3.8	3.6	3.8

Upside/Downside scenarios



Selected operating metrics	2014A	2015E	2016E	2017E
(Divestures)/acquisitions (\$mn)	4	-9	-10	-10
Propane volumes (mm gallons)	1,369.0	1,312.9	1,331.2	1,331.2
Retail propane (mm gallons)	1,275.6	1,241.7	1,260.0	1,260.0
Gross profit per gallon	N/A	N/A	N/A	N/A

Source: Company data, Barclays Research
Note: FY End Sep

U.S. Diversified Natural Gas Industry View: **NEUTRAL**

UGI Corp. (UGI) Stock Rating: **EQUAL WEIGHT**

Income statement (\$mn)	2014A	2015E	2016E	2017E	CAGR
Revenue	N/A	N/A	N/A	N/A	N/A
EBITDA (adj)	1,368	963	1,482	1,526	3.7%
EBIT (adj)	1,005	593	1,071	1,102	3.1%
Pre-tax income (adj)	768	373	622	653	-5.3%
Net income (adj)	533	217	390	408	-8.5%
EPS (adj) (\$)	1.99	1.90	2.20	2.30	4.9%
Diluted shares (mn)	175.2	175.8	176.8	177.8	0.5%
DPS (\$)	0.82	0.87	0.90	0.94	4.7%

Price (01-May-2015) USD 35.10
Price Target USD 37.00

Why Equal Weight? UGI operates a collection of businesses that provide investors with exposure to a diverse set of customers, commodities, and geographies. With its core business strengthened and multiple reinvestment opportunities, UGI appears poised to deliver mid-single digit EPS growth over our forecast period.

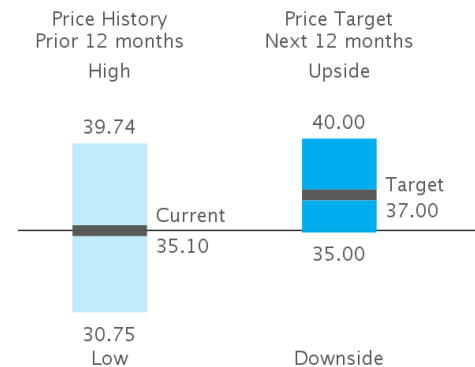
Growth rates	Average				
EBITDA (adj) growth (%)	14.8	-29.6	53.9	3.0	10.5
EBIT (adj) growth (%)	20.8	-41.1	80.7	2.9	15.8
Net income (adj) growth (%)	24.6	-59.2	79.4	4.7	12.4
EPS (adj) growth (%)	24.1	-4.7	16.1	4.2	9.9
DPS growth (%)	11.3	6.1	4.0	4.0	6.4

Upside case USD 40.00
Our upside case is predicated on shares trading at 18x our FY16 EPS estimate of \$2.20.

Downside case USD 35.00
Our downside case is predicated on shares trading at 16.0x our FY16 EPS estimate of \$2.20.

Balance sheet and cash flow (\$mn)	CAGR				
Tangible fixed assets	4,544	4,680	4,789	4,965	3.0%
Cash and equivalents	420	248	366	461	3.2%
Short and long-term debt	3,722	4,319	4,156	4,136	3.6%
Total liabilities	10,093	0	0	0	-100.0%
Net debt/(funds)	3,302	4,071	3,790	3,675	3.6%
Shareholders' equity	3,663	3,768	3,997	4,238	5.0%
Change in working capital	-7	-248	0	0	N/A
Cash flow from operations	1,005	405	650	677	-12.3%
Capital expenditure	436	433	435	510	5.3%
Free cash flow	569	-28	215	167	-33.5%

Upside/Downside scenarios



Valuation and leverage metrics				
P/E (adj) (x)	17.6	18.5	15.9	15.3
EV/EBITDA (x)	6.9	10.6	6.7	6.5
P/Sales (x)	N/A	N/A	N/A	N/A
Dividend yield (%)	2.3	2.5	2.6	2.7
Total debt/capital (%)	26.5	31.4	28.1	26.7

Selected operating metrics				
Gas prices (\$/mcf)	N/A	N/A	N/A	N/A
Oil price (\$/bbl)	N/A	N/A	N/A	N/A
NGL (\$/gal)	N/A	N/A	N/A	N/A
Frac spread (\$/gal)	N/A	N/A	N/A	N/A
Production volumes (000 cf)	N/A	N/A	N/A	N/A
NGL sales (m bbls)	N/A	N/A	N/A	N/A
Processing volumes (mmbtu)	N/A	N/A	N/A	N/A
Rate base	N/A	N/A	N/A	N/A
Number of customers	N/A	N/A	N/A	N/A
Capital investment growth (%)	-10.8	-0.8	0.5	17.2

Source: Company data, Barclays Research
Note: FY End Sep

Valuation Methodology and Risks

U.S. Diversified Natural Gas

UGI Corp. (UGI)

Valuation Methodology: Our \$37 price target is predicated on shares trading at 17.0x our FY16 EPS estimate of \$2.20.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks which may impede the achievement of our price target include UGI's weather related exposure, secular and economic headwinds facing the domestic and international propane businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

U.S. MLPs

AmeriGas Partners, L.P. (APU)

Valuation Methodology: Our \$51 price target is based on a 12-month distribution run-rate of \$3.83 and a target yield of 7.5%.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks for Amerigas include rising interest rates, integration of acquisitions, raising capital to fund acquisitions/organic growth projects and extreme gyrations in propane prices reflecting the seasonality of operations and exposure to warm weather impairing demand for heating supplies in the winter heating season period. In addition, the partnership may experience increased competition from alternative energy sources.

Source: Barclays Research.

ANALYST(S) CERTIFICATION(S):

We, Richard Gross and Christine Cho, CFA, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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Primary Stocks (Ticker, Date, Price)

AmeriGas Partners, L.P. (APU, 01-May-2015, USD 48.73), Underweight/Neutral, A/C/D/J/K/L/M

UGI Corp. (UGI, 01-May-2015, USD 35.10), Equal Weight/Neutral, A/C/D/J/K/L/N/O

Disclosure Legend:

A: Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of the issuer in the previous 12 months.

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F: Barclays Bank PLC and/or an affiliate beneficially owned 1% or more of a class of equity securities of the issuer as of the end of the month prior to the research report's issuance.

G: One of the analysts on the coverage team (or a member of his or her household) owns shares of the common stock of this issuer.

H: This issuer beneficially owns 5% or more of any class of common equity securities of Barclays Bank PLC.

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S: Barclays Capital Canada Inc. is a market-maker in an equity or equity related security issued by this issuer.

T: Barclays Bank PLC and/or an affiliate is providing equity advisory services to this issuer.

IMPORTANT DISCLOSURES CONTINUED

Risk Disclosure(s)

Master limited partnerships (MLPs) are pass-through entities structured as publicly listed partnerships. For tax purposes, distributions to MLP unit holders may be treated as a return of principal. Investors should consult their own tax advisors before investing in MLP units.

Guide to the Barclays Fundamental Equity Research Rating System:

Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity in a merger or strategic transaction involving the company.

Industry View

Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

U.S. Diversified Natural Gas

AGL Resources Inc. (GAS)	Atmos Energy (ATO)	Cheniere Energy (LNG)
Cheniere Energy Partners LP Holdings, LLC (CQH)	Enbridge Inc. (ENB.TO)	EQT Corporation (EQT)
Kinder Morgan Inc. (KMI)	Macquarie Infrastructure Co., Llc. (MIC)	MDU Resources Group (MDU)
National Fuel Gas (NFG)	ONEOK Inc. (OKE)	Plains GP Holdings LP (PAGP)
Questar Corp. (STR)	Spectra Energy Corp. (SE)	Targa Resources Corp. (TRGP)
UGI Corp. (UGI)	Williams Cos. (WMB)	

U.S. MLPs

American Midstream Partners LP (AMID)	AmeriGas Partners, L.P. (APU)	Antero Midstream Partners LP (AM)
Arc Logistics Partners LP (ARCX)	Blueknight Energy Partners, L.P. (BKEP)	Boardwalk Pipeline Partners LP (BWP)
Breitburn Energy Partners L.P. (BBEP)	Buckeye Partners, L.P. (BPL)	Calumet Specialty Products Partners, L.P. (CLMT)
Cheniere Energy Partners LP (CQP)	Columbia Pipeline Partners LP (CPPL)	CONE Midstream Partners LP (CNNX)
Crestwood Equity Partners L.P. (CEQP)	Crestwood Midstream Partners LP (CMLP)	CrossAmerica Partners LP (CAPL)
DCP Midstream Partners LP (DPM)	Delek Logistics Partners LP (DKL)	Dominion Midstream Partners, LP (DM)
Dynagas LNG Partners LP. (DLNG)	Enable Midstream Partners LP (ENBL)	Enbridge Energy Partners (EEP)
Enduro Royalty Trust (NDRO)	Energy Transfer Equity LP (ETE)	Energy Transfer Partners LP (ETP)
Enlink Midstream Partners LP (ENLK)	Enterprise Products Prtns LP (EPD)	EQT Midstream Partners LP (EQM)
Exterran Partners LP (EXLP)	Ferrellgas Partners (FGP)	Foresight Energy LP (FELP)
Gaslog Partners LP (GLOP)	Genesis Energy, L.P. (GEL)	Global Partners LP (GLP)
Hi-Crush Partners LP (HCLP)	Holly Energy Partners LP (HEP)	Höegh LNG Partners LP (HMLP)
JP Energy Partners LP (JPEP)	KNOT Offshore Partners, LP. (KNOP)	Legacy Reserves LP (LGCY)
Linn Energy LLC (LINE)	Magellan Midstream Partners, LP (MMP)	Markwest Energy Partners, LP (MWE)
Memorial Production Partners (MEMP)	Midcoast Energy Partners LP (MEP)	MPLX LP (MPLX)
NGL Energy Partners LP (NGL)	Niska Gas Storage Partners LLC (NKA)	NuStar Energy LP (NS)
OCI Partners LP. (OCIP)	ONEOK Partners LP (OKS)	Pacific Coast Oil Trust (ROYT)

IMPORTANT DISCLOSURES CONTINUED

PBF Logistics LP (PBFX)	Phillips 66 Partners LP (PSXP)	Plains All American Pipeline (PAA)
Regency Energy Partners LP (RGP)	Rice Midstream Partners LP (RMP)	Rose Rock Midstream, L.P. (RRMS)
Shell Midstream Partners LP (SHLX)	Southcross Energy Partners LP (SXE)	Spectra Energy Partners, LP (SEP)
Sprague Resources LP (SRLP)	Suburban Propane Partners (SPH)	Summit Midstream Partners LP (SMLP)
SunCoke Energy Partners, LP (SXCP)	Sunoco Logistics Partners L.P. (SXL)	Sunoco LP. (SUN)
Tallgrass Energy Partners, LP (TEP)	Targa Resources Partners LP (NGLS)	TC Pipelines, LP (TCP)
Teekay Offshore Partners LP (TOO)	Tesoro Logistics LP (TLLP)	Transocean Partners LLC (RIGP)
USA Compression Partners LP (USAC)	USD Partners LP (USDP)	Valero Energy Partners LP. (VLP)
Vanguard Natural Resources (VNR)	Viper Energy Partners (VNOM)	Western Gas Equity Partners LP (WGP)
Western Gas Partners LP (WES)	Western Refining Logistics LP (WNRL)	Westlake Chemical Partners, Lp. (WLKP)
Williams Partners LP (WPZ)		

Distribution of Ratings:

Barclays Equity Research has 2672 companies under coverage.

42% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 53% of companies with this rating are investment banking clients of the Firm.

41% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 46% of companies with this rating are investment banking clients of the Firm.

14% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 39% of companies with this rating are investment banking clients of the Firm.

Guide to the Barclays Research Price Target:

Each analyst has a single price target on the stocks that they cover. The price target represents that analyst's expectation of where the stock will trade in the next 12 months. Upside/downside scenarios, where provided, represent potential upside/potential downside to each analyst's price target over the same 12-month period.

Top Picks:

Barclays Equity Research's "Top Picks" represent the single best alpha-generating investment idea within each industry (as defined by the relevant "industry coverage universe"), taken from among the Overweight-rated stocks within that industry. Barclays Equity Research publishes global and regional "Top Picks" reports every quarter and analysts may also publish intra-quarter changes to their Top Picks, as necessary. While analysts may highlight other Overweight-rated stocks in their published research in addition to their Top Pick, there can only be one "Top Pick" for each industry. The current list of Top Picks is available on <https://live.barcap.com/go/RSL/servlets/dv.search?pubType=4526&contentType=latest>.

To see a list of companies that comprise a particular industry coverage universe, please go to <http://publicresearch.barclays.com>.

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IMPORTANT DISCLOSURES CONTINUED

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Barclays Bank PLC, Singapore branch (Barclays Bank, Singapore)

IMPORTANT DISCLOSURES CONTINUED

AmeriGas Partners, L.P. (APU)

USD 48.73 (01-May-2015)

Stock Rating

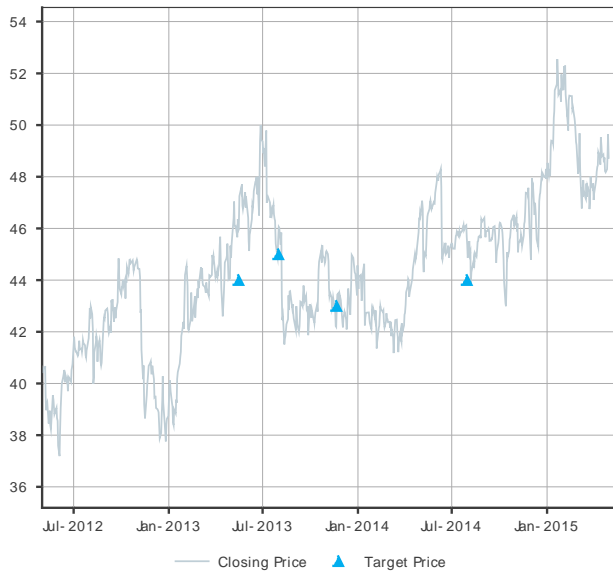
UNDERWEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 01-May-2015)

Currency=USD



Date	Closing Price	Rating *	Adjusted Price Target
30-Jul-2014	45.65		44.00
20-Nov-2013	42.19		43.00
31-Jul-2013	45.51		45.00
15-May-2013	45.92		44.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

*The rating for this security remained Underweight during the relevant period.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

A: Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of AmeriGas Partners, L.P. in the previous 12 months.

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Valuation Methodology: Our \$51 price target is based on a 12-month distribution run-rate of \$3.83 and a target yield of 7.5%.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks for Amerigas include rising interest rates, integration of acquisitions, raising capital to fund acquisitions/organic growth projects and extreme gyrations in propane prices reflecting the seasonality of operations and exposure to warm weather impairing demand for heating supplies in the winter heating season period. In addition, the partnership may experience increased competition from alternative energy sources.

IMPORTANT DISCLOSURES CONTINUED

UGI Corp. (UGI)

USD 35.10 (01-May-2015)

Stock Rating

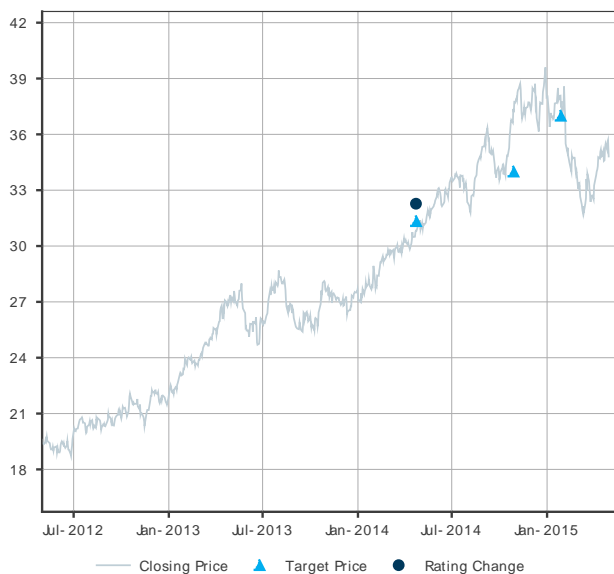
EQUAL WEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 01-May-2015)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
27-Jan-2015	38.08		37.00
28-Oct-2014	37.36		34.00
23-Apr-2014	30.83	Equal Weight	31.33

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

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Valuation Methodology: Our \$37 price target is predicated on shares trading at 17.0x our FY16 EPS estimate of \$2.20.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks which may impede the achievement of our price target include UGI's weather related exposure, secular and economic headwinds facing the domestic and international propane businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

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UGI Corp./AmeriGas Partners, L.P. Earnings Housekeeping

We estimate that UGI will report 3Q EPS of \$0.16 (vs. \$0.11/share, previously) and APU will report 3Q EBITDA of \$65 million (vs. \$58 million, previously). Coming out of 2Q, the company pointed to a number of factors that it expected to support second-half earnings at levels above those previously posted by the company. The first of the factors—a larger contribution from the growing Midstream and Marketing segment—is likely to be more persistent over time as the company continues to build out its network of fee-based, take-or-pay assets in the Marcellus. The other two factors could be slightly more transitory in nature, in our view. At the International Propane segment, the company expected gross margins to benefit from lower LPG costs (a so-called “parachute effect”, whereby reductions in customer prices lag the decline in the underlying commodity), while at APU, management indicated that some of the OpEx reductions captured during 2Q (lower bad debt expense, maintenance/repair spending, and fuel costs) were also likely to continue as well.

INDUSTRY UPDATE

U.S. Diversified Natural Gas

NEUTRAL

Unchanged

U.S. MLPs

NEUTRAL

Unchanged

For a full list of our ratings, price target and earnings changes in this report, please see table on page 2.

U.S. Diversified Natural Gas

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 6.

Summary of our Ratings, Price Targets and Earnings Changes in this Report (all changes are shown in bold)

Company	Rating		Price	Price Target			EPS FY1 (E)			EPS FY2 (E)		
	Old	New	09-Jul-15	Old	New	%Chg	Old	New	%Chg	Old	New	%Chg
U.S. Diversified Natural Gas	Neu	Neu										
UGI Corp. (UGI)	EW	EW	34.82	37.00	37.00	-	1.90	2.02	6	2.20	2.20	-
U.S. MLPs	Neu	Neu										
AmeriGas Partners, L.P. (APU)	UW	UW	47.12	51.00	51.00	-	2.74	3.67	34	2.84	3.12	10

Source: Barclays Research. Share prices and target prices are shown in the primary listing currency and EPS estimates are shown in the reporting currency.

FY1(E): Current fiscal year estimates by Barclays Research. FY2(E): Next fiscal year estimates by Barclays Research.

Stock Rating: OW: Overweight; EW: Equal Weight; UW: Underweight; RS: Rating Suspended

Industry View: Pos: Positive; Neu: Neutral; Neg: Negative

U.S. Diversified Natural Gas Industry View: NEUTRAL

UGI Corp. (UGI) Stock Rating: EQUAL WEIGHT

Income statement (\$mn)	2014A	2015E	2016E	2017E	CAGR
Revenue	N/A	N/A	N/A	N/A	N/A
EBITDA (adj)	1,368	1,186	1,475	1,513	3.4%
EBIT (adj)	1,005	818	1,067	1,092	2.8%
Pre-tax income (adj)	768	699	622	652	-5.3%
Net income (adj)	533	505	389	407	-8.6%
EPS (adj) (\$)	1.99	2.02	2.20	2.29	4.8%
Diluted shares (mn)	175.2	175.7	176.6	177.6	0.4%
DPS (\$)	0.82	0.87	0.90	0.94	4.7%

Price (09-Jul-2015) **USD 34.82**
Price Target **USD 37.00**

Why Equal Weight? UGI operates a collection of businesses that provide investors with exposure to a diverse set of customers, commodities, and geographies. With its core business strengthened and multiple reinvestment opportunities, UGI appears poised to deliver mid-single digit EPS growth over our forecast period.

Growth rates	Average				
EBITDA (adj) growth (%)	14.8	-13.3	24.4	2.6	7.1
EBIT (adj) growth (%)	20.8	-18.6	30.3	2.4	8.7
Net income (adj) growth (%)	24.6	-5.3	-23.0	4.7	0.3
EPS (adj) growth (%)	24.1	1.6	8.7	4.2	9.6
DPS growth (%)	11.3	6.1	4.0	4.0	6.4

Upside case **USD 40.00**

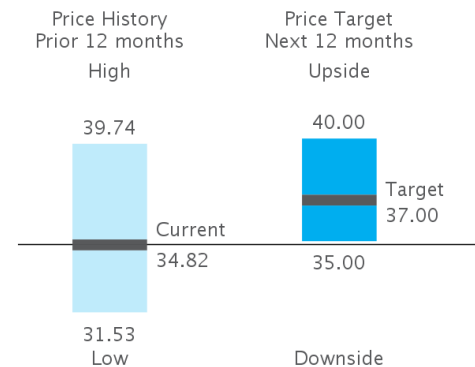
Our upside case is predicated on shares trading at 18x our FY16 EPS estimate of \$2.20.

Downside case **USD 35.00**

Our downside case is predicated on shares trading at 16.0x our FY16 EPS estimate of \$2.20.

Balance sheet and cash flow (\$mn)	CAGR				
Tangible fixed assets	4,544	4,670	4,780	4,957	2.9%
Cash and equivalents	420	155	271	364	-4.6%
Short and long-term debt	3,722	4,269	4,107	4,087	3.2%
Total liabilities	10,093	0	0	0	-100.0%
Net debt/(funds)	3,302	4,114	3,836	3,723	4.1%
Shareholders' equity	3,663	3,820	4,048	4,288	5.4%
Change in working capital	-7	-123	0	0	N/A
Cash flow from operations	1,005	796	648	675	-12.4%
Capital expenditure	436	432	435	510	5.3%
Free cash flow	569	363	213	165	-33.8%

Upside/Downside scenarios



Valuation and leverage metrics	2014A	2015E	2016E	2017E
P/E (adj) (x)	17.5	17.2	15.8	15.2
EV/EBITDA (x)	6.9	8.6	6.7	6.5
P/Sales (x)	N/A	N/A	N/A	N/A
Dividend yield (%)	2.4	2.5	2.6	2.7
Total debt/capital (%)	26.5	32.9	29.7	28.3

Selected operating metrics	2014A	2015E	2016E	2017E
Gas prices (\$/mcf)	N/A	N/A	N/A	N/A
Oil price (\$/bbl)	N/A	N/A	N/A	N/A
NGL (\$/gal)	N/A	N/A	N/A	N/A
Frac spread (\$/gal)	N/A	N/A	N/A	N/A
Production volumes (000 cf)	N/A	N/A	N/A	N/A
NGL sales (m bbls)	N/A	N/A	N/A	N/A
Processing volumes (mmbtu)	N/A	N/A	N/A	N/A
Rate base	N/A	N/A	N/A	N/A
Number of customers	N/A	N/A	N/A	N/A
Capital investment growth (%)	-10.8	-1.0	0.6	17.2

Source: Company data, Barclays Research
Note: FY End Sep

U.S. MLPs **Industry View: NEUTRAL**

AmeriGas Partners, L.P. (APU) **Stock Rating: UNDERWEIGHT**

Income statement (\$mn)	2014A	2015E	2016E	2017E	CAGR
EBITDA	655	651	689	707	2.6%
EBIT	463	399	493	507	3.1%
Pre-tax income	N/A	N/A	N/A	N/A	N/A
Net income	290	227	323	337	5.1%
Reported EPU (\$)	2.83	3.67	3.12	3.25	4.7%
Diluted units (mn)	92.9	92.9	92.9	92.9	0.0%
Cash distribution per unit	N/A	N/A	N/A	N/A	N/A

Price (09-Jul-2015) USD 47.12
Price Target USD 51.00

Why Underweight? APU has weather-sensitive cash flows that are also impacted by commodity price volatility and customer conservation. A challenging propane demand environment supports our UW rating.

Upside case USD 55.00

Our upside case is based on the same 12-month distribution as our base case, except assumes APU's target yield compresses by 50 bps to 7.0%.

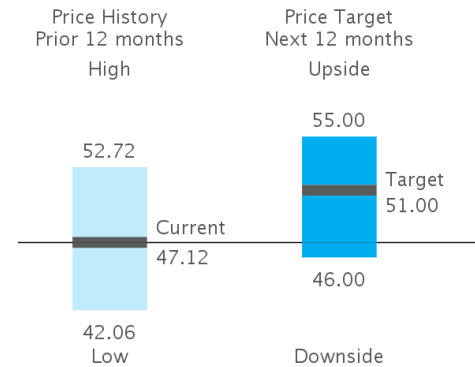
Downside case USD 46.00

Our downside case is based on the same 12-month distribution as our base case, except assumes APU's target yield widens by 75 bps to 8.25%.

Balance sheet and cash flow (\$mn)	CAGR				
Cash and equivalents	13	-137	-129	-131	N/A
Net PP&E	1,387	1,322	1,223	1,120	-6.9%
Total debt	2,401	2,392	2,392	2,392	-0.1%
Net debt/(funds)	N/A	N/A	N/A	N/A	N/A
Shareholders' equity	N/A	N/A	N/A	N/A	N/A
Cash flow from operations	480	341	542	560	5.3%
Distributable cash flow	387	386	407	409	1.9%

Valuation and leverage metrics	Average				
Distribution coverage (%)	119.6	114.1	115.7	111.9	115.3
EV/EBITDA (x)	10.3	10.6	10.0	9.8	10.2
EV/EBITDA less MC, GP (x)	12.2	12.6	12.1	12.0	12.2
P/DCF (x)	N/A	11.3	10.8	10.7	10.9
EBITDA (adj)/interest expense (x)	N/A	N/A	N/A	N/A	N/A
Dividend yield (%)	7.4	7.7	8.0	8.4	7.9
Net debt/EBITDA (x)	3.6	3.9	3.7	3.6	3.7

Upside/Downside scenarios



Selected operating metrics	2014A	2015E	2016E	2017E
(Divestures)/acquisitions (\$mn)	4	1	-10	-10
Propane volumes (mm gallons)	1,369.0	1,275.1	1,310.0	1,310.0
Retail propane (mm gallons)	1,275.6	1,223.3	1,260.0	1,260.0
Gross profit per gallon	N/A	N/A	N/A	N/A

Source: Company data, Barclays Research
Note: FY End Sep

Valuation Methodology and Risks

U.S. Diversified Natural Gas

UGI Corp. (UGI)

Valuation Methodology: Our \$37 price target is predicated on shares trading at 17.0x our FY16 EPS estimate of \$2.20.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks which may impede the achievement of our price target include UGI's weather related exposure, secular and economic headwinds facing the domestic and international propane businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

U.S. MLPs

AmeriGas Partners, L.P. (APU)

Valuation Methodology: Our \$51 price target is based on a 12-month distribution run-rate of \$3.83 and a target yield of 7.5%.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks for Amerigas include rising interest rates, integration of acquisitions, raising capital to fund acquisitions/organic growth projects and extreme gyrations in propane prices reflecting the seasonality of operations and exposure to warm weather impairing demand for heating supplies in the winter heating season period. In addition, the partnership may experience increased competition from alternative energy sources.

Source: Barclays Research.

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Primary Stocks (Ticker, Date, Price)

AmeriGas Partners, L.P. (APU, 09-Jul-2015, USD 47.12), Underweight/Neutral, C/D/J/K/L/M

UGI Corp. (UGI, 09-Jul-2015, USD 34.82), Equal Weight/Neutral, C/J/K/M/N/O

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Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

U.S. Diversified Natural Gas

AGL Resources Inc. (GAS)	Atmos Energy (ATO)	Cheniere Energy (LNG)
Cheniere Energy Partners LP Holdings, LLC (CQH)	Enbridge Inc. (ENB.TO)	EQT Corporation (EQT)
Kinder Morgan Inc. (KMI)	Macquarie Infrastructure Co., Llc. (MIC)	MDU Resources Group (MDU)
National Fuel Gas (NFG)	ONEOK Inc. (OKE)	Plains GP Holdings LP (PAGP)
Questar Corp. (STR)	Spectra Energy Corp. (SE)	Tallgrass Energy GP, LP (TEGP)
Targa Resources Corp. (TRGP)	UGI Corp. (UGI)	Williams Cos. (WMB)

U.S. MLPs

American Midstream Partners LP (AMID)	AmeriGas Partners, L.P. (APU)	Antero Midstream Partners LP (AM)
Arc Logistics Partners LP (ARCX)	Black Stone Minerals (BSM)	Blueknight Energy Partners, L.P. (BKEP)
Boardwalk Pipeline Partners LP (BWP)	Breitburn Energy Partners L.P. (BBEP)	Buckeye Partners, L.P. (BPL)
Calumet Specialty Products Partners, L.P. (CLMT)	Cheniere Energy Partners LP (CQP)	Columbia Pipeline Partners LP (CPPL)
CONE Midstream Partners LP (CNNX)	Crestwood Equity Partners L.P. (CEQP)	Crestwood Midstream Partners LP (CMLP)
CrossAmerica Partners LP (CAPL)	DCP Midstream Partners LP (DPM)	Delek Logistics Partners LP (DKL)
Dominion Midstream Partners, LP (DM)	Dynagas LNG Partners LP. (DLNG)	Enable Midstream Partners LP (ENBL)
Enbridge Energy Partners (EEP)	Enduro Royalty Trust (NDRO)	Energy Transfer Equity LP (ETE)
Energy Transfer Partners LP (ETP)	Enlink Midstream Partners LP (ENLK)	Enterprise Products Prtns LP (EPD)
Enviva Partners, LP (EVA)	EQT GP Holdings, LP (EQGP)	EQT Midstream Partners LP (EQM)
Exterran Partners LP (EXLP)	Ferrellgas Partners (FGP)	Foresight Energy LP (FELP)
Gaslog Partners LP (GLOP)	Genesis Energy, L.P. (GEL)	Global Partners LP (GLP)
Hi-Crush Partners LP (HCLP)	Holly Energy Partners LP (HEP)	Höegh LNG Partners LP (HMLP)
JP Energy Partners LP (JPEP)	KNOT Offshore Partners, LP. (KNOP)	Legacy Reserves LP (LGCY)
Linn Energy LLC (LINE)	Magellan Midstream Partners, LP (MMP)	Markwest Energy Partners, LP (MWE)
Memorial Production Partners (MEMP)	Midcoast Energy Partners LP (MEP)	MPLX LP (MPLX)

IMPORTANT DISCLOSURES CONTINUED

NGL Energy Partners LP (NGL)	Niska Gas Storage Partners LLC (NKA)	NuStar Energy LP (NS)
OCI Partners LP. (OCIP)	ONEOK Partners LP (OKS)	Pacific Coast Oil Trust (ROYT)
PBF Logistics LP (PBFX)	PennTex Midstream Partners LP (PTXP)	Phillips 66 Partners LP (PSXP)
Plains All American Pipeline (PAA)	Rice Midstream Partners LP (RMP)	Rose Rock Midstream, L.P. (RRMS)
Shell Midstream Partners LP (SHLX)	Southcross Energy Partners LP (SXE)	Spectra Energy Partners, LP (SEP)
Sprague Resources LP (SRLP)	Suburban Propane Partners (SPH)	Summit Midstream Partners LP (SMLP)
SunCoke Energy Partners, LP (SXCP)	Sunoco Logistics Partners L.P. (SXL)	Sunoco LP. (SUN)
Tallgrass Energy Partners, LP (TEP)	Targa Resources Partners LP (NGLS)	TC Pipelines, LP (TCP)
Tesoro Logistics LP (TLLP)	Transocean Partners LLC (RIGP)	USA Compression Partners LP (USAC)
USD Partners LP (USDP)	Valero Energy Partners LP. (VLP)	Vanguard Natural Resources (VNR)
Viper Energy Partners (VNOM)	Western Gas Equity Partners LP (WGP)	Western Gas Partners LP (WES)
Western Refining Logistics LP (WNRL)	Westlake Chemical Partners, Lp. (WLKP)	Williams Partners LP (WPZ)

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43% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 53% of companies with this rating are investment banking clients of the Firm.

41% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 45% of companies with this rating are investment banking clients of the Firm.

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IMPORTANT DISCLOSURES CONTINUED

AmeriGas Partners, L.P. (APU / APU)

USD 47.12 (09-Jul-2015)

Stock Rating

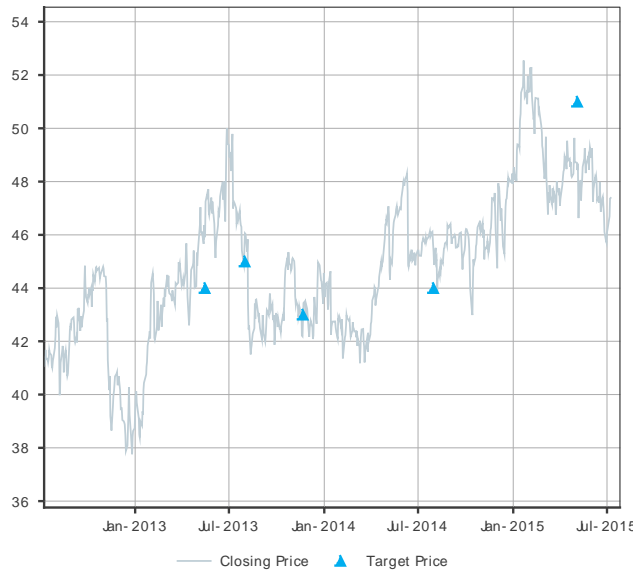
UNDERWEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 09-Jul-2015)

Currency=USD



Date	Closing Price	Rating*	Adjusted Price Target
04-May-2015	48.71		51.00
30-Jul-2014	45.65		44.00
20-Nov-2013	42.19		43.00
31-Jul-2013	45.51		45.00
15-May-2013	45.92		44.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

*The rating for this security remained Underweight during the relevant period.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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J: Barclays Bank PLC and/or an affiliate trades regularly in the securities of AmeriGas Partners, L.P..

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M: AmeriGas Partners, L.P. is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

Valuation Methodology: Our \$51 price target is based on a 12-month distribution run-rate of \$3.83 and a target yield of 7.5%.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks for Amerigas include rising interest rates, integration of acquisitions, raising capital to fund acquisitions/organic growth projects and extreme gyrations in propane prices reflecting the seasonality of operations and exposure to warm weather impairing demand for heating supplies in the winter heating season period. In addition, the partnership may experience increased competition from alternative energy sources.

IMPORTANT DISCLOSURES CONTINUED

UGI Corp. (UGI / UGI)

USD 34.82 (09-Jul-2015)

Stock Rating

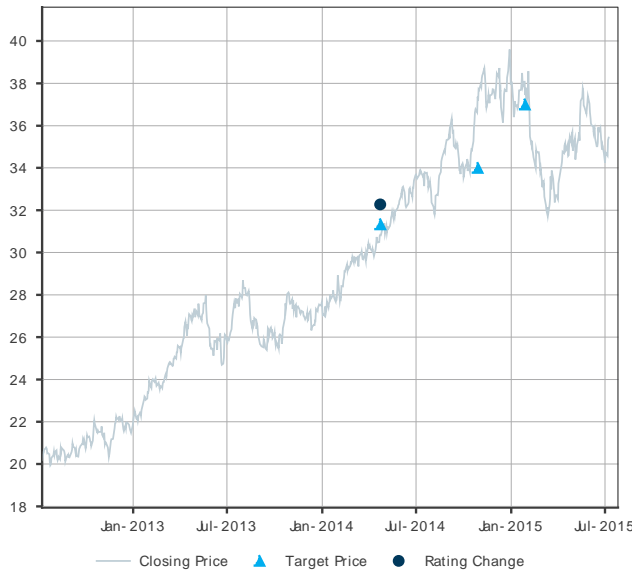
Industry View

EQUAL WEIGHT

NEUTRAL

Rating and Price Target Chart - USD (as of 09-Jul-2015)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
27-Jan-2015	38.08		37.00
28-Oct-2014	37.36		34.00
23-Apr-2014	30.83	Equal Weight	31.33

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our \$37 price target is predicated on shares trading at 17.0x our FY16 EPS estimate of \$2.20.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks which may impede the achievement of our price target include UGI's weather related exposure, secular and economic headwinds facing the domestic and international propane businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

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Energy

Estimates Housekeeping

Weather pushes FY15 guidance toward lower end of ranges: During 2Q, almost all of UGI's businesses suffered to some extent from weather that was both warmer than normal and warmer than the prior year. At UGI, EPS guidance was held steady in a range of \$2.00-\$2.10, but management now expects results at the lower end of the range. At APU, EBITDA guidance was tightened to a range of \$635-\$645 million, reflecting the lower end of the previous guidance range of \$635-\$665 million. We think it's worth highlighting the way that UGI has reported its quarterly results, and how that squares with full year guidance, as the adjustments included in each period differs, which may lead to some confusion about what to expect in 4Q. Reported quarterly results strip out the impact of non-cash MTM movements related to commodity hedges, while simultaneously not removing the drag caused by one-time expenses tied to the Totalgaz transaction. Conversely, full year adjusted EPS guidance excludes the impact of both items on results. When UGI reports its 4Q numbers, we estimate EPS of \$0.01, resulting in full year earnings of \$2.03. We lower our PT for APU to \$47 and maintain our \$37 PT for UGI.

2Q Recap: The company reported adjusted EPS of \$0.03 (ex. MTM), or \$0.09 (ex. MTM and one-time transaction costs), both missing our/consensus of \$0.15. Compared to our numbers, all segments underperformed (not surprising given the warmer weather conditions relative to last year) although to varying degrees. The largest misses came at APU, primarily driven by lower than anticipated retail propane volumes, and at Energy Services, a business which is somewhat of a "black box" in terms of modeling. Gas Utility missed by a smaller amount. Helping to offset the impact of warmer weather were volumes tied to the 14,000 customer additions that the Utility has secured since the beginning of the year. International Propane missed, although the headline underperformance slightly overstated the weakness as a result of costs incurred with the Totalgaz acquisition. Stripping out transaction related costs, earnings would have increased y/y.

INDUSTRY UPDATE

U.S. Diversified Natural Gas

NEUTRAL

Unchanged

U.S. MLPs

NEUTRAL

Unchanged

For a full list of our ratings, price target and earnings changes in this report, please see table on page 2.

U.S. Diversified Natural Gas

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 6.

Summary of our Ratings, Price Targets and Earnings Changes in this Report (all changes are shown in bold)

Company	Rating		Price	Price Target			EPS FY1 (E)			EPS FY2 (E)		
	Old	New	19-Aug-15	Old	New	%Chg	Old	New	%Chg	Old	New	%Chg
U.S. Diversified Natural Gas	Neu	Neu										
UGI Corp. (UGI)	EW	EW	35.93	37.00	37.00	-	2.02	2.03	0	2.20	2.18	-1
U.S. MLPs	Neu	Neu										
AmeriGas Partners, L.P. (APU)	UW	UW	45.47	51.00	47.00	-8	3.67	2.75	-25	3.12	3.14	1

Source: Barclays Research. Share prices and target prices are shown in the primary listing currency and EPS estimates are shown in the reporting currency.

FY1(E): Current fiscal year estimates by Barclays Research. FY2(E): Next fiscal year estimates by Barclays Research.

Stock Rating: OW: Overweight; EW: Equal Weight; UW: Underweight; RS: Rating Suspended

Industry View: Pos: Positive; Neu: Neutral; Neg: Negative

U.S. Diversified Natural Gas Industry View: NEUTRAL

UGI Corp. (UGI) Stock Rating: EQUAL WEIGHT

Income statement (\$mn)	2014A	2015E	2016E	2017E	CAGR
Revenue	N/A	N/A	N/A	N/A	N/A
EBITDA (adj)	1,368	1,186	1,454	1,496	3.0%
EBIT (adj)	1,005	817	1,042	1,067	2.0%
Pre-tax income (adj)	768	655	616	646	-5.6%
Net income (adj)	533	468	384	412	-8.2%
EPS (adj) (\$)	1.99	2.03	2.18	2.32	5.3%
Diluted shares (mn)	175.2	175.6	176.5	177.5	0.4%
DPS (\$)	0.82	0.89	0.93	0.96	5.5%

Price (19-Aug-2015) USD 35.93
Price Target USD 37.00

Why Equal Weight? UGI operates a collection of businesses that provide investors with exposure to a diverse set of customers, commodities, and geographies. With its core business strengthened and multiple reinvestment opportunities, UGI appears poised to deliver mid-single digit EPS growth over our forecast period.

Growth rates	Average				
EBITDA (adj) growth (%)	14.8	-13.4	22.6	2.9	6.7
EBIT (adj) growth (%)	20.8	-18.7	27.5	2.4	8.0
Net income (adj) growth (%)	24.6	-12.2	-17.8	7.3	0.5
EPS (adj) growth (%)	24.1	1.9	7.4	6.7	10.0
DPS growth (%)	11.3	8.5	4.0	4.0	7.0

Upside case USD 39.00

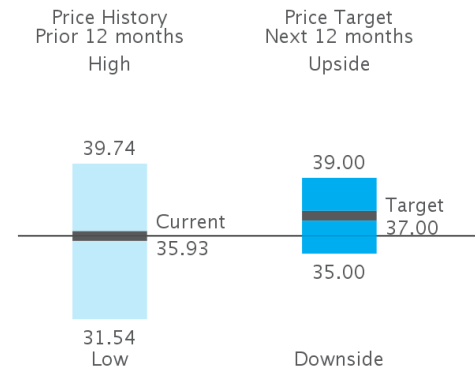
Our upside case is predicated on shares trading at 18x our FY16 EPS estimate of \$2.18.

Downside case USD 35.00

Our downside case is predicated on shares trading at 16.0x our FY16 EPS estimate of \$2.18.

Balance sheet and cash flow (\$mn)	CAGR				
Tangible fixed assets	4,544	4,626	4,732	4,900	2.5%
Cash and equivalents	420	354	630	734	20.5%
Short and long-term debt	3,722	3,831	3,833	3,813	0.8%
Total liabilities	10,093	0	0	0	-100.0%
Net debt/(funds)	3,302	3,477	3,202	3,079	-2.3%
Shareholders' equity	3,663	3,811	4,032	4,273	5.3%
Change in working capital	-7	108	0	0	N/A
Cash flow from operations	1,005	1,028	648	689	-11.8%
Capital expenditure	436	423	435	510	5.3%
Free cash flow	569	606	213	179	-31.9%

Upside/Downside scenarios



Valuation and leverage metrics				
P/E (adj) (x)	18.0	17.7	16.5	15.5
EV/EBITDA (x)	7.0	8.3	6.5	6.3
P/Sales (x)	N/A	N/A	N/A	N/A
Dividend yield (%)	2.3	2.5	2.6	2.7
Total debt/capital (%)	26.5	26.9	25.8	24.5

Selected operating metrics				
Gas prices (\$/mcf)	N/A	N/A	N/A	N/A
Oil price (\$/bbl)	N/A	N/A	N/A	N/A
NGL (\$/gal)	N/A	N/A	N/A	N/A
Frac spread (\$/gal)	N/A	N/A	N/A	N/A
Production volumes (000 cf)	N/A	N/A	N/A	N/A
NGL sales (m bbls)	N/A	N/A	N/A	N/A
Processing volumes (mmbtu)	N/A	N/A	N/A	N/A
Rate base	N/A	N/A	N/A	N/A
Number of customers	N/A	N/A	N/A	N/A
Capital investment growth (%)	-10.8	-3.1	2.9	17.2

Source: Company data, Barclays Research
Note: FY End Sep

U.S. MLPs **Industry View: NEUTRAL**

AmeriGas Partners, L.P. (APU) **Stock Rating: UNDERWEIGHT**

Income statement (\$mn)	2014A	2015E	2016E	2017E	CAGR
EBITDA	0	48	0	0	N/A
EBIT	463	402	494	508	3.2%
Pre-tax income	N/A	N/A	N/A	N/A	N/A
Net income	290	231	324	338	5.3%
Reported EPU (\$)	2.83	2.75	3.14	3.28	5.0%
Diluted units (mn)	92.9	92.9	92.9	92.9	0.0%
Cash distribution per unit	N/A	N/A	N/A	N/A	N/A

Price (19-Aug-2015) **USD 45.47**
Price Target **USD 47.00**

Why Underweight? APU has weather-sensitive cash flows that are also impacted by commodity price volatility and customer conservation. A challenging propane demand environment supports our UW rating.

Upside case **USD 50.00**

Our upside case is based on the same FY16 distribution as our base case, except assumes a 7.5% target yield.

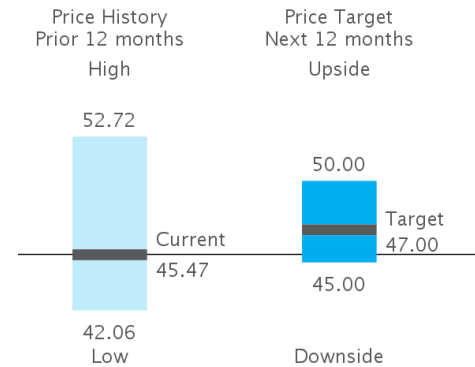
Downside case **USD 45.00**

Our downside case is based on the same FY16 distribution as our base case, except assumes an 8.5% target yield.

Balance sheet and cash flow (\$mn)	CAGR				
Cash and equivalents	0	0	0	0	N/A
Net PP&E	506	386	386	386	-8.6%
Total debt	2,280	2,275	2,275	2,275	-0.1%
Net debt/(funds)	N/A	N/A	N/A	N/A	N/A
Shareholders' equity	N/A	N/A	N/A	N/A	N/A
Cash flow from operations	13	-110	0	0	-100.0%
Distributable cash flow	0	0	0	0	18.3%

Valuation and leverage metrics	Average				
Distribution coverage (%)	119.6	111.7	115.8	112.0	114.8
EV/EBITDA (x)	N/A	134.9	N/A	N/A	134.9
EV/EBITDA less MC, GP (x)	-11.1	-12.2	-10.4	-10.1	-11.0
P/DCF (x)	N/A	38,993.9	32,773.4	27,601.1	33,122.8
EBITDA (adj)/interest expense (x)	N/A	N/A	N/A	N/A	N/A
Dividend yield (%)	7.7	8.0	8.3	8.7	8.2
Net debt/EBITDA (x)	3.8	4.0	3.7	3.6	3.8

Upside/Downside scenarios



Selected operating metrics	2014A	2015E	2016E	2017E
(Divestures)/acquisitions (\$mn)	-114	-103	-115	-115
Propane volumes (mm gallons)	1,369.0	1,258.3	1,295.0	1,295.0
Retail propane (mm gallons)	1,275.6	1,205.6	1,245.0	1,245.0
Gross profit per gallon	N/A	N/A	N/A	N/A

Source: Company data, Barclays Research
Note: FY End Sep

Price Target

We lower our price target to \$47, predicated on our FY16e distribution of \$3.79 and a target yield of 8.0%. Our previous price target of \$51 was based on a 12-month distribution run-rate of \$3.83 and a target yield of 7.5%.

Valuation Methodology and Risks

U.S. Diversified Natural Gas

UGI Corp. (UGI)

Valuation Methodology: Our \$37 price target is predicated on shares trading at 17.0x our FY16 EPS estimate of \$2.18.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks which may impede the achievement of our price target include UGI's weather related exposure, secular and economic headwinds facing the domestic and international propane businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

U.S. MLPs

AmeriGas Partners, L.P. (APU)

Valuation Methodology: Our \$47 price target is based on our FY16 estimated distribution of \$3.79 and a target yield of 8.0%

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks for Amerigas include rising interest rates, integration of acquisitions, raising capital to fund acquisitions/organic growth projects and extreme gyrations in propane prices reflecting the seasonality of operations and exposure to warm weather impairing demand for heating supplies in the winter heating season period. In addition, the partnership may experience increased competition from alternative energy sources.

Source: Barclays Research.

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Primary Stocks (Ticker, Date, Price)

AmeriGas Partners, L.P. (APU, 19-Aug-2015, USD 45.47), Underweight/Neutral, C/D/J/K/L/M

UGI Corp. (UGI, 19-Aug-2015, USD 35.93), Equal Weight/Neutral, C/J/K/M/N/O

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In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Industry View

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Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

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U.S. Diversified Natural Gas

AGL Resources Inc. (GAS)	Atmos Energy (ATO)	Cheniere Energy (LNG)
Cheniere Energy Partners LP Holdings, LLC (CQH)	Enbridge Inc. (ENB.TO)	EQT Corporation (EQT)
Kinder Morgan Inc. (KMI)	Macquarie Infrastructure Co., Llc. (MIC)	MDU Resources Group (MDU)
National Fuel Gas (NFG)	ONEOK Inc. (OKE)	Plains GP Holdings LP (PAGP)
Questar Corp. (STR)	Spectra Energy Corp. (SE)	Tallgrass Energy GP, LP (TEGP)
Targa Resources Corp. (TRGP)	UGI Corp. (UGI)	Williams Cos. (WMB)

U.S. MLPs

American Midstream Partners LP (AMID)	AmeriGas Partners, L.P. (APU)	Antero Midstream Partners LP (AM)
Arc Logistics Partners LP (ARCX)	Black Stone Minerals (BSM)	Blueknight Energy Partners, L.P. (BKEP)
Boardwalk Pipeline Partners LP (BWP)	Breitburn Energy Partners L.P. (BBEP)	Buckeye Partners, L.P. (BPL)
Calumet Specialty Products Partners, L.P. (CLMT)	Cheniere Energy Partners LP (CQP)	Columbia Pipeline Partners LP (CPPL)
CONE Midstream Partners LP (CNNX)	Crestwood Equity Partners L.P. (CEQP)	Crestwood Midstream Partners LP (CMLP)
CrossAmerica Partners LP (CAPL)	DCP Midstream Partners LP (DPM)	Delek Logistics Partners LP (DKL)
Dominion Midstream Partners, LP (DM)	Dynagas LNG Partners LP. (DLNG)	Enable Midstream Partners LP (ENBL)
Enbridge Energy Partners (EEP)	Enduro Royalty Trust (NDRO)	Energy Transfer Equity LP (ETE)
Energy Transfer Partners LP (ETP)	Enlink Midstream Partners LP (ENLK)	Enterprise Products Prtns LP (EPD)
Enviva Partners, LP (EVA)	EQT GP Holdings, LP (EQGP)	EQT Midstream Partners LP (EQM)
Exterran Partners LP (EXLP)	Ferrellgas Partners (FGP)	Foresight Energy LP (FELP)
Gaslog Partners LP (GLOP)	Genesis Energy, L.P. (GEL)	Global Partners LP (GLP)
Green Plains Partners LP (GPP)	Hi-Crush Partners LP (HCLP)	Holly Energy Partners LP (HEP)
Höegh LNG Partners LP (HMLP)	JP Energy Partners LP (JPEP)	KNOT Offshore Partners, LP. (KNOP)

IMPORTANT DISCLOSURES CONTINUED

Legacy Reserves LP (LGCY)	Linn Energy LLC (LINE)	Magellan Midstream Partners, LP (MMP)
Markwest Energy Partners, LP (MWE)	Memorial Production Partners (MEMP)	Midcoast Energy Partners LP (MEP)
MPLX LP (MPLX)	NGL Energy Partners LP (NGL)	Niska Gas Storage Partners LLC (NKA)
NuStar Energy LP (NS)	OCI Partners LP. (OCIP)	ONEOK Partners LP (OKS)
Pacific Coast Oil Trust (ROYT)	PBF Logistics LP (PBFX)	PennTex Midstream Partners LP (PTXP)
Phillips 66 Partners LP (PSXP)	Plains All American Pipeline (PAA)	Rice Midstream Partners LP (RMP)
Rose Rock Midstream, L.P. (RRMS)	Shell Midstream Partners LP (SHLX)	Southcross Energy Partners LP (SXE)
Spectra Energy Partners, LP (SEP)	Sprague Resources LP (SRLP)	Suburban Propane Partners (SPH)
Summit Midstream Partners LP (SMLP)	SunCoke Energy Partners, LP (SXCP)	Sunoco Logistics Partners L.P. (SXL)
Sunoco LP. (SUN)	Tallgrass Energy Partners, LP (TEP)	Targa Resources Partners LP (NGLS)
TC Pipelines, LP (TCP)	Tesoro Logistics LP (TLLP)	Transocean Partners LLC (RIGP)
USA Compression Partners LP (USAC)	USD Partners LP (USDP)	Valero Energy Partners LP. (VLP)
Vanguard Natural Resources (VNR)	Viper Energy Partners (VNOM)	Western Gas Equity Partners LP (WGP)
Western Gas Partners LP (WES)	Western Refining Logistics LP (WNRL)	Westlake Chemical Partners, Lp. (WLKP)
Williams Partners LP (WPZ)		

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IMPORTANT DISCLOSURES CONTINUED

AmeriGas Partners, L.P. (APU)

USD 45.47 (19-Aug-2015)

Stock Rating

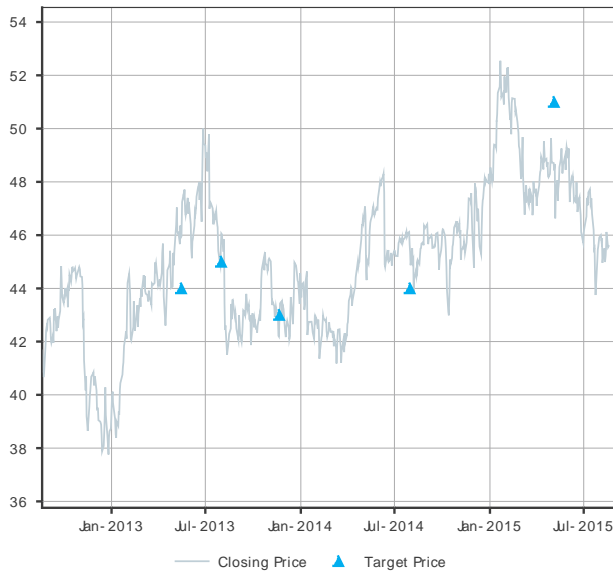
UNDERWEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 19-Aug-2015)

Currency=USD



Date	Closing Price	Rating *	Adjusted Price Target
04-May-2015	48.71		51.00
30-Jul-2014	45.65		44.00
20-Nov-2013	42.19		43.00
31-Jul-2013	45.51		45.00
15-May-2013	45.92		44.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

*The rating for this security remained Underweight during the relevant period.

Source: IDC, Barclays Research

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Valuation Methodology: Our \$47 price target is based on our FY16 estimated distribution of \$3.79 and a target yield of 8.0%

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IMPORTANT DISCLOSURES CONTINUED

UGI Corp. (UGI)

USD 35.93 (19-Aug-2015)

Stock Rating

EQUAL WEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 19-Aug-2015)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
27-Jan-2015	38.08		37.00
28-Oct-2014	37.36		34.00
23-Apr-2014	30.83	Equal Weight	31.33

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

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UGI Corp.

On the Road with UGI Corp. Management

Takeaways from our NDR with UGI: Last week we hosted UGI's management team (John Walsh – CEO, Kirk Oliver – CFO, Dan Platt – Treasurer, and Will Ruthrauff – Investor Relations) through meetings in Geneva and London. The meetings were held with both clients who were already familiar with UGI's story (including current and former shareholders) as well as those taking a look at the company for the first time. From our vantage, we think one of the key takeaways from the meetings is a better understanding of how the management team operates the company. More specifically, management tends to see UGI as a quasi infrastructure fund, able and ready to harvest free cash flow from any one of its four segments for deployment elsewhere, depending on the relative attractiveness of the opportunities at hand. To that end, the team spent most of their time providing updates on the fundamental drivers of growth at each segment and highlighting how the company is positioned to capitalize on opportunities that present themselves. We continue to have a constructive view on UGI's ability to deliver on its annual EPS growth target of 6%-10% *over the long run*, with the caveat that shorter term results are likely to take a choppy path due to factors such as unpredictable weather and the lumpy nature of its existing capital program. In the body of this note we provide details and takeaways from each of the company's segments.

UGI: Quarterly and Annual EPS (USD)

FY Sep	2014		2015		2016		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2015	2016
Q1	0.70A	0.66A	0.66A	0.66A	N/A	N/A	0.75E	-6%	N/A
Q2	1.26A	1.26A	1.26A	1.23A	N/A	N/A	1.34E	0%	N/A
Q3	0.10A	0.09A	0.09A	0.03A	N/A	N/A	0.07E	-10%	N/A
Q4	-0.08A	0.01E	0.01E	-0.03E	N/A	N/A	-0.05E	113%	N/A
Year	1.99A	2.03E	2.03E	1.91E	2.18E	2.18E	2.15E	2%	7%
P/E	17.7		17.3			16.1			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 5.

Equity Research

Energy | U.S. Diversified Natural Gas
14 October 2015

Stock Rating	EQUAL WEIGHT Unchanged
Industry View	NEUTRAL Unchanged
Price Target	USD 37.00 Unchanged

Price (13-Oct-2015)	USD 35.16
Potential Upside/Downside	+5%
Tickers	UGI

Market Cap (USD mn)	6075
Shares Outstanding (mn)	172.78
Free Float (%)	99.32
52 Wk Avg Daily Volume (mn)	1.0
52 Wk Avg Daily Value (USD mn)	N/A
Dividend Yield (%)	2.6
Return on Equity TTM (%)	9.80
Current BVPS (USD)	15.81

Source: Thomson Reuters

Price Performance	Exchange-NYSE
52 Week range	USD 39.75-31.54



[Link to Barclays Live for interactive charting](#)

U.S. Diversified Natural Gas

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U.S. Diversified Natural Gas Industry View: NEUTRAL

UGI Corp. (UGI) Stock Rating: EQUAL WEIGHT

Income statement (\$mn)	2014A	2015E	2016E	2017E	CAGR
Revenue	N/A	N/A	N/A	N/A	N/A
EBITDA (adj)	1,368	1,186	1,454	1,496	3.0%
EBIT (adj)	1,005	817	1,042	1,067	2.0%
Pre-tax income (adj)	768	655	616	646	-5.6%
Net income (adj)	533	468	384	412	-8.2%
EPS (adj) (\$)	1.99	2.03	2.18	2.32	5.3%
Diluted shares (mn)	175.2	175.6	176.5	177.5	0.4%
DPS (\$)	0.82	0.89	0.93	0.96	5.5%

Price (13-Oct-2015) USD 35.16
Price Target USD 37.00

Why Equal Weight? UGI operates a collection of businesses that provide investors with exposure to a diverse set of customers, commodities, and geographies. With its core business strengthened and multiple reinvestment opportunities, UGI appears poised to deliver mid-single digit EPS growth over our forecast period.

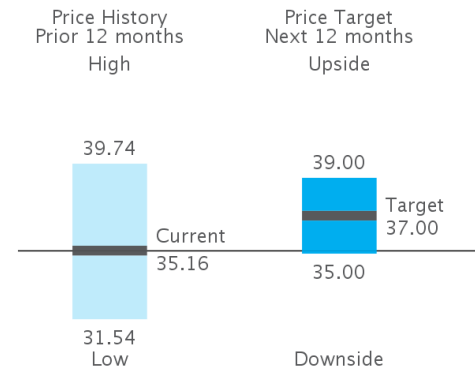
Growth rates	Average				
EBITDA (adj) growth (%)	14.8	-13.4	22.6	2.9	6.7
EBIT (adj) growth (%)	20.8	-18.7	27.5	2.4	8.0
Net income (adj) growth (%)	24.6	-12.2	-17.8	7.3	0.5
EPS (adj) growth (%)	24.1	1.9	7.4	6.7	10.0
DPS growth (%)	11.3	8.5	4.0	4.0	7.0

Upside case USD 39.00
Our upside case is predicated on shares trading at 18x our FY16 EPS estimate of \$2.18.

Downside case USD 35.00
Our downside case is predicated on shares trading at 16.0x our FY16 EPS estimate of \$2.18.

Balance sheet and cash flow (\$mn)	CAGR				
Tangible fixed assets	4,544	4,626	4,732	4,900	2.5%
Cash and equivalents	420	354	630	734	20.5%
Short and long-term debt	3,722	3,831	3,833	3,813	0.8%
Total liabilities	10,093	0	0	0	-100.0%
Net debt/(funds)	3,302	3,477	3,202	3,079	-2.3%
Shareholders' equity	3,663	3,811	4,032	4,273	5.3%
Change in working capital	-7	108	0	0	N/A
Cash flow from operations	1,005	1,028	648	689	-11.8%
Capital expenditure	436	423	435	510	5.3%
Free cash flow	569	606	213	179	-31.9%

Upside/Downside scenarios



Valuation and leverage metrics				
P/E (adj) (x)	17.7	17.3	16.1	15.1
EV/EBITDA (x)	6.9	8.1	6.5	6.2
P/Sales (x)	N/A	N/A	N/A	N/A
Dividend yield (%)	2.3	2.5	2.6	2.7
Total debt/capital (%)	26.5	26.9	25.8	24.5

Selected operating metrics				
Gas prices (\$/mcf)	N/A	N/A	N/A	N/A
Oil price (\$/bbl)	N/A	N/A	N/A	N/A
NGL (\$/gal)	N/A	N/A	N/A	N/A
Frac spread (\$/gal)	N/A	N/A	N/A	N/A
Production volumes (000 cf)	N/A	N/A	N/A	N/A
NGL sales (m bbls)	N/A	N/A	N/A	N/A
Processing volumes (mmbtu)	N/A	N/A	N/A	N/A
Rate base	N/A	N/A	N/A	N/A
Number of customers	N/A	N/A	N/A	N/A
Capital investment growth (%)	-10.8	-3.1	2.9	17.2

Source: Company data, Barclays Research
Note: FY End Sep

Midstream and Marketing

Over the near-to-medium term, management continues to see Marcellus supply and demand dynamics playing to their advantage, namely the recurrence of continued dislocations caused by the confluence of peak demand days and inadequate local infrastructure. Such dislocations should continue to provide the company opportunities to generate incremental cash margin from asset optimization. The dislocations also create opportunities for UGI to be “part of the solution” over the long term, specifically by building out midstream infrastructure such as pipelines (i.e. Sunbury and PennEast) as well as LNG peaking facilities that provide a cost effective alternative for natural gas consumers (utilities, power generators). In each case, management targets investments with initial unlevered IRRs at high single-digit/low-teens levels (subject to the risk profile of the project), with opportunities to expand returns beyond these levels through lower costs capacity expansions in the future. As such midstream assets are placed into service over the next several years (by both UGI as well as other midstream operators), opportunities for asset optimization margin are expected to wane, but at UGI this will be partially supplemented by the stable, visible earnings stream associated with the pipeline and peaking assets.

With UGI’s portfolio of “traditional” midstream assets growing, management was frequently asked whether or not they would be pursuing an MLP. While the option has always been on the table, our takeaway is that it is a highly unlikely path for the time being. Among the considerations making an MLP unlikely at the current time are 1) the lack of need for significant external financing 2) the modest inventory of growth opportunities that would otherwise be required to drive an attractive valuation, and 3) the general state of the MLP equity market. What seems more plausible on the balance sheet front over the next several years is the utilization of some debt. At the present, Midstream and Marketing has a clean balance sheet. Management will likely wait until the segment is capable of earning IG ratings from the agencies (scale is the limiting factor at the moment), rather than issue HY debt that would necessarily include more restrictive covenants and/or the requirement of a parent guarantee.

International Propane

Growth at the segment is initially poised to come from two sources, the first being the inclusion of margin from the Totalgaz LPG distribution acquisition in France that closed in mid-May. Given that the acquisition closed following the winter months, the business won’t benefit from the associated margin until FY16. From there, the company expects to extract cost synergies from the operations to further drive margin, although management noted that it could be as long as 4-5 years before hitting its cost reduction targets due to regulatory restrictions that limit the pace of its actions. With the completion of the Totalgaz acquisition, competition rules will prevent Antargaz from expanding any further in France, forcing International Propane to look elsewhere for growth. We expect the company will “stick to its knitting”, that is, continue to focus its expansion efforts mainly on continental Europe. The most obvious/attractive market is Germany (a high margin, developed market), although the company is unlikely to make any moves there until litigation between competition authorities and the country’s LPG distributors is resolved (UGI does not want to buy into an unknown liability). Instead, we think the company will more likely focus on developing markets where it already has a presence and sees potential for margin expansion as the markets mature (i.e. Hungary, Poland, etc).

AmeriGas Partners, LP

From a structural perspective, propane consumption continues to face headwinds from factors including conservation, appliance efficiencies, and to a lesser extent, competing energy sources. Management is being proactive in its efforts to offset these factors including 1) growing its national accounts and ACE cylinder businesses (collectively 15% of

EBITDA, growing at 4%-6% p.a.), 2) continued cost reductions (APU just installed an SAP platform which management thinks could help strip additional costs out of the business), and 3) pursuing roll-up acquisitions.

One topic that did come up in several meetings was the impact of APU recently hitting the high splits of its IDR tiers. We sensed that some of the investors who are less familiar with the MLP structure assumed that hitting the high splits would immediately become a burden on the MLP's cost of capital and require some sort of structural change sooner rather than later (à la Kinder Morgan). To this, we would make two points. First, the overall GP cut as a percent of distributions remains very modest (we estimate 12.9% in FY16) and the runway to a larger cut will be mitigated by the relatively slow pace of APU's per unit distribution growth (we estimate 4% p.a. vs. the company's 5% target). Second, absent a large M&A transaction, we expect APU to finance its roll-up strategy with a combination of retained cash and debt financing, eliminating the impact that a higher unit count would have on the GP cut.

UGI Utilities

Management estimates that there are a total of 400,000 potential customers within 80 feet of UGI gas mains. The company added ~16,000 residential customers last year, implying many years of runway ahead of it on the growth front. The majority of the additions over the past several years have been customer conversions. While residential additions have ramped up, so too have commercial customer additions. Combined with ongoing infrastructure replacement, management expects segment capital spending to exceed \$200 million this year and sees significant headroom beyond this level going into 2016. While customer additions have kept profits growing, management is also looking towards its first rate case at UGI Gas in 20 years. The company anticipates filing within the next 12 months.

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Primary Stocks (Ticker, Date, Price)

UGI Corp. (UGI, 13-Oct-2015, USD 35.16), Equal Weight/Neutral, C/D/J/K/L/M/N/O

Materially Mentioned Stocks (Ticker, Date, Price)

AmeriGas Partners, L.P. (APU, 13-Oct-2015, USD 42.76), Underweight/Neutral, C/J/K/M

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Enlink Midstream Llc. (ENLC)	EQT Corporation (EQT)	Kinder Morgan Inc. (KMI)
Macquarie Infrastructure Corporation (MIC)	MDU Resources Group (MDU)	National Fuel Gas (NFG)
ONEOK Inc. (OKE)	Plains GP Holdings LP (PAGP)	Questar Corp. (STR)
Spectra Energy Corp. (SE)	Tallgrass Energy GP, LP (TEGP)	Targa Resources Corp. (TRGP)
UGI Corp. (UGI)	Williams Cos. (WMB)	

U.S. MLPs

American Midstream Partners LP (AMID)	AmeriGas Partners, L.P. (APU)	Antero Midstream Partners LP (AM)
Arc Logistics Partners LP (ARCX)	Black Stone Minerals (BSM)	Blueknight Energy Partners, L.P. (BKEP)
Boardwalk Pipeline Partners LP (BWP)	Breitburn Energy Partners L.P. (BBEP)	Buckeye Partners, L.P. (BPL)
Calumet Specialty Products Partners, L.P. (CLMT)	Cheniere Energy Partners LP (CQP)	Columbia Pipeline Partners LP (CPPL)
CONE Midstream Partners LP (CNNX)	Crestwood Equity Partners L.P. (CEQP)	Crestwood Midstream Partners LP (CMLP)
CrossAmerica Partners LP (CAPL)	DCP Midstream Partners LP (DPM)	Delek Logistics Partners LP (DKL)
Dominion Midstream Partners, LP (DM)	Dynagas LNG Partners LP. (DLNG)	Enable Midstream Partners LP (ENBL)
Enbridge Energy Partners (EEP)	Enduro Royalty Trust (NDRO)	Energy Transfer Equity LP (ETE)
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Vanguard Natural Resources (VNR)	Viper Energy Partners (VNOM)	Western Gas Equity Partners LP (WGP)
Western Gas Partners LP (WES)	Western Refining Logistics LP (WNRL)	Westlake Chemical Partners, Lp. (WLKP)
Williams Partners LP (WPZ)		

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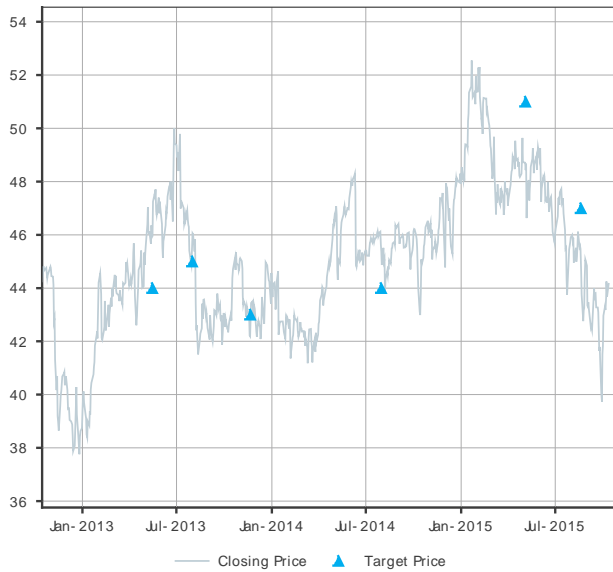
AmeriGas Partners, L.P. (APU / APU)
USD 42.76 (13-Oct-2015)

Stock Rating
UNDERWEIGHT

Industry View
NEUTRAL

Rating and Price Target Chart - USD (as of 13-Oct-2015)

Currency=USD



Date	Closing Price	Rating*	Adjusted Price Target
19-Aug-2015	45.47		47.00
04-May-2015	48.71		51.00
30-Jul-2014	45.65		44.00
20-Nov-2013	42.19		43.00
31-Jul-2013	45.51		45.00
15-May-2013	45.92		44.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

*The rating for this security remained Underweight during the relevant period.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

C: Barclays Bank PLC and/or an affiliate is a market-maker in equity securities issued by AmeriGas Partners, L.P..

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M: AmeriGas Partners, L.P. is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

Valuation Methodology: Our \$47 price target is based on our FY16 estimated distribution of \$3.79 and a target yield of 8.0%

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks for Amerigas include rising interest rates, integration of acquisitions, raising capital to fund acquisitions/organic growth projects and extreme gyrations in propane prices reflecting the seasonality of operations and exposure to warm weather impairing demand for heating supplies in the winter heating season period. In addition, the partnership may experience increased competition from alternative energy sources.

IMPORTANT DISCLOSURES CONTINUED

UGI Corp. (UGI / UGI)

USD 35.16 (13-Oct-2015)

Stock Rating

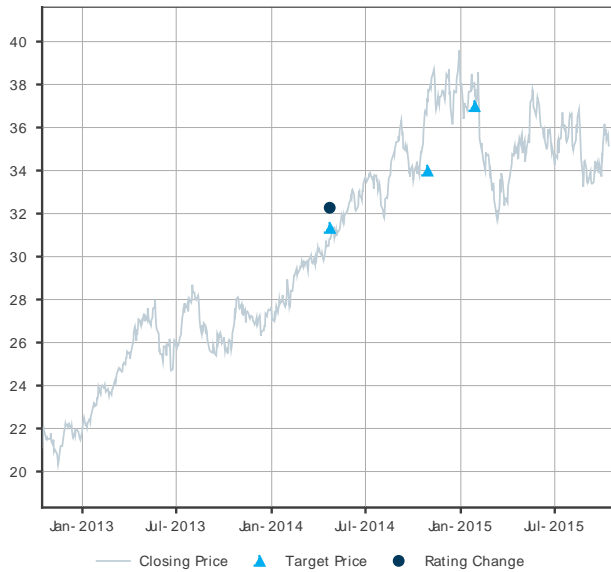
EQUAL WEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 13-Oct-2015)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
27-Jan-2015	38.08		37.00
28-Oct-2014	37.36		34.00
23-Apr-2014	30.83	Equal Weight	31.33

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our \$37 price target is predicated on shares trading at 17.0x our FY16 EPS estimate of \$2.18.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks which may impede the achievement of our price target include UGI's weather related exposure, secular and economic headwinds facing the domestic and international propane businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

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UGI Corp.

Reports 4Q; FY16 Guidance in Line

Announces FY16 EPS guidance of \$2.15-\$2.30, compared to our \$2.18. In reviewing where guidance came in relative to our estimate and the company's long term growth target of 6%-10% p.a., we think it's helpful to unpack guidance into two components: with and without the estimated Finagaz accretion. Ex-Finagaz, guidance would have been approximately \$2.08 at the midpoint. Initial FY15 guidance (based on normalized weather) was \$1.93 at the midpoint, implying y/y growth of ~8.0%. Layering in Finagaz puts the midpoint at \$2.23, reflecting implied growth of 15.5% y/y, and a CAGR of 11.5% since 2013, which is the last year of relatively normal weather patterns across UGI's service territories. At APU, the company guided to EBITDA of \$660-\$690MM. Going into the print, we had forecast \$690MM. We plan to revisit our estimates and provide quarterly forecasts following a full review of UGI's 10-K.

Finagaz (Totalgaz) accretion estimated at \$0.15/share. This is more or less in line with *the \$0.17/share (split-adjusted) that we estimated* when the transaction was announced in July 2014, although a number of the key drivers have materialized differently than the assumptions underlying our forecast (interest expense is a net positive relative to our analysis, while FX is a net negative). Transition expenses are expected to be €50-€60MM over the next four years, including €6-€10MM in FY16.

4Q Results: The company reported adjusted EPS of \$0.01. While in line with our estimate for the quarter, segment level results exhibited more variability. APU missed, as volumes were lower than we anticipated as a result of warmer weather conditions. This was partially offset by more favorable unit margins than we assumed. UGI International operations topped our estimates, while Gas Utility missed. The company does not provide 4Q operating metrics for these segments, so it's difficult to pinpoint the exact drivers of the performance, although 4Q results may have been impacted by the same weather trends that drove the segments' full year comps, namely colder y/y temperatures internationally and warmer weather in the utility service territory relative to 2014. Midstream and Marketing results were in line.

UGI: Quarterly and Annual EPS (USD)

	2015		2016		2017		Change y/y		
FY Sep	Actual	Old	New	Cons	Old	New	Cons	2016	2017
Q1	0.66A	N/A	N/A	0.75E	N/A	N/A	N/A	N/A	N/A
Q2	1.26A	N/A	N/A	1.34E	N/A	N/A	N/A	N/A	N/A
Q3	0.09A	N/A	N/A	0.07E	N/A	N/A	N/A	N/A	N/A
Q4	0.01A	N/A	N/A	-0.05E	N/A	N/A	N/A	N/A	N/A
Year	2.01A	2.18E	2.18E	2.15E	N/A	2.32E	2.27E	8%	6%
P/E	17.3		16.0			15.0			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 3.

Equity Research

Energy | U.S. Diversified Natural Gas

10 November 2015

Stock Rating **EQUAL WEIGHT**
Unchanged

Industry View **NEUTRAL**
Unchanged

Price Target **USD 37.00**
Unchanged

Price (09-Nov-2015) USD 34.80
Potential Upside/Downside +6%
Tickers UGI

Market Cap (USD mn) 6013
Shares Outstanding (mn) 172.78
Free Float (%) 99.32
52 Wk Avg Daily Volume (mn) 0.9
52 Wk Avg Daily Value (USD mn) 33.62
Dividend Yield (%) 2.6
Return on Equity TTM (%) 9.80
Current BVPS (USD) 15.81

Source: Thomson Reuters

Price Performance Exchange-NYSE
52 Week range USD 39.75-31.54



[Link to Barclays Live for interactive charting](#)

U.S. Diversified Natural Gas

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U.S. Diversified Natural Gas Industry View: **NEUTRAL**

UGI Corp. (UGI) Stock Rating: **EQUAL WEIGHT**

Income statement (\$mn)	2015A	2016E	2017E	2018E	CAGR
Revenue	N/A	N/A	N/A	N/A	N/A
EBITDA (adj)	1,186	1,454	1,496	1,544	9.2%
EBIT (adj)	817	1,042	1,067	1,093	10.2%
Pre-tax income (adj)	655	616	646	678	1.2%
Net income (adj)	468	384	412	452	-1.1%
EPS (adj) (\$)	2.01	2.18	2.32	2.53	8.0%
Diluted shares (mn)	175.6	176.5	177.5	178.5	0.5%
DPS (\$)	0.89	0.93	0.96	1.00	4.0%

Price (09-Nov-2015) USD 34.80
Price Target USD 37.00

Why Equal Weight? UGI operates a collection of businesses that provide investors with exposure to a diverse set of customers, commodities, and geographies. With its core business strengthened and multiple reinvestment opportunities, UGI appears poised to deliver mid-single digit EPS growth over our forecast period.

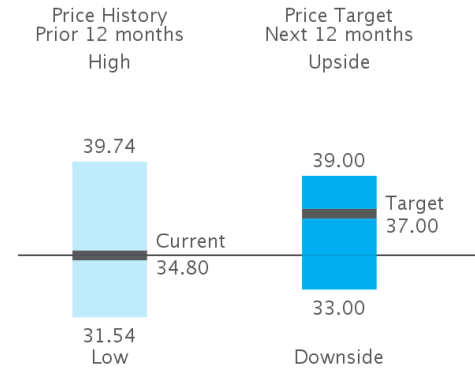
Growth rates	Average				
EBITDA (adj) growth (%)	-13.4	22.6	2.9	3.2	3.8
EBIT (adj) growth (%)	-18.7	27.5	2.4	2.4	3.4
Net income (adj) growth (%)	-12.2	-17.8	7.3	9.7	-3.2
EPS (adj) growth (%)	1.0	8.4	6.7	9.1	6.3
DPS growth (%)	8.5	4.0	4.0	4.0	5.1

Upside case USD 39.00
Our upside case is predicated on shares trading at 18x our FY16 EPS estimate of \$2.18.

Downside case USD 33.00
Our downside case is predicated on shares trading at 15.0x our FY16 EPS estimate of \$2.18.

Balance sheet and cash flow (\$mn)	CAGR				
Tangible fixed assets	4,626	4,732	4,900	5,120	3.4%
Cash and equivalents	337	613	716	720	28.9%
Short and long-term debt	3,831	3,833	3,813	3,713	-1.0%
Total liabilities	0	0	0	0	N/A
Net debt/(funds)	3,495	3,220	3,096	2,992	-5.0%
Shareholders' equity	3,811	4,032	4,273	4,547	6.1%
Change in working capital	108	0	0	0	-100.0%
Cash flow from operations	1,028	648	689	748	-10.1%
Capital expenditure	423	435	510	580	11.1%
Free cash flow	606	213	179	168	-34.8%

Upside/Downside scenarios



Valuation and leverage metrics				
P/E (adj) (x)	17.3	16.0	15.0	13.7
EV/EBITDA (x)	8.1	6.4	6.2	5.9
P/Sales (x)	N/A	N/A	N/A	N/A
Dividend yield (%)	2.6	2.7	2.8	2.9
Total debt/capital (%)	26.9	25.8	24.5	21.3

Selected operating metrics				
Gas prices (\$/mcf)	N/A	N/A	N/A	N/A
Oil price (\$/bbl)	N/A	N/A	N/A	N/A
NGL (\$/gal)	N/A	N/A	N/A	N/A
Frac spread (\$/gal)	N/A	N/A	N/A	N/A
Production volumes (000 cf)	N/A	N/A	N/A	N/A
NGL sales (m bbls)	N/A	N/A	N/A	N/A
Processing volumes (mmbtu)	N/A	N/A	N/A	N/A
Rate base	N/A	N/A	N/A	N/A
Number of customers	N/A	N/A	N/A	N/A
Capital investment growth (%)	-3.1	2.9	17.2	13.7

Source: Company data, Barclays Research
Note: FY End Sep

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Primary Stocks (Ticker, Date, Price)

UGI Corp. (UGI, 09-Nov-2015, USD 34.80), Equal Weight/Neutral, C/D/J/K/L/M/N/O

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In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

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U.S. Diversified Natural Gas

AGL Resources Inc. (GAS)	Atmos Energy (ATO)	Cheniere Energy (LNG)
Cheniere Energy Partners LP Holdings, LLC (CQH)	Columbia Pipeline Group, Inc. (CPGX)	Enbridge Inc. (ENB.TO)
Enlink Midstream Llc. (ENLC)	EQT Corporation (EQT)	Kinder Morgan Inc. (KMI)
Macquarie Infrastructure Corporation (MIC)	MDU Resources Group (MDU)	National Fuel Gas (NFG)
ONEOK Inc. (OKE)	Plains GP Holdings LP (PAGP)	Questar Corp. (STR)
Spectra Energy Corp. (SE)	Tallgrass Energy GP, LP (TEGP)	Targa Resources Corp. (TRGP)
UGI Corp. (UGI)	Williams Cos. (WMB)	

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IMPORTANT DISCLOSURES CONTINUED

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IMPORTANT DISCLOSURES CONTINUED

UGI Corp. (UGI / UGI)

USD 34.80 (09-Nov-2015)

Stock Rating

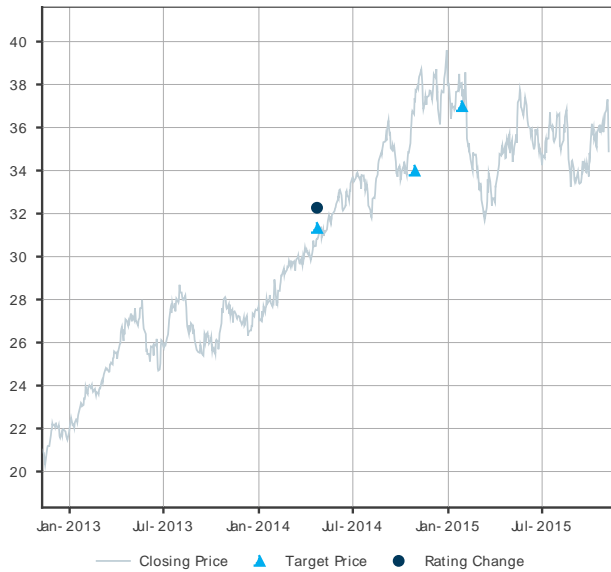
EQUAL WEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 09-Nov-2015)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
27-Jan-2015	38.08		37.00
28-Oct-2014	37.36		34.00
23-Apr-2014	30.83	Equal Weight	31.33

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

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Valuation Methodology: Our \$37 price target is predicated on shares trading at 17.0x our FY16 EPS estimate of \$2.18.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Risks which may impede the achievement of our price target include UGI's weather related exposure, secular and economic headwinds facing the domestic and international propane businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

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Energy

Updating Estimates for ATO, UGI, and APU

UGI and APU: We estimate that UGI Corp. (UGI) will report 1Q16 EPS of \$0.63 and that AmeriGas Partners, L.P. (APU) will report 1Q16 EBITDA of \$168 million. At both companies, we have reduced our full year outlooks to reflect the headwinds to earnings that we think are likely to exist as a result of the unseasonably warm temperatures across various portions of the companies' service territories through the quarter that ended in December. At UGI, we have lowered our 2016 EPS estimate to \$2.04 from \$2.12, while at APU we are now forecasting 2016 EBITDA of \$631 million compared to \$640 million previously.

ATO: We estimate that Atmos Energy (ATO) will report 1Q16 EPS of \$1.01. Our revised 2016-17 estimates include the financial and operating guidance that the company detailed in its November 2015 analyst day, including expectations for higher levels of capital deployment, increased annual regulatory relief, and assumed equity issuances through 2020.

INDUSTRY UPDATE

U.S. Diversified Natural Gas

NEUTRAL

Unchanged

U.S. MLPs

NEUTRAL

Unchanged

For a full list of our ratings, price target and earnings changes in this report, please see table on page 2.

U.S. Diversified Natural Gas

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 7.

Summary of our Ratings, Price Targets and Earnings Changes in this Report (all changes are shown in bold)

Company	Rating		Price	Price Target			EPS FY1 (E)			EPS FY2 (E)		
	Old	New	28-Jan-16	Old	New	%Chg	Old	New	%Chg	Old	New	%Chg
U.S. Diversified Natural Gas	Neu	Neu										
Atmos Energy (ATO)	UW	UW	67.19	63.00	63.00	-	3.28	3.31	1	3.42	3.48	2
UGI Corp. (UGI)	EW	EW	33.12	39.00	39.00	-	2.12	2.04	-4	2.30	2.27	-1
U.S. MLPs	Neu	Neu										
AmeriGas Partners, L.P. (APU)	UW	UW	37.50	39.00	39.00	-	2.46	2.44	-1	3.02	2.61	-14

Source: Barclays Research. Share prices and target prices are shown in the primary listing currency and EPS estimates are shown in the reporting currency.

FY1(E): Current fiscal year estimates by Barclays Research. FY2(E): Next fiscal year estimates by Barclays Research.

Stock Rating: OW: Overweight; EW: Equal Weight; UW: Underweight; RS: Rating Suspended

Industry View: Pos: Positive; Neu: Neutral; Neg: Negative

U.S. MLPs **Industry View: NEUTRAL**

AmeriGas Partners, L.P. (APU) **Stock Rating: UNDERWEIGHT**

Income statement (\$mn)	2015A	2016E	2017E	2018E	CAGR
EBITDA	619	631	670	692	3.8%
EBIT	381	440	475	493	9.0%
Pre-tax income	N/A	N/A	N/A	N/A	N/A
Net income	211	276	302	313	14.0%
Reported EPU (\$)	2.43	2.44	2.61	2.65	2.9%
Diluted units (mn)	92.9	92.9	92.9	92.9	0.0%
Cash distribution per unit	N/A	N/A	N/A	N/A	N/A

Price (28-Jan-2016) USD 37.50
Price Target USD 39.00

Why Underweight? APU has weather-sensitive cash flows that are also impacted by commodity price volatility and customer conservation. A challenging propane demand environment supports our UW rating.

Upside case USD 43.00

Our upside case is based on the same FY17e distribution as our base case, except assumes a 9.0% target yield.

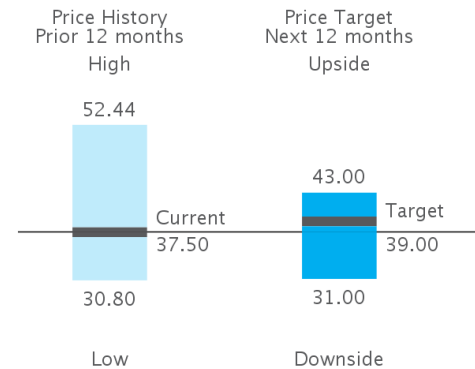
Downside case USD 31.00

Our downside case is based on the same FY17e distribution as our base case, except assumes an 12.5% target yield.

Balance sheet and cash flow (\$mn)	CAGR				
Cash and equivalents	15	8	16	24	18.2%
Net PP&E	1,324	1,219	1,111	998	-9.0%
Total debt	2,352	2,382	2,422	2,462	1.5%
Net debt/(funds)	N/A	N/A	N/A	N/A	N/A
Shareholders' equity	N/A	N/A	N/A	N/A	N/A
Cash flow from operations	524	490	520	535	0.7%
Distributable cash flow	399	414	441	455	4.5%

Valuation and leverage metrics	Average				
Distribution coverage (%)	106.0	104.8	106.6	106.3	105.9
EV/EBITDA (x)	9.4	9.3	8.8	8.6	9.0
EV/EBITDA less MC, GP (x)	11.2	11.2	10.7	10.5	10.9
P/DCF (x)	9.0	8.7	8.1	7.9	8.4
EBITDA (adj)/interest expense (x)	N/A	N/A	N/A	N/A	N/A
Dividend yield (%)	9.7	10.0	10.3	10.5	10.1
Net debt/EBITDA (x)	3.8	3.8	3.6	3.5	3.7

Upside/Downside scenarios



Selected operating metrics				
(Divestures)/acquisitions (\$mn)	-21	-20	-20	-20
Propane volumes (mm gallons)	1,238.6	1,285.0	1,285.0	1,285.0
Retail propane (mm gallons)	1,184.3	1,235.0	1,235.0	1,235.0
Gross profit per gallon	N/A	N/A	N/A	N/A

Source: Company data, Barclays Research
Note: FY End Sep

U.S. Diversified Natural Gas Industry View: NEUTRAL

Atmos Energy (ATO) Stock Rating: UNDERWEIGHT

Income statement (\$mn)	2015A	2016E	2017E	2018E	CAGR
EBITDA (adj)	900	963	1,039	1,109	7.2%
EBIT (adj)	627	665	719	764	6.8%
Pre-tax income (adj)	511	545	583	624	6.9%
Net income (adj)	315	340	365	390	7.4%
EPS (adj) (\$)	3.10	3.31	3.48	3.67	5.8%
Diluted shares (mn)	101.9	102.9	104.6	106.3	1.4%
DPS (\$)	1.56	1.68	1.78	1.89	6.6%

Price (28-Jan-2016) USD 67.19
Price Target USD 63.00

Why Underweight? Assets are heavily regulated and earnings are expected to grow in the mid-single digits each year. While the regulated Distribution and Pipeline segments provide visible and steady growth, recent M&A activity in the space has elevated ATO's valuation which we think could drag on future returns.

Growth rates	Average				
EBITDA (adj) growth (%)	4.5	7.0	7.9	6.7	6.5
EBIT (adj) growth (%)	3.4	6.1	8.1	6.3	6.0
Net income (adj) growth (%)	8.7	8.0	7.1	7.0	7.7
EPS (adj) growth (%)	7.0	6.6	5.4	5.3	6.1
DPS growth (%)	5.4	7.7	6.0	6.0	6.3

Upside case USD 66.00

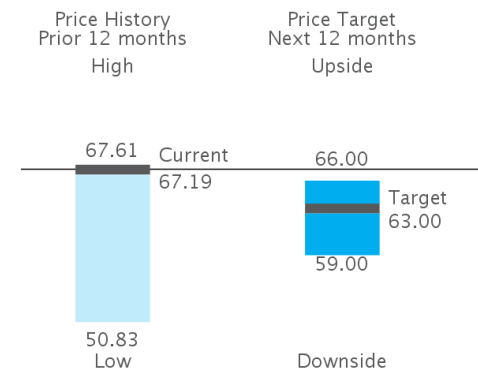
Our upside case is based on a 19.0x multiple applied to 2017e EPS of \$3.48.

Downside case USD 59.00

Our downside case is based on a 17.0x multiple applied to 2017e EPS of \$3.48.

Balance sheet and cash flow (\$mn)	CAGR				
Tangible fixed assets	7,426	8,181	9,111	10,015	10.5%
Cash and equivalents	29	56	23	42	13.4%
Short and long-term debt	2,907	3,217	3,617	4,017	11.4%
Total liabilities	N/A	N/A	N/A	N/A	N/A
Net debt/(funds)	2,878	3,161	3,594	3,975	11.4%
Shareholders' equity	3,272	3,540	3,818	4,107	7.9%
Change in working capital	20	0	N/A	N/A	N/A
Cash flow from operations	837	840	904	969	5.0%
Capital expenditure	-975	-1,050	-1,250	-1,250	N/A
Free cash flow	641	694	759	818	8.5%

Upside/Downside scenarios



Valuation and leverage metrics				
P/E (adj) (x)	21.7	20.3	19.3	18.3
EV/EBITDA (x)	10.8	10.4	N/A	N/A
Dividend yield (%)	2.3	2.5	2.7	2.8
Total debt/capital (%)	47.0	47.6	48.6	49.4

Selected operating metrics				
Gas prices (\$/mcf) (\$)	4.50	4.25	N/A	N/A
Oil price (\$/bbl) (\$)	90.00	90.00	N/A	N/A
NGL (\$/gal) (\$)	0.93	0.96	N/A	N/A
Frac spread (\$/gal) (\$)	0.53	0.58	N/A	N/A
Production volumes (000 cf)	N/A	N/A	N/A	N/A
NGL sales (m bbls)	N/A	N/A	N/A	N/A
Processing volumes (mmbtu)	N/A	N/A	N/A	N/A
Rate base	N/A	N/A	N/A	N/A
Number of customers	N/A	N/A	N/A	N/A
Capital investment growth (%)	16.7	7.7	19.0	0.0

Source: Company data, Barclays Research
Note: FY End Sep

U.S. Diversified Natural Gas Industry View: NEUTRAL

UGI Corp. (UGI) Stock Rating: EQUAL WEIGHT

Income statement (\$mn)	2015A	2016E	2017E	2018E	CAGR
Revenue	N/A	N/A	N/A	N/A	N/A
EBITDA (adj)	1,210	1,383	1,464	1,513	7.7%
EBIT (adj)	836	973	1,040	1,070	8.6%
Pre-tax income (adj)	592	579	633	657	3.5%
Net income (adj)	414	360	403	438	1.9%
EPS (adj) (\$)	2.01	2.04	2.27	2.45	6.9%
Diluted shares (mn)	175.7	176.4	177.4	178.4	0.5%
DPS (\$)	0.89	0.94	0.98	1.02	4.5%

Price (28-Jan-2016) USD 33.12
Price Target USD 39.00

Why Equal Weight? UGI operates a collection of businesses that provide investors with exposure to a diverse set of customers, commodities, and geographies. With its core business strengthened and multiple reinvestment opportunities, UGI appears poised to deliver mid-single digit EPS growth over our forecast period.

Growth rates					Average
EBITDA (adj) growth (%)	-11.6	14.3	5.8	3.4	3.0
EBIT (adj) growth (%)	-16.9	16.4	6.8	2.9	2.3
Net income (adj) growth (%)	-22.3	-13.1	12.0	8.6	-3.7
EPS (adj) growth (%)	0.9	1.5	11.4	8.0	5.5
DPS growth (%)	8.5	5.6	4.0	4.0	5.5

Upside case USD 41.00

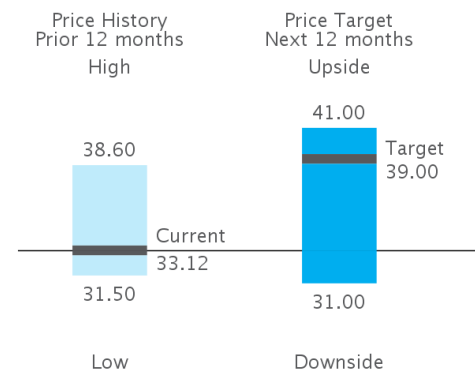
Our upside case is predicated on shares trading at 18x our FY17 EPS estimate of \$2.27.

Downside case USD 31.00

Our downside case assumes earnings remain flat y/y to 2016e levels, reducing the multiple paid by the market to 15.0x.

Balance sheet and cash flow (\$mn)					CAGR
Tangible fixed assets	4,994	5,166	5,336	5,560	3.6%
Cash and equivalents	370	578	677	650	20.7%
Short and long-term debt	3,890	3,890	3,850	3,711	-1.6%
Total liabilities	10,547	0	0	0	-100.0%
Net debt/(funds)	3,520	3,312	3,173	3,060	-4.6%
Shareholders' equity	3,572	3,767	3,997	4,253	6.0%
Change in working capital	192	0	0	0	-100.0%
Cash flow from operations	1,164	648	708	759	-13.3%
Capital expenditure	475	495	505	575	6.5%
Free cash flow	688	153	203	184	-35.6%

Upside/Downside scenarios



Valuation and leverage metrics				
P/E (adj) (x)	16.5	16.2	14.6	13.5
EV/EBITDA (x)	7.7	6.6	6.1	5.9
P/Sales (x)	N/A	N/A	N/A	N/A
Dividend yield (%)	2.7	2.8	3.0	3.1
Total debt/capital (%)	30.1	26.1	26.3	22.7

Selected operating metrics				
Gas prices (\$/mcf)	N/A	N/A	N/A	N/A
Oil price (\$/bbl)	N/A	N/A	N/A	N/A
NGL (\$/gal)	N/A	N/A	N/A	N/A
Frac spread (\$/gal)	N/A	N/A	N/A	N/A
Production volumes (000 cf)	N/A	N/A	N/A	N/A
NGL sales (m bbls)	N/A	N/A	N/A	N/A
Processing volumes (mmbtu)	N/A	N/A	N/A	N/A
Rate base	N/A	N/A	N/A	N/A
Number of customers	N/A	N/A	N/A	N/A
Capital investment growth (%)	8.9	4.1	2.0	13.9

Source: Company data, Barclays Research
Note: FY End Sep

Valuation Methodology and Risks

U.S. Diversified Natural Gas

Atmos Energy (ATO)

Valuation Methodology: Our price target of \$63 is predicated on shares trading at 18.0x our '17 EPS estimate of \$3.48.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Atmos Energy is an interest rate sensitive investment, ATO's operations are seasonal and highly sensitive to weather, deregulation increases the potential for competition in ATO's market, Energy Marketing and Trading operations are inherently riskier than regulated utility and are facing significant scrutiny from investors and rating agencies.

UGI Corp. (UGI)

Valuation Methodology: Our \$39 price target is predicated on shares trading at 17.0x our FY16 EPS estimate of \$2.27.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Weather related exposure, secular and economic headwinds facing the domestic and international propane businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

U.S. MLPs

AmeriGas Partners, L.P. (APU)

Valuation Methodology: Our \$39 price target is based on our FY17 estimated distribution of \$3.86 and a target yield of 10%

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Risks for Amerigas include rising interest rates, integration of acquisitions, raising capital to fund acquisitions/organic growth projects and extreme gyrations in propane prices reflecting the seasonality of operations and exposure to warm weather impairing demand for heating supplies in the winter heating season period. In addition, the partnership may experience increased competition from alternative energy sources.

Source: Barclays Research.

ANALYST(S) CERTIFICATION(S):

We, Richard Gross and Christine Cho, CFA, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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Primary Stocks (Ticker, Date, Price)

AmeriGas Partners, L.P. (APU, 28-Jan-2016, USD 37.50), Underweight/Neutral, CD/CE/J/K/M

Atmos Energy (ATO, 28-Jan-2016, USD 67.19), Underweight/Neutral, CE/J/K/M/O

UGI Corp. (UGI, 28-Jan-2016, USD 33.12), Equal Weight/Neutral, CE/D/J/K/L/M/N/O

Disclosure Legend:

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F: Barclays Bank PLC and/or an affiliate beneficially owned 1% or more of a class of equity securities of the issuer as of the end of the month prior to the research report's issuance.

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Risk Disclosure(s)

Master limited partnerships (MLPs) are pass-through entities structured as publicly listed partnerships. For tax purposes, distributions to MLP unit holders may be treated as a return of principal. Investors should consult their own tax advisors before investing in MLP units.

Guide to the Barclays Fundamental Equity Research Rating System:

Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity in a merger or strategic transaction involving the company.

Industry View

Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

U.S. Diversified Natural Gas

AGL Resources Inc. (GAS)	Atmos Energy (ATO)	Cheniere Energy (LNG)
Cheniere Energy Partners LP Holdings, LLC (CQH)	Columbia Pipeline Group, Inc. (CPGX)	Enbridge Inc. (ENB.TO)
Enlink Midstream Llc. (ENLC)	EQT Corporation (EQT)	Kinder Morgan Inc. (KMI)
Macquarie Infrastructure Corporation (MIC)	MDU Resources Group (MDU)	National Fuel Gas (NFG)
ONEOK Inc. (OKE)	Plains GP Holdings LP (PAGP)	Questar Corp. (STR)
SemGroup Corporation (SEMG)	Spectra Energy Corp. (SE)	Tallgrass Energy GP, LP (TEGP)
Targa Resources Corp. (TRGP)	UGI Corp. (UGI)	Williams Cos. (WMB)

U.S. MLPs

American Midstream Partners LP (AMID)	AmeriGas Partners, L.P. (APU)	Antero Midstream Partners LP (AM)
Arc Logistics Partners LP (ARCX)	Archrock Partners LP (APLP)	Black Stone Minerals (BSM)
Blueknight Energy Partners, L.P. (BKEP)	Boardwalk Pipeline Partners LP (BWP)	Breitburn Energy Partners L.P. (BBEP)
Buckeye Partners, L.P. (BPL)	Calumet Specialty Products Partners, L.P. (CLMT)	Cheniere Energy Partners LP (CQP)
Columbia Pipeline Partners LP (CPPL)	CONE Midstream Partners LP (CNNX)	Crestwood Equity Partners L.P. (CEQP)
CrossAmerica Partners LP (CAPL)	DCP Midstream Partners LP (DPM)	Delek Logistics Partners LP (DKL)
Dominion Midstream Partners, LP (DM)	Dynagas LNG Partners LP. (DLNG)	Enable Midstream Partners LP (ENBL)

IMPORTANT DISCLOSURES CONTINUED

Enbridge Energy Partners (EEP)	Enduro Royalty Trust (NDRO)	Energy Transfer Equity LP (ETE)
Energy Transfer Partners LP (ETP)	Enlink Midstream Partners LP (ENLK)	Enterprise Products Prtns LP (EPD)
Enviva Partners, LP (EVA)	EQT GP Holdings, LP (EQGP)	EQT Midstream Partners LP (EQM)
Ferrellgas Partners (FGP)	Foresight Energy LP (FELP)	Gaslog Partners LP (GLOP)
Genesis Energy, L.P. (GEL)	Global Partners LP (GLP)	Green Plains Partners LP (GPP)
Hi-Crush Partners LP (HCLP)	Holly Energy Partners LP (HEP)	Höegh LNG Partners LP (HMLP)
JP Energy Partners LP (JPEP)	KNOT Offshore Partners, LP. (KNOP)	Legacy Reserves LP (LGCY)
Linn Energy LLC (LINE)	Magellan Midstream Partners, LP (MMP)	Memorial Production Partners (MEMP)
Midcoast Energy Partners LP (MEP)	MPLX LP (MPLX)	NGL Energy Partners LP (NGL)
Niska Gas Storage Partners LLC (NKA)	NuStar Energy LP (NS)	NuStar GP Holdings (NSH)
OCI Partners LP. (OCIP)	ONEOK Partners LP (OKS)	Pacific Coast Oil Trust (ROYT)
PBF Logistics LP (PBFX)	PennTex Midstream Partners LP (PTXP)	Phillips 66 Partners LP (PSXP)
Plains All American Pipeline (PAA)	Rice Midstream Partners LP (RMP)	Rose Rock Midstream, L.P. (RRMS)
Shell Midstream Partners LP (SHLX)	Southcross Energy Partners LP (SXE)	Spectra Energy Partners, LP (SEP)
Sprague Resources LP (SRLP)	Suburban Propane Partners (SPH)	Summit Midstream Partners LP (SMLP)
SunCoke Energy Partners, LP (SXCP)	Sunoco Logistics Partners L.P. (SXL)	Sunoco LP. (SUN)
Tallgrass Energy Partners, LP (TEP)	Targa Resources Partners LP (NGLS)	TC Pipelines, LP (TCP)
Tesoro Logistics LP (TLLP)	Transocean Partners LLC (RIGP)	USA Compression Partners LP (USAC)
USD Partners LP (USDP)	Valero Energy Partners LP. (VLP)	Vanguard Natural Resources (VNR)
Viper Energy Partners (VNOM)	Western Gas Equity Partners LP (WGP)	Western Gas Partners LP (WES)
Western Refining Logistics LP (WNRL)	Westlake Chemical Partners, Lp. (WLKP)	Williams Partners LP (WPZ)

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40% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 50% of companies with this rating are investment banking clients of the Firm.

15% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 43% of companies with this rating are investment banking clients of the Firm.

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To see a list of companies that comprise a particular industry coverage universe, please go to <http://publicresearch.barclays.com>.

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IMPORTANT DISCLOSURES CONTINUED

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IMPORTANT DISCLOSURES CONTINUED

AmeriGas Partners, L.P. (APU / APU)

USD 37.50 (28-Jan-2016)

Stock Rating

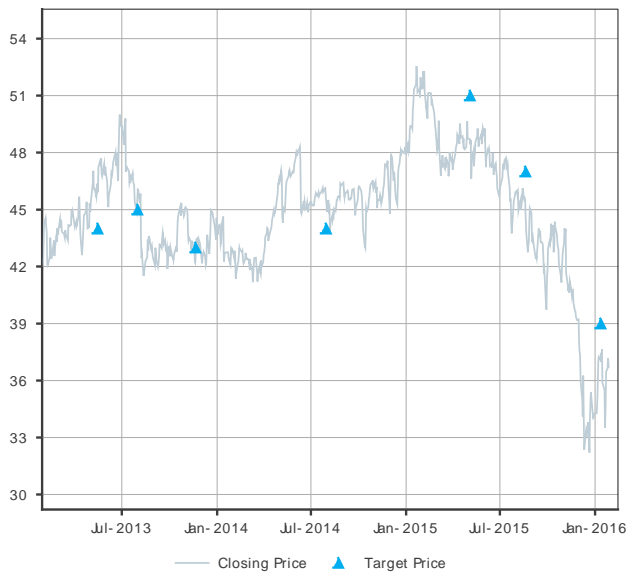
UNDERWEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 28-Jan-2016)

Currency=USD



Date	Closing Price	Rating*	Adjusted Price Target
11-Jan-2016	37.09		39.00
19-Aug-2015	45.47		47.00
04-May-2015	48.71		51.00
30-Jul-2014	45.65		44.00
20-Nov-2013	42.19		43.00
31-Jul-2013	45.51		45.00
15-May-2013	45.92		44.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

*The rating for this security remained Underweight during the relevant period.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

CD: Barclays Bank PLC and/or an affiliate is a market-maker in debt securities issued by AmeriGas Partners, L.P..

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M: AmeriGas Partners, L.P. is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

Valuation Methodology: Our \$39 price target is based on our FY17 estimated distribution of \$3.86 and a target yield of 10%

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Risks for Amerigas include rising interest rates, integration of acquisitions, raising capital to fund acquisitions/organic growth projects and extreme gyrations in propane prices reflecting the seasonality of operations and exposure to warm weather impairing demand for heating supplies in the winter heating season period. In addition, the partnership may experience increased competition from alternative energy sources.

IMPORTANT DISCLOSURES CONTINUED

Atmos Energy (ATO / ATO)

USD 67.19 (28-Jan-2016)

Stock Rating

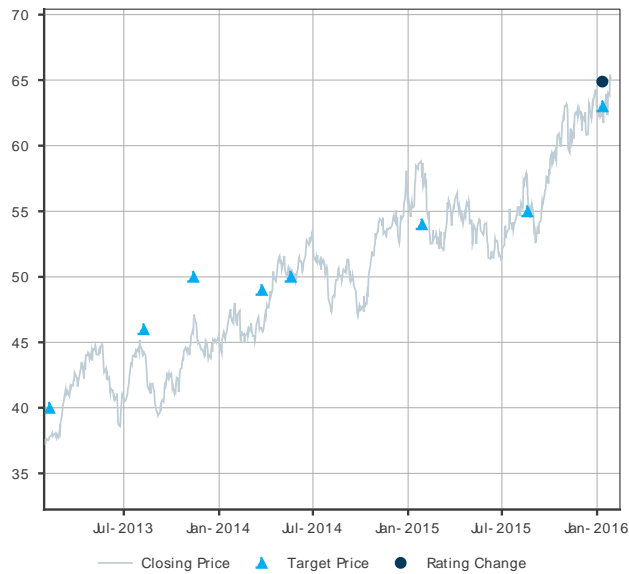
UNDERWEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 28-Jan-2016)

Currency=USD



Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

CE: Barclays Bank PLC and/or an affiliate is a market-maker in equity securities issued by Atmos Energy.

J: Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities by Atmos Energy and/or in any related derivatives.

K: Barclays Bank PLC and/or an affiliate has received non-investment banking related compensation (including compensation for brokerage services, if applicable) from Atmos Energy within the past 12 months.

M: Atmos Energy is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

O: Barclays Capital Inc., through Barclays Market Makers, is a Designated Market Maker in Atmos Energy stock, which is listed on the New York Stock Exchange. At any given time, its associated Designated Market Maker may have "long" or "short" inventory position in the stock; and its associated Designated Market Maker may be on the opposite side of orders executed on the floor of the New York Stock Exchange in the stock.

Valuation Methodology: Our price target of \$63 is predicated on shares trading at 18.0x our '17 EPS estimate of \$3.48.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Atmos Energy is an interest rate sensitive investment, ATO's operations are seasonal and highly sensitive to weather, deregulation increases the potential for competition in ATO's market, Energy Marketing and Trading operations are inherently riskier than regulated utility and are facing significant scrutiny from investors and rating agencies.

IMPORTANT DISCLOSURES CONTINUED

UGI Corp. (UGI / UGI)

USD 33.12 (28-Jan-2016)

Stock Rating

EQUAL WEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 28-Jan-2016)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
11-Jan-2016	33.61		39.00
27-Jan-2015	38.08		37.00
28-Oct-2014	37.36		34.00
23-Apr-2014	30.83	Equal Weight	31.33

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our \$39 price target is predicated on shares trading at 17.0x our FY16 EPS estimate of \$2.27.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Weather related exposure, secular and economic headwinds facing the domestic and international propane businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

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UGI Corp. / AmeriGas Partners, L.P.

Reports 1Q Results

Stock Rating/Industry View: Equal Weight/Neutral

Price Target: USD 39.00

Price (01-Feb-2016): USD 34.11

Potential Upside/Downside: 14%

Tickers: UGI

Stock Rating/Industry View: Underweight/Neutral

Price Target: USD 39.00

Price (01-Feb-2016): USD 39.03

Potential Upside/Downside: -0%

Tickers: APU

1Q16 EPS of \$0.64 vs. Barclays \$0.63

Relative to our numbers, Midstream & Marketing, UGI International and AmeriGas performed better than expected, although this was offset by a miss at UGI Utilities. Across all segments, weather served as a headwind to profitability, which we had anticipated. AmeriGas, UGI France (which comprises the largest portion of the international LPG business), and the domestic Utility saw temperatures that were 20%, 22% and 25% warmer than normal, respectively. At AmeriGas, EBITDA was \$178 million compared to our \$168 million estimate. While volumes came in below our expectations (310 million gallons vs. our 368 million gallons), this was offset by stronger-than-anticipated unit margins (\$1.13/gallon vs. our \$1.08/gallon). Midstream and Marketing reported a 6% y/y decline in operating income, which when viewed in the context of the unfavorable weather that so heavily weighed on the other segments, illustrates the relatively higher degree of stability in its earnings profile. Operating income of \$42.9 million was ahead of our \$36.5 million estimate. Within the segment, capacity management, natural gas and retail power, and storage all saw margin decline y/y. At International, operating income of \$85.1 million beat our \$73 million estimate, although we'd note that investors didn't have much of a baseline in terms of what to expect given the Finagaz acquisition hadn't closed during the comparable period last year, a factor only further clouded by challenging weather conditions experienced during the quarter. At the domestic Utility segment, operating income was \$48.3 million compared to our \$56.8 million estimate, as system throughput declined in the face of the warm weather conditions.

UGI Gas Files Rate Case

The company reported that following the close of its first quarter, UGI Gas filed a \$58.6 million rate case with the Pennsylvania Public Utility Commission. The filing was not unexpected ([we first discussed the potential filing following our October 2015 NDR with management](#)), as the company has not sought rate relief in 21 years.

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Mentioned Stocks (Ticker, Date, Price)

AmeriGas Partners, L.P. (APU, 01-Feb-2016, USD 39.03), Underweight/Neutral, CD/CE/J/K/M

Valuation Methodology: Our \$39 price target is based on our FY17 estimated distribution of \$3.86 and target yield of 10%

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target

Risks for Amerigas include rising interest rates, integration of acquisitions, raising capital to fund acquisitions/organic growth projects and extreme gyrations in propane prices reflecting the seasonality of operations and exposure to warm weather impairing demand for heating supplies in the winter heating season period. In addition, the partnership may experience increased competition from alternative energy

sources.

Ratings and Price Target History:

AmeriGas Partners, L.P.
Currency=USD



Source: IDC, Barclays Research

Date	Closing Price	Rating*	Adjusted Price Target
11-Jan-2016	37.09		39.00
19-Aug-2015	45.47		47.00
04-May-2015	48.71		51.00
30-Jul-2014	45.65		44.00
20-Nov-2013	42.19		43.00
31-Jul-2013	45.51		45.00
15-May-2013	45.92		44.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

*The rating for this security remained Underweight during the relevant period.

UGI Corp. (UGI, 01-Feb-2016, USD 34.11), Equal Weight/Neutral, CE/D/J/K/L/M/N/O

Valuation Methodology: Our \$39 price target is predicated on shares trading at 17.0x our FY16 EPS estimate of \$2.27.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target

Weather related exposure, secular and economic headwinds facing the domestic and international propan businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

Ratings and Price Target History:

UGI Corp.
Currency=USD



Source: IDC, Barclays Research

Date	Closing Price	Rating	Adjusted Price Target
11-Jan-2016	33.61		39.00
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Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

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Industry View

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UGI Corp./AmeriGas Partners, L.P. 2Q Recap

Expense management and acquisition contribution drive stronger quarter: UGI reported adjusted EPS of \$0.23, coming in above our \$0.08 estimate and consensus estimates of \$0.07. The stronger than expected quarter was primarily driven by contribution from the Finagaz acquisition (closed May 2015), along with higher Gas Utility margins and throughput, which increased to 43.6 bcf (up 13% y/y). Assuming normal weather conditions for the remainder of the year (3Q was 11.9% colder than normal for UGI service areas), management now expects to exit the year at the high end or slightly above adjusted EPS guidance of \$1.95-\$2.05. At APU, adjusted EBITDA came in at \$64.6mm (up 32% y/y), also above our estimate of \$54.4mm and consensus estimates of \$60.1mm. The increased EBITDA was primarily due to lower costs of sales (down 27.3% y/y), which led to a 3.5% y/y increase in adjusted total margin, despite a 6.5% y/y decline in total revenues. Retail volumes remained stable at 202.8mm gallons (vs. 202.2mm in 3Q15).

UGI Gas base rate case in-line with our expectations: On June 30th, a joint petition for approval of settlement was filed with the Pennsylvania Public Utility Commission for the UGI Gas base rate case. As a result, UGI Utilities will be allowed to increase its annual distribution rates by \$27mm beginning October 19th, which is in-line with the \$29mm we had estimated in June (refer to our "*Ratings downgrades*" report published on 20 June 2016). Additionally, the Sunbury pipeline is now under construction and FERC issued a draft Environmental Impact Statement on July 22nd for the PennEast pipeline. The pipeline is expected to be completed by 2H18.

APU affirms FY16 guidance: APU benefitted from expense reductions in the quarter, offsetting the impact of YTD temperatures averaging 14.3% warmer-than-normal for APU service areas, and management affirmed previously announced FY16 guidance. APU expects to end the year in line with the guidance range of \$575-\$600mm (implies 4Q adjusted EBITDA of ~\$50mm at the midpoint). Separately, APU completed a \$1.35bn debt offering at an average rate of 5.75% during the quarter, which reduces refinancing needs through 2022 and also reduces weighted average cost of debt.

Adjusting APU PT's to \$47: We are adjusting our APU price target to \$47 based on our 2017 estimated distribution of \$3.76 and a target yield of 8.0%. Our prior price target of \$40 was based on a 2017 estimated distribution of \$3.76 and a target yield of 9.5%.

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 6.

INDUSTRY UPDATE

U.S. Diversified Natural Gas

NEUTRAL

Unchanged

U.S. MLPs

NEUTRAL

Unchanged

For a full list of our ratings, price target and earnings changes in this report, please see table on page 2.

U.S. Diversified Natural Gas

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Summary of our Ratings, Price Targets and Earnings Changes in this Report (all changes are shown in bold)

Company	Rating		Price	Price Target			EPS FY1 (E)			EPS FY2 (E)		
	Old	New	03-Aug-16	Old	New	%Chg	Old	New	%Chg	Old	New	%Chg
U.S. Diversified Natural Gas	Neu	Neu										
UGI Corp. (UGI)	UW	UW	46.15	42.00	42.00	-	1.97	2.06	5	2.39	2.38	0
U.S. MLPs	Neu	Neu										
AmeriGas Partners, L.P. (APU)	UW	UW	48.61	40.00	47.00	18	2.14	1.41	-34	2.35	2.35	-

Source: Barclays Research. Share prices and target prices are shown in the primary listing currency and EPS estimates are shown in the reporting currency.

FY1(E): Current fiscal year estimates by Barclays Research. FY2(E): Next fiscal year estimates by Barclays Research.

Stock Rating: OW: Overweight; EW: Equal Weight; UW: Underweight; RS: Rating Suspended

Industry View: Pos: Positive; Neu: Neutral; Neg: Negative

U.S. MLPs **Industry View: NEUTRAL**

AmeriGas Partners, L.P. (APU) **Stock Rating: UNDERWEIGHT**

Income statement (\$mn)	2015A	2016E	2017E	2018E	CAGR
EBITDA	619	581	637	642	1.2%
EBIT	381	455	445	446	5.4%
Pre-tax income	N/A	N/A	N/A	N/A	N/A
Net income	211	247	269	262	7.4%
Reported EPU (\$)	2.43	1.41	2.35	2.28	-2.1%
Diluted units (mn)	92.9	93.0	92.9	92.9	0.0%
Cash distribution per unit (\$)	3.64	3.74	3.76	3.76	1.1%

Price (03-Aug-2016) **USD 48.61**
Price Target **USD 47.00**

Why Underweight? APU has weather-sensitive cash flows that are also impacted by commodity price volatility and customer conservation. A challenging propane demand environment supports our UW rating.

Upside case **USD 54.00**

Our upside case is based on the same FY17e distribution as our base case, except assumes a 7.0% target yield.

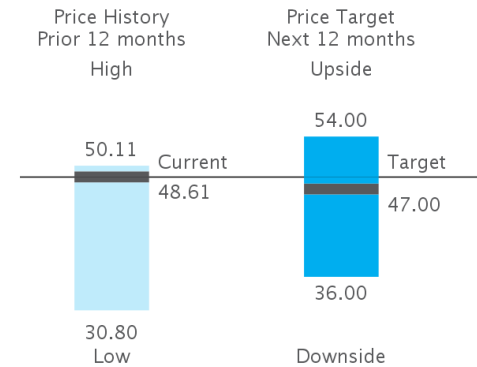
Downside case **USD 36.00**

Our downside case is based on the same FY17e distribution as our base case, except assumes an 10.5% target yield.

Balance sheet and cash flow (\$mn)	CAGR				
Cash and equivalents	15	32	28	21	12.0%
Net PP&E	1,324	1,251	1,144	1,034	-7.9%
Total debt	2,352	2,448	2,498	2,548	2.7%
Net debt/(funds)	N/A	N/A	N/A	N/A	N/A
Shareholders' equity	N/A	N/A	N/A	N/A	N/A
Cash flow from operations	524	496	485	482	-2.7%
Distributable cash flow	399	367	415	411	1.0%

Valuation and leverage metrics	Average				
Distribution coverage (%)	106.0	91.6	104.4	103.3	101.3
EV/EBITDA (x)	11.1	11.9	11.0	11.0	11.2
EV/EBITDA less MC, GP (x)	13.2	14.4	13.1	13.1	13.4
P/DCF (x)	N/A	N/A	N/A	N/A	N/A
EBITDA (adj)/interest expense (x)	N/A	N/A	N/A	N/A	N/A
Dividend yield (%)	7.5	7.7	7.7	7.7	7.7
Net debt/EBITDA (x)	3.8	4.2	3.9	3.9	3.9

Upside/Downside scenarios



Selected operating metrics				
(Divestures)/acquisitions (\$mn)	-21	-36	-20	-20
Propane volumes (mm gallons)	1,238.6	1,137.1	1,285.0	1,285.0
Retail propane (mm gallons)	1,184.3	1,087.1	1,235.0	1,235.0
Gross profit per gallon	N/A	N/A	N/A	N/A

Source: Company data, Barclays Research
Note: FY End Sep

U.S. Diversified Natural Gas Industry View: **NEUTRAL**

UGI Corp. (UGI) Stock Rating: **UNDERWEIGHT**

Income statement (\$mn)	2015A	2016E	2017E	2018E	CAGR
EBITDA (adj)	1,210	1,445	1,482	1,510	7.7%
EBIT (adj)	836	1,040	1,059	1,073	8.7%
Pre-tax income (adj)	592	848	667	682	4.8%
Net income (adj)	414	593	419	438	1.9%
EPS (adj) (\$)	2.01	2.06	2.38	2.48	7.2%
Diluted shares (mn)	175.7	174.9	175.9	176.9	0.2%
DPS (\$)	0.89	0.94	0.98	1.02	4.6%

Price (03-Aug-2016) **USD 46.15**
Price Target **USD 42.00**

Why Underweight? UGI operates a collection of businesses that provide investors with exposure to a diverse set of customers, commodities, and geographies. We expect its propane businesses to experience modest headwinds tied to rising propane prices in the near to medium term.

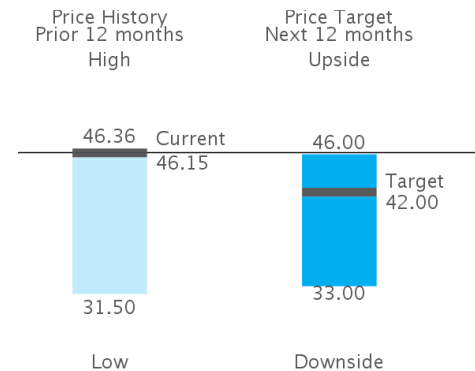
Growth rates	Average				
EBITDA (adj) growth (%)	-11.6	19.5	2.5	1.9	3.1
EBIT (adj) growth (%)	-16.9	24.4	1.8	1.3	2.7
Net income (adj) growth (%)	-22.3	43.2	-29.3	4.5	-1.0
EPS (adj) growth (%)	0.9	2.3	15.8	4.0	5.8
DPS growth (%)	8.5	5.9	4.0	4.0	5.6

Upside case **USD 46.00**
Our upside case is predicated on shares trading at 19.5x our FY17 EPS estimate of \$2.38.

Downside case **USD 33.00**
Our downside case assumes earnings remain flat y/y to 2016e levels, reducing the multiple paid by the market to 16.0x.

Balance sheet and cash flow (\$mn)	CAGR				
Tangible fixed assets	4,994	5,210	5,378	5,606	3.9%
Cash and equivalents	370	366	488	464	7.9%
Short and long-term debt	3,890	3,866	3,826	3,687	-1.8%
Total liabilities	10,547	0	0	0	-100.0%
Net debt/(funds)	3,520	3,500	3,338	3,223	-2.9%
Shareholders' equity	3,572	3,891	4,137	4,395	7.2%
Change in working capital	192	-159	0	0	-100.0%
Cash flow from operations	1,164	837	729	760	-13.2%
Capital expenditure	475	531	505	575	6.5%
Free cash flow	688	306	224	185	-35.4%

Upside/Downside scenarios



Valuation and leverage metrics	Average				
P/E (adj) (x)	23.0	22.4	19.4	18.6	20.9
EV/EBITDA (x)	9.6	8.0	7.7	7.5	8.2
Dividend yield (%)	1.9	2.0	2.1	2.2	2.1
Total debt/capital (%)	30.1	26.7	24.3	20.6	25.4

Selected operating metrics	2015A	2016E	2017E	2018E
Gas prices (\$/mcf)	N/A	N/A	N/A	N/A
Oil price (\$/bbl)	N/A	N/A	N/A	N/A
NGL (\$/gal)	N/A	N/A	N/A	N/A
Frac spread (\$/gal)	N/A	N/A	N/A	N/A
Production volumes (000 cf)	N/A	N/A	N/A	N/A
NGL sales (m bbls)	N/A	N/A	N/A	N/A
Processing volumes (mmbtu)	N/A	N/A	N/A	N/A
Rate base	N/A	N/A	N/A	N/A
Number of customers	N/A	N/A	N/A	N/A
Capital investment growth (%)	8.9	11.7	-4.9	13.9

Source: Company data, Barclays Research
Note: FY End Sep

Valuation Methodology and Risks

U.S. Diversified Natural Gas

UGI Corp. (UGI)

Valuation Methodology: Our \$42 price target is predicated on shares trading at 17.5x our FY17 EPS estimate of \$2.38.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Weather related exposure, secular and economic headwinds facing the domestic and international propane businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

U.S. MLPs

AmeriGas Partners, L.P. (APU)

Valuation Methodology: Our \$47 price target is based on our FY17 estimated distribution of \$3.76 and a target yield of 8.0%

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Risks for Amerigas include rising interest rates, integration of acquisitions, raising capital to fund acquisitions/organic growth projects and extreme gyrations in propane prices reflecting the seasonality of operations and exposure to warm weather impairing demand for heating supplies in the winter heating season period. In addition, the partnership may experience increased competition from alternative energy sources.

Source: Barclays Research.

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Primary Stocks (Ticker, Date, Price)

AmeriGas Partners, L.P. (APU, 03-Aug-2016, USD 48.61), Underweight/Neutral, CE/J/K/M

UGI Corp. (UGI, 03-Aug-2016, USD 46.15), Underweight/Neutral, CE/D/J/K/L/M/N

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Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity in a merger or strategic transaction involving the company.

Industry View

Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

U.S. Diversified Natural Gas

Atmos Energy (ATO)	Cheniere Energy (LNG)	Cheniere Energy Partners LP Holdings, LLC (CQH)
Enbridge Inc. (ENB.TO)	Enlink Midstream Llc. (ENLC)	EQT Corporation (EQT)
Kinder Morgan Inc. (KMI)	Macquarie Infrastructure Corporation (MIC)	National Fuel Gas (NFG)
ONEOK Inc. (OKE)	Plains GP Holdings LP (PAGP)	SemGroup Corporation (SEMG)
Spectra Energy Corp. (SE)	Tallgrass Energy GP, LP (TEGP)	Targa Resources Corp. (TRGP)
UGI Corp. (UGI)	Williams Cos. (WMB)	

U.S. MLPs

AmeriGas Partners, L.P. (APU)	Antero Midstream Partners LP (AM)	Black Stone Minerals (BSM)
Boardwalk Pipeline Partners LP (BWP)	Buckeye Partners, L.P. (BPL)	Cheniere Energy Partners LP (CQP)
Columbia Pipeline Partners LP (CPPL)	CONE Midstream Partners LP (CNNX)	Crestwood Equity Partners L.P. (CEQP)

IMPORTANT DISCLOSURES CONTINUED

DCP Midstream Partners LP (DPM)	Delek Logistics Partners LP (DKL)	Dominion Midstream Partners, LP (DM)
Enable Midstream Partners LP (ENBL)	Enbridge Energy Partners (EEP)	Energy Transfer Equity LP (ETE)
Energy Transfer Partners LP (ETP)	Enlink Midstream Partners LP (ENLK)	Enterprise Products Prtns LP (EPD)
EQT GP Holdings, LP (EQGP)	EQT Midstream Partners LP (EQM)	Genesis Energy, L.P. (GEL)
Global Partners LP (GLP)	Holly Energy Partners LP (HEP)	Höegh LNG Partners LP (HMLP)
KNOT Offshore Partners, LP. (KNOP)	Magellan Midstream Partners, LP (MMP)	Midcoast Energy Partners LP (MEP)
MPLX LP (MPLX)	NGL Energy Partners LP (NGL)	NuStar Energy LP (NS)
NuStar GP Holdings (NSH)	ONEOK Partners LP (OKS)	PennTex Midstream Partners LP (PTXP)
Phillips 66 Partners LP (PSXP)	Plains All American Pipeline (PAA)	Rice Midstream Partners LP (RMP)
Rose Rock Midstream, L.P. (RRMS)	Shell Midstream Partners LP (SHLX)	Spectra Energy Partners, LP (SEP)
Summit Midstream Partners LP (SMLP)	Sunoco Logistics Partners L.P. (SXL)	Sunoco LP. (SUN)
Tallgrass Energy Partners, LP (TEP)	TC Pipelines, LP (TCP)	Tesoro Logistics LP (TLLP)
Valero Energy Partners LP. (VLP)	Viper Energy Partners (VNOM)	Western Gas Equity Partners LP (WGP)
Western Gas Partners LP (WES)	Western Refining Logistics LP (WNRL)	Williams Partners LP (WPZ)

Distribution of Ratings:

Barclays Equity Research has 1762 companies under coverage.

40% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 59% of companies with this rating are investment banking clients of the Firm; 79% of the issuers with this rating have received financial services from the Firm.

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16% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 45% of companies with this rating are investment banking clients of the Firm; 68% of the issuers with this rating have received financial services from the Firm.

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IMPORTANT DISCLOSURES CONTINUED

AmeriGas Partners, L.P. (APU / APU)

USD 48.61 (03-Aug-2016)

Stock Rating

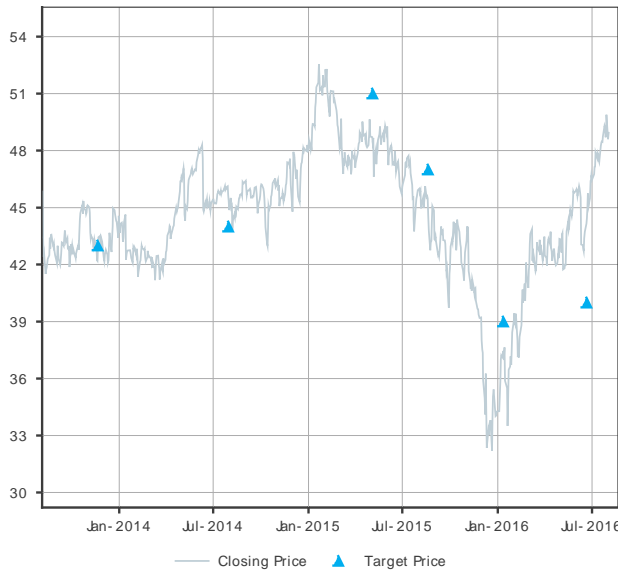
UNDERWEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 03-Aug-2016)

Currency=USD



Publication Date	Closing Price	Rating*	Adjusted Price Target
20-Jun-2016	44.15		40.00
11-Jan-2016	37.09		39.00
19-Aug-2015	45.47		47.00
04-May-2015	48.71		51.00
30-Jul-2014	45.65		44.00
20-Nov-2013	42.19		43.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

*The rating for this security remained Underweight during the relevant period.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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J: Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities by AmeriGas Partners, L.P. and/or in any related derivatives.

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M: AmeriGas Partners, L.P. is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

Valuation Methodology: Our \$47 price target is based on our FY17 estimated distribution of \$3.76 and a target yield of 8.0%

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Risks for Amerigas include rising interest rates, integration of acquisitions, raising capital to fund acquisitions/organic growth projects and extreme gyrations in propane prices reflecting the seasonality of operations and exposure to warm weather impairing demand for heating supplies in the winter heating season period. In addition, the partnership may experience increased competition from alternative energy sources.

IMPORTANT DISCLOSURES CONTINUED

UGI Corp. (UGI / UGI)

USD 46.15 (03-Aug-2016)

Stock Rating

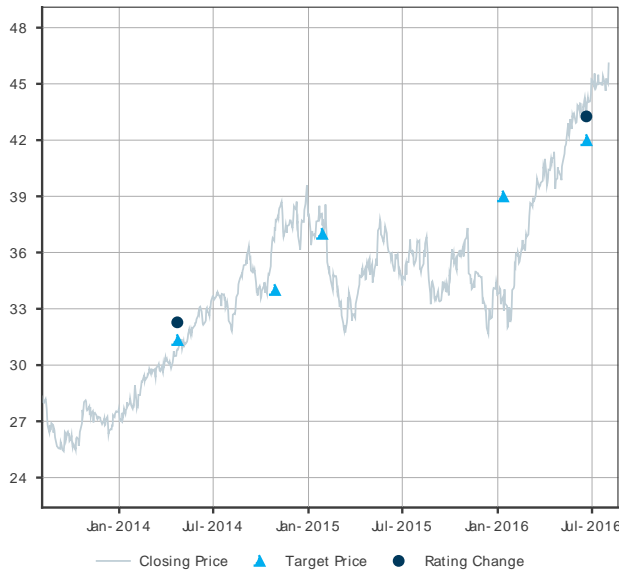
UNDERWEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 03-Aug-2016)

Currency=USD



Publication Date	Closing Price	Rating	Adjusted Price Target
20-Jun-2016	43.44	Underweight	42.00
11-Jan-2016	33.61		39.00
27-Jan-2015	38.08		37.00
28-Oct-2014	37.36		34.00
23-Apr-2014	30.83	Equal Weight	31.33

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our \$42 price target is predicated on shares trading at 17.5x our FY17 EPS estimate of \$2.38.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Weather related exposure, secular and economic headwinds facing the domestic and international propane businesses, competition from internal industry participants as well as alternative sources of fuel, and commodity price exposure.

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UGI Corp.

Reports 4Q; FY16 Guidance in Line

Announces FY16 EPS guidance of \$2.15-\$2.30, compared to our \$2.18. In reviewing where guidance came in relative to our estimate and the company's long term growth target of 6%-10% p.a., we think it's helpful to unpack guidance into two components: with and without the estimated Finagaz accretion. Ex-Finagaz, guidance would have been approximately \$2.08 at the midpoint. Initial FY15 guidance (based on normalized weather) was \$1.93 at the midpoint, implying y/y growth of ~8.0%. Layering in Finagaz puts the midpoint at \$2.23, reflecting implied growth of 15.5% y/y, and a CAGR of 11.5% since 2013, which is the last year of relatively normal weather patterns across UGI's service territories. At APU, the company guided to EBITDA of \$660-\$690MM. Going into the print, we had forecast \$690MM. We plan to revisit our estimates and provide quarterly forecasts following a full review of UGI's 10-K.

Finagaz (Totalgaz) accretion estimated at \$0.15/share. This is more or less in line with *the \$0.17/share (split-adjusted) that we estimated* when the transaction was announced in July 2014, although a number of the key drivers have materialized differently than the assumptions underlying our forecast (interest expense is a net positive relative to our analysis, while FX is a net negative). Transition expenses are expected to be €50-€60MM over the next four years, including €6-€10MM in FY16.

4Q Results: The company reported adjusted EPS of \$0.01. While in line with our estimate for the quarter, segment level results exhibited more variability. APU missed, as volumes were lower than we anticipated as a result of warmer weather conditions. This was partially offset by more favorable unit margins than we assumed. UGI International operations topped our estimates, while Gas Utility missed. The company does not provide 4Q operating metrics for these segments, so it's difficult to pinpoint the exact drivers of the performance, although 4Q results may have been impacted by the same weather trends that drove the segments' full year comps, namely colder y/y temperatures internationally and warmer weather in the utility service territory relative to 2014. Midstream and Marketing results were in line.

UGI: Quarterly and Annual EPS (USD)

	2015		2016		2017		Change y/y		
FY Sep	Actual	Old	New	Cons	Old	New	Cons	2016	2017
Q1	0.66A	N/A	N/A	0.75E	N/A	N/A	N/A	N/A	N/A
Q2	1.26A	N/A	N/A	1.34E	N/A	N/A	N/A	N/A	N/A
Q3	0.09A	N/A	N/A	0.07E	N/A	N/A	N/A	N/A	N/A
Q4	0.01A	N/A	N/A	-0.05E	N/A	N/A	N/A	N/A	N/A
Year	2.01A	2.18E	2.18E	2.15E	N/A	2.32E	2.27E	8%	6%
P/E	17.3		16.0			15.0			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 3.

Equity Research

Energy | U.S. Diversified Natural Gas

10 November 2015

Stock Rating **EQUAL WEIGHT**
Unchanged

Industry View **NEUTRAL**
Unchanged

Price Target **USD 37.00**
Unchanged

Price (09-Nov-2015) USD 34.80
Potential Upside/Downside +6%
Tickers UGI

Market Cap (USD mn) 6013
Shares Outstanding (mn) 172.78
Free Float (%) 99.32
52 Wk Avg Daily Volume (mn) 0.9
52 Wk Avg Daily Value (USD mn) 33.62
Dividend Yield (%) 2.6
Return on Equity TTM (%) 9.80
Current BVPS (USD) 15.81

Source: Thomson Reuters

Price Performance Exchange-NYSE
52 Week range USD 39.75-31.54



[Link to Barclays Live for interactive charting](#)

U.S. Diversified Natural Gas

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U.S. Diversified Natural Gas Industry View: NEUTRAL

UGI Corp. (UGI) Stock Rating: EQUAL WEIGHT

Income statement (\$mn)	2015A	2016E	2017E	2018E	CAGR
Revenue	N/A	N/A	N/A	N/A	N/A
EBITDA (adj)	1,186	1,454	1,496	1,544	9.2%
EBIT (adj)	817	1,042	1,067	1,093	10.2%
Pre-tax income (adj)	655	616	646	678	1.2%
Net income (adj)	468	384	412	452	-1.1%
EPS (adj) (\$)	2.01	2.18	2.32	2.53	8.0%
Diluted shares (mn)	175.6	176.5	177.5	178.5	0.5%
DPS (\$)	0.89	0.93	0.96	1.00	4.0%

Price (09-Nov-2015) USD 34.80
Price Target USD 37.00

Why Equal Weight? UGI operates a collection of businesses that provide investors with exposure to a diverse set of customers, commodities, and geographies. With its core business strengthened and multiple reinvestment opportunities, UGI appears poised to deliver mid-single digit EPS growth over our forecast period.

Growth rates	Average				
EBITDA (adj) growth (%)	-13.4	22.6	2.9	3.2	3.8
EBIT (adj) growth (%)	-18.7	27.5	2.4	2.4	3.4
Net income (adj) growth (%)	-12.2	-17.8	7.3	9.7	-3.2
EPS (adj) growth (%)	1.0	8.4	6.7	9.1	6.3
DPS growth (%)	8.5	4.0	4.0	4.0	5.1

Upside case USD 39.00

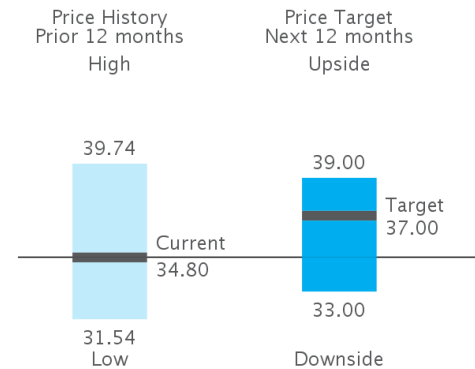
Our upside case is predicated on shares trading at 18x our FY16 EPS estimate of \$2.18.

Downside case USD 33.00

Our downside case is predicated on shares trading at 15.0x our FY16 EPS estimate of \$2.18.

Balance sheet and cash flow (\$mn)	CAGR				
Tangible fixed assets	4,626	4,732	4,900	5,120	3.4%
Cash and equivalents	337	613	716	720	28.9%
Short and long-term debt	3,831	3,833	3,813	3,713	-1.0%
Total liabilities	0	0	0	0	N/A
Net debt/(funds)	3,495	3,220	3,096	2,992	-5.0%
Shareholders' equity	3,811	4,032	4,273	4,547	6.1%
Change in working capital	108	0	0	0	-100.0%
Cash flow from operations	1,028	648	689	748	-10.1%
Capital expenditure	423	435	510	580	11.1%
Free cash flow	606	213	179	168	-34.8%

Upside/Downside scenarios



Valuation and leverage metrics				
P/E (adj) (x)	17.3	16.0	15.0	13.7
EV/EBITDA (x)	8.1	6.4	6.2	5.9
P/Sales (x)	N/A	N/A	N/A	N/A
Dividend yield (%)	2.6	2.7	2.8	2.9
Total debt/capital (%)	26.9	25.8	24.5	21.3

Selected operating metrics				
Gas prices (\$/mcf)	N/A	N/A	N/A	N/A
Oil price (\$/bbl)	N/A	N/A	N/A	N/A
NGL (\$/gal)	N/A	N/A	N/A	N/A
Frac spread (\$/gal)	N/A	N/A	N/A	N/A
Production volumes (000 cf)	N/A	N/A	N/A	N/A
NGL sales (m bbls)	N/A	N/A	N/A	N/A
Processing volumes (mmbtu)	N/A	N/A	N/A	N/A
Rate base	N/A	N/A	N/A	N/A
Number of customers	N/A	N/A	N/A	N/A
Capital investment growth (%)	-3.1	2.9	17.2	13.7

Source: Company data, Barclays Research
Note: FY End Sep

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Primary Stocks (Ticker, Date, Price)

UGI Corp. (UGI, 09-Nov-2015, USD 34.80), Equal Weight/Neutral, C/D/J/K/L/M/N/O

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Enlink Midstream Llc. (ENLC)	EQT Corporation (EQT)	Kinder Morgan Inc. (KMI)
Macquarie Infrastructure Corporation (MIC)	MDU Resources Group (MDU)	National Fuel Gas (NFG)
ONEOK Inc. (OKE)	Plains GP Holdings LP (PAGP)	Questar Corp. (STR)
Spectra Energy Corp. (SE)	Tallgrass Energy GP, LP (TEGP)	Targa Resources Corp. (TRGP)
UGI Corp. (UGI)	Williams Cos. (WMB)	

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UGI Corp. (UGI / UGI)

USD 34.80 (09-Nov-2015)

Stock Rating

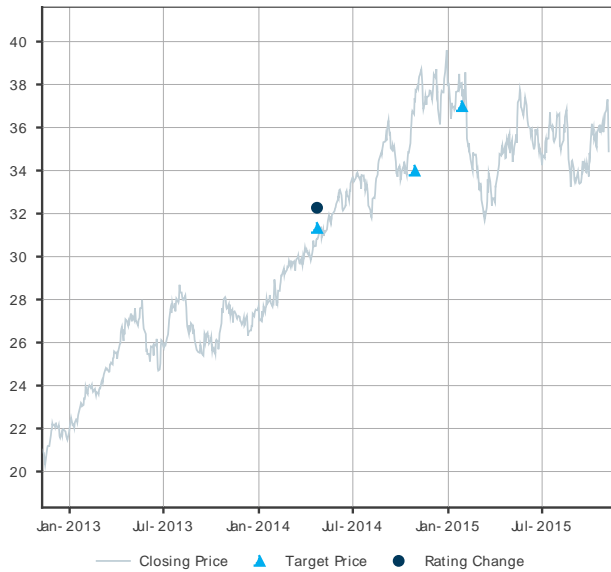
EQUAL WEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 09-Nov-2015)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
27-Jan-2015	38.08		37.00
28-Oct-2014	37.36		34.00
23-Apr-2014	30.83	Equal Weight	31.33

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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UGI

(UGI-NYSE)

Stock Rating: Market Perform
Industry Rating: Market Perform

February 6, 2015

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Price (6-Feb) \$35.49 **52-Week High** \$39.75
Target Price \$38.00 **52-Week Low** \$27.90

FY1Q15 Miss, but FY15 Guidance Range Reaffirmed

Event

UGI reported FY1Q15 EPS of \$0.66, below our \$0.72 estimate and the Street's \$0.77. The delta primarily stems from a miss at APU, partially offset by a slight beat in International Propane, with the balance coming from lower taxes. Of note, UGI reaffirmed its FY2015 EPS guidance of \$1.88-1.98, underpinned by revised APU EBITDA guidance of \$635-665 mm, a 5% decrease at the midpoint. Key takeaways: 1) The acquisition of Totalgaz continues to progress with the regulatory approval process currently under review by the ADLC, the French Competition Authority. Further, management reiterated it expects the acquisition to close in the first half of calendar year 2015 (we model July 1 to be prudent); 2) UGI continues to advance a Marcellus infrastructure program that should drive meaningful EPS growth in the years to come. Work continues on the \$1B, 100-mile PennEast pipeline, which will bring natural gas from the Marcellus to Pennsylvania and New Jersey. As one of several entities in the PennEast JV, UGI has a 22% equity ownership interest, which at a 50%/50% debt/equity funding and 11% target ROE translates into ~\$1/share in our current valuation. The project is expected to be online late in 2017; and 3) while a host of projects continues to be evaluated, the expansion of the 1.25 Bcf Temple LNG facility will increase capacity by more than 50% for a modest \$10 mm of growth, providing the potential for outsized returns during periods of peak demand. The facility expansion is expected to be online by early FY3Q15.

Impact & Analysis

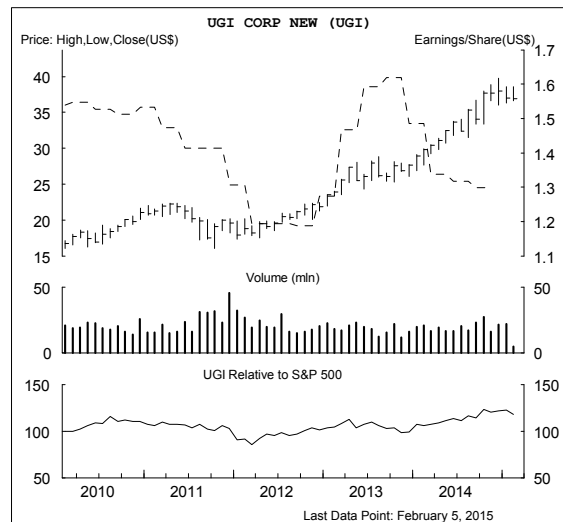
Neutral. Our FY2015 EPS decreases to \$1.84 on the miss, residing slightly below the low end of guidance, while our FY2016 EPS estimate remains unchanged at \$2.20.

Valuation & Recommendation

Our SOTP price target remains unchanged at \$38. We reiterate our Market Perform rating.

Changes	Annual EPS	Annual CFPS
	2015E \$1.90 to \$1.84	2015E \$5.45 to \$5.01

Please refer to pages 4 to 7 for Important Disclosures, including the Analyst's Certification.



(FY-Sep.)	2013A	2014A	2015E	2016E
EPS	\$1.63	\$1.99	\$1.84↓	\$2.20
P/E			20.1x	16.8x
CFPS	\$4.90	\$5.80	\$5.01↓	\$5.77
P/CFPS			7.4x	6.4x
Rev. (\$mm)	\$7,193	\$8,277	\$7,978	\$9,300
EV (\$mm)	\$6,981	\$6,947	\$6,947	na
EBITDA (\$mm)	\$1,185	\$1,368	\$1,043	\$1,410
EV/EBITDA	5.9x	5.1x	6.7x	#VALUE!
Quarterly EPS	Q1	Q2	Q3	Q4
2013A	\$0.60	\$0.99	\$0.09	-\$0.06
2014A	\$0.70	\$1.27	\$0.10	-\$0.08
2015E	\$0.66a	\$1.12	\$0.12	-\$0.06
Dividend	\$0.79	Yield		2.1%
Book Value	\$14.39	Price/Book		2.6x
Shares O/S (mm)	171.1	Mkt. Cap (mm)		\$6,320
Float O/S (mm)	169.7	Float Cap (mm)		\$6,269
Wkly Vol (000s)	4,602	Wkly \$ Vol (mm)		\$155.2
Net Debt (\$mm)	\$2,308	Next Rep. Date		na

Notes: All values in US\$
First Call Mean Estimates: UGI CORP (US\$) 2015E: \$1.92; 2016E: \$2.25

Details & Analysis

APU

APU reported FY1Q15 seasonal EBIT of \$141 million, below our expected \$195 million and \$178 million last year. As well, retail volumes of 340 million came in below our 357 million and, on an aggregate basis, total volumes (including wholesale) of 354 million gallons came in below our 395 million gallon estimate. Notably, the decrease in retail gallons sold reflects average temperatures that were 6.2% warmer than normal and 9.6% warmer than the prior year. Of note, despite the significant decrease in spot propane prices, the average cost of propane in FY1Q15 was flat to that of FY4Q14. This is primarily due to excess propane storage going into the winter, representing higher cost inventory, given the unusually mild December.

Further, APU revised its FY2015 EBITDA guidance to \$635-665 million, a 5% decrease at the midpoint from prior guidance. Our FY2015 EBITDA currently sits at \$627 million, slightly below the low end of guidance.

International Propane

International Propane reported FY1Q15 EBIT of \$54 million, higher than our \$42 million but lower than the \$57 million last year. Reported volumes of 180 million gallons were higher than our 165 million estimate, despite warmer weather at both Antargaz and Flaga, which were above normal by 20% and 17%, respectively, partially offset by unit margins of €0.80, which came in below our €0.85 estimate. Notably, a significant portion of the earnings for the quarter were hedged, mitigating the impact of the declining value of the euro; recall, UGI historically layers in foreign exchange hedges for the next 24-36 months. FY2015 and FY2016 are now fully hedged, with FY2017 approximately two-thirds hedged.

Management continues to progress with the regulatory approval process associated with the acquisition of Total's LPG business in France. Currently, the proposed acquisition is under review by the ADLC, the French Competition Authority. Further, management reiterated it expects the acquisition to close in the first half of calendar year 2015.

Utility

Utility reported EBIT of \$72 million, just below our \$73 million estimate and the \$82 million last year. The delta came from slightly lower unit margins of \$2.35/mcf versus our \$2.40/mcf assumption, partially offset by higher system throughput of 56.8 Bcf versus our 51.8 Bcf assumption.

Midstream and Marketing

Midstream and Marketing reported FY1Q15 EBIT of \$46 million, slightly below our \$54 million assumption and ahead of the \$36 million last year. The delta came from higher O&M expense of \$19 million versus our \$14 million assumption, partially offset by higher margins from capacity management and natural gas gathering.

UGI continues to progress toward building out its infrastructure network in the Marcellus, with work already beginning on the PennEast pipeline. Recall, this \$1 billion (gross) joint project (the other entities being AGL, New Jersey Resources, South Jersey Industries, PSEG, and Spectra) involves the construction of a 100-mile pipeline to bring natural gas from the Marcellus to Pennsylvania and New Jersey. At present, UGI has secured ~965 mmcf/d of 15-year take-or-pay

contracts, which almost covers the entire 1 Bcf/d of proposed capacity. UGI has a 22% equity ownership interest and will serve as the project manager and pipeline operator. The project is expected to be on line late in 2017.

As well, the 1.25 Bcf Temple LNG facility expansion continues to progress forward and is expected to be on line by early FY3Q15. This project will expand capacity by 50% for a modest \$10 million of growth providing the potential for outsized returns during periods of peak demand. In addition to the Temple LNG facility, UGI is executing the next phase of the Auburn III pipeline capacity expansion, which is expected to be on line by fall 2015.

Exhibit 1: UGI Income Statement

Consolidated Earnings (\$ Millions except per share data)	F2008A	F2009A	F2010A	F2011A	F2012A	F2013A	F2014A	Q1	Q2	Q3	Q4	F2015E	F2016E
Operating Revenue													
Amerigas Propane	\$2,815	\$2,260	\$2,300	\$2,538	\$2,922	\$3,167	\$3,713	\$889	\$1,538	\$581	\$577	\$3,584	\$3,789
International Propane	1,125	955	1,080	1,489	1,946	2,180	2,322	563	673	490	531	2,256	3,403
UG Utilities	1,278	1,380	1,048	1,136	857	839	1,077	286	439	148	129	1,001	996
Energy Services and other	1,431	1,143	1,164	929	794	1,007	1,165	267	423	236	210	1,137	1,113
Total Operating Revenue	6,648	5,738	5,591	6,091	6,519	7,193	8,277	2,005	3,073	1,455	1,447	7,978	9,300
Operating Expenses:													
Cost of sales	4,745	3,671	3,584	4,011	4,111	4,324	5,176	1,405	1,967	927	906	5,205	5,960
O&M	1,157	1,220	1,177	1,266	1,592	1,692	1,753	436	479	406	451	1,771	1,971
Utility taxes other than income	18	17	19	17	17	17	17	4	4	4	4	16	16
DD&A	184	201	210	228	316	363	363	91	84	84	90	349	388
Other income, net	(42)	(56)	(58)	(47)	(38)	(33)	(36)	(14)	(10)	(10)	(10)	(44)	(40)
Total operating expenses	6,063	5,063	4,932	5,475	5,998	6,364	7,272	1,921	2,523	1,411	1,441	7,297	8,275
Operating Income	585	685	659	616	521	829	1,006	83	549	44	5	682	1,025
Other Income:													
Loss from equity investee	(3)	(3)	(2)	(1)	(0)	(0)	(0)	(1)	4	4	4	12	17
Loss on early extinguishments of debt	0	0	0	(38)	(13)	0	0	0	0	0	0	0	0
Total other income	(3)	(3)	(2)	(39)	(14)	(0)	(0)	(1)	4	4	4	12	17
EBIT	\$582	\$682	\$657	\$577	\$508	\$829	\$1,006	\$82	\$553	\$48	\$10	\$694	\$1,042
EBITDA	\$767	\$983	\$967	\$905	\$824	\$1,192	\$1,368	\$173	\$637	\$132	\$100	\$1,043	\$1,410
EBIT Composition:													
AmeriGas Propane	233	298	234	202	156	388	458	2	302	(13)	0	292	473
International Propane	103	149	115	68	112	147	118	54	73	24	(11)	139	227
Gas Utility	138	154	175	200	172	198	236	72	107	20	7	206	211
Electric Utility	24	15	14	11	12	10	11	3	4	1	3	11	11
Energy Services	74	65	120	83	62	90	199	46	69	17	13	146	128
Other	11	2	(1)	13	(7)	(3)	(16)	(9)	(2)	(2)	(2)	(15)	(7)
Total EBIT Composition	\$582	\$682	\$657	\$577	\$507	\$831	\$1,006	\$167	\$553	\$48	\$10	\$778	\$1,042
Interest expense	143	141	134	138	222	240	238	59	63	63	63	247	253
Income before taxes and minority interest	440	541	523	439	286	588	768	23	491	(15)	(53)	447	789
Minority interest	(90)	(124)	(95)	(75)	13	(149)	(195)	34	(184)	47	37	(65)	(187)
Income before taxes	350	418	429	364	299	440	572	57	307	33	(16)	381	602
Income taxes													
Current	135	132	105	48	17	129	122	9	65	7	(3)	78	132
Deferred	(1)	27	63	83	83	34	113	14	47	5	(2)	64	88
Total income taxes	135	159	168	131	100	163	235	23	112	12	(6)	141	220
Effective income tax rate	38%	38%	39%	36%	33%	37%	41%	40%	37%	37%	37%	37%	36%
Net Income	216	258	261	233	199	277	337	34	195	21	(10)	240	382
Preferred	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income from continuing operations	216	258	261	233	199	277	337	34	195	21	(10)	240	382
Discontinued ops, net	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in Accounting	0	0	0	0	10	1	0	0	0	0	0	0	0
GAAP Net Income to Common	216	258	261	233	209	278	337	34	195	21	(10)	240	382
Pre-tax adjustments to Core (before disc ops)													
Asset impairment	0	0	0	0	0	0	0	0	0	0	0	0	0
(Gain) loss from disposal of asset	0	0	(27)	0	0	5	0	0	0	0	0	0	0
Other non-recurring (gains) loss	0	0	2	13	4	0	14	82	0	0	0	82	0
Total Pre-tax adjustments	0	0	(25)	13	4	5	14	82	0	0	0	82	0
After-tax adjustments	0	(0)	(13)	5	3	3	10	82	0	0	0	82	0
Non-GAAP Core Earnings	216	258	248	238	212	281	347	116	195	21	(10)	322	382
Shares Outstanding (MM)													
Diluted	162	163	165	169	169	173	175	176	174	174	174	174	174
Basic	161	163	164	168	169	171	173	173	173	173	173	173	173
Period ending basic shares out	161	163	164	169	169	171	173	173	173	173	173	173	173
Earnings Per Share													
GAAP EPS	\$1.33	\$1.58	\$1.58	\$1.38	\$1.24	\$1.61	\$1.93	\$0.19	\$1.12	\$0.12	(\$0.05)	\$1.37	\$2.20
Core EPS	\$1.33	\$1.58	\$1.50	\$1.41	\$1.25	\$1.63	\$1.99	\$0.66	\$1.12	\$0.12	(\$0.05)	\$1.84	\$2.20
EPS growth (%)	-25.3%	19.1%	-5.0%	-5.9%	-11.4%	30.3%	22.1%	-6.3%	-11.4%	24.1%	-30.5%	-7.3%	19.1%
Dividends Paid													
Cash per share	\$0.49	\$0.52	\$0.63	\$0.69	\$0.71	\$0.75	\$0.80	\$0.22	\$0.22	\$0.22	\$0.22	\$0.87	\$0.92
Payout Ratio (%)	37%	33%	42%	49%	57%	46%	40%					47%	42%
Growth (%)	3.7%	5.1%	22.2%	8.4%	3.9%	5.6%	6.1%					8.9%	5.7%

Source: BMO Capital Markets estimates, company data.

Exhibit 2: UGI Cash Flow Statement

GAAP Cash Flow Statement (\$ Millions except per share data)	F2008A	F2009A	F2010A	F2011A	F2012A	F2013E	F2014A	Q1	Q2	Q3	Q4	F2015E	F2016E
Operating Activities													
GAAP Net Income	216	259	356	308	187	428	533	0	195	21	(10)	205	382
DD&A	184	201	210	226	316	363	363	91	84	84	90	349	368
Provision for uncollectible accounts	37	34	27	20	27	0	44	7	0	0	0	7	0
Minority interest	90	124	0	0	0	0	0	0	184	(47)	(37)	99	187
Deferred income taxes, net	(1)	27	63	83	83	49	67	(60)	47	5	(2)	(10)	88
Loss on early extinguishment of debt	0	0	0	38	13	0	0	0	0	0	0	0	0
Net change in settled AOCI	(4)	(21)	24	0	0	0	0	0	0	0	0	0	0
Other, net	3	(11)	(16)	21	(3)	6	5	229	5	(3)	(8)	223	(22)
OCF (pre-working capital)	\$625	\$612	\$664	\$698	\$623	\$846	\$1,012	\$267	\$515	\$59	\$33	\$874	\$1,004
OCF per share	\$3.23	\$3.74	\$4.01	\$4.14	\$3.67	\$4.90	\$5.80	\$1.52	\$2.96	\$0.34	\$0.19	\$5.01	\$5.77
Working Capital													
Accounts receivable and accrued revenue	(22)	80	(95)	(66)	66	(111)	18	(342)	0	0	0	(342)	0
Inventories	(42)	67	34	(41)	89	5	(65)	28	0	0	0	28	0
Deferred fuel costs	22	10	(19)	13	(2)	9	(18)	4	0	0	0	4	0
Accounts payable	(6)	(146)	47	19	(79)	39	4	119	0	0	0	119	0
Other current assets and liabilities	(12)	43	(33)	(68)	11	14	54	(59)	0	0	130	72	0
Changes in Working Capital	(61)	53	(65)	(143)	85	(44)	(6)	(248)	0	0	130	(118)	0
Discontinued Ops													
Cash Flow from Operations	464	665	599	555	708	802	1,005	19	515	59	163	756	1,004
Investing Activities													
Capital Spending (to PP&E)	(232)	(302)	(347)	(361)	(339)	(486)	(457)	(132)	(77)	(77)	(77)	(362)	(307)
Net proceeds from disposals of assets	12	42	67	0	0	0	0	0	0	0	0	0	0
Net proceeds from sale of Energy Ventures	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment in Flaga joint venture	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	(1)	(323)	(83)	(53)	(1,581)	(79)	(37)	(7)	(578)	0	0	(585)	0
Short-term investment increase	0	0	0	0	0	0	0	0	0	0	0	0	0
Other, net	(68)	62	(36)	(2)	15	12	6	(31)	0	0	0	(31)	0
Cash used in investing	(230)	(520)	(369)	(415)	(1,905)	(553)	(488)	(170)	(655)	(77)	(77)	(979)	(307)
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Investing Cash Flow	(230)	(520)	(369)	(415)	(1,905)	(553)	(488)	(170)	(655)	(77)	(77)	(979)	(307)
Financing Activities													
Sale of Common Equity	21	11	28	27	23	36	11	6	0	0	0	6	0
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	34	118	0	1,481	1,550	227	175	0	289	0	0	289	100
Redemption of Common Stock	0	0	0	0	0	0	(40)	0	0	0	0	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	0	(82)	(95)	(1,384)	(300)	(169)	(243)	(3)	0	0	0	(3)	0
Change in Notes Payable, L.G. ST Debt	(77)	13	38	(72)	27	62	(17)	249	0	0	50	299	0
Common Dividends	(81)	(85)	(99)	(114)	(119)	(126)	(136)	(38)	(38)	(38)	(38)	(151)	(160)
Distributions to minority interests	(81)	(90)	(89)	(94)	(182)	(227)	(238)	(61)	(63)	(63)	(63)	(250)	(262)
AFU equity & Other	3	1	4	4	278	9	12	(3)	0	0	0	(3)	0
Cash From (For) Financing	(180)	(115)	(214)	(152)	1,279	(185)	(476)	150	188	(101)	(51)	185	(322)
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(180)	(115)	(214)	(152)	1,279	(185)	(476)	150	188	(101)	(51)	185	(322)
Effect of exchange rate	(1)	4	(5)	(9)	(0)	7	(12)	(8)	0	0	0	(8)	0
Change in Cash	(7)	35	(19)	(22)	81	69	30	(9)	49	(118)	35	(44)	375
Cash & Temp. Inv. Beginning of Yr.	252	245	280	261	239	320	389	420	410	459	340	420	375
Cash & Temp. Inv. End of Yr.	\$245	\$280	\$261	\$239	\$320	\$389	\$420	\$410	\$469	\$340	\$375	\$375	\$750

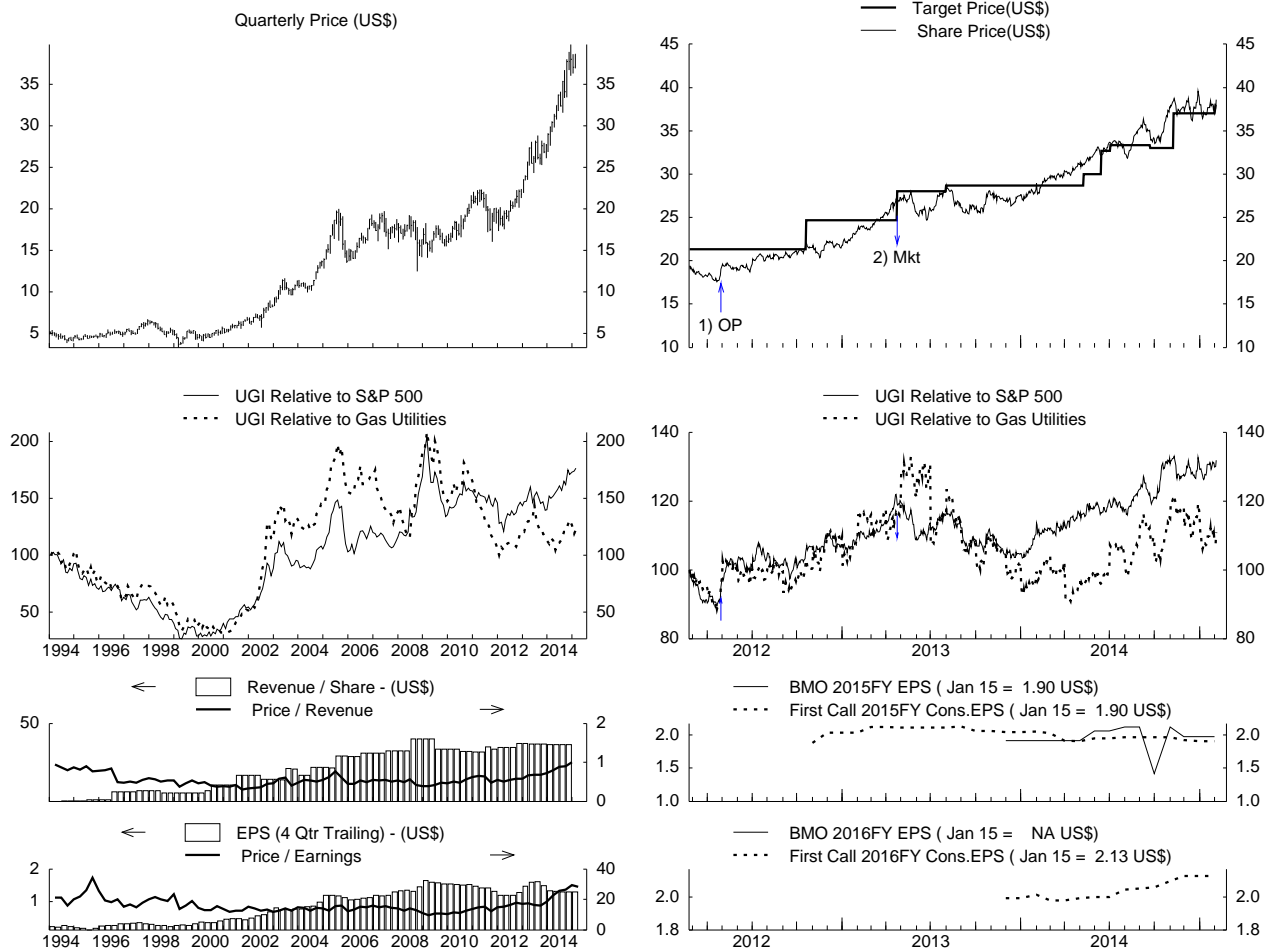
Source: BMO Capital Markets estimates, company data.

Exhibit 3: UGI Balance Sheet

Consolidated Balance Sheet (\$ Millions except per share data)	F2008A	F2009A	F2010A	F2011A	F2012A	F2013E	F2014A	Q1	Q2	Q3	Q4	F2015E	F2016E
Assets													
Cash and equivalents	\$245	\$287*	\$296*	\$256	\$323	\$398	\$436	\$465	\$459	\$340	\$375	\$375	\$750
Short-term investments	70	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Receivable	488	406	468	547	633	746	685	961	961	961	961	961	961
Accrued utility revenues	21	21	14	15	17	19	14	53	53	53	53	53	53
Inventories	401	363	314	363	367	366	423	391	391	391	391	391	391
Deferred income taxes	28	35	33	45	57	11	10	46	46	46	46	46	46
ST asset price risk management	16	20	11	10	13	24	15	20	20	20	20	20	20
Prepaid expenses	57	34	59	43	67	57	67	88	88	88	88	88	88
Other	13	20	26	28	39	8	13	17	17	17	17	17	17
Total current assets	1,339	1,185	1,220	1,306	1,505	1,627	1,663	2,040	2,034	1,915	1,950	1,950	2,325
Plant and equipment, gross	3,965	4,692	4,970	5,285	6,519	7,041	7,177	7,217	7,294	7,370	7,447	7,447	7,754
Accumulated depreciation	(1,515)	(1,789)	(1,917)	(2,080)	(2,286)	(2,560)	(2,633)	(2,664)	(2,748)	(2,832)	(2,922)	(2,922)	(3,290)
Plant and equipment, net	2,450	2,904	3,053	3,205	4,233	4,480	4,544	4,553	4,546	4,539	4,525	4,525	4,464
Goodwill	1,490	1,582	1,563	1,562	2,818	2,874	2,833	2,807	2,807	2,807	2,807	2,807	2,807
Intangible assets	155	166	150	148	658	608	576	564	564	564	564	564	564
Regulatory assets	91	0	0	0	0	0	0	0	0	0	0	0	0
Investments	63	0	0	0	0	0	0	0	0	0	0	0	0
Other	98	206	388	443	496	420	477	467	1,092	1,097	977	977	1,000
Total Assets	5,685	6,043	6,374	6,663	9,710	10,009	10,083	10,430	11,042	10,921	10,823	10,823	11,160
Liabilities and Equity													
Current maturities of long-term debt	218	258	774	186	332	295	288	606	606	606	656	656	656
Accounts payable	462	335	373	400	411	472	460	557	557	557	557	557	557
Deferred fuel refunds	0	0	0	0	0	0	0	0	0	0	0	0	0
Employee compensation and benefits accrued	76	0	86	74	91	97	107	0	0	0	0	0	0
Dividends and interest accrued	32	0	0	0	73	0	0	0	0	0	0	0	0
Income taxes accrued	7	0	0	0	0	0	0	0	0	0	0	0	0
Deposits and advances	165	0	165	162	253	205	212	0	0	0	0	0	0
Other	224	505	277	257	327	355	365	807	807	807	807	807	807
Total current liabilities	1,184	1,097	1,675	1,078	1,487	1,425	1,431	1,969	1,969	1,969	2,019	2,019	2,019
Long-term debt	1,987	2,039	1,432	2,110	3,348	3,542	3,434	3,341	3,630	3,630	3,630	3,630	3,730
Deferred income taxes	491	505	601	709	935	962	1,005	976	1,023	1,028	1,026	1,026	1,114
Other	446	585	604	575	621	532	590	589	589	589	589	589	589
Total liabilities	4,108	4,226	4,313	4,472	6,391	6,461	6,430	6,875	7,211	7,216	7,264	7,264	7,452
Minority Interest	159	225	237	213	1,086	1,055	1,004	908	1,027	919	820	820	747
Common Equity	1,418	1,591	1,825	1,978	2,233	2,493	2,659	2,646	2,804	2,786	2,739	2,739	2,961
Discontinued ops and other	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities and Equity	5,685	6,043	6,374	6,663	9,710	10,009	10,083	10,430	11,042	10,921	10,823	10,823	11,160

Source: BMO Capital Markets estimates, company data.

UGI CORP NEW (UGI)



FYE (Sep)	EPS US\$	P/E Hi - Lo	DPS US\$	Yield% Hi - Lo	Payout %	BV US\$	P/B Hi - Lo	ROE %
1994	0.26	21.7 14.9	0.31	7.9 5.4	>100	2.9	1.9 1.3	
1995	0.13	36.9 29.0	0.31	8.1 6.3	>100	2.6	1.9 1.5	5
1996	0.27	20.7 16.5	0.32	7.2 5.7	>100	2.5	2.2 1.7	10
1997	0.35	17.9 13.4	0.32	6.9 5.1	92	2.5	2.4 1.8	14
1998	0.27	24.5 16.7	0.32	7.1 4.8	>100	2.5	2.7 1.9	11
1999	0.27	20.9 12.2	0.33	10.0 5.8	>100	2.0	2.8 1.6	12
2000	0.35	15.3 11.4	0.34	8.5 6.4	97	1.7	3.3 2.4	19
2001	0.47	14.0 10.2	0.36	7.5 5.4	76	2.1	3.1 2.3	25
2002	0.60	13.6 9.3	0.37	6.6 4.5	61	2.6	3.2 2.2	26
2003	0.77	15.2 9.7	0.38	5.1 3.3	50	4.4	2.6 1.7	22
2004	0.87	14.4 11.1	0.42	4.3 3.3	48	5.4	2.3 1.8	18
2005	1.16	17.2 9.9	0.45	3.9 2.3	39	6.3	3.1 1.8	20
2006	1.10	17.7 12.2	0.47	3.5 2.4	43	7.0	2.8 1.9	17
2007	1.19	16.6 12.7	0.49	3.3 2.5	41	8.3	2.4 1.8	16
2008	1.32	14.6 12.1	0.51	3.2 2.7	39	8.7	2.2 1.8	16
2009	1.57	11.8 7.9	0.53	4.3 2.9	34	9.7	1.9 1.3	17
2010	1.00	19.3 15.5	0.67	4.3 3.4	67	10.5	1.8 1.5	10
2011	0.94	23.7 18.3	0.69	4.0 3.1	74	12.9	1.7 1.3	8
2012	0.80	26.7 20.2	0.72	4.5 3.4	91	14.5	1.5 1.1	6
2013	1.63	17.7 12.4	0.75	3.7 2.6	46	15.3	1.9 1.3	11
2014	1.99	18.4 12.7	0.87	3.4 2.4	44	19.5	1.9 1.3	11
Range*		36.9 7.9		10.0 2.3			3.3 1.1	
Current*	1.30	28.5	0.87	2.4	67	14.4	2.6	9
Growth(%):								
5 Year:	-3.4		10.3			8.1		
10 Year:	2.8		7.6			10.2		
20 Year:	9.1		5.4			8.3		

* Current EPS is the 4 Quarter Trailing to Q4/2014.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

UGI - Rating as of 23-Feb-12 = Mkt

Date	Rating Change	Share Price
1 27-Apr-12	Mkt to OP	\$19.03
2 23-Apr-13	OP to Mkt	\$26.84

Last Price (February 3, 2015): \$38.57
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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Methodology and Risks to Price Target/Valuation

Methodology: Sum of the Parts

Risks: 1) regulatory risk, 2) weather, 3) USD/Euro exchange rates and 4) M&A risk

Distribution of Ratings (December 31, 2014)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	43.4%	16.2%	60.6%	42.6%	51.7%	55.6%
Hold	Market Perform	52.6%	8.1%	36.6%	53.0%	45.8%	39.5%
Sell	Underperform	3.9%	8.3%	2.8%	4.5%	2.5%	4.9%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis

(S) = speculative investment;

NR = No rating at this time;

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UGI

(UGI-NYSE)

Stock Rating: Market Perform
Industry Rating: Market Perform

May 5, 2015

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FY2Q15 Beats, Dividend Increases 4.6%

Event

UGI reported FY2Q15 EPS of \$1.23, above our \$1.21 estimate and the Street's \$1.20; excluding \$0.03 of expense relating to the pending Totalgaz acquisition, and normalized results were effectively a nickel better. The delta primarily stems from a beat at Midstream & Marketing (+\$0.10), which benefitted from sustained volatility in Northeast gas logistics (even if lower than last year's record), partially offset by a miss in International Propane and higher taxes. Key takeaways: 1) the level of both opportunistic and fee-based take-or-pay earnings from the marketing division is rising as a result of ongoing regional take-away bottlenecks. This is resulting not only in higher near-term earnings—noting F2015 guidance has been increased \$0.12 at the midpoint—but it's also leading to additional infrastructure investment opportunities (witness two new pipeline interests added the last quarter, Sunbury and Invenergy); 2) the acquisition of Totalgaz continues to progress, with an expected close (pending approval of the French Competition Authority) this quarter (we model July 1 to be prudent); and 3) Work continues on the 20%-owned \$1B, 100-mile PennEast pipeline, which will bring natural gas from the Marcellus to Pennsylvania and New Jersey.

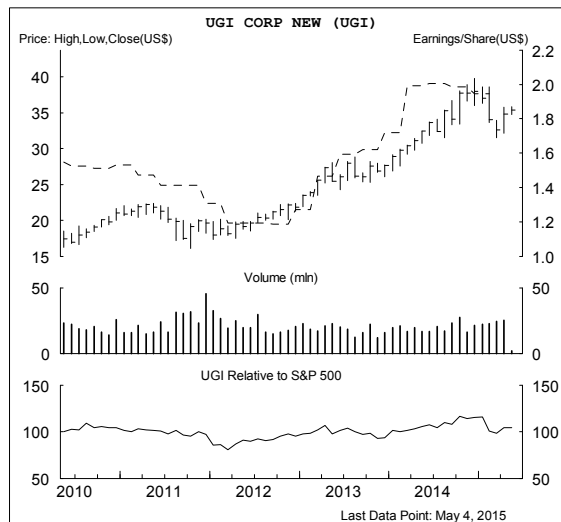
Impact & Analysis

Positive. UGI increased its FY2015 EPS guidance to \$2.00-2.10, a 6% increase at the midpoint, while reaffirming APU EBITDA guidance of \$635-665 mm. As well, the company increased the quarterly dividend by 4.6% to \$0.91 annualized, roughly in line with management's long-term 35-45% EPS payout ratio or 4% dividend CAGR target. Our FY2015 EPS increases to \$2.02 on the beat as well as an uplift to Midstream & Marketing margins. Our FY2016 EPS estimate remains unchanged at \$2.20, but has upside bias should northeast volatility remain higher than normal.

Valuation & Recommendation

Our SOTP price target remains unchanged at \$38. We reiterate our Market Perform rating.

Price (5-May) \$34.40 **52-Week High** \$39.75
Target Price \$38.00 **52-Week Low** \$30.89



(FY-Sep.)	2013A	2014A	2015E	2016E
EPS	\$1.63	\$1.99	\$2.02↑	\$2.20
P/E			17.0x	15.6x

CFPS	\$4.90	\$5.80	\$6.18↑	\$5.68↓
P/CFPS			5.6x	6.1x

Rev. (\$mm)	\$7,193	\$8,277	\$7,518	\$8,955
EV (\$mm)	\$6,981	\$6,947	\$6,947	\$6,947
EBITDA (\$mm)	\$1,185	\$1,368	\$1,238	\$1,382
EV/EBITDA	5.9x	5.1x	5.6x	5.0x

Quarterly EPS	Q1	Q2	Q3	Q4
2013A	\$0.60	\$0.99	\$0.09	-\$0.06
2014A	\$0.70	\$1.27	\$0.10	-\$0.08
2015E	\$0.66a	\$1.23a	\$0.16↑	-\$0.04↑

Dividend	\$0.91	Yield	2.6%
Book Value	\$14.39	Price/Book	2.4x
Shares O/S (mm)	171.1	Mkt. Cap (mm)	\$5,887
Float O/S (mm)	169.7	Float Cap (mm)	\$5,839
Wkly Vol (000s)	4,884	Wkly \$ Vol (mm)	\$170.0
Net Debt (\$mm)	\$2,308	Next Rep. Date	na

Notes: All values in US\$
First Call Mean Estimates: UGI CORP (US\$) 2015E: \$1.91; 2016E: \$2.13

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Changes	Annual EPS	Annual CFPS
	2015E \$1.94 to \$2.02	2015E \$5.12 to \$6.18 2016E \$5.75 to \$5.68

Quarterly EPS
Q3/15E \$0.12 to \$0.16
Q4/15E -\$0.06 to -\$0.04

Details & Analysis

APU

APU reported FY2Q15 seasonal EBIT of \$132 million (net of minority interest), ahead of our expected \$117 million and \$109 million last year. While retail volumes of 448 million came in below our 523 million, this was more than offset by higher realized unit margins of \$1.44/gal versus our more conservative \$1.12/gal assumption (more in line with its longer-term average) as well as product costs that were ~20% lower than last year. Notably, the decrease in retail gallons sold reflects average temperatures that were close to normal and 7.2% warmer than the prior year.

Further, APU reaffirmed its FY2015 adjusted EBITDA guidance of \$635-\$665 million. Our FY2015 adjusted EBITDA currently sits at \$654 million, slightly above the midpoint of guidance.

International Propane

International Propane reported FY2Q15 EBIT of \$65 million, lower than our \$69 million but on par with the \$64 million last year. The decrease primarily stems from lower average selling prices due to a decline in commodity LPG prices. Reported volumes of 190 million gallons were higher than our 179 million estimate, despite warmer weather at both Antargaz and Flaga, which were above normal by 1% and 11%, respectively. Notably, a significant portion of the earnings for the quarter were hedged, mitigating the impact of the declining value of the euro; recall, UGI historically layers in foreign exchange hedges for the next 24-36 months. FY2015 and FY2016 are currently fully hedged, with FY2017 approximately two-thirds hedged.

Management continues to progress with the regulatory approval process associated with the acquisition of Total's LPG business in France. The proposed acquisition is now under review by the ADLC, the French Competition Authority. Management reiterated that it expects the acquisition to close in FY3Q15.

Utility

Utility reported EBIT of \$139 million, just ahead our \$138 million estimate and the \$135 million last year. The delta came from slightly higher unit margins of \$2.59/mcf versus our \$2.56/mcf assumption and system throughput of 81.0 Bcf versus our 79.3 Bcf assumption.

Midstream and Marketing

Midstream and Marketing reported adjusted FY2Q15 EBIT of \$102 million, markedly ahead of our \$69 million assumption and below the \$121 million last year. The delta primarily stems from a benefit from sustained volatility in Northeast gas logistics and lower operating expenses.

UGI continues to progress toward building out its infrastructure network in the Marcellus with work already beginning on the PennEast pipeline. Recall, this \$1 billion (gross) joint project (the other entities being AGL, New Jersey Resources, South Jersey Industries, PSEG, and Spectra) involves the construction of a 100-mile pipeline to bring natural gas from the Marcellus to Pennsylvania and New Jersey. At present, UGI has secured ~965 mmcf/d of 15-year take-or-pay contracts, which almost covers the entire 1 Bcf/d of proposed capacity. UGI has a 20% equity ownership interest and will serve as the project manager and pipeline operator. The project is expected to be online late in 2017.

As well, the 1.25 Bcf Temple LNG facility expansion came online in April, increasing capacity by 50% for a modest \$10 million of growth, providing the potential for outsized returns during

periods of peak demand. Moreover, UGI added two additional infrastructure pipeline interests this last quarter—Sunbury and Invenergy—which will provide price-advantaged natural gas to power generation facilities.

Other companies mentioned (priced as of the close on May 5, 2015):

AmeriGas Partners (APU, \$48.43, Not Rated)
AGL Resources (GAS, \$48.63, Market Perform)
New Jersey Resources (NJR, \$29.51, Not Rated)
PSEG (PEG, \$41.56, Market Perform, by Michael Worms)
South Jersey Industries (SJI, \$51.27, Not Rated)
Spectra Energy (\$36.88, Outperform)

Exhibit 1: UGI Income Statement

Consolidated Earnings (\$ Millions except per share data)	F2008A	F2009A	F2010A	F2011A	F2012A	F2013A	F2014A	Q1	Q2	Q3	Q4	F2015E	F2016E	F2017E
Operating Revenue														
Amerigas Propane	\$2,815	\$2,260	\$2,320	\$2,538	\$2,922	\$3,167	\$3,713	\$889	\$1,100	\$622	\$618	\$3,229	\$3,645	\$3,824
International Propane	1,125	955	1,060	1,489	1,946	2,180	2,322	563	520	545	590	2,218	3,326	3,064
UGI Utilities	1,278	1,380	1,048	1,136	857	839	1,077	286	495	148	129	1,057	977	986
Energy Services and other	1,431	1,143	1,164	929	794	1,007	1,165	267	299	239	210	1,014	1,007	1,009
Total Operating Revenue	6,648	5,738	5,591	6,091	6,519	7,193	8,277	2,005	2,456	1,553	1,547	7,518	8,955	8,883
Operating Expenses:														
Cost of sales	4,745	3,671	3,584	4,011	4,111	4,324	5,176	1,405	1,193	990	970	4,558	5,677	5,601
O&M	1,157	1,220	1,177	1,266	1,592	1,692	1,753	436	463	417	468	1,784	1,938	1,905
Utility taxes other than income	18	17	19	17	17	17	17	4	4	4	4	16	16	16
DD&A	184	201	210	228	316	363	363	91	87	87	95	360	373	365
Other income, net	(42)	(56)	(58)	(47)	(38)	(33)	(36)	(14)	(10)	(10)	(10)	(44)	(40)	(40)
Total operating expenses	6,063	5,053	4,932	5,475	5,998	6,364	7,272	1,921	1,754	1,488	1,526	6,673	7,964	7,848
Operating Income	585	685	659	616	521	829	1,006	83	702	65	21	871	991	1,036
Other Income:														
Loss from equity investee	(3)	(3)	(2)	(1)	(0)	(0)	(0)	(1)	(0)	4	4	8	17	17
Loss on early extinguishments of debt	0	0	0	(38)	(13)	0	0	0	0	0	0	0	0	0
Total other income	(3)	(3)	(2)	(39)	(14)	(0)	(0)	(1)	(0)	4	4	8	17	17
EBIT	\$582	\$682	\$657	\$577	\$508	\$829	\$1,006	\$82	\$702	\$70	\$25	\$879	\$1,008	\$1,053
EBITDA	\$767	\$883	\$867	\$805	\$824	\$1,192	\$1,368	\$173	\$789	\$157	\$120	\$1,238	\$1,382	\$1,418
EBIT Composition:														
AmeriGas Propane	233	298	234	202	156	388	458	2	297	7	20	327	451	515
International Propane	103	149	115	68	112	147	118	54	65	24	(16)	126	213	190
Gas Utility	138	154	175	200	172	198	236	72	139	20	7	238	211	214
Electric Utility	24	15	14	11	12	10	11	3	0	1	3	7	11	11
Energy Services	74	65	120	83	62	90	199	46	102	20	13	180	130	130
Other	11	2	(1)	13	(7)	(3)	(16)	(94)	99	(2)	(2)	2	(7)	(7)
Total EBIT Composition	\$582	\$682	\$657	\$577	\$507	\$831	\$1,006	\$82	\$702	\$70	\$25	\$879	\$1,008	\$1,053
Interest expense	143	141	134	138	222	240	238	59	58	58	59	234	235	241
Income before taxes and minority interest	440	541	523	439	286	588	768	23	644	11	(34)	645	773	812
Minority interest	(90)	(124)	(95)	(75)	13	(149)	(195)	34	(236)	33	23	(146)	(171)	(201)
Income before taxes	350	418	429	364	299	440	572	57	408	44	(11)	499	602	611
Income taxes														
Current	135	132	105	48	17	129	122	9	65	9	(2)	81	132	135
Deferred	(1)	27	63	83	83	34	113	14	97	7	(2)	116	88	90
Total income taxes	135	159	168	131	100	163	235	23	162	16	(4)	197	220	225
Effective income tax rate	38%	38%	39%	36%	33%	37%	41%	40%	40%	37%	37%	39%	37%	37%
Net Income	216	258	261	233	199	277	337	34	247	28	(7)	302	383	386
Preferred	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income from continuing operations	216	258	261	233	199	277	337	34	247	28	(7)	302	383	386
Discontinued ops, net	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in Accounting	0	0	0	0	10	1	0	0	0	0	0	0	0	0
GAAP Net Income to Common	216	258	261	233	209	278	337	34	247	28	(7)	302	383	386
Pre-tax adjustments to Core (before disc ops)														
Asset impairment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(Gain) loss from disposal of asset	0	0	(27)	0	0	5	0	0	0	0	0	0	0	0
Other non-recurring (gains) loss	0	0	2	13	4	0	14	82	(48)			34	0	0
Total Pre-tax adjustments	0	0	(25)	13	4	5	14	82	(48)			34	0	0
After-tax adjustments	0	(0)	(13)	5	3	3	10	82	(31)			51	0	0
Non-GAAP Core Earnings	216	258	248	238	212	281	347	116	216	28	(7)	353	383	386
Shares Outstanding (MM)														
Diluted	162	163	165	169	169	173	175	176	176	174	174	175	174	174
Basic	161	163	164	168	169	171	173	173	173	173	173	173	173	173
Period ending basic shares out	161	163	164	169	169	171	173	173	173	173	173	173	173	173
Earnings Per Share														
GAAP EPS	\$1.33	\$1.58	\$1.58	\$1.38	\$1.24	\$1.61	\$1.93	\$0.19	\$1.40	\$0.16	(\$0.04)	\$1.73	\$2.20	\$2.22
Core EPS	\$1.33	\$1.58	\$1.50	\$1.41	\$1.25	\$1.63	\$1.99	\$0.66	\$1.23	\$0.16	(\$0.04)	\$2.02	\$2.20	\$2.22
EPS growth (%)	-25.3%	19.1%	-5.0%	-5.9%	-11.4%	30.3%	22.1%	-6.3%	-3.0%	68.3%	-51.9%	1.4%	8.9%	0.9%
Dividends Paid														
Cash per share	\$0.49	\$0.52	\$0.63	\$0.69	\$0.71	\$0.75	\$0.80	\$0.22	\$0.22	\$0.23	\$0.23	\$0.89	\$0.96	\$1.00
Payout Ratio (%)	37%	33%	42%	49%	57%	46%	40%					44%	44%	45%
Growth (%)	3.7%	5.1%	22.2%	8.4%	3.9%	5.6%	6.1%					11.4%	7.9%	3.9%

Source: BMO Capital Markets estimates, company data.

Exhibit 2: UGI Cash Flow Statement

GAAP Cash Flow Statement (\$ Millions except per share data)	F2008A	F2009A	F2010A	F2011A	F2012A	F2013E	F2014A	Q1	Q2	Q3	Q4	F2015E	F2016E	F2017E
Operating Activities														
GAAP Net Income	216	259	356	308	187	428	533	0	247	28	(7)	268	383	386
DD&A	184	201	210	228	316	363	363	91	87	87	95	360	373	365
Provision for uncollectible accounts	37	34	27	20	27	0	44	7	0	0	0	7	0	0
Minority interest	90	124	0	0	0	0	0	0	236	(33)	(23)	180	171	201
Deferred income taxes, net	(1)	27	63	83	83	49	67	(60)	97	7	(2)	42	88	90
Loss on early extinguishment of debt	0	0	0	38	13	0	0	0	0	0	0	0	0	0
Net change in settled AOCI	(4)	(21)	24	0	0	0	0	0	0	0	0	0	0	0
Other, net	3	(11)	(16)	21	(3)	6	6	229	6	(3)	(6)	223	(25)	(26)
OCF (pre-working capital)	\$525	\$612	\$664	\$698	\$623	\$846	\$1,012	\$267	\$671	\$86	\$55	\$1,080	\$990	\$1,017
OCF per share	\$3.23	\$3.74	\$4.01	\$4.14	\$3.67	\$4.90	\$5.80	\$1.52	\$3.82	\$0.50	\$0.32	\$6.18	\$5.68	\$5.84
Working Capital														
Accounts receivable and accrued revenue	(22)	80	(95)	(66)	66	(111)	18	(342)	0	0	0	(342)	0	0
Inventories	(42)	67	34	(41)	89	5	(65)	28	0	0	0	28	0	0
Deferred fuel costs	22	10	(19)	13	(2)	9	(18)	4	0	0	0	4	0	0
Accounts payable	(6)	(146)	47	19	(79)	39	4	119	0	0	0	119	0	0
Other current assets and liabilities	(12)	43	(33)	(68)	11	14	54	(58)	0	0	150	92	0	0
Changes in Working Capital	(61)	53	(65)	(143)	85	(44)	(6)	(248)	0	0	150	(98)	0	0
Discontinued Ops														
Cash Flow from Operations	464	665	599	555	708	802	1,005	19	671	86	205	982	990	1,017
Investing Activities														
Capital Spending (to PP&E)	(232)	(302)	(347)	(361)	(339)	(486)	(457)	(132)	(91)	(77)	(77)	(377)	(307)	(307)
Net proceeds from disposals of assets	12	42	67	0	0	0	0	0	0	0	0	0	0	0
Net proceeds from sale of Energy Ventures	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment in Flaga joint venture	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	(1)	(323)	(83)	(53)	(1,581)	(79)	(37)	(7)	(578)	0	0	(585)	0	0
Short-term investment increase	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other, net	(68)	62	(36)	(2)	15	12	6	(31)	0	0	0	(31)	0	0
Cash used in investing	(290)	(520)	(399)	(415)	(1,905)	(553)	(488)	(170)	(669)	(77)	(77)	(993)	(307)	(307)
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investing Cash Flow	(290)	(520)	(399)	(415)	(1,905)	(553)	(488)	(170)	(669)	(77)	(77)	(993)	(307)	(307)
Financing Activities														
Sale of Common Equity	21	11	28	27	23	36	11	6	0	0	0	6	0	0
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	34	118	0	1,481	1,550	227	175	0	289	0	0	289	100	95
Redemption of Common Stock	0	0	0	0	0	0	(40)	0	0	0	0	0	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	0	(82)	(95)	(1,384)	(300)	(169)	(243)	(3)	0	0	0	(3)	0	0
Change in Notes Payable, LC, ST Debt	(77)	13	38	(72)	27	62	(17)	249	0	0	50	299	0	0
Common Dividends	(81)	(85)	(99)	(114)	(119)	(126)	(136)	(38)	(38)	(40)	(40)	(155)	(167)	(174)
Distributions to minority interests	(81)	(90)	(89)	(94)	(182)	(227)	(238)	(61)	(60)	(63)	(63)	(247)	(262)	(275)
APU equity & Other	3	1	4	4	278	9	12	(3)	0	0	0	(3)	0	0
Cash From (For) Financing	(180)	(115)	(214)	(152)	1,279	(186)	(476)	150	191	(103)	(53)	185	(329)	(354)
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(180)	(115)	(214)	(152)	1,279	(186)	(476)	150	191	(103)	(53)	185	(329)	(354)
Effect of exchange rate	(1)	4	(5)	(9)	(0)	7	(12)	(8)	0	0	0	(8)	0	0
Change in Cash	(7)	35	(19)	(22)	81	69	30	(9)	193	(93)	76	166	354	356
Cash & Temp. Inv. Beginning of Yr.	252	245	280	261	239	320	389	420	410	603	510	420	586	939
Cash & Temp. Inv. End of Yr.	\$245	\$280	\$261	\$239	\$320	\$389	\$420	\$410	\$603	\$510	\$586	\$586	\$939	\$1,296

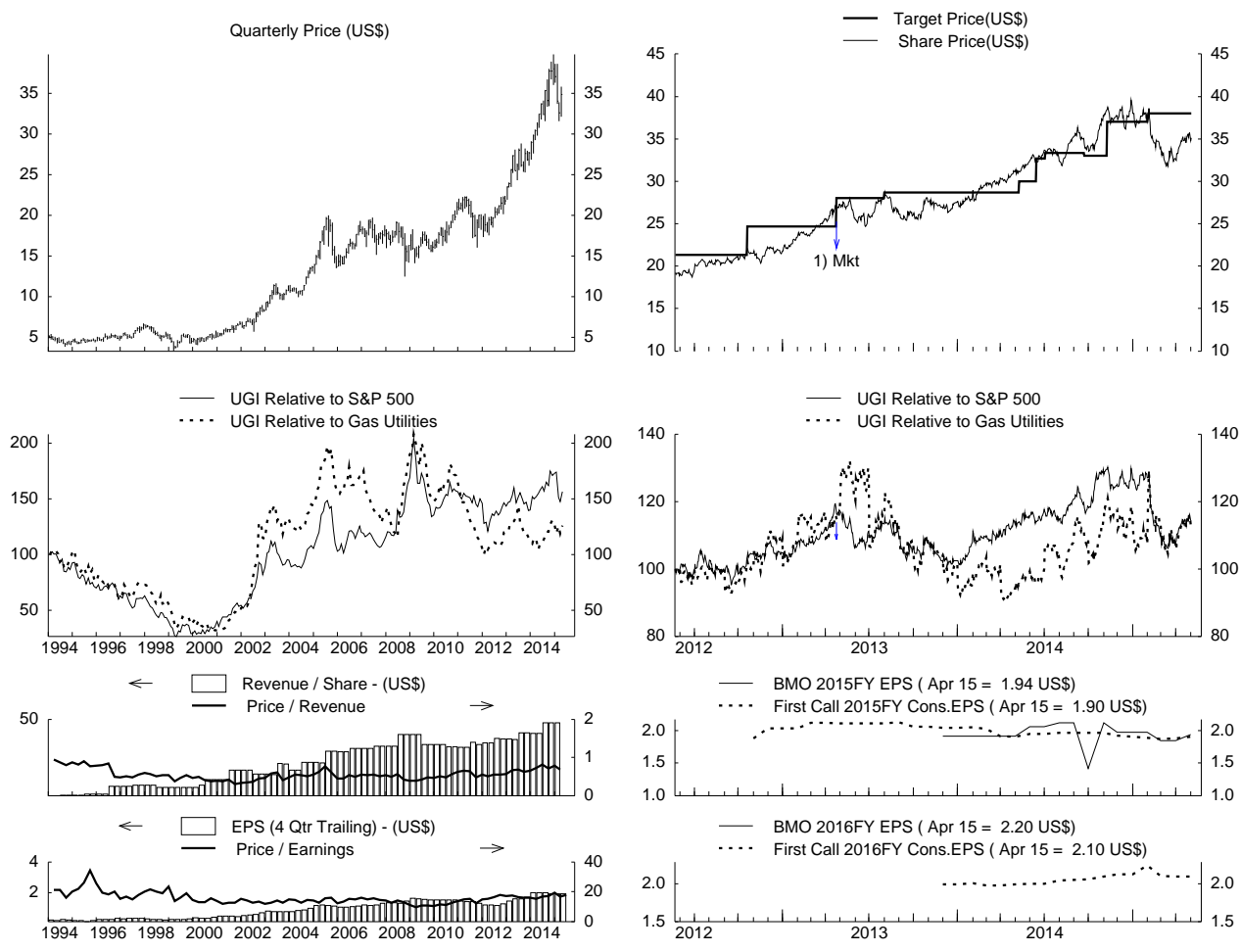
Source: BMO Capital Markets estimates, company data.

Exhibit 3: UGI Balance Sheet

Consolidated Balance Sheet (\$ Millions except per share data)	F2008A	F2009A	F2010A	F2011A	F2012A	F2013E	F2014A	Q1	Q2	Q3	Q4	F2015E	F2016E	F2017E
Assets														
Cash and equivalents	\$245	\$287	\$296	\$256	\$323	\$398	\$436	\$465	\$603	\$510	\$586	\$586	\$939	\$1,296
Short-term investments	70	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Receivable	488	406	468	547	633	746	685	961	961	961	961	961	961	961
Accrued utility revenues	21	21	14	15	17	19	14	53	53	53	53	53	53	53
Inventories	401	363	314	363	357	366	423	391	391	391	391	391	391	391
Deferred income taxes	28	35	33	45	57	11	10	46	46	46	46	46	46	46
ST asset price risk management	16	20	11	10	13	24	15	20	20	20	20	20	20	20
Prepaid expenses	57	34	59	43	67	57	67	88	88	88	88	88	88	88
Other	13	20	26	28	39	8	13	17	17	17	17	17	17	17
Total current assets	1,339	1,185	1,220	1,306	1,505	1,627	1,663	2,040	2,178	2,085	2,161	2,161	2,514	2,871
Plant and equipment, gross	3,965	4,692	4,970	5,285	6,519	7,041	7,177	7,217	7,308	7,385	7,462	7,462	7,769	8,076
Accumulated depreciation	(1,515)	(1,789)	(1,917)	(2,080)	(2,286)	(2,560)	(2,633)	(2,664)	(2,751)	(2,838)	(2,933)	(2,933)	(3,306)	(3,671)
Plant and equipment, net	2,450	2,904	3,053	3,205	4,233	4,480	4,544	4,553	4,557	4,547	4,529	4,529	4,463	4,404
Goodwill	1,490	1,582	1,563	1,562	2,818	2,874	2,833	2,807	2,807	2,807	2,807	2,807	2,807	2,807
Intangible assets	155	166	150	148	658	608	576	564	564	564	564	564	564	564
Regulatory assets	91	0	0	0	0	0	0	0	0	0	0	0	0	0
Investments	63	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	98	206	388	443	496	420	477	467	1,089	1,094	953	953	980	1,007
Total Assets	5,685	6,043	6,374	6,663	9,710	10,009	10,093	10,430	11,194	11,096	11,013	11,013	11,327	11,653
Liabilities and Equity														
Current maturities of long-term debt	218	258	774	186	332	295	288	606	606	606	656	656	656	656
Accounts payable	462	335	373	400	411	472	460	557	557	557	557	557	557	557
Deferred fuel refunds	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Employee compensation and benefits accrued	76	0	86	74	91	97	107	0	0	0	0	0	0	0
Dividends and interest accrued	32	0	0	0	73	0	0	0	0	0	0	0	0	0
Income taxes accrued	7	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits and advances	165	0	165	162	253	205	212	0	0	0	0	0	0	0
Other	224	505	277	257	327	355	365	807	807	807	807	807	807	807
Total current liabilities	1,184	1,097	1,675	1,078	1,487	1,425	1,431	1,969	1,969	1,969	2,019	2,019	2,019	2,019
Long-term debt	1,987	2,039	1,432	2,110	3,348	3,542	3,434	3,341	3,630	3,630	3,630	3,630	3,730	3,825
Deferred income taxes	491	505	601	709	935	962	1,005	976	1,073	1,080	1,078	1,078	1,166	1,256
Other	446	585	604	575	621	532	560	589	589	589	589	589	589	589
Total liabilities	4,108	4,226	4,313	4,472	6,391	6,461	6,430	6,875	7,261	7,268	7,316	7,316	7,504	7,689
Minority Interest	159	225	237	213	1,086	1,055	1,004	908	1,079	985	901	901	811	739
Common Equity	1,418	1,591	1,825	1,978	2,233	2,493	2,659	2,646	2,855	2,843	2,797	2,797	3,012	3,224
Discontinued ops and other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities and Equity	5,685	6,043	6,374	6,663	9,710	10,009	10,093	10,430	11,194	11,096	11,013	11,013	11,327	11,653

Source: BMO Capital Markets estimates, company data.

UGI CORP NEW (UGI)



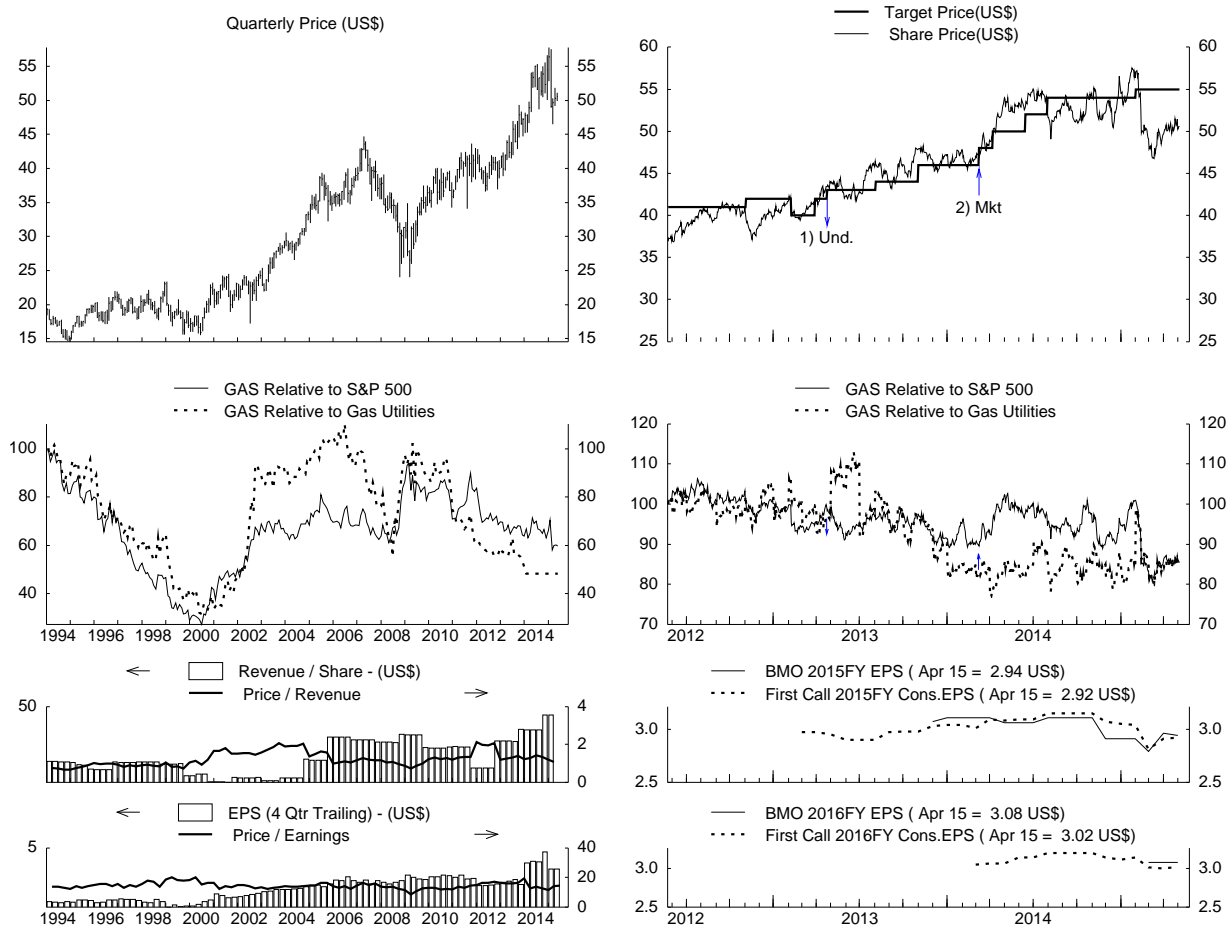
FYE (Sep)	EPS US\$	P/E Hi - Lo	DPS US\$	Yield% Hi - Lo	Payout %	BV US\$	P/B Hi - Lo	ROE %
1994	0.26	21.7 14.9	0.31	7.9 5.4	>100	2.9	1.9 1.3	
1995	0.13	36.9 29.0	0.31	8.1 6.3	>100	2.6	1.9 1.5	5
1996	0.27	20.7 16.5	0.32	7.2 5.7	>100	2.5	2.2 1.7	10
1997	0.35	17.9 13.4	0.32	6.9 5.1	92	2.5	2.4 1.8	14
1998	0.27	24.5 16.7	0.32	7.1 4.8	>100	2.5	2.7 1.9	11
1999	0.27	20.9 12.2	0.33	10.0 5.8	>100	2.0	2.8 1.6	12
2000	0.35	15.3 11.4	0.34	8.5 6.4	97	1.7	3.3 2.4	19
2001	0.47	14.0 10.2	0.36	7.5 5.4	76	2.1	3.1 2.3	25
2002	0.60	13.6 9.3	0.37	6.6 4.5	61	2.6	3.2 2.2	26
2003	0.77	15.2 9.7	0.38	5.1 3.3	50	4.4	2.6 1.7	22
2004	0.87	14.4 11.1	0.42	4.3 3.3	48	5.4	2.3 1.8	18
2005	1.16	17.2 9.9	0.45	3.9 2.3	39	6.3	3.1 1.8	20
2006	1.10	17.7 12.2	0.47	3.5 2.4	43	7.0	2.8 1.9	17
2007	1.19	16.6 12.7	0.49	3.3 2.5	41	8.3	2.4 1.8	16
2008	1.32	14.6 12.1	0.51	3.2 2.7	39	8.7	2.2 1.8	16
2009	1.57	11.8 7.9	0.53	4.3 2.9	34	9.7	1.9 1.3	17
2010	1.00	19.3 15.5	0.67	4.3 3.4	67	10.5	1.8 1.5	10
2011	0.94	23.7 18.3	0.69	4.0 3.1	74	11.8	1.9 1.5	8
2012	0.80	26.7 20.2	0.72	4.5 3.4	91	12.9	1.7 1.2	6
2013	1.63	17.7 12.4	0.75	3.7 2.6	46	14.5	2.0 1.4	12
2014	1.99	18.4 12.7	0.87	3.4 2.4	44	15.3	2.4 1.7	13
Range*		36.9 7.9		10.0 2.3			3.3 1.2	
Current*	1.95	17.9	0.91	2.6	47	14.4	2.4	14
Growth(%):								
5 Year:	4.7		6.4			8.1		
10 Year:	5.1		15.0			10.2		
20 Year:	12.2		5.5			8.3		

* Current EPS is the 4 Quarter Trailing to Q1/2015.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

UGI - Rating as of 22-May-12 = OP		
Date	Rating Change	Share Price
1 23-Apr-13	OP to Mkt	\$26.84

Last Price (May 1, 2015): \$35.10
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

AGL Resources (GAS)



FYE (Dec.)	EPS US\$	P/E Hi - Lo	DPS US\$	Yield% Hi - Lo	Payout %	BV US\$	P/B Hi - Lo	ROE %
1994	1.25	15.6 11.7	1.04	7.1 5.3	83	10.2	1.9 1.4	
1995	1.32	15.2 11.0	1.05	7.2 5.2	79	10.2	2.0 1.4	13
1996	1.36	16.2 12.6	1.08	6.3 4.9	79	10.6	2.1 1.6	13
1997	1.30	16.8 13.7	1.08	6.1 4.9	83	11.0	2.0 1.6	12
1998	1.24	18.9 14.3	1.08	6.1 4.6	87	11.4	2.0 1.5	11
1999	0.93	25.1 16.7	1.08	6.9 4.6	>100	11.6	2.0 1.3	8
2000	1.35	17.2 11.5	1.08	7.0 4.7	80	11.5	2.0 1.3	12
2001	1.54	15.9 12.3	1.08	5.7 4.4	70	12.2	2.0 1.6	13
2002	1.82	13.7 9.5	1.08	6.3 4.3	59	12.5	2.0 1.4	15
2003	2.08	14.1 10.5	1.12	5.1 3.8	54	14.7	2.0 1.5	15
2004	2.28	14.8 11.6	1.16	4.4 3.4	51	18.1	1.9 1.5	14
2005	2.48	15.9 12.9	1.48	4.6 3.8	60	19.3	2.0 1.7	13
2006	2.72	14.7 12.4	1.48	4.4 3.7	54	20.3	2.0 1.7	14
2007	2.73	16.4 12.9	1.64	4.7 3.7	60	21.7	2.1 1.6	13
2008	2.71	14.4 8.9	1.68	7.0 4.3	62	21.5	1.8 1.1	13
2009	2.79	13.4 8.6	1.72	7.2 4.6	62	23.0	1.6 1.0	13
2010	3.05	13.1 11.2	1.76	5.1 4.4	58	23.0	1.7 1.5	13
2011	2.92	15.0 11.7	1.80	5.3 4.1	62	23.2	1.9 1.5	13
2012	2.36	18.2 15.5	1.84	5.0 4.3	78	28.4	1.5 1.3	9
2013	2.45	20.1 15.7	1.88	4.9 3.8	77	29.0	1.7 1.3	9
2014	4.70	12.1 9.5	1.96	4.4 3.5	42	30.5	1.9 1.5	16
Range*		25.1 8.6		7.2 3.4			2.1 1.0	
Current*	3.52	14.3	2.04	4.1	58	29.7	1.7	12
Growth(%):								
5 Year:	3.5		3.0			5.3		
10 Year:	3.8		5.1			5.1		
20 Year:	5.4		3.4			5.5		

* Current EPS is the 4 Quarter Trailing to Q1/2015.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

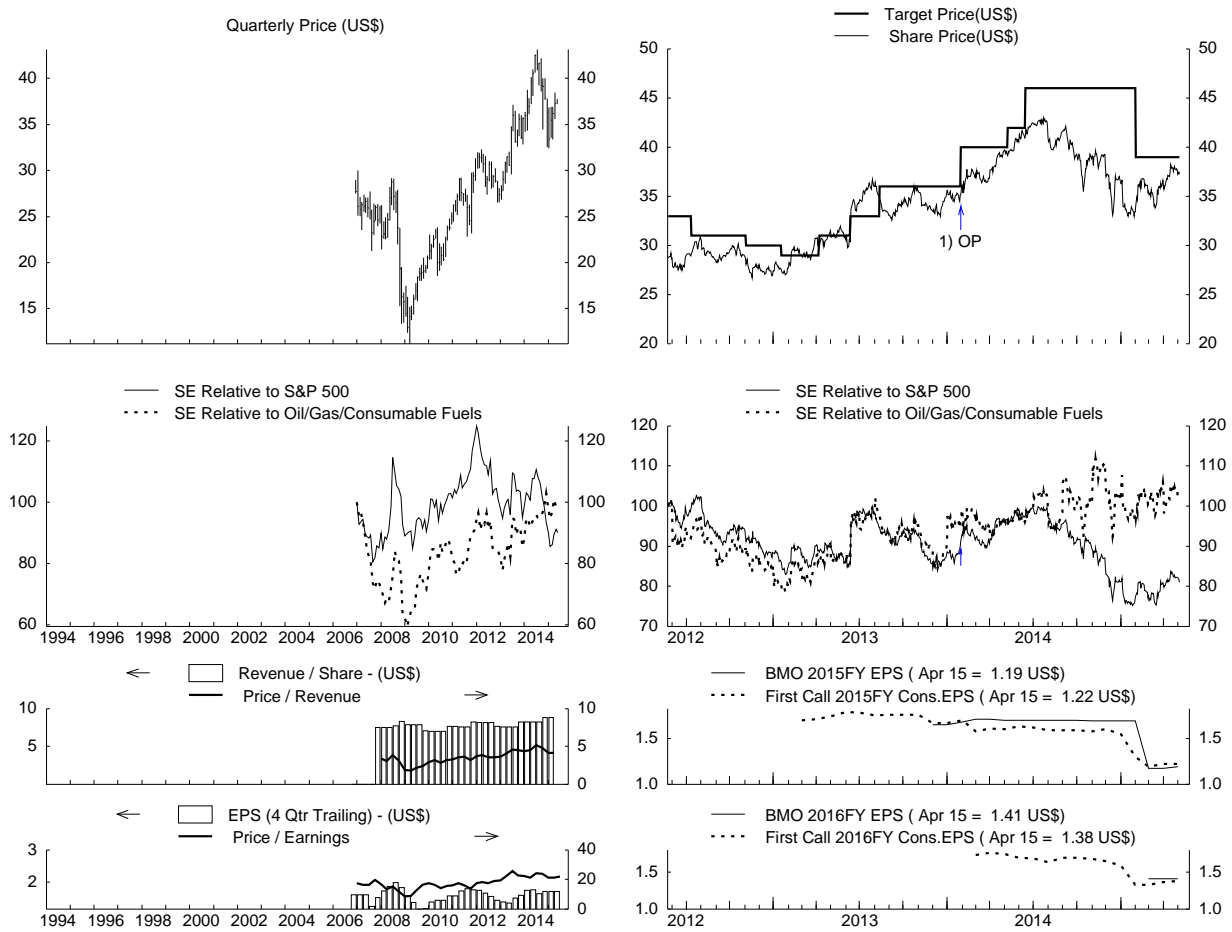
GAS - Rating as of 23-May-12 = Mkt

Date	Rating Change	Share Price
1 23-Apr-13	Mkt to Und.	\$43.45
2 7-Mar-14	Und. to Mkt	\$47.04

Last Price (May 4, 2015): \$50.58

Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

Spectra Energy Corp. (SE)



FYE (Dec.)	EPS US\$	P/E Hi - Lo	DPS US\$	Yield% Hi - Lo	Payout %	BV US\$	P/B Hi - Lo	ROE %
2006	1.60	18.1 17.2	0.00	0.0 0.0	0	ND	>15 >15	
2007	1.53	19.6 13.9	0.88	4.1 2.9	58	10.9	2.8 2.0	na
2008	1.83	15.9 7.3	1.00	7.5 3.4	55	9.1	3.2 1.5	18
2009	1.18	17.6 9.5	1.00	8.9 4.8	85	11.0	1.9 1.0	12
2010	1.57	16.2 11.8	1.00	5.4 3.9	64	12.0	2.1 1.5	14
2011	1.77	17.7 12.9	1.12	4.9 3.6	63	13.7	2.3 1.7	14
2012	1.43	22.6 18.6	1.22	4.6 3.8	85	13.4	2.4 2.0	11
2013	1.64	22.6 16.2	1.22	4.6 3.3	74	12.7	2.9 2.1	13
2014	1.62	26.6 20.1	1.48	4.6 3.4	91	15.5	2.8 2.1	11
Range*		26.6 7.3		8.9 0.0			3.2 1.0	
Current*	1.71	21.8	1.48	4.0	87	13.3	2.8	13
Growth(%): 5 Year:	4.4		8.2			3.9		

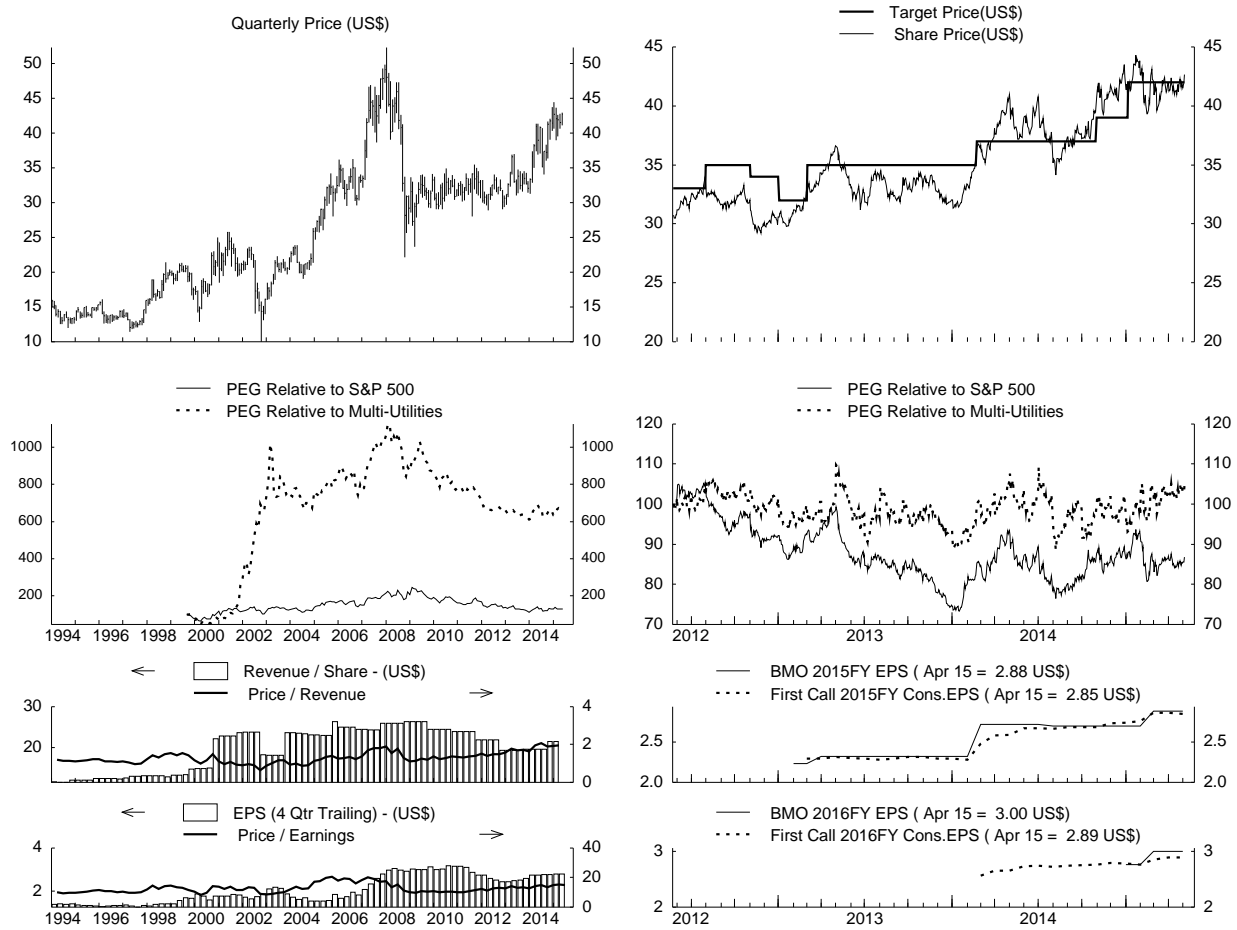
* Current EPS is the 4 Quarter Trailing to Q4/2014.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

SE - Rating as of 23-May-12 = Mkt

Date	Rating Change	Share Price
1 29-Jan-14	Mkt to OP	\$35.22

Last Price (May 4, 2015): \$37.27
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

Public Service Enterprise Group Inc. (PEG)



FYE (Dec.)	EPS US\$	P/E Hi - Lo	DPS US\$	Yield% Hi - Lo	Payout %	BV US\$	P/B Hi - Lo	ROE %	PEG - Rating as of 16-May-03 = Mkt
1994	1.39	11.7 8.6	1.08	9.0 6.6	78	9.0	1.8 1.3		
1995	1.31	11.7 9.7	1.08	8.6 7.1	83	11.1	1.4 1.1	13	
1996	1.33	12.1 9.4	1.08	8.6 6.7	81	11.2	1.4 1.1	12	
1997	1.32	12.1 8.7	1.08	9.4 6.8	82	11.2	1.4 1.0	12	
1998	1.40	15.3 10.1	1.08	7.7 5.1	77	11.2	1.9 1.2	12	
1999	1.65	12.9 9.7	1.08	6.8 5.1	65	9.2	2.3 1.7	16	
2000	1.78	14.1 7.2	1.08	8.4 4.3	61	9.6	2.6 1.3	19	
2001	1.83	14.1 10.1	1.08	5.9 4.2	59	10.0	2.6 1.8	19	
2002	1.88	12.6 5.3	1.08	10.8 4.6	57	8.8	2.7 1.1	20	
2003	1.86	12.0 7.5	1.08	7.7 4.9	58	11.7	1.9 1.2	18	
2004	1.53	17.2 12.5	1.10	5.8 4.2	72	12.1	2.2 1.6	13	
2005	1.83	18.8 11.7	1.12	5.2 3.3	61	12.0	2.9 1.8	15	
2006	1.82	19.9 16.2	1.14	3.9 3.1	63	13.4	2.7 2.2	14	
2007	2.71	18.4 11.9	1.17	3.6 2.3	43	14.4	3.5 2.2	20	
2008	2.92	17.9 7.6	1.29	5.8 2.5	44	15.4	3.4 1.4	20	
2009	3.12	10.9 7.6	1.32	5.6 3.9	42	17.4	2.0 1.4	19	
2010	3.12	11.2 9.3	1.37	4.7 3.9	44	17.4	2.0 1.7	18	
2011	2.74	12.9 10.2	1.37	4.9 3.9	50	19.0	1.9 1.5	15	
2012	2.44	14.0 11.9	1.42	4.9 4.2	58	20.3	1.7 1.4	12	
2013	2.58	14.3 11.4	1.44	4.9 3.9	56	21.3	1.7 1.4	12	
2014	2.76	15.9 11.3	1.48	4.7 3.4	54	23.0	1.9 1.4	12	
Range*		19.9 5.3		10.8 2.3			3.5 1.0		
Current*	2.79	14.9	1.56	3.8	56	22.4	1.9	12	
Growth(%):									
5 Year:	-1.5		3.4			5.2			
10 Year:	6.1		3.6			6.4			
20 Year:	3.6		1.9			4.7			

* Current EPS is the 4 Quarter Trailing to Q1/2015.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

Last Price (May 4, 2015): \$42.69
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

IMPORTANT DISCLOSURES

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Methodology and Risks to Price Target/Valuation for UGI

Methodology: Sum of the Parts

Risks: 1) regulatory risk, 2) weather, 3) USD/Euro exchange rates and 4) M&A risk

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Methodology and Risks to Our Price Target

Methodology: Sum of the Parts

Risks: 1) regulatory risk, 2) weather and 3) mark-to-market volatility from wholesale business

Company specific disclosures for Spectra Energy

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Methodology and Risks to Our Price Target

Methodology: Sum of the Parts

Risks: 1) volume risk, 2) commodity prices, 3) regulatory risk, 4) U.S.-Canadian exchange rates and 5) project execution risk

Company specific disclosures for Public Service Enterprise Group

Methodology and Risks to Our Price Target

Methodology: Our valuation is based on a combination of our EV/EBITDA analysis and current industry P/E multiples.

Risks: A material decline in power prices and / or a change in the regulatory environment could affect our price target.

Distribution of Ratings (March 31, 2015)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	43.7%	18.6%	58.2%	42.7%	55.5%	54.1%
Hold	Market Perform	51.4%	10.4%	38.5%	52.1%	41.9%	40.5%
Sell	Underperform	4.9%	9.4%	3.3%	5.2%	2.6%	5.5%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

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Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis

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(S) = speculative investment;

NR = No rating at this time;

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1 February 2015 | 8 pages

 Pipelines & Gas Utilities
North America | United States

UGI Corp (UGI)

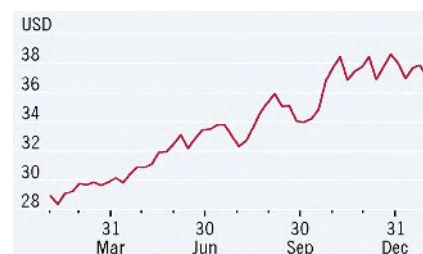
Updating Estimates; Multi-Segment Growth Contribution; Neutral

- Estimate Change
- Target Price Change

- **Midstream Provides Organic Growth** — UGI's Midstream segment will be a primary driver in UGI achieving its 10% dividend growth in 2015 with projects such as the Temple LNG expansion (online 2Q:15) and the Auburn III Phase 2 expansion (online Fall 2015). UGI's PennEast Pipeline project, which it holds a 20% equity interest in, is still pending but would help drive growth in the outer years (2017+). The \$1B PennEast project is currently determining an appropriate route to bring ~1 Bcf of natural gas to Southeastern PA and NJ, and is expected to file for FERC approval in mid-2015.
- **UGI International** — UGI's international propane business is expected to increase dramatically with the acquisition of Total's LPG distribution business announced last quarter. The transaction is expected to close in 1H:15 and should begin adding meaningfully to cash flows during the next heating season, helping support dividend growth in 2016. On a volume basis, this acquisition will increase total international LPG volumes sold by ~35%. UGI will also be able to glean certain synergies from the transaction but doesn't expect to realize them for 2-3 more years due to the political and business environment in France.
- **Weather & Margins Supportive For APU** — We expect APU to generate 2015 EBITDA near the top of its guidance range of \$670-\$700 mil on colder weather and stronger margins. Heating degree days in the 2nd half of this winter have been supportive of volumes while continued low propane prices produce margin capture opportunities for APU. For details, see our prior note: [Winter Propane Outlook - Propane's Decline Supportive of Margin, Temps Not So Much](#)
- **Updating Estimates** — We are updating our estimates for prior results as well as including/imbedding our APU financial model to provide a more integrated model of the UGI complex.
- **Recommendation** — We rate UGI a Neutral (2) with a target price of \$36.50.

Neutral	2
Price (30 Jan 15)	US\$36.99
Target price	US\$36.50
	<i>from US\$29.33</i>
Expected share price return	-1.3%
Expected dividend yield	2.4%
Expected total return	1.1%
Market Cap	US\$6,378M

Price Performance (RIC: UGI.N, BB: UGI US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2014A	-1.74A	-1.38A	0.12A	-0.11A	-3.12A	1.99A
2015E	0.75E	1.11E	-0.04E	0.09E	1.91E	1.91E
Previous	0.78E	0.90E	0.15E	0.03E	1.87E	na
2016E	0.48E	1.81E	0.03E	0.18E	2.50E	2.12E
Previous	0.82E	0.95E	0.16E	0.04E	1.98E	na

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Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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UGI.N: Fiscal year end 30-Sep					Price: US\$36.99; TP: US\$36.50; Market Cap: US\$6,378m; Recomm: Neutral				
Profit & Loss (US\$m)	2013	2014	2015E	2016E	Valuation ratios	2013	2014	2015E	2016E
Sales revenue	7,204	7,396	7,874	8,092	PE (x)	14.7	-11.9	19.4	14.8
Cost of sales	-4,688	-5,539	-5,231	-5,375	PB (x)	1.7	2.4	2.2	2.0
Gross profit	2,517	1,857	2,643	2,716	EV/EBITDA (x)	9.0	22.1	8.0	7.6
Gross Margin (%)	34.9	25.1	33.6	33.6	FCF yield (%)	7.7	-5.2	6.5	6.3
EBITDA (Adj)	1,204	487	1,324	1,395	Dividend yield (%)	3.0	2.1	2.4	2.4
EBITDA Margin (Adj) (%)	16.7	6.6	16.8	17.2	Payout ratio (%)	44	-25	46	36
Depreciation	-348	-348	-326	-331	ROE (%)	12.3	-21.1	12.0	14.5
Amortisation	-15	-15	-15	-15	Cashflow (US\$m)	2013	2014	2015E	2016E
EBIT (Adj)	841	124	983	1,049	EBITDA	1,204	487	1,324	1,395
EBIT Margin (Adj) (%)	11.7	1.7	12.5	13.0	Working capital	-44	-7	4	-18
Net interest	-237	-238	-240	-239	Other	-346	-357	-443	-504
Associates	0	0	0	0	Operating cashflow	814	124	885	873
Non-op/Except	0	0	0	0	Capex	-486	-457	-469	-469
Pre-tax profit	603	-114	742	810	Net acq/disposals	-79	-37	0	0
Tax	-163	-235	-202	-265	Other	12	6	0	0
Extraord./Min.Int./Pref.div.	-150	-195	-210	-113	Investing cashflow	-553	-488	-469	-469
Reported net profit	291	-544	330	433	Dividends paid	-352	-374	-394	-339
Net Margin (%)	4.0	-7.4	4.2	5.3	Financing cashflow	-186	-476	-394	-339
Core NPAT	291	-544	330	433	Net change in cash	82	-851	22	64
Per share data	2013	2014	2015E	2016E	Free cashflow to s/holders	328	-333	416	404
Reported EPS (\$)	2.52	-3.16	1.91	2.50					
Core EPS (\$)	2.52	-3.12	1.91	2.50					
DPS (\$)	1.11	0.79	0.87	0.90					
CFPS (\$)	7.07	0.71	5.12	5.05					
FCFPS (\$)	2.85	-1.91	2.41	2.33					
BVPS (\$)	22.12	15.45	16.65	18.27					
Wtd avg ord shares (m)	113	172	170	170					
Wtd avg diluted shares (m)	115	175	173	173					
Growth rates	2013	2014	2015E	2016E					
Sales revenue (%)	8.7	2.7	6.5	2.8					
EBIT (Adj) (%)	58.3	-85.2	692.1	6.7					
Core NPAT (%)	38.0	-287.3	160.6	31.1					
Core EPS (%)	35.4	-223.5	161.2	31.1					
Balance Sheet (US\$m)	2013	2014	2015E	2016E					
Cash & cash equiv.	398	436	458	522					
Accounts receivables	746	685	735	801					
Inventory	366	423	454	495					
Net fixed & other tangibles	4,900	5,020	5,148	5,271					
Goodwill & intangibles	3,482	3,410	3,410	3,410					
Financial & other assets	119	119	119	119					
Total assets	10,009	10,093	10,324	10,618					
Accounts payable	472	460	494	529					
Short-term debt	295	288	288	288					
Long-term debt	3,542	3,434	3,434	3,434					
Provisions & other liab	2,151	2,248	2,299	2,352					
Total liabilities	6,461	6,430	6,515	6,603					
Shareholders' equity	2,493	2,659	2,839	3,115					
Minority interests	1,055	1,004	970	900					
Total equity	3,548	3,663	3,809	4,015					
Net debt (Adj)	3,440	3,286	3,264	3,199					
Net debt to equity (Adj) (%)	97.0	89.7	85.7	79.7					

For definitions of the items in this table, please click [here](#).



UGI Corp

Company description

UGI Corp operates as a diversified gas utility, electric utility and global propane distribution company. The company's utility and power assets are located in Pennsylvania. The company's propane business is composed of a 46% equity interest in AmeriGas Partners and an international propane distribution unit with principal operations in Europe, where the company controls about a quarter of the market. UGI also operates an energy services business with generation and storage assets.

Investment strategy

We rate UGI a Neutral (2). The company provides stable cash flows through a combination of an electric and gas utility. In addition, the company has one of the largest propane businesses in the US and has an International Propane division that serves customers in Europe. Historically, UGI has generated strong free cash flows from its domestic propane and utilities businesses enabling the company to make bolt-on acquisitions and increase its dividend over time. However, the propane business in the US looks challenged as commodity prices move higher, and customers migrate to alternative fuels.

Valuation

Our average multiple valuation methodologies derive a \$36.50 target price.

Our NAV yields a value of \$38. We value regulated assets at a multiple of rate base (1.6x for gas utilities). The company's gas marketing segment is valued at 6x EBITDA, in line with multiples for other marketers. These values are partially offset by the UGI's net debt.

Our DDM values the company at \$34. We calculate a hypothetical dividend, based on UGI's regulated capital growth, authorized returns and cost of equity to arrive at our DDM valuation.

Our P/E and EV/EBITDA multiples are based on our proprietary analyses, which utilize current corporate spreads, betas and projected risk-free yields. For our P/E analysis, we use multiples of 16x, 13.6x, 16x and 10.5x for the company's Gas Utility, Propane, Electric Utility and Marketing/Energy Services assets. For our EV/EBITDA analysis, we use multiples of 8x and 6.5x for the company's Gas & Electric Utility/Propane businesses and Marketing/Energy Services assets. International propane operations are valued at a 15% discount to our gas utilities, due to exposure to weather and exchange rates. Our P/E and EV/EBITDA analyses yield values of \$29 and \$47.

Risks

The key risks to our investment thesis are: 1) Weather and exchange rates: Slightly affecting UGI's stable cash flows are sensitivities to weather and exchange rates. Flaga and Antargaz's earnings remain exposed to foreign currency fluctuations; 2) Demand fluctuation and industry evolution: Propane distributors compete in an unregulated market. While the barriers to entry are high, UGI competes with a number of propane distributors in the U.S. and Europe. Economics for other fuel types is also making it more economical for customers to switch into other fuels; 3) Regulation: Our earnings estimates assume normal weather and recovery of capital

spent in excess of depreciation through higher customer rates. These rates depend on orders from Pennsylvania Public Utility Commission; 4) Commodity prices: Our margin assumptions at UGI's power plants are based on market prices and the capacity market in PJM. Higher fuel costs or regulatory impediments within the PJM market could adversely affect our earnings estimates. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause our target price to be materially outperformed.

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IMPORTANT DISCLOSURES

UGI Corp (UGI) Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	23-Apr-12	1	*20.67	17.75
3	25-Jul-12	1	*22.67	19.95

* Indicates change

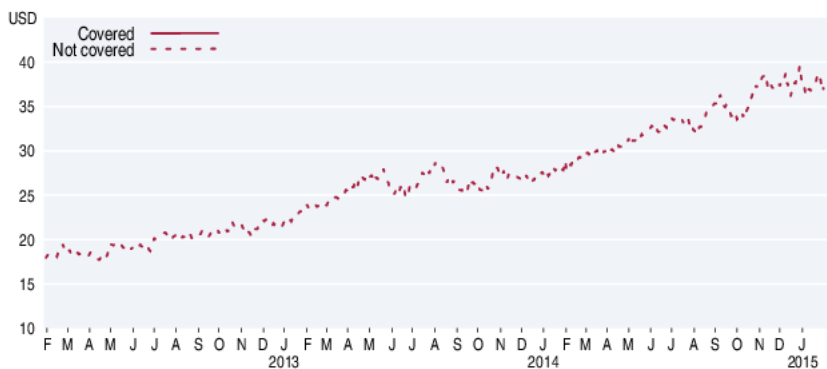
	Date	Rating	Target Price	Closing Price
4	25-Jan-13	*2	*24.67	23.04
5	1-May-13	2	*26.67	26.99
6	29-Oct-13	2	*28.00	28.05

	Date	Rating	Target Price	Closing Price
7	7-Feb-14	2	*29.33	28.41

Rating/target price changes above reflect Eastern Standard Time

UGI Corp (UGI) Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Faisal Khan, CFA



* Indicates change

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<i>Data current as of 31 Dec 2014</i>	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Research Global Fundamental Coverage	49%	40%	12%	0%	100%	0%
<i>% of companies in each rating category that are investment banking clients</i>	65%	62%	54%	0%	63%	0%

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8 May 2015 | 14 pages

North America

UGI & APU 2Q:15 Earnings Results

UGI Beats On Colder Weather & Margin Mgmt; APU In-Line

- **UGI Results** — UGI reported EPS of \$1.23/share (excl M2M hedges), slightly ahead of Citi and Consensus estimates. The beat was driven by colder weather and improved unit margins in Europe as well as sustained gas differentials in the Northeast. The announced 1Q dividend of \$0.2275/share (\$0.91 annualized) represents a 4.6% increase YoY.
- **Guidance Increased** — Mgmt increased FY2015 EPS guidance from a range of \$1.88 - \$1.98/share to \$2.00 - \$2.10/share, excluding Total related items, based on stronger 2Q performance.
- **Project Updates** — The Total acquisition is in the review phase with the ADLC and mgmt expects the deal to close in 3Q. UGI is progressing through the FERC pre-approval process on the PennEast Pipeline and still expects it in-service in 2017.
- **International** — UGI's international propane business reported operating income of \$64.7 mil as colder weather in Western Europe and unit margin mgmt offset a warmer Eastern Europe. Results were slightly impacted by a weaker Euro but UGI's hedging strategy helped minimize the effect. The company hedges 3 years out, in decreasing amounts, layering in hedges over time helping soften the effect of FX volatility on results.
- **Gas Utility** — The gas utility business reported operating income of \$139.3 mil as temps were 22% colder YoY helping drive higher throughput volumes on their systems. Additionally, the market for oil-to-gas conversions remains supportive.
- **Midstream & Marketing** — The midstream & marketing segment reported operating income of \$101.9 mil benefitting from more sustained basis differentials and colder weather in the Northeast. Mgmt has been seeing stronger interest for longer-term peaking contracts on its systems in order to lock-in pipeline capacity in a market where mgmt believes infrastructure will continue to be constrained in the foreseeable future.
- **AmeriGas Results** — APU reported adj EBITDA of \$345.8 mil, mostly in-line with our estimate of \$356.8 mil and consensus of \$336.3 mil as operating efficiencies, driven by lower fuel costs and truck repairs, helped offset lower volumes in the quarter. Retail propane volumes of 448.0 mil were down ~6% YoY as temps were 7% warmer YoY. Distributable cash flow of \$285.4 mil resulted in distribution coverage of 1.08x on an LTM basis.
- **APU Guidance Reiterated** — Mgmt reiterated its FY2015 adj EBITDA guidance range of \$660-\$675 mil, in-line with our current expectation of \$665 mil.
- **Recommendation** — We are maintaining our Neutral rating and target price of \$36.50/share on UGI. We are also maintaining our Neutral/High Risk rating and target price of \$46/unit on APU.

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Data Summary

Company	Ticker	Currency	Price		Rating		Target Price		Div Yld (%)	ETR (%)	Last Rpt Year	Current Fiscal Year		Next Fiscal Year	
			07 May	Old	New	Old	New	Old				New	Old	New	
AmeriGas Part	APU	US\$	46.63	2H	2H	46.00	46.00		7.6	6.3	Sep-14	1.39	1.39	3.06	3.06
UGI	UGI	US\$	34.74	2	2	36.50	36.50		2.5	7.6	Sep-14	1.89	1.89	1.95	1.95

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk

Source: Citi Research

UGI Beats On Colder Weather & Margin Mgmt; APU In-Line

Figure 1. Reported Results vs Citi Estimates - UGI

(\$ in Millions)	2Q:14A	1Q:15A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	3/31/14	12/31/14	2Q:15A 3/31/15	2Q:15E 3/31/15			
Gross Margin Per Segment							
AmeriGas Propane	\$608.2	\$425.0	\$595.1	\$625.5	40.0%	(2.2%)	(4.9%)
UGI International	\$199.8	\$180.6	\$196.5	\$172.1	8.8%	(1.7%)	14.2%
Gas Utility	\$201.3	\$133.3	\$209.8	\$207.3	57.4%	4.2%	1.2%
Midstream & Marketing	\$146.7	\$71.1	\$128.3	\$103.6	80.5%	(12.5%)	23.8%
Segment Gross Margin	\$1,156.0	\$810.0	\$1,129.7	\$1,108.5	39.5%	(2.3%)	1.9%
Operating Income Per Segment							
AmeriGas Propane	\$284.9	\$139.2	\$296.9	\$307.5	113.3%	4.2%	(3.4%)
UGI International	\$63.8	\$53.5	\$64.7	\$52.4	20.9%	1.4%	23.4%
Gas Utility	\$134.5	\$71.8	\$139.3	\$154.9	94.0%	3.6%	(10.1%)
Midstream & Marketing	\$121.4	\$45.5	\$101.9	\$84.3	124.0%	(16.1%)	20.9%
Segment Income	\$604.6	\$310.0	\$602.8	\$599.1	94.5%	(0.3%)	0.6%
Adj Net Income to UGI Corp	\$222.1	\$116.0	\$215.7	\$201.9	86.0%	(2.9%)	6.9%
Adj EPS (excl hedges)	\$1.27	\$0.66	\$1.23	\$1.17	86.4%	(3.0%)	5.1%
Dividend Per Share (announced)	\$0.1967	\$0.2175	\$0.2275	\$0.2175	4.6%	15.7%	4.6%
Annualized	\$0.7867	\$0.8700	\$0.9100	\$0.8700	4.6%	15.7%	4.6%
Segment Stats							
Amerigas - Retail Gallons Sold (MMGal)	474.9	340.2	448.0	474.9	31.7%	(5.7%)	(5.7%)
UGI International - Retail Gallons Sold (MMGal)	162.8	179.8	190.4	169.3	5.9%	17.0%	12.5%
Gas Utility System Throughput - Core Market (Bcf)	41.8	23.2	44.3	43.1	90.9%	6.0%	2.9%
Gas Utility System Throughput - Total (Bcf)	78.5	56.8	81.0	80.9	42.6%	3.2%	0.2%

Source: Citi Research

Figure 2. Reported Results vs Citi Estimates - APU

(\$ in Millions)	2Q:14A	1Q:15A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	3/31/14	12/31/14	2Q:15A 3/31/15	2Q:15E 3/31/15			
Propane Sold - Retail (MM Gallons)	474.9	340.2	448.0	474.9	31.7%	(5.7%)	(5.7%)
Total Gross Profit	\$608.2	\$425.0	\$595.8	\$625.5	40.2%	(2.0%)	(4.7%)
Operating Expenses*	\$281.3	\$246.7	\$257.3	\$275.7	4.3%	(8.5%)	(6.7%)
Other Expenses / (Income)	(7.2)	(10.1)	(7.4)	(7.0)	(27.2%)	2.1%	5.6%
EBITDA	\$334.1	\$188.5	\$345.8	\$356.8	83.4%	3.5%	(3.1%)
Adjusted EBITDA **	\$334.1	\$188.5	\$345.8	\$356.8	83.4%	3.5%	(3.1%)
Interest Expense	(42.0)	(41.0)	(41.1)	(40.8)	0.2%	(2.3%)	0.7%
Maintenance Capex	(16.7)	(17.0)	(14.8)	(16.8)	(13.2%)	(11.4%)	(12.2%)
Other	(2.9)	(0.9)	(4.5)	(4.5)	416.5%	55.1%	1.7%
Distributable Cash Flow	\$272.5	\$129.6	\$285.4	\$294.7	120.2%	4.8%	(3.1%)
Distributions per unit (announced)	\$0.8800	\$0.8800	\$0.9200	\$0.8900	4.5%	4.5%	3.4%
Distribution Coverage Ratio (LTM)	1.24x	1.06x	1.08x	1.11x	2.0%	(12.9%)	(2.4%)
EPS	\$2.50	(\$0.49)	\$2.61	\$2.74	(629.7%)	4.3%	(5.0%)
Unit Analysis - Retail (\$/gal)							
Cost Per Gallon	\$1.70	\$1.25	\$1.05	\$0.87	(16.1%)	(38.5%)	20.0%
Mt Belvieu Propane Price	\$1.30	\$0.77	\$0.53	\$0.57	(31.1%)	(59.0%)	(6.7%)

*Excludes integration costs

**Inclusive of minority interest

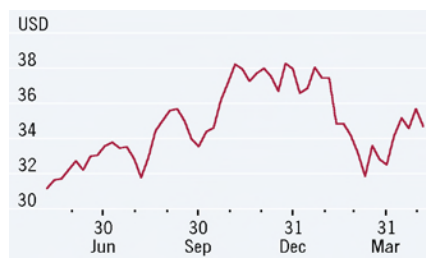
Source: Citi Research

Company Focus

UGI Corp (UGI) 2Q Beat On Colder Weather & Margin Management

Neutral	2
Price (07 May 15)	US\$34.74
Target price	US\$36.50
Expected share price return	5.1%
Expected dividend yield	2.5%
Expected total return	7.6%
Market Cap	US\$6,003M

Price Performance
(RIC: UGI.N, BB: UGI US)



■ **UGI Results** — UGI reported EPS of \$1.23/share (excl M2M hedges), slightly ahead of Citi and Consensus estimates. The beat was driven by colder weather and improved unit margins in Europe as well as sustained gas differentials in the Northeast. The announced 1Q dividend of \$0.2275/share (\$0.91 annualized) represents a 4.6% increase YoY.

■ **Guidance Increased** — Mgmt increased FY2015 EPS guidance from a range of \$1.88 - \$1.98/share to \$2.00 - \$2.10/share, excluding Total related items, based on stronger 2Q performance.

■ **Project Updates** — The Total acquisition is in the review phase with the ADLC and mgmt expects the deal to close in 3Q. UGI is progressing through the FERC pre-approval process on the PennEast Pipeline and still expects it in-service in 2017.

■ **International** — UGI's international propane business reported operating income of \$64.7 mil as colder weather in Western Europe and unit margin mgmt offset a warmer Eastern Europe. Results were slightly impacted by a weaker Euro but UGI's hedging strategy helped minimize the effect. The company hedges 3 years out, in decreasing amounts, layering in hedges over time helping soften the effect of FX volatility on results.

■ **Gas Utility** — The gas utility business reported operating income of \$139.3 mil as temps were 22% colder YoY helping drive higher throughput volumes on their systems. Additionally, the market for oil-to-gas conversions remains supportive.

■ **Midstream & Marketing** — The midstream & marketing segment reported operating income of \$101.9 mil benefitting from more sustained basis differentials and colder weather in the Northeast. Mgmt has been seeing stronger interest for longer-term peaking contracts on its systems in order to lock-in pipeline capacity in a market where mgmt believes infrastructure will continue to be constrained in the foreseeable future.

■ **Recommendation** — We maintain our Neutral rating and target price of \$36.50/share on UGI.

EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2014A	0.67A	1.30A	0.09A	-0.02A	2.04A	1.99A
2015E	0.66A	1.40A	0.12E	-0.06E	1.89E	1.97E
Previous	0.66A	1.17E	0.12E	-0.06E	1.89E	na
2016E	0.86E	0.97E	0.15E	-0.04E	1.95E	2.14E
Previous	0.86E	0.97E	0.15E	-0.04E	1.95E	na
2017E	0.89E	1.00E	0.16E	-0.03E	2.03E	2.23E
Previous	0.89E	1.00E	0.16E	-0.03E	2.03E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

■ Estimate Change

Neutral/High Risk	2H
Price (07 May 15)	US\$46.63
Target price	US\$46.00
Expected share price return	-1.4%
Expected dividend yield	7.6%
Expected total return	6.3%
Market Cap	US\$4,331M

Price Performance
(RIC: APU.N, BB: APU US)



AmeriGas Partners LP (APU) 2Q In-line As Opex Mgmt Offsets Weaker Volumes

- **AmeriGas Results** — APU reported adj EBITDA of \$345.8 mil, mostly in-line with our estimate of \$356.8 mil and consensus of \$336.3 mil as operating efficiencies, driven by lower fuel costs and truck repairs, helped offset lower volumes in the quarter. Retail propane volumes of 448.0 mil were down ~6% YoY as temps were 7% warmer YoY. Distributable cash flow of \$285.4 mil resulted in distribution coverage of 1.08x on an LTM basis.
- **APU Guidance Reiterated** — Mgmt reiterated its FY2015 adj EBITDA guidance range of \$660-\$675 mil, in-line with our current expectation of \$665 mil.
- **2nd Half Expectations** — The second half of FY2015 should see improvement over last year as various aspects of the business appear supportive. Higher priced inventory was sold off throughout 2Q which improved unit margins and management expects these levels to remain stable for the remainder of the year. We would also expect some of APU's operating efficiencies to be sustainable going forward as they were partially driven by lower diesel prices which we see remaining relatively low this year. Growth in National Accounts and the Cylinder Exchange business, assuming normal weather, should also provide volume growth during the summer. Finally, management had executed 5 acquisitions YTD and continues to see many opportunities in the market as acquisition multiples remain at historic levels of 5-6x.
- **Recommendation** — We maintain our Neutral/High Risk rating and target price of \$46/unit on APU

	2015E	2016E	2017E	2018E	2019E	2020
Distributable Cash Flow (\$ Millions)						
Adjusted EBITDA	\$665.4	\$690.8	\$686.0	\$681.3	\$676.5	\$671.9
Interest Expense	(164.7)	(164.7)	(163.2)	(161.7)	(160.3)	(159.1)
Tax	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)
Maintenance Capital Expenditures	(66.0)	(66.7)	(67.3)	(68.0)	(68.7)	(69.4)
Other Cash Adjustments	(3.5)	(5.0)	(4.9)	(4.9)	(4.8)	(4.7)
Distributable Cash Flow	\$427.4	\$450.5	\$446.6	\$442.7	\$438.8	\$434.8
Total Cash Distributions	359.5	364.4	366.8	366.8	366.8	366.8
Total Distribution Per Unit	\$3.54	\$3.58	\$3.60	\$3.60	\$3.60	\$3.60
Growth in Distribution Per Unit	2.9%	1.1%	0.6%	0.0%	0.0%	0.0%
Distribution Cash Flow Coverage:	1.19x	1.24x	1.22x	1.21x	1.20x	1.19x

Source: Citi Research

UGI Corp

Company description

UGI Corp operates as a diversified gas utility, electric utility and global propane distribution company. The company's utility and power assets are located in Pennsylvania. The company's propane business is composed of a 46% equity interest in AmeriGas Partners and an international propane distribution unit with principal operations in Europe, where the company controls about a quarter of the market. UGI also operates an energy services business with generation and storage assets.

Investment strategy

We rate UGI a Neutral (2). The company provides stable cash flows through a combination of an electric and gas utility. In addition, the company has one of the largest propane businesses in the US and has an International Propane division that serves customers in Europe. Historically UGI has generated strong free cash flows from its domestic propane and utilities businesses enabling the company to make bolt-on acquisitions and increase its dividend over time. However, the propane business in the US looks challenged as commodity prices move higher, and customers migrate to alternative fuels.

Valuation

Our average multiple valuation methodologies derives a \$36.50 target price. Our NAV yields a value of \$38. We value regulated assets at a multiple of rate base (1.6x for gas utilities). The company's gas marketing segment is valued at 6x EBITDA, in-line with multiples for other marketers. These values are partially offset by the UGI's net debt. Our DDM values the company at \$34. We calculate a hypothetical dividend, based on UGI's regulated capital growth, authorized returns and cost of equity to arrive at our DDM valuation. Our P/E and EV/EBITDA multiples are based on our proprietary analyses, which utilize current corporate spreads, betas and projected risk-free yields. For our P/E analysis, we use multiples of 16x, 13.6x, 16x and 10.5x for the company's Gas Utility, Propane, Electric Utility and Marketing/Energy Services assets. For our EV/EBITDA analysis, we use multiples of 8x and 6.5x for the company's Gas & Electric Utility/Propane businesses and Marketing/Energy Services assets. International propane operations are valued at a 15% discount to our gas utilities, due to exposure to weather and exchange rates. Our P/E and EV/EBITDA analyses yield values of \$29 and \$47.

Risks

The key risks to our investment thesis are: 1) Weather and exchange rates: Slightly affecting UGI's stable cash flows are sensitivities to weather and exchange rates. Flaga and Antargaz's earnings remain exposed to foreign currency fluctuations; 2) Demand fluctuation and industry evolution: Propane distributors compete in an unregulated market. While the barriers to entry are high, UGI competes with a number of propane distributors in the U.S. and Europe. Economics for other fuel types is also making it more economical for customers to switch into other fuels; 3) Regulation: Our earnings estimates assume normal weather and recovery of capital spent in excess of depreciation through higher customer rates. These rates depend on orders from Pennsylvania Public Utility Commission; 4) Commodity prices: Our margin assumptions at UGI's power plants are based on market prices and the capacity market in PJM. Higher fuel costs or regulatory impediments within the PJM

market could adversely affect our earnings estimates. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause our target price to be materially outperformed.

AmeriGas Partners LP

Company description

AmeriGas Partners, L.P. is structured as a master limited partnership (MLP) and is the largest propane distributor in the country, serving about ~2 million residential, commercial, industrial, and agricultural customers from ~2,000 distribution locations in 50 states, selling ~1.3 billion gallons of propane annually. The partnership operates an extensive storage and distribution network, using interstate natural gas liquids pipelines, railroad tank cars, barges, and delivery trucks to transport propane from suppliers to storage and distribution facilities. UGI Corp. is the MLP's general partner and owns 26% of the partnership.

Investment strategy

We rate AmeriGas Partners LP Neutral/High Risk (2H). While we believe these units offer investors an attractive yield with stable cash flows and adequate distribution coverage, the fundamentals of the retail propane sector remain challenged, limiting upside appreciation. AmeriGas will face a challenging environment ahead as margins may face headwinds from higher wholesale propane prices due to increased competition with foreign markets as export capacity comes online. We continue to see overall volumes in the industry continuing a structural decline of ~1-2% annually despite more normal temps, as economically viable alternatives such as natural gas and electrical heating become available. We view retail propane distributors such as APU as unregulated utilities. While margins can vary over time, customers rely on these services for basic space heating purposes. However, weather, economic conditions and price volatility tend to impact demand for propane which in turn impact cash flows. We estimate that 95% of the partnership's distributions will be tax-deferred.

Valuation

Our 12-month target price for AmeriGas Partners, L.P. is \$46.00 per unit. Our target price assumes that AmeriGas will increase its distributions to an annualized rate of \$3.56/unit over the next 12 months and that the units should trade with a 7.75% yield. Our choice of the implied yield is a function of the MLP's growth outlook, risk profile, and the broader yield environment. In the current low interest rate environment we believe that investor demand for yield will continue to drive fund flows into MLPs with stable or growing distribution outlooks such as APU, which is also likely to drive yields lower over the next 12-months. We use internal rate of return (IRR) and discounted cash flow (DCF) methodologies to help support our implied yield valuation. These secondary valuation metrics are based on our 5-year operational forecast that takes into account near-term growth opportunities and/or risk factors. Our terminal yield and growth estimates take into account a more normalized yield environment and a slower pace of long-term industry growth. The long-term yield we use to value APU is 8.50%, which is anchored by our 2017 MLP index yield estimate of 7% (300 basis points above a 10-year Treasury yield of 4%) plus 150 basis points, in-line with historical levels. Based on terminal distribution growth of 0%, we derive an IRR of ~4.4% and a DCF of \$42.28/unit. The equity

value for APU based on our DCF model is lower than our implied yield valuation, but nonetheless supports our view on the partnership.

Risks

We rate AmeriGas Partners High Risk based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. AmeriGas' balance sheet strength as measured by 2015 Net Debt/EBITDA is in-line with the MLP peer group at 3.7x (vs. 3.9x for the peer group). AmeriGas's distribution coverage ratio of 1.19x is slightly better than the peer group average of 1.17x. These positive attributes are balanced by a high level of seasonal volatility in cash flows. Risks to the MLP achieving our 12-month target price include: 1) a sharp increase in wholesale propane and/or heating oil costs that causes the partnership's retail margin to decline, 2) unfavorable weather conditions, such as a cool summer or a warm winter, that drive lower than expected volumes, and 3) a greater increase in interest rates that could make the partnership's relatively high yield less attractive. (Investors should recognize the volume of propane sold is directly affected by the severity of winter weather conditions since many customers of AmeriGas rely heavily on propane as a heating fuel.) Conversely, we believe the units could materially outperform our target price if the weather becomes more favorable (i.e., cool winter and/or warm summer) and the partnership is able to sell a greater amount of propane and/heating oil than anticipated.

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

UGI Corp (UGI) Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	25-Jul-12	1	*22.67	19.95
3	25-Jan-13	*2	*24.67	23.04

* Indicates change

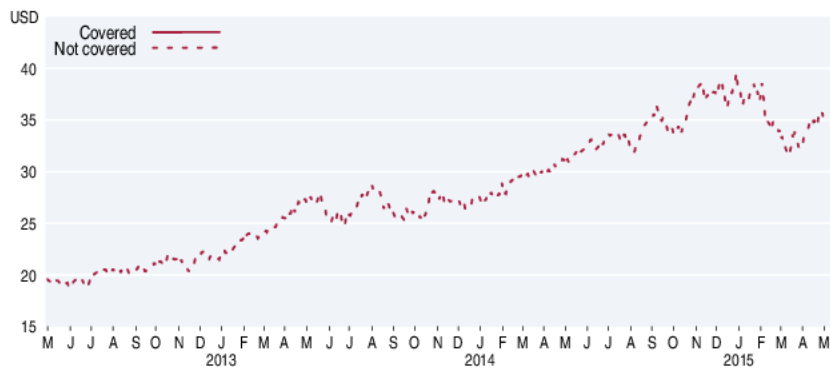
	Date	Rating	Target Price	Closing Price
4	1-May-13	2	*26.67	26.99
5	29-Oct-13	2	*28.00	28.05
6	7-Feb-14	2	*29.33	28.41

	Date	Rating	Target Price	Closing Price
7	1-Feb-15	2	*36.50	36.99

Rating/target price changes above reflect Eastern Standard Time

UGI Corp (UGI) Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Faisal Khan, CFA



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

AmeriGas Partners LP (APU) Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA
Covered since March 31 2014



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	2-May-13	3H	*38.50	45.35

* Indicates change

	Date	Rating	Target Price	Closing Price
3	25-Oct-13	*2H	*45.50	44.95
4	30-Jan-14	2H	*43.50	42.93

	Date	Rating	Target Price	Closing Price
5	28-Mar-14	2H	*44.50	41.99
6	28-Jul-14	2H	*46.00	46.10

Rating/target price changes above reflect Eastern Standard Time

AmeriGas Partners LP (APU)

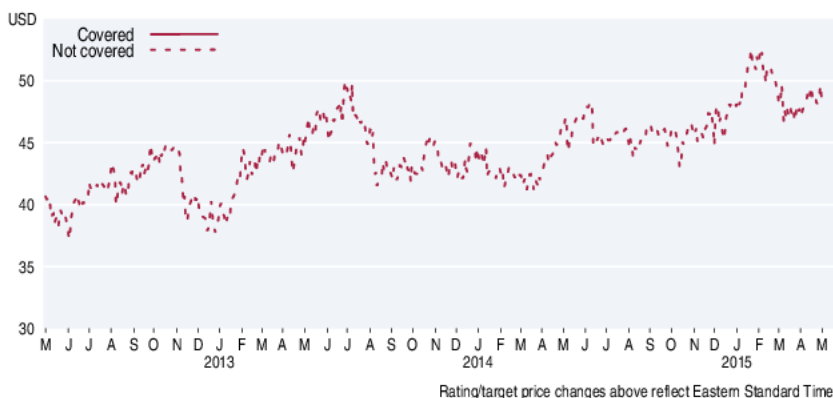
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Faisal Khan, CFA

Covered since March 31 2014



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of UGI Corp

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of AmeriGas Partners LP.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from UGI Corp, AmeriGas Partners LP.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from UGI Corp, AmeriGas Partners LP in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): UGI Corp, AmeriGas Partners LP.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: UGI Corp, AmeriGas Partners LP.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: UGI Corp, AmeriGas Partners LP.

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Citi Research Equity Ratings Distribution

Data current as of 31 Mar 2015

Citi Research Global Fundamental Coverage	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Research Global Fundamental Coverage	46%	41%	13%	0%	100%	0%
% of companies in each rating category that are investment banking clients	65%	64%	54%	0%	63%	0%

Guide to Citi Research Fundamental Research Investment Ratings:

Citi Research stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.

Risk rating takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.

Investment Ratings: Citi Research investment ratings are Buy, Neutral and Sell. Our ratings are a function of analyst expectations of expected total return ("ETR") and risk. ETR is the sum of the forecast price appreciation (or depreciation) plus the dividend yield for a stock within the next 12 months. The Investment rating definitions are: Buy (1) ETR of 15% or more or 25% or more for High risk stocks; and Sell (3) for negative ETR. Any covered stock not assigned a Buy or a Sell is a Neutral (2). For stocks rated Neutral (2), if an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Citi Research management not to assign a target price and, thus, not derive an ETR. Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and / or trading in the company's securities (e.g. trading suspension). As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis. To satisfy regulatory requirements, we correspond Under Review and Neutral to Hold in our ratings distribution table for our 12-month fundamental rating system. However, we reiterate that we do not consider Under Review to be a recommendation.

Prior to May 1, 2014 Citi Research may have also assigned a three-month relative call (or rating) to a stock to highlight expected out-performance (most preferred) or under-performance (least preferred) versus the geographic and industry sector over a 3 month period. The relative call may have highlighted a specific near-term catalyst or event impacting the company or the market that was anticipated to have a short-term price impact on the equity securities of the company. Absent any specific catalyst the analyst(s) may have indicated the most and least preferred stocks in the universe of stocks under consideration, explaining the basis for this short-term view. This three-month view may have been different from and did not affect a stock's fundamental

equity rating, which reflected a longer-term total absolute return expectation. For purposes of NASD/NYSE ratings-distribution-disclosure rules, most preferred calls corresponded to a buy recommendation and least preferred calls corresponded to a sell recommendation. Any stock not assigned to a most preferred or least preferred call was considered non-relative-rated (NRR). For purposes of NASD/NYSE ratings-distribution-disclosure rules we corresponded NRR to Hold in our ratings distribution table for our 3-month relative rating system. However, we reiterate that we did not consider NRR to be a recommendation.

Prior to October 8, 2011, the firm's stock recommendation system included a risk rating and an investment rating. **Risk ratings**, which took into account both price volatility and fundamental criteria, were: Low (L), Medium (M), High (H), and Speculative (S). **Investment Ratings** of Buy, Hold and Sell were a function of the Citi Research expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating. Additionally, analysts could have placed covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and/or trading in the company's securities (e.g. trading suspension). Stocks placed "Under Review" were monitored daily by management and as practically possible, the analyst published a note re-establishing a rating and investment thesis. For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings were: Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return). For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings were: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

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8 September 2015 | 15 pages

Master Limited Partnerships
North America

UGI & APU Complex

Model Estimate Updates

- **UGI Estimate Update** — We are updating our estimates to incorporate 1) UGI's last reported financial information, 2) adjusted cash flow estimates in the Energy Services segment, and 3) our changes to underlying performance at APU.
- **APU Estimate Update** — We are updating our estimates to incorporate 1) APU's last reported financial information, 2) a slower long-term volume decline based on the partnership's ability to offset customer attrition with constant M&A, and 3) slightly improved unit margins as commodity prices remain low.
- **Recommendation(s)** — We maintain our Neutral rating and target price of \$36.50/share on UGI. We also maintain our Neutral High-Risk rating and target price of \$46/unit on APU.

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Company	Ticker	Currency	Price 08 Sep	Rating		Target Price		Div Yld (%)	ETR (%)	Last Rpt Year	Current Fiscal Year EPS		Next Fiscal Year EPS	
				Old	New	Old	New				Old	New	Old	New
AmeriGas Part	APU	US\$	43.46	2H	2H	46.00	46.00	8.5	14.4	Sep-14	1.39	2.09	3.06	2.79
UGI	UGI	US\$	33.80	2	2	36.50	36.50	2.7	10.7	Sep-14	1.89	1.89	1.95	1.99

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk

Source: Citi Research

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Company Focus

UGI Corp (UGI) Model Estimate Update

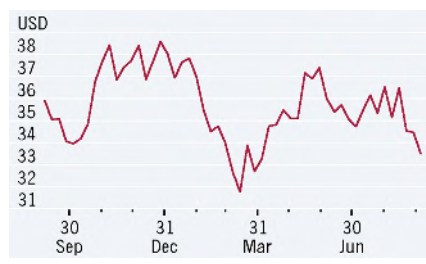
■ Estimate Change

- **Estimate Update** — We are updating our estimates to incorporate 1) UGI's last reported financial information, 2) adjusted cash flows estimates in the Energy Services segment, and 3) our changes to underlying performance at APU.
- **Recommendation** — We maintain our Neutral rating and target price of \$36.50/share on UGI.

Neutral	2
Price (08 Sep 15)	US\$33.80
Target price	US\$36.50
Expected share price return	8.0%
Expected dividend yield	2.7%
Expected total return	10.7%
Market Cap	US\$5,840M

Price Performance

(RIC: UGI.N, BB: UGI US)



EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2014A	0.67A	1.30A	0.09A	-0.02A	2.04A	1.99A
2015E	0.66A	1.23A	0.03A	-0.02E	1.89E	1.91E
Previous	0.66A	1.40A	0.12E	-0.06E	1.89E	na
2016E	0.74E	1.27E	0.01E	-0.03E	1.99E	2.15E
Previous	0.86E	0.97E	0.15E	-0.04E	1.95E	na
2017E	0.76E	1.31E	0.02E	-0.02E	2.07E	2.26E
Previous	0.89E	1.00E	0.16E	-0.03E	2.03E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Model Estimate Update

Estimate Changes

We are updating our estimates to include 3Q:15 results as well as adjusting our energy services earnings upwards and improved underlying APU adjustments. (See APU note for details)

Figure 1. Estimate Changes – UGI

Adjusted EBITDA (\$ Millions)	4Q:15E	2015E	2016E	2017E	2018E	2019E	2020E
Current	\$143.2	\$1,401.3	\$1,508.0	\$1,548.3	\$1,583.1	\$1,618.3	\$1,653.9
Previous	\$110.5	\$1,397.0	\$1,450.1	\$1,477.5	\$1,498.2	\$1,519.5	\$1,541.3
% Change	29.6%	0.3%	4.0%	4.8%	5.7%	6.5%	7.3%
Dividends per Share (\$)	4Q:15E	2015E	2016E	2017E	2018E	2019E	2020E
Current	\$0.23	\$0.89	\$0.93	\$0.97	\$1.00	\$1.04	\$1.09
Previous	\$0.22	\$0.87	\$0.90	\$0.94	\$0.98	\$1.02	\$1.06
% Change	4.6%	2.3%	2.6%	2.6%	2.6%	2.6%	2.6%
Earnings per Unit (\$) *	4Q:15E	2015E	2016E	2017E	2018E	2019E	2020E
Current	(\$0.02)	\$1.89	\$1.99	\$2.07	\$2.13	\$2.20	\$2.26
Previous	(\$0.06)	\$1.89	\$1.95	\$2.03	\$2.08	\$2.14	\$2.20
% Change	(64.1%)	0.0%	2.2%	2.2%	2.5%	2.7%	3.0%

* 2015 Excludes Total acquisition costs and contribution.

Source: Citi Research

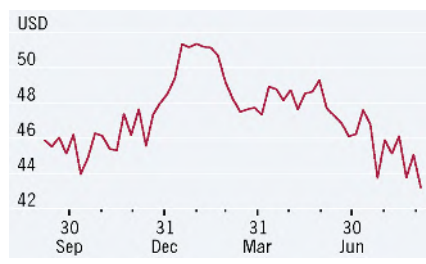
Company Focus

■ Estimate Change

Neutral/High Risk	2H
Price (08 Sep 15)	US\$43.46
Target price	US\$46.00
Expected share price return	5.8%
Expected dividend yield	8.5%
Expected total return	14.4%
Market Cap	US\$4,037M

Price Performance

(RIC: APU.N, BB: APU US)



AmeriGas Partners LP (APU) Model Estimate Update

- **Estimate Update** — We are updating our estimates to incorporate 1) APU's last reported financial information, 2) a slower long-term volume decline based on the partnership's ability to offset customer attrition with constant M&A, and 3) slightly improved unit margins as commodity prices remain low.
- **Recommendation** — We maintain our Neutral High-Risk rating and target price of \$46/unit on APU.

	2015E	2016E	2017E	2018E	2019E	2020
Distributable Cash Flow (\$ Millions)						
Adjusted EBITDA	\$640.0	\$666.6	\$671.4	\$676.1	\$680.8	\$685.5
Interest Expense	(162.7)	(161.0)	(161.1)	(161.6)	(162.6)	(163.7)
Tax	(3.4)	(3.6)	(3.6)	(3.6)	(3.6)	(3.6)
Maintenance Capital Expenditures	(66.0)	(66.7)	(67.3)	(68.0)	(68.7)	(69.4)
Other Cash Adjustments	(3.9)	(4.9)	(4.9)	(4.9)	(4.9)	(4.9)
Distributable Cash Flow	\$404.0	\$430.5	\$434.4	\$438.0	\$441.1	\$443.9
Total Cash Distributions	368.9	388.0	402.8	417.6	428.7	436.1
Total Distribution Per Unit	\$3.60	\$3.72	\$3.80	\$3.88	\$3.94	\$3.98
Growth in Distribution Per Unit	4.7%	3.3%	2.2%	2.1%	1.5%	1.0%
Distribution Cash Flow Coverage:	1.10x	1.11x	1.08x	1.05x	1.03x	1.02x

Source: Citi Research

Model Estimate Update

Estimate Changes

We are updating our estimates for 3Q:15 results as well as adjusting our expectation of volume declines and margin levels going forward. We expect APU to have minimal volume loss over time as constant acquisitions help offset some of the natural attrition occurring in their customer base.

Figure 2. Estimate Changes – APU

Adjusted EBITDA (\$mil) *	4Q:15E	2015E	2016E	2017E	2018E	2019E	2020E
Current	\$56.7	\$640.0	\$666.6	\$671.4	\$676.1	\$680.8	\$685.5
Previous	\$53.4	\$654.7	\$690.8	\$686.0	\$681.3	\$676.5	\$671.9
% Change	6.2%	(2.2%)	(3.5%)	(2.1%)	(0.8%)	0.6%	2.0%
Distributable Cash Flow (\$ Millions)							
Current	(\$7.0)	\$404.0	\$430.5	\$434.4	\$438.0	\$441.1	\$443.9
Previous	(\$4.4)	\$416.7	\$450.5	\$446.6	\$442.7	\$438.8	\$434.8
% Change	60.5%	(3.0%)	(4.4%)	(2.7%)	(1.1%)	0.5%	2.1%
Distributions per Unit (\$)							
Current	\$0.92	\$3.60	\$3.72	\$3.80	\$3.88	\$3.94	\$3.98
Previous	\$0.89	\$3.54	\$3.58	\$3.60	\$3.60	\$3.60	\$3.60
% Change	3.4%	1.7%	3.9%	5.6%	7.8%	9.4%	10.6%
Earnings per Unit (\$)							
Current	(\$0.46)	\$2.09	\$2.79	\$2.72	\$2.65	\$2.59	\$2.55
Previous	(\$0.50)	\$1.39	\$3.06	\$2.98	\$2.90	\$2.83	\$2.75
% Change	(8.5%)	49.9%	(8.7%)	(8.5%)	(8.7%)	(8.4%)	(7.3%)

*Inclusive of minority interest.

Source: Citi Research

UGI Corp

Company description

UGI Corp operates as a diversified gas utility, electric utility and global propane distribution company. The company's utility and power assets are located in Pennsylvania. The company's propane business is composed of a 46% equity interest in AmeriGas Partners and an international propane distribution unit with principal operations in Europe, where the company controls about a quarter of the market. UGI also operates an energy services business with generation and storage assets.

Investment strategy

We rate UGI a Neutral (2). The company provides stable cash flows through a combination of an electric and gas utility. In addition, the company has one of the largest propane businesses in the US and has an International Propane division that serves customers in Europe. Historically UGI has generated strong free cash flows from its domestic propane and utilities businesses enabling the company to make bolt-on acquisitions and increase its dividend over time. However, the propane business in the US looks challenged as commodity prices move higher, and customers migrate to alternative fuels.

Valuation

Our average multiple valuation methodologies derives a \$36.50 target price. Our NAV yields a value of \$38. We value regulated assets at a multiple of rate base (1.6x for gas utilities). The company's gas marketing segment is valued at 6x EBITDA, in-line with multiples for other marketers. These values are partially offset by the UGI's net debt. Our DDM values the company at \$34. We calculate a hypothetical dividend, based on UGI's regulated capital growth, authorized returns and cost of equity to arrive at our DDM valuation. Our P/E and EV/EBITDA multiples are based on our proprietary analyses, which utilize current corporate spreads, betas and projected risk-free yields. For our P/E analysis, we use multiples of 16x, 13.6x, 16x and 10.5x for the company's Gas Utility, Propane, Electric Utility and Marketing/Energy Services assets. For our EV/EBITDA analysis, we use multiples of 8x and 6.5x for the company's Gas & Electric Utility/Propane businesses and Marketing/Energy Services assets. International propane operations are valued at a 15% discount to our gas utilities, due to exposure to weather and exchange rates. Our P/E and EV/EBITDA analyses yield values of \$29 and \$47.

Risks

The key risks to our investment thesis are: 1) Weather and exchange rates: Slightly affecting UGI's stable cash flows are sensitivities to weather and exchange rates. Flaga and Antargaz's earnings remain exposed to foreign currency fluctuations; 2) Demand fluctuation and industry evolution: Propane distributors compete in an unregulated market. While the barriers to entry are high, UGI competes with a number of propane distributors in the U.S. and Europe. Economics for other fuel types is also making it more economical for customers to switch into other fuels; 3) Regulation: Our earnings estimates assume normal weather and recovery of capital spent in excess of depreciation through higher customer rates. These rates depend on orders from Pennsylvania Public Utility Commission; 4) Commodity prices: Our margin assumptions at UGI's power plants are based on market prices and the capacity market in PJM. Higher fuel costs or regulatory impediments within the PJM

market could adversely affect our earnings estimates. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause our target price to be materially outperformed.

AmeriGas Partners LP

Company description

AmeriGas Partners, L.P. is structured as a master limited partnership (MLP) and is the largest propane distributor in the country, serving about ~2 million residential, commercial, industrial, and agricultural customers from ~2,000 distribution locations in 50 states, selling ~1.3 billion gallons of propane annually. The partnership operates an extensive storage and distribution network, using interstate natural gas liquids pipelines, railroad tank cars, barges, and delivery trucks to transport propane from suppliers to storage and distribution facilities. UGI Corp. is the MLP's general partner and owns 26% of the partnership.

Investment strategy

We rate AmeriGas Partners LP Neutral/High Risk (2H). While we believe these units offer investors an attractive yield with stable cash flows and adequate distribution coverage, the fundamentals of the retail propane sector remain challenged, limiting upside appreciation. AmeriGas will face a challenging environment ahead as margins may face headwinds from higher wholesale propane prices due to increased competition with foreign markets as export capacity comes online. We continue to see overall volumes in the industry continuing a structural decline of ~1-2% annually despite more normal temps, as economically viable alternatives such as natural gas and electrical heating become available. We view retail propane distributors such as APU as unregulated utilities. While margins can vary over time, customers rely on these services for basic space heating purposes. However, weather, economic conditions and price volatility tend to impact demand for propane which in turn impact cash flows. We estimate that 95% of the partnership's distributions will be tax-deferred.

Valuation

Our 12-month target price for AmeriGas Partners, L.P. is \$46.00 per unit. Our target price assumes that AmeriGas will increase its distributions to an annualized rate of \$3.56/unit over the next 12 months and that the units should trade with a 7.75% yield. Our choice of the implied yield is a function of the MLP's growth outlook, risk profile, and the broader yield environment. In the current low interest rate environment we believe that investor demand for yield will continue to drive fund flows into MLPs with stable or growing distribution outlooks such as APU, which is also likely to drive yields lower over the next 12-months. We use internal rate of return (IRR) and discounted cash flow (DCF) methodologies to help support our implied yield valuation. These secondary valuation metrics are based on our 5-year operational forecast that takes into account near-term growth opportunities and/or risk factors. Our terminal yield and growth estimates take into account a more normalized yield environment and a slower pace of long-term industry growth. The long-term yield we use to value APU is 8.50%, which is anchored by our 2017 MLP index yield estimate of 7% (300 basis points above a 10-year Treasury yield of 4%) plus 150 basis points, in-line with historical levels. Based on terminal distribution growth of 0%, we derive an IRR of ~4.4% and a DCF of \$42.28/unit. The equity

value for APU based on our DCF model is lower than our implied yield valuation, but nonetheless supports our view on the partnership.

Risks

We rate AmeriGas Partners High Risk based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. AmeriGas' balance sheet strength as measured by 2015 Net Debt/EBITDA is in-line with the MLP peer group at 3.7x (vs. 3.9x for the peer group). AmeriGas's distribution coverage ratio of 1.19x is slightly better than the peer group average of 1.17x. These positive attributes are balanced by a high level of seasonal volatility in cash flows. Risks to the MLP achieving our 12-month target price include: 1) a sharp increase in wholesale propane and/or heating oil costs that causes the partnership's retail margin to decline, 2) unfavorable weather conditions, such as a cool summer or a warm winter, that drive lower than expected volumes, and 3) a greater increase in interest rates that could make the partnership's relatively high yield less attractive. (Investors should recognize the volume of propane sold is directly affected by the severity of winter weather conditions since many customers of AmeriGas rely heavily on propane as a heating fuel.) Conversely, we believe the units could materially outperform our target price if the weather becomes more favorable (i.e., cool winter and/or warm summer) and the partnership is able to sell a greater amount of propane and/heating oil than anticipated.

Appendix A-1

Analyst Certification

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IMPORTANT DISCLOSURES

UGI Corp (UGI) Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	25-Jan-13	*2	*24.67	23.04

* Indicates change

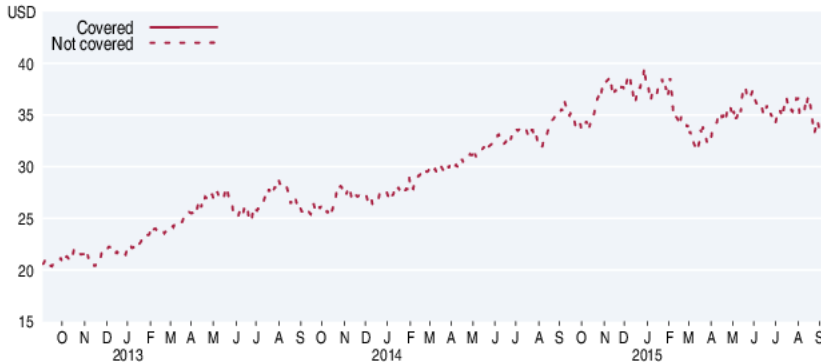
	Date	Rating	Target Price	Closing Price
3	1-May-13	2	*26.67	26.99
4	29-Oct-13	2	*28.00	28.05

	Date	Rating	Target Price	Closing Price
5	7-Feb-14	2	*29.33	28.41
6	1-Feb-15	2	*36.50	36.99

Rating/target price changes above reflect Eastern Standard Time

UGI Corp (UGI) Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Faisal Khan, CFA



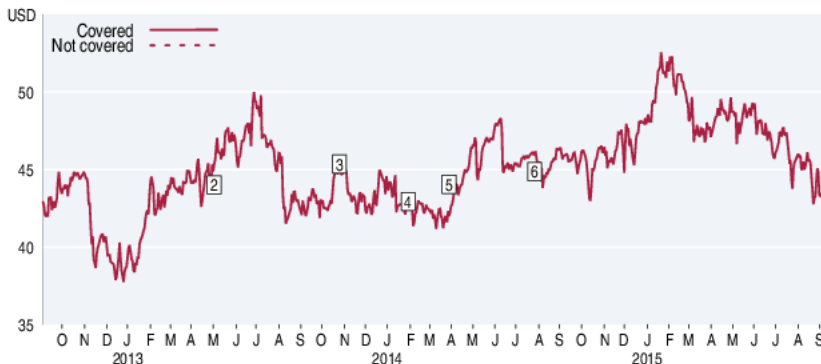
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

AmeriGas Partners LP (APU) Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA

Covered since March 31 2014



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	2-May-13	3H	*38.50	45.35

* Indicates change

	Date	Rating	Target Price	Closing Price
3	25-Oct-13	*2H	*45.50	44.95
4	30-Jan-14	2H	*43.50	42.93

	Date	Rating	Target Price	Closing Price
5	28-Mar-14	2H	*44.50	41.99
6	28-Jul-14	2H	*46.00	46.10

Rating/target price changes above reflect Eastern Standard Time

AmeriGas Partners LP (APU)

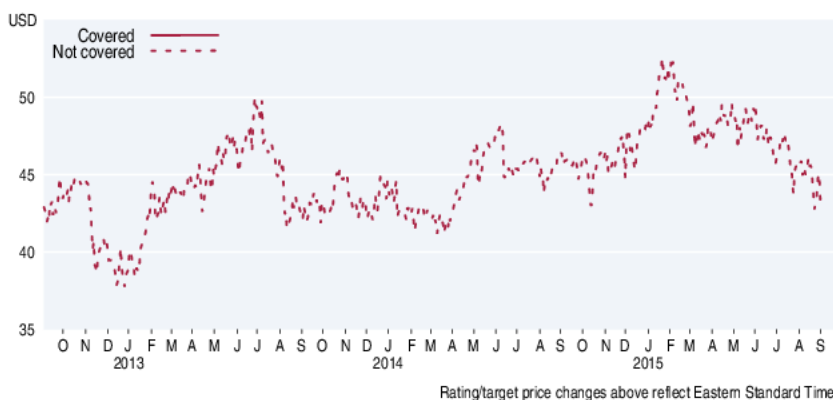
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Faisal Khan, CFA

Covered since March 31 2014



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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Data current as of 30 Jun 2015

Citi Research Global Fundamental Coverage	12 Month Rating			Relative Rating		
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% of companies in each rating category that are investment banking clients	65%	64%	60%	0%	64%	0%

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17 November 2015 | 13 pages

Master Limited Partnerships
North America

UGI & APU Complex

Management Provides 2016 Guidance, 4Q Recap

- 2016 Guidance** — Management provided FY16 EPS guidance of \$2.15 - \$2.30/share for UGI, representing an ~11% increase over 2015 primarily driven by management's expectation of its Finagaz acquisition providing \$0.15/unit accretion in FY16, with a further \$0.08 - \$0.12/unit over the next 3-4 years. Management also provided adjusted EBITDA guidance for APU of \$660 - \$690 million, assuming normal weather patterns. This represents an ~9% increase over 2015 and is in-line with our estimate of \$667 million.
- Backlog Update** — UGI expects to spend ~\$450 million towards existing projects over 3 years, without the need to issue public equity. The bulk of this spend is going towards fee-based projects such as 1) the Sunbury Pipeline, 2) the newly announced Manning LNG expansion to double its fractionation capacity in the region, and 3) the PennEast Pipeline whose application has been filed with the FERC and expected in-service in late 2017.
- UGI 4Q Results** — UGI reported EPS of \$0.1/share (excl M2M hedges), relatively in-line with our estimates of \$(0.02) and Consensus of \$(0.03). The announced 4Q dividend of \$0.2275/share (\$0.91 annualized) represents a 4.6% increase YoY.
- AmeriGas 4Q Results** — APU reported adjusted EBITDA of \$39.7 million, below our estimate of \$56.7 million and consensus of \$58.2 million as stronger margins were not enough to offset warmer temps during the quarter. Retail propane volumes sold of 193.9 million gallons were down ~10% YoY as temps were ~38% warmer versus last year. We estimate DCF of \$(15.4) million resulted in coverage of 1.07x on an LTM basis. The Board had previously announced a distribution of \$0.92/unit (\$3.68 annualized), up 4.5% YoY.
- Winter Expectations for APU** — Temperatures have not been accommodating so far this winter season as temps remain somewhat elevated over historical norms. October has seen temperatures ~31% warmer than last on a HDD basis but note that the bulk of volumes are sold in the Dec-Feb time frame. We see margins being supportive this winter seasons as propane commodity prices remaining relatively low as domestic production continues to grow and propane inventories are at historic levels of over 100 MMBbls.
- Recommendations** — We are maintaining our Neutral rating and target price of \$36.50/share on UGI. We are maintaining our Neutral/High Risk rating on APU but decreasing our target price to \$42/unit based on multiple valuation methodologies. Our new target price reflects a repricing of risk in the midstream space as well as discounted cash flow and EV / EBITDA valuation methodologies.

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Company	Ticker	Currency	Price		Rating		Target Price		Div Yld (%)	ETR (%)	Last Rpt Year	Current Fiscal Year		Next Fiscal Year	
			17 Nov	Old	Old	New	Old	New				EPS	EPS		
AmeriGas Part	APU	US\$	40.49	2H	2H	46.00	42.00	9.2	12.9	Sep-15	2.79	2.80	2.80	2.73	
UGI	UGI	US\$	34.13	2	2	36.50	36.50	2.7	9.6	Sep-15	1.99	1.99	2.07	2.07	

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk

Source: Citi Research

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Reported Results vs Citi Estimates

Figure 1. Reported Results vs Citi Estimates - UGI

(\$ in Millions)	4Q:14A	3Q:15A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	9/30/14	6/30/15	4Q:15A 9/30/15	4Q:15E 9/30/15			
Gross Profit Per Segment							
AmeriGas Propane	\$463.1	\$266.8	\$257.3	\$271.8	(3.5%)	(44.4%)	(5.3%)
UGI International	\$123.5	\$137.1	\$174.3	\$152.2	27.1%	41.1%	14.5%
Gas Utility	\$64.0	\$78.1	\$63.3	\$66.5	(19.0%)	(1.1%)	(4.8%)
Midstream & Marketing	\$40.6	\$42.3	\$42.9	\$44.9	1.4%	5.7%	(4.5%)
Segment Gross Margin	\$691.2	\$524.3	\$537.8	\$535.4	2.6%	(22.2%)	0.5%
Operating Income Per Segment *							
AmeriGas Propane	\$0.3	\$1.0	(\$9.8)	\$8.4	(1,105.7%)	(3,294.4%)	NM
UGI International	(\$10.0)	(\$0.3)	(\$5.1)	\$6.8	1,600.0%	(49.0%)	NM
Gas Utility	\$2.5	\$15.1	\$0.3	\$20.7	(98.0%)	(88.0%)	(98.5%)
Midstream & Marketing	\$14.9	\$18.6	\$18.8	\$26.9	1.1%	26.2%	(30.1%)
Segment Income	\$7.7	\$34.4	\$4.2	\$62.8	(87.7%)	(45.2%)	(93.3%)
Adj Net Income to UGI Corp *	(\$13.2)	\$4.7	\$1.9	(\$3.9)	(59.4%)	(114.4%)	NM
Adj EPS *	(\$0.08)	\$0.03	\$0.01	(\$0.02)	(62.5%)	(113.1%)	NM
Dividend Per Share (announced)	\$0.2175	\$0.2275	\$0.2275	\$0.2275	0.0%	4.6%	0.0%
Annualized	\$0.8700	\$0.9100	\$0.9100	\$0.9100	0.0%	4.6%	0.0%
Segment Stats							
Amerigas - Retail Gallons Sold (MMGal)	211.0	202.2	193.9	215.2	(4.1%)	(8.1%)	(9.9%)
UGI International - Retail Gallons Sold (MMGal)	118.1	151.5	175.3	171.2	15.7%	48.4%	2.4%
Gas Utility System Throughput - Core Market (Bcf)	5.3	8.9	4.9	5.5	(44.9%)	(7.5%)	(10.2%)
Gas Utility System Throughput - Total (Bcf)	36.1	38.6	37.1	37.5	(3.9%)	2.8%	(1.0%)

*Excludes unrealized hedges.

Source: Citi Research

Figure 2. Reported Results vs Citi Estimates - APU

(\$ in Millions)	4Q:14A	3Q:15A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	9/30/14	6/30/15	4Q:15A 9/30/15	4Q:15E 9/30/15			
Propane Sold - Retail (MM Gallons)	211.0	202.2	193.9	215.2	(4.1%)	(8.1%)	(9.9%)
Total Gross Profit	\$262.2	\$266.8	\$257.3	\$271.8	(3.5%)	(1.9%)	(5.3%)
Operating Expenses*	\$220.0	\$223.3	\$226.0	\$222.1	1.2%	2.7%	1.7%
Other Expenses / (Income)	(5.9)	(5.5)	(8.3)	(7.0)	49.0%	39.7%	18.1%
EBITDA	\$48.2	\$49.0	\$39.6	\$56.7	(19.2%)	(17.8%)	(30.2%)
Adjusted EBITDA	\$48.1	\$48.9	\$39.7	\$56.7	(18.8%)	(17.5%)	(30.0%)
Interest Expense	(40.6)	(40.3)	(40.4)	(40.3)	0.4%	(0.4%)	0.2%
Maintenance Capex	(23.3)	(11.8)	(14.2)	(22.4)	20.6%	(38.9%)	(36.5%)
Other	(7.1)	(0.8)	(0.4)	(0.9)	(47.6%)	(94.1%)	(53.3%)
Distributable Cash Flow (Estimate)	(\$23.0)	(\$4.0)	(\$15.4)	(\$7.0)	284.2%	(32.9%)	120.3%
Distributions per unit (announced)	\$0.8800	\$0.9200	\$0.9200	\$0.9200	0.0%	4.5%	0.0%
Distribution Coverage Ratio (LTM)	1.20x	1.07x	1.07x	1.10x	0.3%	(10.6%)	(2.1%)
EPS	(\$0.58)	(\$0.37)	(\$0.62)	(\$0.46)	70.3%	7.9%	36.0%
Unit Analysis - Retail (\$/gal)							
Cost Per Gallon	\$1.25	\$0.88	\$0.67	\$0.66	(23.3%)	(46.2%)	2.6%
Mt Belvieu Propane Price	\$1.04	\$0.47	\$0.41	\$0.41	(11.8%)	(60.3%)	1.6%

*Excludes integration costs

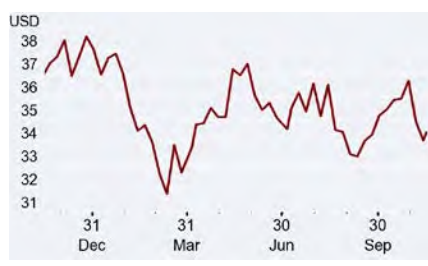
Source: Citi Research

Company Focus

■ Estimate Change

Neutral	2
Price (17 Nov 15)	US\$34.13
Target price	US\$36.50
Expected share price return	6.9%
Expected dividend yield	2.7%
Expected total return	9.6%
Market Cap	US\$5,897M

Price Performance
(RIC: UGI.N, BB: UGI US)



UGI Corp (UGI) Management Provides 2016 Guidance, 4Q In-Line

- **2016 Guidance** — Management provided FY16 EPS guidance of \$2.15 - \$2.30/share for UGI, representing an ~11% increase over 2015. This is primarily driven by management's expectation of its Finagaz acquisition providing \$0.15/unit accretion in FY16, with a further \$0.08 – \$0.12/unit over the next 3-4 years.
- **Backlog Update** — UGI expects to spend ~\$450 million towards existing projects over 3 years, without the need to issue public equity. The bulk of this spend is going towards fee-based projects such as 1) the Sunbury Pipeline, 2) the newly announced Manning LNG expansion to double its fractionation capacity in the region, and 3) the PennEast Pipeline whose application has been filed with the FERC and expected in-service in late 2017.
- **UGI Results** — UGI reported EPS of \$0.1/share (excl M2M hedges), relatively in-line with our estimates of \$(0.02) and Consensus of \$(0.03). The announced 4Q dividend of \$0.2275/share (\$0.91 annualized) represents a 4.6% increase YoY.
- **Segment Performance** — APU reported gross profit of \$257.3 million versus our estimate of \$271.8 million as stronger margins were not enough to offset warmer temps during the quarter. UGI's international propane segment reported gross profit of \$174.3 million with retail propane sales of 175.3 million gallons. The gas utility segment reported gross profit of \$63.3 million supported by total system throughput of 37.1 Bcf for the quarter. The midstream & marketing segment reported gross profit of \$42.9 million as basis differentials in 2015 remained less volatile versus 2014.
- **Recommendation** — We are maintaining our Neutral rating and target price of \$36.50/share on UGI.

EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2015A	0.66A	1.23A	0.03A	0.01A	1.93A	2.01A
2016E	0.74E	1.27E	0.01E	-0.03E	1.99E	2.15E
Previous	0.74E	1.27E	0.01E	-0.03E	1.99E	na
2017E	0.76E	1.31E	0.02E	-0.02E	2.07E	2.29E
Previous	0.76E	1.31E	0.02E	-0.02E	2.07E	na
2018E	0.78E	1.33E	0.02E	-0.01E	2.12E	2.53E
Previous	0.78E	1.34E	0.02E	-0.01E	2.13E	na

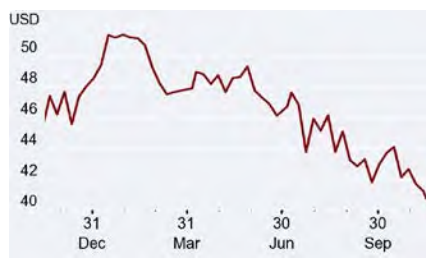
Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

- Estimate Change
- Target Price Change

Neutral/High Risk	2H
Price (17 Nov 15)	US\$40.49
Target price	US\$42.00
	from US\$46.00
Expected share price return	3.7%
Expected dividend yield	9.2%
Expected total return	12.9%
Market Cap	US\$3,761M

Price Performance
(RIC: APU.N, BB: APU US)



AmeriGas Partners LP (APU) Management Provides 2016 Guidance, 4Q Miss On Warm Temps

- **2016 Guidance** — Mgmt provided adjusted EBITDA guidance for APU of \$660 - \$690 million, assuming normal weather patterns. This represents a ~9% increase over 2015 and is in-line with our estimate of \$667 million.
- **AmeriGas Results** — APU reported adj EBITDA of \$39.7 mil, below our estimate of \$56.7 mil and consensus of \$58.2 mil as stronger margins were not enough to offset warmer temps during the quarter. Retail propane volumes sold of 193.9 million gallons were down ~10% YoY as temps were ~38% warmer versus last year. We estimate DCF of \$(15.4) mil resulted in coverage of 1.07x on an LTM basis. The Board had previously announced a distribution of \$0.92/unit (\$3.68 annualized), up 4.5% YoY.
- **Winter Expectations for APU** — Temperatures have not been accommodating so far this winter season as temps remain somewhat elevated over historical norms. October has seen temperatures ~31% warmer than last on a HDD basis but note that the bulk of volumes are sold in the Dec-Feb time frame. We see margins being supportive this winter seasons as propane commodity prices remaining relatively low as domestic production continues to grow and propane inventories are at historic levels of over 100 MMBbls.
- **Recommendation** — We are maintaining our Neutral/High Risk rating on APU but decreasing our target price to \$42/unit based on multiple valuation methodologies. Our new target price reflects a repricing of risk in the midstream space as well as discounted cash flow and EV / EBITDA valuation methodologies.

	2016E	2017E	2018E	2019E	2020
Distributable Cash Flow (\$ Millions)					
Adjusted EBITDA	\$666.8	\$671.5	\$676.3	\$681.0	\$685.7
Interest Expense	(161.3)	(161.0)	(161.2)	(161.8)	(162.6)
Tax	(3.6)	(3.6)	(3.6)	(3.6)	(3.6)
Maintenance Capital Expenditures	(58.4)	(59.0)	(59.6)	(60.2)	(60.8)
Other Cash Adjustments	(4.9)	(4.9)	(4.9)	(4.9)	(5.0)
Distributable Cash Flow	\$438.6	\$443.0	\$446.9	\$450.5	\$453.8
Total Cash Distributions	388.0	402.8	417.6	428.7	436.1
Total Distribution Per Unit	\$3.72	\$3.80	\$3.88	\$3.94	\$3.98
Growth in Distribution Per Unit	3.3%	2.2%	2.1%	1.5%	1.0%
Distribution Cash Flow Coverage:	1.13x	1.10x	1.07x	1.05x	1.04x

Source: Citi Research

UGI Corp

Company description

UGI Corp operates as a diversified gas utility, electric utility and global propane distribution company. The company's utility and power assets are located in Pennsylvania. The company's propane business is composed of a 46% equity interest in AmeriGas Partners and an international propane distribution unit with principal operations in Europe, where the company controls about a quarter of the market. UGI also operates an energy services business with generation and storage assets.

Investment strategy

We rate UGI a Neutral (2). The company provides stable cash flows through a combination of an electric and gas utility. In addition, the company has one of the largest propane businesses in the US and has an International Propane division that serves customers in Europe. Historically UGI has generated strong free cash flows from its domestic propane and utilities businesses enabling the company to make bolt-on acquisitions and increase its dividend over time. However, the propane business in the US looks challenged as commodity prices move higher, and customers migrate to alternative fuels.

Valuation

Our average multiple valuation methodologies derives a \$36.50 target price. Our NAV yields a value of \$38. We value regulated assets at a multiple of rate base (1.6x for gas utilities). The company's gas marketing segment is valued at 6x EBITDA, in-line with multiples for other marketers. These values are partially offset by the UGI's net debt. Our DDM values the company at \$34. We calculate a hypothetical dividend, based on UGI's regulated capital growth, authorized returns and cost of equity to arrive at our DDM valuation. Our P/E and EV/EBITDA multiples are based on our proprietary analyses, which utilize current corporate spreads, betas and projected risk-free yields. For our P/E analysis, we use multiples of 16x, 13.6x, 16x and 10.5x for the company's Gas Utility, Propane, Electric Utility and Marketing/Energy Services assets. For our EV/EBITDA analysis, we use multiples of 8x and 6.5x for the company's Gas & Electric Utility/Propane businesses and Marketing/Energy Services assets. International propane operations are valued at a 15% discount to our gas utilities, due to exposure to weather and exchange rates. Our P/E and EV/EBITDA analyses yield values of \$29 and \$47.

Risks

The key risks to our investment thesis are: 1) Weather and exchange rates: Slightly affecting UGI's stable cash flows are sensitivities to weather and exchange rates. Flaga and Antargaz's earnings remain exposed to foreign currency fluctuations; 2) Demand fluctuation and industry evolution: Propane distributors compete in an unregulated market. While the barriers to entry are high, UGI competes with a number of propane distributors in the U.S. and Europe. Economics for other fuel types is also making it more economical for customers to switch into other fuels; 3) Regulation: Our earnings estimates assume normal weather and recovery of capital spent in excess of depreciation through higher customer rates. These rates depend on orders from Pennsylvania Public Utility Commission; 4) Commodity prices: Our margin assumptions at UGI's power plants are based on market prices and the capacity market in PJM. Higher fuel costs or regulatory impediments within the PJM

market could adversely affect our earnings estimates. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause our target price to be materially outperformed.

AmeriGas Partners LP

Company description

AmeriGas Partners, L.P. is structured as a master limited partnership (MLP) and is the largest propane distributor in the country, serving about ~2 million residential, commercial, industrial, and agricultural customers from ~2,000 distribution locations in 50 states, selling ~1.3 billion gallons of propane annually. The partnership operates an extensive storage and distribution network, using interstate natural gas liquids pipelines, railroad tank cars, barges, and delivery trucks to transport propane from suppliers to storage and distribution facilities. UGI Corp. is the MLP's general partner and owns 26% of the partnership.

Investment strategy

We rate AmeriGas Partners LP Neutral/High Risk (2H). While we believe these units offer investors an attractive yield with stable cash flows and adequate distribution coverage, the fundamentals of the retail propane sector remain challenged, limiting upside appreciation. AmeriGas will face a challenging environment ahead as margins may face headwinds from higher wholesale propane prices due to increased competition with foreign markets as export capacity comes online. We continue to see overall volumes in the industry continuing a structural decline of ~1-2% annually despite more normal temps, as economically viable alternatives such as natural gas and electrical heating become available. We view retail propane distributors such as APU as unregulated utilities. While margins can vary over time, customers rely on these services for basic space heating purposes. However, weather, economic conditions and price volatility tend to impact demand for propane which in turn impact cash flows. We estimate that 95% of the partnership's distributions will be tax-deferred.

Valuation

Our 12-month target price for AmeriGas Partners, L.P. is \$42/unit based on 2 valuation methodologies. These valuations are a 1) EV/EBITDA valuation of \$40.16 and a 2) discounted cash flow (DCF) valuation of \$43.73. Our EV / EBITDA valuation is based on using a 10.0x multiple on estimates one year out. Our DCF is based on our 5-year operational forecast that takes into account near-term growth opportunities and/or risk factors. Our terminal yield and growth estimates take into account a more normalized yield environment and a slower pace of long-term industry growth. Based on a long-term cost of equity of 9.00% and a growth rate of 0% in perpetuity, we derive a DCF valuation of \$43.73. We use an internal rate of return (IRR) methodology to help support our primary valuations, which results in an IRR of ~10.6%.

Risks

We rate AmeriGas Partners High Risk based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. AmeriGas' balance sheet strength as measured by 2015 Net Debt/EBITDA is in-line with the MLP peer group at 3.7x (vs. 3.9x for the peer

group). AmeriGas's distribution coverage ratio of 1.07x is also in-line with the peer group average. These positive attributes are balanced by a high level of seasonal volatility in cash flows. Risks to the MLP achieving our 12-month target price include: 1) a sharp increase in wholesale propane and/or heating oil costs that causes the partnership's retail margin to decline, 2) unfavorable weather conditions, such as a cool summer or a warm winter, that drive lower than expected volumes, and 3) a greater increase in interest rates that could make the partnership's relatively high yield less attractive. (Investors should recognize the volume of propane sold is directly affected by the severity of winter weather conditions since many customers of AmeriGas rely heavily on propane as a heating fuel.) Conversely, we believe the units could materially outperform our target price if the weather becomes more favorable (i.e., cool winter and/or warm summer) and the partnership is able to sell a greater amount of propane and/heating oil than anticipated.

Appendix A-1

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Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA



	Date	Rating	Target Price	Closing Price
1	08-Oct-11	Stock rating system changed		
2	25-Jan-13	*2	*24.67	23.04

	Date	Rating	Target Price	Closing Price
3	01-May-13	2	*26.67	26.99
4	29-Oct-13	2	*28.00	28.05

	Date	Rating	Target Price	Closing Price
5	07-Feb-14	2	*29.33	28.41
6	01-Feb-15	2	*36.50	36.99

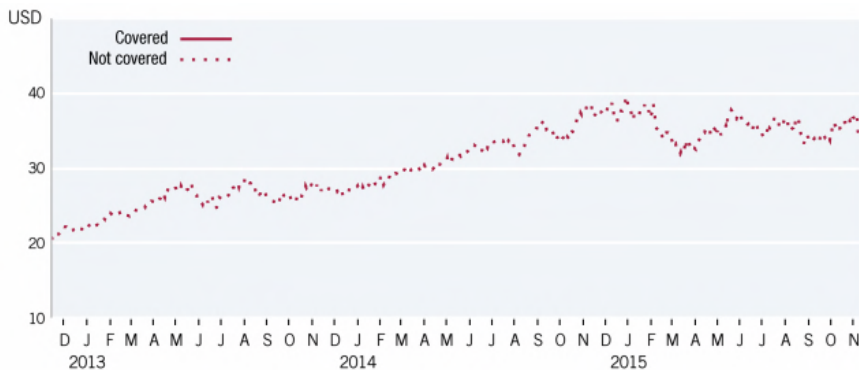
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Rating/target price changes above reflect Eastern Standard Time

UGI Corp (UGI)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Faisal Khan, CFA



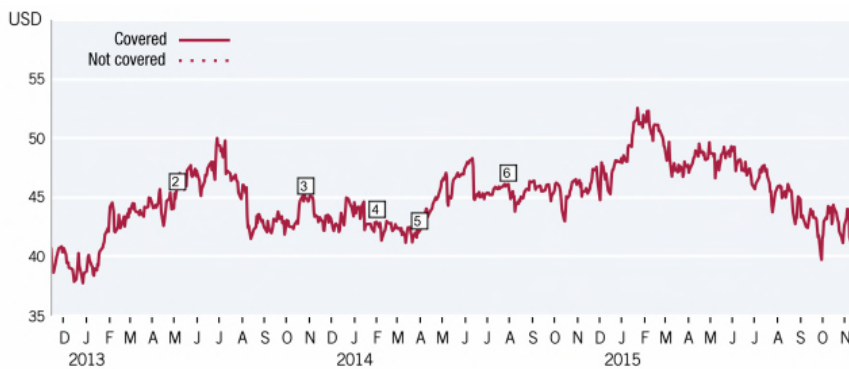
*Indicates Change

Rating/target price changes above reflect Eastern Standard Time

AmeriGas Partners LP (APU)

Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA
Covered since March 31 2014



	Date	Rating	Target Price	Closing Price
1	08-Oct-11	Stock rating system changed		
2	02-May-13	3H	*38.50	45.35

	Date	Rating	Target Price	Closing Price
3	25-Oct-13	*2H	*45.50	44.95
4	30-Jan-14	2H	*43.50	42.93

	Date	Rating	Target Price	Closing Price
5	28-Mar-14	2H	*44.50	41.99
6	28-Jul-14	2H	*46.00	46.10

*Indicates Change

Rating/target price changes above reflect Eastern Standard Time

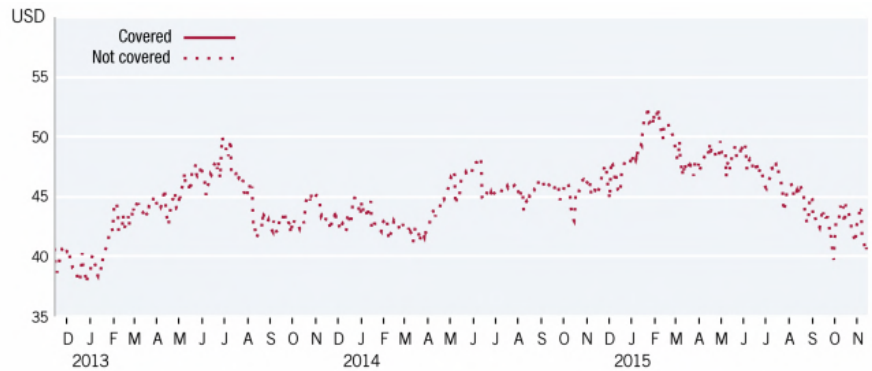
AmeriGas Partners LP (APU)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Faisal Khan, CFA
Covered since March 31 2014



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2 February 2016 | 14 pages

Master Limited Partnerships
North America

UGI & APU 1Q:16 Earnings Results

1Q Miss As Temps Turn Up The Heat; APU To Miss Guidance

- **UGI Results** — UGI reported adj EPS of \$0.64/share (excl M2M hedges), below Citi and Consensus estimates. The miss was driven by warmer weather effecting retail propane volumes and gas demand. The announced 1Q dividend of \$0.2275/share (\$0.91 annualized) represents a 4.6% increase YoY.
- **Project Updates** — The Manning LNG facility is progressing on schedule, expected on-line at the end of calendar 2016. The Sunbury Pipeline and PennEast Pipeline are continuing to move through the FERC approval process, with expected in-service dates at the end of calendar 2016 and 2017, respectively.
- **International** — UGI's international propane business reported operating income of \$85.1 mil benefitting from the Finagaz acquisition and higher unit margins thanks to lower LPG prices. These factors helped offset the negative impact of temperatures in France which were ~3% warmer YoY.
- **Gas Utility** — The gas utility business reported operating income of \$48.3 mil as throughput volumes were negatively impacted by temperatures that were 23% warmer YoY. Additionally, UGI filed its 1st gas rate case in 21 years with the Pennsylvania PUC, requesting a ~\$59 mil increase in its rate base and an 11% ROE, currently at ~5%. Management expects the case to be concluded by the fall of this year.
- **Midstream & Marketing** — The midstream & marketing segment reported operating income of \$42.9 mil impacted by lower gas basis differentials and volatility during the quarter. Somewhat offsetting these headwinds were stronger gathering margins on the Auburn and Union Dale systems and higher peaking service activity.
- **APU Results** — APU reported adj EBITDA of \$177.7 mil, below our estimate of \$216.4 mil as retail volumes came in ~13% lower YoY due to warmer average temperatures in APU's operating regions. APU performed better on a unit cost basis than our estimates but lower commodity prices have resulted in a lower unit margin YoY. Retail propane volumes of 295.1 mil were down ~13% YoY as temps were 17% warmer YoY. Estimated distributable cash flow of \$121.6 mil resulted in distribution coverage of ~1.03x on an LTM basis.
- **APU Meeting Guidance Unlikely** — APU management does not believe it will meet its previously stated 2016 guidance of adj EBITDA of \$660 - \$690 mil due to weak performance in Q1. However, management will hold off on providing updated guidance until after Q2, the seasonally strongest quarter of the year.
- **Recommendations** — We are maintaining our Neutral rating and target price of \$36.50/share on UGI. We are also maintaining our Neutral/High Risk rating and target price of \$42/unit on APU.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Data Summary

Company	Ticker	Currency	Price		Rating		Target Price		Div Yld (%)	ETR (%)	Last Rpt Year	Current Fiscal Year		Next Fiscal Year	
			02 Feb	Old	New	Old	New	Old				New	Old	New	
AmeriGas Part	APU	US\$	39.43	2H	2H	42.00	42.00	9.4	16.0	Sep-15	2.80	2.80	2.73	2.73	
UGI	UGI	US\$	34.25	2	2	36.50	36.50	2.7	9.3	Sep-15	1.99	1.99	2.07	2.07	

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk

Source: Citi Research

Reported Results vs Citi Estimates

Figure 1. Reported Results vs Citi Estimates – UGI

(\$ in Millions)	1Q:15A	4Q:15A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	12/31/14	9/30/15	1Q:16A	1Q:16E			
Gross Profit Per Segment							
AmeriGas Propane	\$425.0	\$257.3	\$400.9	\$458.4	55.8%	(5.7%)	(12.5%)
UGI International	\$180.6	\$152.2	\$275.4	\$245.9	80.9%	52.5%	12.0%
Gas Utility	\$133.3	\$66.5	\$121.5	\$136.0	82.8%	(8.9%)	(10.6%)
Midstream & Marketing	\$71.1	\$44.9	\$72.4	\$79.6	61.2%	1.8%	(9.0%)
Segment Gross Margin	\$810.0	\$520.9	\$870.2	\$919.9	67.1%	7.4%	(5.4%)
Operating Income Per Segment *							
AmeriGas Propane	\$139.2	(\$9.8)	\$129.6	\$169.6	(1,425.8%)	(6.9%)	(23.6%)
UGI International	\$53.5	\$6.8	\$85.1	\$83.3	1,150.1%	59.1%	2.1%
Gas Utility	\$71.8	\$20.7	\$48.3	\$91.0	133.7%	(32.7%)	(46.9%)
Midstream & Marketing	\$45.5	\$26.9	\$42.9	\$61.6	59.5%	(5.7%)	(30.3%)
Segment Income	\$310.0	\$44.6	\$305.9	\$405.5	585.9%	(1.3%)	(24.6%)
Adj Net Income to UGI Corp *	\$116.0	\$1.9	\$112.4	\$130.0	5,815.8%	(3.1%)	(13.6%)
Adj EPS *	\$0.66	\$0.01	\$0.64	\$0.74	5,736.3%	(3.0%)	(13.4%)
Dividend Per Share (announced)	\$0.2175	\$0.2275	\$0.2275	\$0.2275	0.0%	4.6%	0.0%
Annualized	\$0.8700	\$0.9100	\$0.9100	\$0.9100	0.0%	4.6%	0.0%
Segment Stats							
Amerigas - Retail Gallons Sold (MMGal)	340.2	193.9	295.1	370.8	52.2%	(13.3%)	(20.4%)
UGI International - Retail Gallons Sold (MMGal)	179.8	171.2	259.1	260.7	51.3%	44.1%	(0.6%)
Gas Utility System Throughput - Core Market (Bcf)	23.2	5.5	17.4	23.7	218.7%	(25.0%)	(26.5%)
Gas Utility System Throughput - Total (Bcf)	56.8	37.5	49.9	57.9	33.1%	(12.1%)	(13.9%)

*Excludes unrealized hedges.

Source: Citi Research

Figure 2. Reported Results vs Citi Estimates – APU

(\$ in Millions)	1Q:15A	4Q:15A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	12/31/14	9/30/15	1Q:16A	1Q:16E			
Propane Sold - Retail (MM Gallons)	340.2	193.9	295.1	370.8	52.2%	(13.3%)	(20.4%)
Total Gross Profit	\$425.0	\$257.3	\$395.3	\$458.4	53.6%	(7.0%)	(13.8%)
Operating Expenses	\$246.7	\$226.0	\$230.9	\$247.3	2.2%	(6.4%)	(6.7%)
Other Expenses / (Income)	(10.1)	(8.3)	(7.7)	(7.0)	(6.9%)	(24.2%)	9.9%
EBITDA	\$188.5	\$39.6	\$172.1	\$218.0	334.8%	(8.7%)	(21.1%)
Adjusted EBITDA	\$188.5	\$39.7	\$177.7	\$216.4	347.6%	(5.8%)	(17.9%)
Interest Expense	(41.0)	(40.4)	(41.0)	(41.0)	1.5%	(0.0%)	0.1%
Maintenance Capex	(17.0)	(14.2)	(12.9)	(17.2)	(9.3%)	(24.1%)	(24.8%)
Other	(0.9)	(0.4)	(2.1)	(0.9)	405.5%	144.0%	135.9%
Distributable Cash Flow (Estimate)	\$129.6	(\$15.4)	\$121.6	\$157.3	(889.8%)	(6.2%)	(22.7%)
Distributions per unit (announced)	\$0.8800	\$0.9200	\$0.9200	\$0.9200	0.0%	4.5%	0.0%
Distribution Coverage Ratio (LTM)	1.06x	1.07x	1.03x	1.13x	(3.6%)	(2.3%)	(8.4%)
EPS	(\$0.49)	(\$0.62)	\$0.77	\$1.25	(223.7%)	(256.5%)	(38.6%)
Unit Analysis - Retail (\$/gal)							
Cost Per Gallon	\$1.25	\$0.67	\$0.72	\$0.60	6.5%	(42.5%)	18.6%
Mt Belvieu Propane Price	\$0.77	\$0.41	\$0.42	\$0.35	1.7%	(45.7%)	18.5%

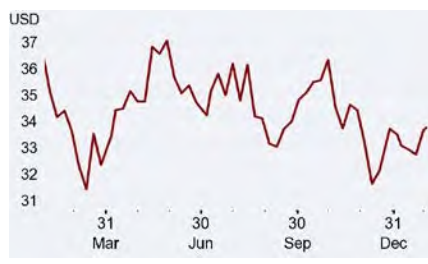
Source: Citi Research

Company Focus

■ Estimate Change

Neutral	2
Price (02 Feb 16)	US\$34.25
Target price	US\$36.50
Expected share price return	6.6%
Expected dividend yield	2.7%
Expected total return	9.3%
Market Cap	US\$5,906M

Price Performance
(RIC: UGI.N, BB: UGI US)



UGI Corp (UGI) 1Q Miss As Temps Turn Up The Heat

■ **UGI Results** — UGI reported adj EPS of \$0.64/share (excl M2M hedges), below Citi and Consensus estimates. The miss was driven by warmer weather effecting retail propane volumes and gas demand. The announced 1Q dividend of \$0.2275/share (\$0.91 annualized) represents a 4.6% increase YoY.

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■ **Midstream & Marketing** — The midstream & marketing segment reported operating income of \$42.9 mil impacted by lower gas basis differentials and volatility during the quarter. Somewhat offsetting these headwinds were stronger gathering margins on the Auburn and Union Dale systems and higher peaking service activity.

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■ **Recommendations** — We are maintaining our Neutral/High Risk rating and target price of \$42/unit on APU.

EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2015A	0.66A	1.23A	0.03A	0.01A	1.93A	2.01A
2016E	0.64A	1.27E	0.01E	-0.03E	1.99E	2.08E
Previous	0.74E	1.27E	0.01E	-0.03E	1.99E	na
2017E	0.76E	1.31E	0.02E	-0.02E	2.07E	2.28E
Previous	0.76E	1.31E	0.02E	-0.02E	2.07E	na
2018E	0.78E	1.33E	0.02E	-0.01E	2.12E	2.35E
Previous	0.78E	1.33E	0.02E	-0.01E	2.12E	na

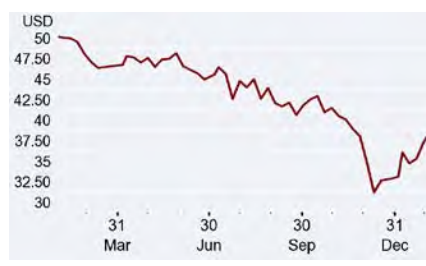
Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

■ Estimate Change

Neutral/High Risk	2H
Price (02 Feb 16)	US\$39.43
Target price	US\$42.00
Expected share price return	6.5%
Expected dividend yield	9.4%
Expected total return	16.0%
Market Cap	US\$3,663M

Price Performance
(RIC: APU.N, BB: APU US)



AmeriGas Partners LP (APU) 1Q Miss As Temps Turn Up The Heat; APU To Miss Guidance

- **APU Results** — APU reported adj EBITDA of \$177.7 mil, below our estimate of \$216.4 mil as retail volumes came in ~13% lower YoY due to warmer average temperatures in APU's operating regions. APU performed better on a unit cost basis than our estimates but lower commodity prices have resulted in a lower unit margin YoY. Retail propane volumes of 295.1 mil were down ~13% YoY as temps were 17% warmer YoY. Estimated distributable cash flow of \$121.6 mil resulted in distribution coverage of ~1.03x on an LTM basis.
- **APU Meeting Guidance Unlikely** — APU management does not believe it will meet its previously stated 2016 guidance of adj EBITDA of \$660 - \$690 mil due to weak performance in Q1. However, management will hold off on providing updated guidance until after Q2, the seasonally strongest quarter of the year.
- **Recommendations** — We are also maintaining our Neutral/High Risk rating and target price of \$42/unit on APU.

	2016E	2017E	2018E	2019E	2020
Distributable Cash Flow (\$ Millions)					
Adjusted EBITDA	\$666.8	\$671.5	\$676.3	\$681.0	\$685.7
Interest Expense	(161.3)	(161.0)	(161.2)	(161.8)	(162.6)
Tax	(3.6)	(3.6)	(3.6)	(3.6)	(3.6)
Maintenance Capital Expenditures	(58.4)	(59.0)	(59.6)	(60.2)	(60.8)
Other Cash Adjustments	(4.9)	(4.9)	(4.9)	(4.9)	(5.0)
Distributable Cash Flow	\$438.6	\$443.0	\$446.9	\$450.5	\$453.8
Total Cash Distributions	388.0	402.8	417.6	428.7	436.1
Total Distribution Per Unit	\$3.72	\$3.80	\$3.88	\$3.94	\$3.98
Growth in Distribution Per Unit	3.3%	2.2%	2.1%	1.5%	1.0%
Distribution Cash Flow Coverage:	1.13x	1.10x	1.07x	1.05x	1.04x

Source: Citi Research

UGI Corp

Company description

UGI Corp operates as a diversified gas utility, electric utility and global propane distribution company. The company's utility and power assets are located in Pennsylvania. The company's propane business is composed of a 46% equity interest in AmeriGas Partners and an international propane distribution unit with principal operations in Europe, where the company controls about a quarter of the market. UGI also operates an energy services business with generation and storage assets.

Investment strategy

We rate UGI a Neutral (2). The company provides stable cash flows through a combination of an electric and gas utility. In addition, the company has one of the largest propane businesses in the US and has an International Propane division that serves customers in Europe. Historically UGI has generated strong free cash flows from its domestic propane and utilities businesses enabling the company to make bolt-on acquisitions and increase its dividend over time. However, the propane business in the US looks challenged as commodity prices move higher, and customers migrate to alternative fuels.

Valuation

Our average multiple valuation methodologies derives a \$36.50 target price. Our NAV yields a value of \$38. We value regulated assets at a multiple of rate base (1.6x for gas utilities). The company's gas marketing segment is valued at 6x EBITDA, in-line with multiples for other marketers. These values are partially offset by the UGI's net debt. Our DDM values the company at \$34. We calculate a hypothetical dividend, based on UGI's regulated capital growth, authorized returns and cost of equity to arrive at our DDM valuation. Our P/E and EV/EBITDA multiples are based on our proprietary analyses, which utilize current corporate spreads, betas and projected risk-free yields. For our P/E analysis, we use multiples of 16x, 13.6x, 16x and 10.5x for the company's Gas Utility, Propane, Electric Utility and Marketing/Energy Services assets. For our EV/EBITDA analysis, we use multiples of 8x and 6.5x for the company's Gas & Electric Utility/Propane businesses and Marketing/Energy Services assets. International propane operations are valued at a 15% discount to our gas utilities, due to exposure to weather and exchange rates. Our P/E and EV/EBITDA analyses yield values of \$29 and \$47.

Risks

The key risks to our investment thesis are: 1) Weather and exchange rates: Slightly affecting UGI's stable cash flows are sensitivities to weather and exchange rates. Flaga and Antargaz's earnings remain exposed to foreign currency fluctuations; 2) Demand fluctuation and industry evolution: Propane distributors compete in an unregulated market. While the barriers to entry are high, UGI competes with a number of propane distributors in the U.S. and Europe. Economics for other fuel types is also making it more economical for customers to switch into other fuels; 3) Regulation: Our earnings estimates assume normal weather and recovery of capital spent in excess of depreciation through higher customer rates. These rates depend on orders from Pennsylvania Public Utility Commission; 4) Commodity prices: Our margin assumptions at UGI's power plants are based on market prices and the capacity market in PJM. Higher fuel costs or regulatory impediments within the PJM

market could adversely affect our earnings estimates. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause our target price to be materially outperformed.

AmeriGas Partners LP

Company description

AmeriGas Partners, L.P. is structured as a master limited partnership (MLP) and is the largest propane distributor in the country, serving about ~2 million residential, commercial, industrial, and agricultural customers from ~2,000 distribution locations in 50 states, selling ~1.3 billion gallons of propane annually. The partnership operates an extensive storage and distribution network, using interstate natural gas liquids pipelines, railroad tank cars, barges, and delivery trucks to transport propane from suppliers to storage and distribution facilities. UGI Corp. is the MLP's general partner and owns 26% of the partnership.

Investment strategy

We rate AmeriGas Partners LP Neutral/High Risk (2H). While we believe these units offer investors an attractive yield with stable cash flows and adequate distribution coverage, the fundamentals of the retail propane sector remain challenged, limiting upside appreciation. AmeriGas will face a challenging environment ahead as margins may face headwinds from higher wholesale propane prices due to increased competition with foreign markets as export capacity comes online. We continue to see overall volumes in the industry continuing a structural decline of ~1-2% annually despite more normal temps, as economically viable alternatives such as natural gas and electrical heating become available. We view retail propane distributors such as APU as unregulated utilities. While margins can vary over time, customers rely on these services for basic space heating purposes. However, weather, economic conditions and price volatility tend to impact demand for propane which in turn impact cash flows. We estimate that 95% of the partnership's distributions will be tax-deferred.

Valuation

Our 12-month target price for AmeriGas Partners, L.P. is \$42/unit based on 2 valuation methodologies. These valuations are a 1) EV/EBITDA valuation of \$40.16 and a 2) discounted cash flow (DCF) valuation of \$43.73. Our EV / EBITDA valuation is based on using a 10.0x multiple on estimates one year out. Our DCF is based on our 5-year operational forecast that takes into account near-term growth opportunities and/or risk factors. Our terminal yield and growth estimates take into account a more normalized yield environment and a slower pace of long-term industry growth. Based on a long-term cost of equity of 9.00% and a growth rate of 0% in perpetuity, we derive a DCF valuation of \$43.73. We use an internal rate of return (IRR) methodology to help support our primary valuations, which results in an IRR of ~10.6%.

Risks

We rate AmeriGas Partners High Risk based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. AmeriGas' balance sheet strength as measured by 2015 Net Debt/EBITDA is in-line with the MLP peer group at 3.7x (vs. 3.9x for the peer

group). AmeriGas's distribution coverage ratio of 1.07x is also in-line with the peer group average. These positive attributes are balanced by a high level of seasonal volatility in cash flows. Risks to the MLP achieving our 12-month target price include: 1) a sharp increase in wholesale propane and/or heating oil costs that causes the partnership's retail margin to decline, 2) unfavorable weather conditions, such as a cool summer or a warm winter, that drive lower than expected volumes, and 3) a greater increase in interest rates that could make the partnership's relatively high yield less attractive. (Investors should recognize the volume of propane sold is directly affected by the severity of winter weather conditions since many customers of AmeriGas rely heavily on propane as a heating fuel.) Conversely, we believe the units could materially outperform our target price if the weather becomes more favorable (i.e., cool winter and/or warm summer) and the partnership is able to sell a greater amount of propane and/heating oil than anticipated.

Appendix A-1

Analyst Certification

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UGI Corp (UGI) Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA



	Date	Rating	Target Price	Closing Price
1	08-Oct-11	Stock rating system changed		
2	01-May-13	2	*26.67	26.99

	Date	Rating	Target Price	Closing Price
3	29-Oct-13	2	*28.00	28.05
4	07-Feb-14	2	*29.33	28.41

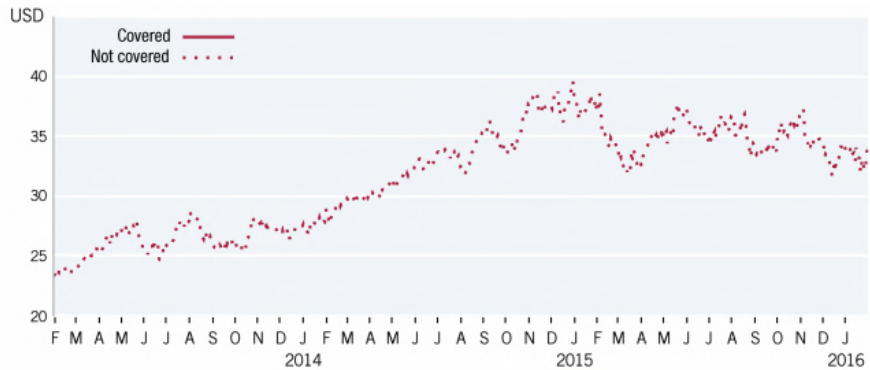
	Date	Rating	Target Price	Closing Price
5	01-Feb-15	2	*36.50	36.99

*Indicates Change

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UGI Corp (UGI) Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Faisal Khan, CFA

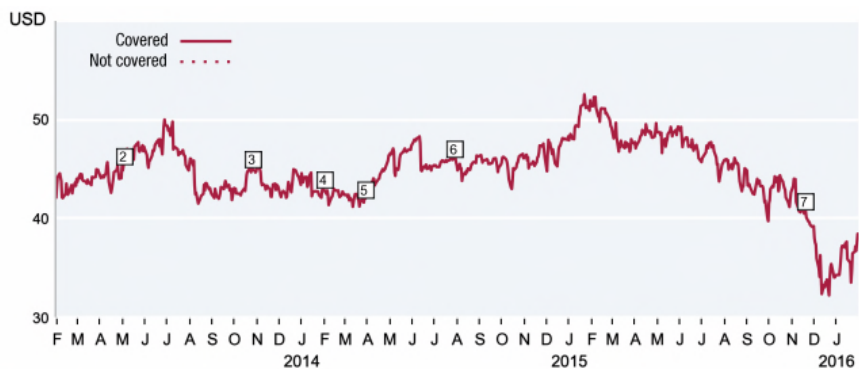


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AmeriGas Partners LP (APU)
Ratings and Target Price History
Fundamental Research

Analyst: Faisal Khan, CFA
Covered since March 31 2014



	Date	Rating	Target Price	Closing Price
1	08-Oct-11	Stock rating system changed		
2	02-May-13	3H	*38.50	45.35
3	25-Oct-13	*2H	*45.50	44.95

	Date	Rating	Target Price	Closing Price
4	30-Jan-14	2H	*43.50	42.93
5	28-Mar-14	2H	*44.50	41.99
6	28-Jul-14	2H	*46.00	46.10

	Date	Rating	Target Price	Closing Price
7	18-Nov-15	2H	*42.00	40.72

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AmeriGas Partners LP (APU)
Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

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3 May 2016 | 16 pages

North America

UGI & APU 2Q:16 Earnings Results

Results Impacted by Warm Weather and Lower Basis Diff

- **UGI Results** — UGI reported adj EPS of \$1.24/share (excl M2M hedges), relatively in-line with our estimate of \$1.27 and consensus of \$1.25. The announced 2Q dividend of \$0.2375/share (\$0.95 annualized) represents a 4.4% increase YoY.
- **Guidance Reduced** — Both UGI and APU reduced guidance due to the warm temps experienced during the quarter. UGI now expects 2016 adj EPS in the range of \$1.95 – \$2.05. APU expects 2016 adj EBITDA in the range of \$575 – \$600 million.
- **Project Updates** — UGI's Sunbury Pipeline project recently received FERC approval, allowing construction to begin with an expected in-service date of late calendar 2016. The PennEast Pipeline however continues to undergo further review with the FERC, which has delayed its final decision to March 2017, putting the PennEast Pipeline in-service date sometime in the second half of 2018. Finally, progress on UGI's Manning LNG facility continues to move forward and remains on track for a 2Q:17 startup.
- **International** — UGI's international propane business reported operating income of \$111.5 mil benefitting from the Finagaz acquisition and higher unit margins. These factors helped offset the negative impact of temperatures in France which were ~7% warmer YoY.
- **Gas Utility** — The gas utility business reported operating income of \$114.5 mil as throughput volumes were negatively impacted by temperatures that were 25% warmer YoY. UGI continues to expect its rate case, requesting a ~\$59 mil increase in its rate base, to conclude in 1Q:17.
- **Midstream & Marketing** — The midstream & marketing segment reported operating income of \$77.8 mil as it too was impacted by warmer temperatures, along with lower basis differentials during the quarter.
- **APU Results** — APU reported adj EBITDA of \$295.4 mil, below our estimate and consensus as retail volumes came in ~14% lower YoY due to temperatures ~13% warmer YoY. We estimate APU was able to offset some of this impact with stronger per unit margins as APU's unit cost was ~33% lower YoY. Estimated distributable cash flow of \$238.0 mil resulted in distribution coverage of ~0.88x on an LTM basis.
- **Recommendations** — We are maintaining our Neutral rating on UGI and increasing our target price to \$44/share based on updating our valuation methodologies as well as rolling-forward our valuations by one quarter. We are also maintaining our Neutral/High Risk rating on APU and increasing our target price to \$44/unit as we roll-forward our valuation by one quarter.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Data Summary

Company	Ticker	Currency	Price		Rating		Target Price		Div Yld (%)	ETR (%)	Last Rpt Year	Current Fiscal Year		Next Fiscal Year	
			03 May	Old	Old	New	Old	New				Old	New	Old	New
AmeriGas Part	APU	US\$	42.51	2H	2H	42.00	44.00	8.8	12.4	Sep-15	2.80	2.32	2.73	2.94	
UGI	UGI	US\$	39.78	2	2	36.50	44.00	2.4	13.0	Sep-15	1.99	1.97	2.07	2.22	

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk

Source: Citi Research

Reported Results vs Citi Estimates

Figure 1. Reported Results vs Citi Estimates – UGI

(\$ in Millions)	2Q:15A	1Q:16A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	3/30/15	12/31/15	2Q:16A 3/30/16	2Q:16E 3/30/16			
Gross Margin Per Segment							
AmeriGas Propane	\$595.1	\$395.3	\$529.3	\$595.9	33.9%	(11.1%)	(11.2%)
UGI International	\$196.5	\$275.4	\$307.7	\$296.1	11.7%	56.6%	3.9%
Gas Utility	\$220.6	\$122.6	\$183.2	\$214.0	49.4%	(17.0%)	(14.4%)
Midstream & Marketing	\$134.0	\$72.4	\$109.1	\$111.8	50.7%	(18.6%)	(2.4%)
Segment Gross Margin	\$1,146.2	\$865.7	\$1,129.3	\$1,217.8	30.5%	(1.5%)	(7.3%)
Operating Income Per Segment *							
AmeriGas Propane	\$296.9	\$124.1	\$250.4	\$291.8	101.8%	(15.7%)	(14.2%)
UGI International	\$64.7	\$85.1	\$111.5	\$109.1	31.0%	72.3%	2.2%
Gas Utility	\$142.7	\$48.3	\$114.5	\$156.9	137.1%	(19.8%)	(27.0%)
Midstream & Marketing	\$99.1	\$42.9	\$77.8	\$93.8	81.4%	(21.5%)	(17.1%)
Segment Income	\$603.4	\$300.4	\$554.2	\$651.6	84.5%	(8.2%)	(14.9%)
Adj Net Income to UGI Corp *	\$220.8	\$112.4	\$216.2	\$223.6	92.4%	(2.1%)	(3.3%)
Adj EPS *	\$1.26	\$0.64	\$1.24	\$1.27	93.3%	(1.6%)	(2.4%)
Dividend Per Share (announced)	\$0.2275	\$0.2275	\$0.2375	\$0.2366	4.4%	4.4%	0.4%
Annualized	\$0.9100	\$0.9100	\$0.9100	\$0.9464	0.0%	0.0%	(3.8%)
Segment Stats							
Amerigas - Retail Gallons Sold (MMGal)	448.0	295.1	385.8	457.0	30.7%	(13.9%)	(15.6%)
UGI International - Retail Gallons Sold (MMGal)	190.4	259.1	240.5	274.2	(7.2%)	26.3%	(12.3%)
Gas Utility System Throughput - Core Market (Bcf)	44.3	17.4	34.0	45.2	95.4%	(23.3%)	(24.8%)
Gas Utility System Throughput - Total (Bcf)	81.0	49.9	72.1	82.6	44.5%	(11.0%)	(12.7%)

*Excludes unrealized hedges.

Source: Company data, Citi Research

Figure 2. Reported Results vs Citi Estimates – APU

(\$ in Millions)	2Q:15A	1Q:16A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	3/30/15	12/31/15	2Q:16A 3/30/16	2Q:16E 3/30/16			
Propane Sold - Retail (MM Gallons)	448.0	295.1	385.8	457.0	30.7%	(13.9%)	(15.6%)
Total Gross Profit	\$595.8	\$400.9	\$568.7	\$595.9	41.9%	(4.5%)	(4.6%)
Operating Expenses	\$257.3	\$230.9	\$238.5	\$262.5	3.3%	(7.3%)	(9.1%)
Other Expenses / (Income)	(7.4)	(8.9)	(4.3)	(7.0)	(52.3%)	(42.5%)	(39.2%)
EBITDA	\$345.8	\$178.9	\$334.4	\$340.4	86.9%	(3.3%)	(1.8%)
Adjusted EBITDA	\$342.1	\$177.7	\$295.4	\$337.2	66.2%	(13.7%)	(12.4%)
Interest Expense	(41.1)	(41.0)	(40.8)	(40.3)	(0.5%)	(0.7%)	1.2%
Maintenance Capex	(14.8)	(12.9)	(13.4)	(14.9)	3.6%	(9.4%)	(10.3%)
Other	(0.8)	(0.9)	(3.2)	(0.9)	248.1%	293.1%	252.0%
Distributable Cash Flow (Estimate)	\$285.4	\$122.8	\$238.0	\$281.0	93.8%	(16.6%)	(15.3%)
Distributions per unit (announced)	\$0.9200	\$0.9200	\$0.9400	\$0.9400	2.2%	2.2%	(0.0%)
Distribution Coverage Ratio (LTM)	1.08x	1.04x	0.90x	1.10x	(13.6%)	(17.0%)	(18.6%)
EPS	\$3.40	\$0.77	\$1.74	\$2.56	126.3%	(48.9%)	(32.0%)
Unit Analysis - Retail (\$/gal)							
Cost Per Gallon	\$1.05	\$0.72	\$0.70	\$0.73	(2.7%)	(33.3%)	(5.0%)
Mt Belvieu Propane Price	\$0.53	\$0.42	\$0.39	\$0.48	(7.7%)	(26.6%)	(19.3%)

Source: Company data, Citi Research

Company Focus

AmeriGas Partners LP (APU) Results Impacted by Warm Weather, Offset Somewhat By Stronger Unit Margins

- Estimate Change
- Target Price Change

Neutral/High Risk

Price (03 May 16)	US\$42.51
Target price	US\$44.00
	from US\$42.00
Market Cap	US\$3,950M
Expected share price return	3.5%
Expected dividend yield	8.8%
Expected total return	12.4%

- **APU Results** — APU reported adj EBITDA of \$295.4 mil, below our estimate and consensus as retail volumes came in ~14% lower YoY due to temperatures ~13% warmer YoY. We estimate APU was able to offset some of this impact with stronger per unit margins as APU's unit cost was ~33% lower YoY. Estimated distributable cash flow of \$238.0 mil resulted in distribution coverage of ~0.88x on an LTM basis.
- **Guidance Reduced** — APU reduced guidance due to the warm temps experienced during the quarter. APU now expects 2016 adj EBITDA in the range of \$575 – \$600 million.
- **Recommendations** — We are maintaining our Neutral rating on UGI and increasing our target price to \$44/share. We are also maintaining our Neutral/High Risk rating on APU and increasing our target price to \$44/unit.

Distributable Cash Flow (\$ Millions)	2016E	2017E	2018E	2019E	2020
Adjusted EBITDA	\$592.0	\$696.1	\$701.1	\$706.0	\$710.9
Interest Expense	(162.9)	(162.3)	(161.2)	(160.4)	(159.9)
Tax	(3.0)	(3.6)	(3.6)	(3.6)	(3.6)
Maintenance Capital Expenditures	(49.3)	(49.8)	(50.3)	(50.8)	(51.3)
Other Cash Adjustments	(4.1)	(5.2)	(5.2)	(5.3)	(5.3)
Distributable Cash Flow	\$372.7	\$475.2	\$480.8	\$486.0	\$490.7
Total Cash Distributions	388.3	402.8	417.6	428.7	436.1
Total Distribution Per Unit	\$3.72	\$3.80	\$3.88	\$3.94	\$3.98
Growth in Distribution Per Unit	3.3%	2.2%	2.1%	1.5%	1.0%
Distribution Cash Flow Coverage:	0.96x	1.18x	1.15x	1.13x	1.13x

Source: Citi Research

Results Impacted by Warm Weather, Offset Somewhat By Stronger Unit Margins

Estimate Changes

We are updating estimates to incorporate 2Q:16 results as well as slightly adjusting our forward retail unit margins resulting in slight increases in EBITDA and DCF. A summary of the results of our estimate changes can be seen in the table below.

Figure 3. Estimate Changes – APU

Adj EBITDA (\$mil)	3Q:16E	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	\$71.2	\$43.7	\$588.0	\$191.6	\$389.1	\$68.6	\$41.5	\$690.9	\$695.8	\$700.7	\$705.6
Previous	\$51.4	\$56.9	\$661.8	\$220.9	\$345.0	\$52.5	\$58.0	\$661.8	\$666.6	\$671.3	\$676.0
% Change	38.5%	(23.2%)	(11.2%)	(13.3%)	12.8%	30.8%	(28.5%)	4.4%	4.4%	4.4%	4.4%
DCF (\$mil)	3Q:16E	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	\$19.7	(\$10.7)	\$372.7	\$136.7	\$333.9	\$17.4	(\$12.7)	\$475.2	\$480.8	\$486.0	\$490.7
Previous	(\$1.1)	\$1.4	\$438.6	\$158.5	\$282.2	(\$0.1)	\$2.4	\$443.0	\$446.9	\$450.5	\$453.8
% Change	NM	NM	(15.0%)	(13.7%)	18.3%	NM	NM	7.3%	7.6%	7.9%	8.1%
DPU - Paid Basis (\$)	3Q:16E	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	\$0.94	\$0.94	\$3.72	\$0.94	\$0.94	\$0.96	\$0.96	\$3.80	\$3.88	\$3.94	\$3.98
Previous	\$0.94	\$0.94	\$3.72	\$0.94	\$0.94	\$0.96	\$0.96	\$3.80	\$3.88	\$3.94	\$3.98
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EPU (\$)	3Q:16E	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	(\$0.34)	(\$0.64)	\$2.32	\$0.95	\$3.07	(\$0.39)	(\$0.69)	\$2.94	\$2.89	\$2.86	\$2.84
Previous	(\$0.53)	(\$0.48)	\$2.80	\$1.24	\$2.54	(\$0.55)	(\$0.50)	\$2.73	\$2.67	\$2.61	\$2.58
% Change	(36.2%)	32.1%	(17.1%)	(23.5%)	20.8%	(28.6%)	37.4%	7.6%	8.5%	9.4%	10.2%

Source: Citi Research

Company Focus

UGI Corp (UGI)

Results Impacted by Warm Weather and Lower Basis Diff

- Estimate Change
- Target Price Change

Neutral

Price (03 May 16)	US\$39.78
Target price	US\$44.00
	from US\$36.50
Market Cap	US\$6,839M
Expected share price return	10.6%
Expected dividend yield	2.4%
Expected total return	13.0%

- **UGI Results** — UGI reported adj EPS of \$1.24/share (excl M2M hedges), relatively in-line with our estimate of \$1.27 and consensus of \$1.25. The announced 2Q dividend of \$0.2375/share (\$0.95 annualized) represents a 4.4% increase YoY.
- **Guidance Reduced** — UGI reduced guidance due to the warm temps experienced during the quarter. UGI now expects 2016 adj EPS in the range of \$1.95 – \$2.05.
- **Project Updates** — UGI's Sunbury Pipeline recently received FERC approval to begin construction with an expected in-service date of late calendar 2016. The PennEast Pipeline however continues to undergoing further review with the FERC which has delayed its final decision to March 2017. This puts the PennEast Pipeline in-service date sometime in the second half of 2018. Finally, UGI's Manning LNG facility remains on track for a 2Q:17 startup.
- **International** — UGI's international propane business reported operating income of \$111.5 mil benefitting from the Finagaz acquisition and higher unit margins. These factors helped offset the negative impact of temperatures in France which were ~7% warmer YoY.
- **Gas Utility** — The gas utility business reported operating income of \$114.5 mil as throughput volumes were negatively impacted by temperatures that were 25% warmer YoY. UGI continues to expect its rate case, requesting a ~\$59 mil increase in its rate base, to conclude in 1Q:17.
- **Midstream & Marketing** — The midstream & marketing segment reported operating income of \$77.8 mil as it too was impacted by warmer temperatures, along with lower basis differentials during the quarter.
- **Recommendations** — We are maintaining our Neutral rating on UGI and increasing our target price to \$44/share. We are also maintaining our Neutral/High Risk rating on APU and increasing our target price to \$44/unit.

EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2015A	0.66A	1.23A	0.03A	0.01A	1.93A	2.01A
2016E	0.64A	1.24A	0.06E	0.03E	1.97E	2.01E
Previous	0.64A	1.27E	0.01E	-0.03E	1.99E	na
2017E	0.81E	1.29E	0.08E	0.04E	2.22E	2.29E
Previous	0.76E	1.31E	0.02E	-0.02E	2.07E	na
2018E	0.83E	1.31E	0.09E	0.05E	2.28E	2.37E
Previous	0.78E	1.33E	0.02E	-0.01E	2.12E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Results Impacted by Warm Weather and Lower Basis Diffs

Estimate Changes

We are updating estimates to incorporate 2Q:16 results as well as underlying estimate changes at APU. A summary of the results of our estimate changes can be seen in the table below.

Figure 4. Estimate Changes – UGI

Ad EBITDA (\$ Mil)	3Q:16E	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	\$171.5	\$139.5	\$1,339.8	\$476.7	\$765.0	\$174.8	\$142.5	\$1,559.1	\$1,589.0	\$1,619.5	\$1,650.4
Previous	\$138.6	\$133.2	\$1,508.2	\$484.5	\$733.8	\$144.4	\$138.7	\$1,541.4	\$1,569.0	\$1,597.1	\$1,625.6
% Change	23.8%	4.7%	(11.2%)	(1.6%)	4.3%	21.1%	2.7%	1.1%	1.3%	1.4%	1.5%
DPS (\$)	3Q:16E	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	\$0.24	\$0.24	\$0.93	\$0.24	\$0.24	\$0.25	\$0.25	\$0.97	\$1.01	\$1.05	\$1.09
Previous	\$0.24	\$0.24	\$0.93	\$0.24	\$0.24	\$0.25	\$0.25	\$0.97	\$1.00	\$1.04	\$1.09
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.0%
Adj EPU (\$)	3Q:16E	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	\$0.06	\$0.03	\$1.97	\$0.81	\$1.29	\$0.08	\$0.04	\$2.22	\$2.28	\$2.35	\$2.42
Previous	\$0.01	(\$0.03)	\$1.99	\$0.76	\$1.31	\$0.02	(\$0.02)	\$2.07	\$2.12	\$2.18	\$2.24
% Change	721.9%	NM	(0.8%)	5.7%	(1.5%)	396.6%	NM	7.3%	7.6%	7.8%	8.0%

Source: Citi Research

AmeriGas Partners LP

Company description

AmeriGas Partners, L.P. is structured as a master limited partnership (MLP) and is the largest propane distributor in the country, serving about ~2 million residential, commercial, industrial, and agricultural customers from ~2,000 distribution locations in 50 states, selling ~1.3 billion gallons of propane annually. The partnership operates an extensive storage and distribution network, using interstate natural gas liquids pipelines, railroad tank cars, barges, and delivery trucks to transport propane from suppliers to storage and distribution facilities. UGI Corp. is the MLP's general partner and owns 26% of the partnership.

Investment strategy

We rate AmeriGas Partners LP Neutral/High Risk (2H). While we believe these units offer investors an attractive yield with stable cash flows and adequate distribution coverage, the fundamentals of the retail propane sector remain challenged, limiting upside appreciation. AmeriGas will face a challenging environment ahead as margins may face headwinds from higher wholesale propane prices due to increased competition with foreign markets as export capacity comes online. We continue to see overall volumes in the industry continuing a structural decline of ~1-2% annually despite more normal temps, as economically viable alternatives such as natural gas and electrical heating become available. We view retail propane distributors such as APU as unregulated utilities. While margins can vary over time, customers rely on these services for basic space heating purposes. However, weather, economic conditions and price volatility tend to impact demand for propane which in turn impact cash flows. We estimate that 95% of the partnership's distributions will be tax-deferred.

Valuation

Our 12-month target price for AmeriGas Partners, L.P. is \$44/unit based on 2 valuation methodologies. These valuations are a 1) EV/EBITDA valuation of \$43.25 and a 2) discounted cash flow (DCF) valuation of \$43.73. Our EV / EBITDA valuation is based on using a 10.0x multiple on 2017 estimates. Our DCF is based on our 5-year operational forecast that takes into account near-term growth opportunities and/or risk factors. Our terminal yield and growth estimates take into account a more normalized yield environment and a slower pace of long-term industry growth. Based on a long-term cost of equity of 9.00% and a growth rate of 0% in perpetuity, we derive a DCF valuation of \$43.73. We use an internal rate of return (IRR) methodology to help support our primary valuations, which results in an IRR of ~9.7%.

Risks

We rate AmeriGas Partners High Risk based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. AmeriGas' balance sheet strength as measured by 2016 Net Debt/EBITDA of ~4.0x, better than the MLP peer group average at 4.6x. AmeriGas's 2016E distribution coverage of ~0.96x is in-line with the peer group average of 0.95x. These positive attributes are balanced by a high level of seasonal volatility in cash flows. Risks to the MLP achieving our 12-month target price include: 1) a sharp increase in wholesale propane costs that can cause the partnership's retail margin to shrink if it is unable to pass on the cost to customers in a timely basis, 2)

unfavorable weather conditions, such as a materially warm winter, that drives volumes lower than expected, and 3) a greater increase in interest rates that could make the partnership's relatively high yield less attractive. (Investors should recognize the volume of propane sold is directly affected by the severity of winter weather conditions since many customers of AmeriGas rely heavily on propane as a heating fuel.) Conversely, we believe the units could materially outperform our target price if the weather becomes more favorable (i.e., colder winter) and the partnership is able to sell a greater amount of propane than anticipated.

UGI Corp

Company description

UGI Corp operates as a diversified gas utility, electric utility and global propane distribution company. The company's utility and power assets are located in Pennsylvania. The company's propane business is composed of a 46% equity interest in AmeriGas Partners and an international propane distribution unit with principal operations in Europe, where the company controls about a quarter of the market. UGI also operates an energy services business with generation and storage assets.

Investment strategy

We rate UGI a Neutral (2). The company provides stable cash flows through a combination of an electric and gas utility. In addition, the company has one of the largest propane businesses in the US and has an International Propane division that serves customers in Europe. Historically UGI has generated strong free cash flows from its domestic propane and utilities businesses enabling the company to make bolt-on acquisitions and increase its dividend over time. However, the propane business in the US looks challenged as commodity prices move higher, and customers migrate to alternative fuels.

Valuation

Our 12-month target price for UGI Corp is \$44/unit based on 4 valuation methodologies. Our NAV yields a value of \$31.05/share. We value regulated assets at a multiple of rate base (1.6x for gas utilities). The company's midstream & marketing segment is valued at 8x EBITDA and its international propane segment is valued at 10x EBITDA. These values are partially offset by the UGI's net debt. Our P/E valuation of \$48.12/share is based on a 22x EPS multiple, in-line with other utility companies. For our EV/EBITDA analysis which yields a price of \$50.47/share, we use an 8x multiple for the company's Gas & Electric Utility and Midstream & Marketing businesses, and use a 10x multiple for the Propane businesses. Finally, we use a discounted cash flow valuation which utilizes current corporate spreads, betas and projected risk-free yields, and yields a value of \$34.24/share.

Risks

The key risks to our investment thesis are: 1) Weather and exchange rates: Slightly affecting UGI's stable cash flows are sensitivities to weather and exchange rates. Flaga and Antargaz's earnings remain exposed to foreign currency fluctuations; 2) Demand fluctuation and industry evolution: Propane distributors compete in an unregulated market. While the barriers to entry are high, UGI competes with a number of propane distributors in the U.S. and Europe. Economics for other fuel types is also making it more economical for customers to switch into other fuels; 3)

Regulation: Our earnings estimates assume normal weather and recovery of capital spent in excess of depreciation through higher customer rates. These rates depend on orders from Pennsylvania Public Utility Commission; 4) Commodity prices: Our margin assumptions at UGI's power plants are based on market prices and the capacity market in PJM. Higher fuel costs or regulatory impediments within the PJM market could adversely affect our earnings estimates. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause our target price to be materially outperformed.

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

UGI Corp (UGI)

Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA



	Date	Rating	Target Price	Closing Price
1	08-Oct-11	Stock rating system changed		
2	01-May-13	2	*26.67	26.99

	Date	Rating	Target Price	Closing Price
3	29-Oct-13	2	*28.00	28.05
4	07-Feb-14	2	*29.33	28.41

	Date	Rating	Target Price	Closing Price
5	01-Feb-15	2	*36.50	36.99

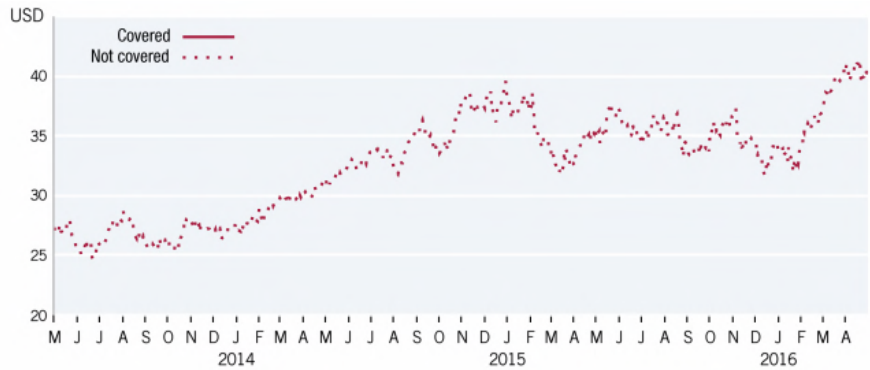
*Indicates Change

Rating/target price changes above reflect Eastern Standard Time

UGI Corp (UGI)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Faisal Khan, CFA



*Indicates Change

Rating/target price changes above reflect Eastern Standard Time

AmeriGas Partners LP (APU)
Ratings and Target Price History
Fundamental Research

Analyst: Faisal Khan, CFA
Covered since March 31 2014



	Date	Rating	Target Price	Closing Price
1	08-Oct-11	Stock rating system changed		
2	02-May-13	3H	*38.50	45.35
3	25-Oct-13	*2H	*45.50	44.95

	Date	Rating	Target Price	Closing Price
4	30-Jan-14	2H	*43.50	42.93
5	28-Mar-14	2H	*44.50	41.99
6	28-Jul-14	2H	*46.00	46.10

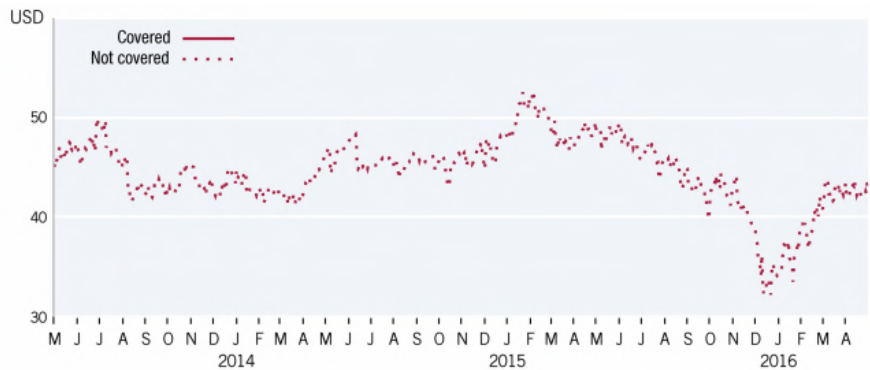
	Date	Rating	Target Price	Closing Price
7	18-Nov-15	2H	*42.00	40.72

*Indicates Change

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AmeriGas Partners LP (APU)
Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Faisal Khan, CFA
Covered since March 31 2014



*Indicates Change

Rating/target price changes above reflect Eastern Standard Time

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4 May 2016 | 8 pages

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North America | United States

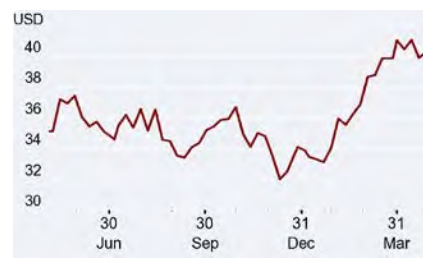
UGI Corp (UGI)

Model Update

- Valuation Matrix Adjustment** — While our target price remains unchanged at \$44/share, we are adjusting our valuation matrix as certain factors in the individual components have been modified or adjusted.

Neutral	2
Price (04 May 16)	US\$40.62
Target price	US\$44.00
Expected share price return	8.3%
Expected dividend yield	2.3%
Expected total return	10.7%
Market Cap	US\$6,983M

Price Performance (RIC: UGI.N, BB: UGI US)



EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2015A	0.66A	1.23A	0.03A	0.01A	1.93A	2.01A
2016E	0.64A	1.24A	0.06E	0.03E	1.97E	2.01E
Previous	0.64A	1.24A	0.06E	0.03E	1.97E	na
2017E	0.81E	1.29E	0.08E	0.04E	2.22E	2.29E
Previous	0.81E	1.29E	0.08E	0.04E	2.22E	na
2018E	0.83E	1.31E	0.09E	0.05E	2.28E	2.37E
Previous	0.83E	1.31E	0.09E	0.05E	2.28E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

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UGI.N: Fiscal year end 30-Sep						Price: US\$40.62; TP: US\$44.00; Market Cap: US\$6,983m; Recomm: Neutral					
Profit & Loss (US\$m)	2014	2015	2016E	2017E	2018E	Valuation ratios	2014	2015	2016E	2017E	2018E
Sales revenue	8,277	6,691	5,841	6,749	6,974	PE (x)	19.9	21.1	20.6	18.3	17.8
Cost of sales	-5,520	-3,617	-3,189	-3,351	-3,551	PB (x)	2.6	2.6	2.5	2.3	2.2
Gross profit	2,757	3,074	2,652	3,398	3,423	EV/EBITDA (x)	8.2	8.2	8.4	7.1	6.7
Gross Margin (%)	33.3	45.9	45.4	50.4	49.1	FCF yield (%)	8.0	9.4	6.5	11.1	11.4
EBITDA (Adj)	1,387	1,373	1,340	1,559	1,589	Dividend yield (%)	1.9	2.2	2.3	2.4	2.5
EBITDA Margin (Adj) (%)	16.8	20.5	22.9	23.1	22.8	Payout ratio (%)	39	46	47	44	44
Depreciation	-348	-374	-296	-397	-409	ROE (%)	13.8	10.5	13.2	13.2	12.6
Amortisation	-15	0	0	0	0	Cashflow (US\$m)	2014	2015	2016E	2017E	2018E
EBIT (Adj)	1,024	954	1,017	1,122	1,140	EBITDA	1,387	1,328	1,312	1,519	1,549
EBIT Margin (Adj) (%)	12.4	14.3	17.4	16.6	16.3	Working capital	-7	192	-148	13	3
Net interest	-238	-242	-234	-232	-231	Other	-357	-356	-389	-492	-498
Associates	0	-1	0	0	0	Operating cashflow	1,024	1,164	775	1,040	1,055
Non-op/Except	0	-119	1	0	0	Capex	-457	-491	-315	-246	-246
Pre-tax profit	787	592	783	890	909	Net acq/disposals	-37	-448	-42	0	0
Tax	-235	-178	-241	-260	-267	Other	6	-38	18	0	0
Extraord./Min.Int./Pref.div.	-195	-133	-178	-240	-243	Investing cashflow	-488	-976	-339	-246	-246
Reported net profit	356	281	365	389	400	Dividends paid	-374	-402	-420	-433	-445
Net Margin (%)	4.3	4.2	6.2	5.8	5.7	Financing cashflow	-476	-217	-353	-433	-445
Core NPAT	356	338	345	389	400	Net change in cash	49	-50	76	361	364
Per share data	2014	2015	2016E	2017E	2018E	Free cashflow to s/holders	567	673	460	794	808
Reported EPS (\$)	2.04	1.60	2.08	2.22	2.28						
Core EPS (\$)	2.04	1.93	1.97	2.22	2.28						
DPS (\$)	0.79	0.89	0.93	0.97	1.01						
CFPS (\$)	5.87	6.63	4.43	5.92	6.02						
FCFPS (\$)	3.25	3.83	2.63	4.52	4.61						
BVPS (\$)	15.45	15.54	16.18	17.47	18.78						
Wtd avg ord shares (m)	172	176	175	176	175						
Wtd avg diluted shares (m)	175	176	175	176	175						
Growth rates	2014	2015	2016E	2017E	2018E						
Sales revenue (%)	15.0	-19.2	-12.7	15.6	3.3						
EBIT (Adj) (%)	22.4	-6.9	6.5	10.4	1.6						
Core NPAT (%)	23.4	-4.9	2.1	12.7	2.7						
Core EPS (%)	22.1	-5.5	2.5	12.3	2.9						
Balance Sheet (US\$m)	2014	2015	2016E	2017E	2018E						
Cash & cash equiv.	436	439	502	863	1,227						
Accounts receivables	685	620	546	583	595						
Inventory	423	240	181	205	211						
Net fixed & other tangibles	5,020	5,523	5,464	5,355	5,235						
Goodwill & intangibles	3,410	3,564	3,535	3,492	3,450						
Financial & other assets	119	161	122	129	131						
Total assets	10,093	10,547	10,350	10,627	10,848						
Accounts payable	460	393	310	352	363						
Short-term debt	288	448	457	457	457						
Long-term debt	3,434	3,442	3,505	3,505	3,505						
Provisions & other liab	2,248	2,692	2,428	2,467	2,479						
Total liabilities	6,430	6,974	6,700	6,781	6,804						
Shareholders' equity	2,659	2,692	2,846	3,065	3,289						
Minority interests	1,004	880	804	781	756						
Total equity	3,663	3,572	3,650	3,847	4,045						
Net debt (Adj)	3,286	3,451	3,460	3,099	2,735						
Net debt to equity (Adj) (%)	89.7	96.6	94.8	80.6	67.6						

For definitions of the items in this table, please click [here](#).



UGI Corp

Company description

UGI Corp operates as a diversified gas utility, electric utility and global propane distribution company. The company's utility and power assets are located in Pennsylvania. The company's propane business is composed of a 46% equity interest in AmeriGas Partners and an international propane distribution unit with principal operations in Europe, where the company controls about a quarter of the market. UGI also operates an energy services business with generation and storage assets.

Investment strategy

We rate UGI a Neutral (2). The company provides stable cash flows through a combination of an electric and gas utility. In addition, the company has one of the largest propane businesses in the US and has an International Propane division that serves customers in Europe. Historically UGI has generated strong free cash flows from its domestic propane and utilities businesses enabling the company to make bolt-on acquisitions and increase its dividend over time. However, the propane business in the US looks challenged as commodity prices move higher, and customers migrate to alternative fuels.

Valuation

Our 12-month target price for UGI Corp is \$44/unit based on 4 valuation methodologies. Our NAV yields a value of \$45.38/share. We value regulated assets at a multiple of rate base (2.0x for gas utilities). The company's midstream & marketing segment is valued at 8x EBITDA and its international propane segment is valued at 10x EBITDA. These values are partially offset by the UGI's debt. Our P/E valuation of \$43.75/share is based on a 20x EPS multiple, in-line with other utility companies. For our EV/EBITDA analysis which yields a price of \$41.92/share, we use an 9x multiple for the company's Gas & Electric Utility, 8x for the Midstream & Marketing businesses, and use a 10x multiple for the Propane businesses. Finally, we use a discounted cash flow valuation which utilizes current corporate spreads, betas and projected risk-free yields, and yields a value of \$30.65/share.

Risks

The key risks to our investment thesis are: 1) Weather and exchange rates: Slightly affecting UGI's stable cash flows are sensitivities to weather and exchange rates. Flaga and Antargaz's earnings remain exposed to foreign currency fluctuations; 2) Demand fluctuation and industry evolution: Propane distributors compete in an unregulated market. While the barriers to entry are high, UGI competes with a number of propane distributors in the U.S. and Europe. Economics for other fuel types is also making it more economical for customers to switch into other fuels; 3) Regulation: Our earnings estimates assume normal weather and recovery of capital spent in excess of depreciation through higher customer rates. These rates depend on orders from Pennsylvania Public Utility Commission; 4) Commodity prices: Our margin assumptions at UGI's power plants are based on market prices and the capacity market in PJM. Higher fuel costs or regulatory impediments within the PJM market could adversely affect our earnings estimates. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may

prevent the stock from achieving our target price or could cause our target price to be materially outperformed.

Appendix A-1

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UGI Corp (UGI)

Ratings and Target Price History

Fundamental Research

Analyst: Faisal Khan, CFA



	Date	Rating	Target Price	Closing Price
1	08-Oct-11	Stock rating system changed		
2	29-Oct-13	2	*28.00	28.05

	Date	Rating	Target Price	Closing Price
3	07-Feb-14	2	*29.33	28.41
4	01-Feb-15	2	*36.50	36.99

	Date	Rating	Target Price	Closing Price
5	03-May-16	2	*44.00	39.86

*Indicates Change

Rating/target price changes above reflect Eastern Standard Time

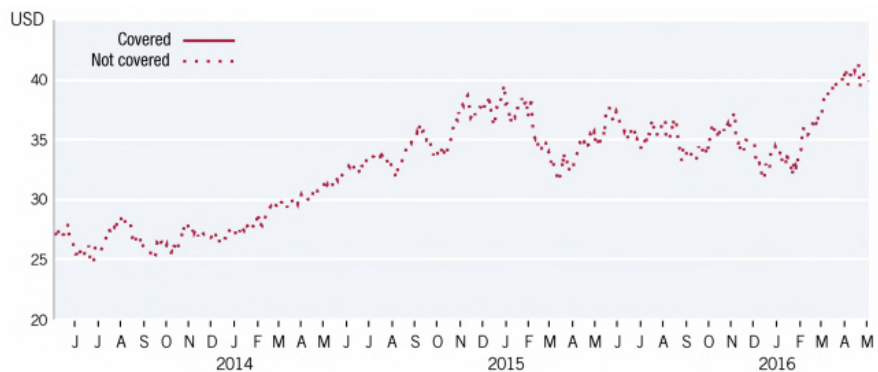
UGI Corp (UGI)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Faisal Khan, CFA



*Indicates Change

Rating/target price changes above reflect Eastern Standard Time

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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

UGI & APU Complex

Updating Model Estimates

- UGI Estimate Updates** — We are updating our estimates to incorporate the latest reported financial information, as well as minor adjustments to our expectations on 4Q weather both domestically and internationally. We are also slightly increasing our gas utility gross margin expectations based on a positive rate case adjustment taking effect this month.
- APU Estimate Updates** — We are updating our estimates to incorporate the latest reported financial information, as well as slightly adjusting our expectations for domestic propane sales based on updated weather information, and 4Q margin expectations.
- Recommendations** — We maintain our Neutral rating and \$44/share target price on UGI. We also maintain our Neutral rating and \$44/unit target price on APU.

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Company	Ticker	Currency	Price 07 Oct	Rating		Target Price		Div Yld (%)	ETR (%)	Last Rpt Year	Current Fiscal Year EPS		Next Fiscal Year EPS	
				Old	New	Old	New				Old	New	Old	New
AmeriGas Part	APU	US\$	44.70	2H	2H	44.00	44.00	8.5	6.9	Sep-15	2.32	2.21	2.94	2.83
UGI	UGI	US\$	43.76	2	2	44.00	44.00	2.2	2.7	Sep-15	1.97	2.04	2.22	2.12

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk

Source: Citi Research

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Company Focus

UGI Corp (UGI) Updating Model Estimates

■ Estimate Change

Neutral

Price (07 Oct 16)	US\$43.76
Target price	US\$44.00
Market Cap	US\$7,581M
Expected share price return	0.5%
Expected dividend yield	2.2%
Expected total return	2.7%

■ **UGI Estimate Updates** — We are updating our estimates to incorporate the latest reported financial information, as well as minor adjustments to our expectations on 4Q weather both domestically and internationally. We are also slightly increasing our gas utility gross margin expectations based on a positive rate case adjustment taking effect this month.

■ **Recommendation** — We maintain our Neutral rating and \$44/share target price on UGI.

EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2015A	0.66A	1.23A	0.03A	0.01A	1.93A	2.01A
2016E	0.64A	1.24A	0.23A	-0.07E	2.04E	2.01E
Previous	0.64A	1.24A	0.06E	0.03E	1.97E	na
2017E	0.72E	1.34E	0.15E	-0.08E	2.12E	2.34E
Previous	0.81E	1.29E	0.08E	0.04E	2.22E	na
2018E	0.74E	1.37E	0.16E	-0.08E	2.19E	2.40E
Previous	0.83E	1.31E	0.09E	0.05E	2.28E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Updating Model Estimates

Estimate Changes

We are updating our estimates to incorporate the latest reported financial information, as well as minor adjustments to our expectations on 4Q weather both domestically and internationally.

Figure 1. Estimate Changes

Ad EBITDA (\$ Mil)	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	\$125.8	\$1,381.9	\$472.2	\$799.9	\$208.7	\$126.8	\$1,607.6	\$1,639.1	\$1,671.1	\$1,703.5
Previous	\$129.5	\$1,339.8	\$466.7	\$755.0	\$164.8	\$132.5	\$1,559.1	\$1,589.0	\$1,619.5	\$1,650.4
% Change	(2.9%)	3.1%	1.2%	5.9%	26.7%	(4.3%)	3.1%	3.1%	3.2%	3.2%
DPS (\$)	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	\$0.24	\$0.93	\$0.24	\$0.24	\$0.25	\$0.25	\$0.97	\$1.01	\$1.05	\$1.09
Previous	\$0.24	\$0.93	\$0.24	\$0.24	\$0.25	\$0.25	\$0.97	\$1.01	\$1.05	\$1.09
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adj EPU (\$)	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	(\$0.07)	\$2.04	\$0.72	\$1.34	\$0.15	(\$0.08)	\$2.12	\$2.19	\$2.26	\$2.33
Previous	\$0.03	\$1.97	\$0.81	\$1.29	\$0.08	\$0.04	\$2.22	\$2.28	\$2.35	\$2.42
% Change	NM	3.2%	(10.4%)	4.0%	74.3%	NM	(4.2%)	(4.0%)	(3.7%)	(3.4%)

Source: Citi Research

Company Focus

AmeriGas Partners LP (APU) Updating Model Estimates

■ Estimate Change

Neutral/High Risk

Price (07 Oct 16)	US\$44.70
Target price	US\$44.00
Market Cap	US\$4,154M
Expected share price return	-1.6%
Expected dividend yield	8.5%
Expected total return	6.9%

■ **APU Estimate Updates** — We are updating our estimates to incorporate the latest reported financial information, as well as slightly adjusting our expectations for domestic propane sales based on updated weather information, and 4Q margin expectations.

■ **Recommendation** — We also maintain our Neutral rating and \$44/unit target price on APU.

Distributable Cash Flow (\$ Millions)	2016E	2017E	2018E	2019E	2020
Adjusted EBITDA	\$585.9	\$679.5	\$684.5	\$689.5	\$694.5
Interest Expense	(165.1)	(169.3)	(169.3)	(169.3)	(169.3)
Tax	(3.0)	(3.6)	(3.6)	(3.6)	(3.6)
Maintenance Capital Expenditures	(49.3)	(49.8)	(50.3)	(50.8)	(51.3)
Other Cash Adjustments	(4.5)	(5.2)	(5.2)	(5.2)	(5.2)
Distributable Cash Flow	\$364.1	\$451.6	\$456.1	\$460.6	\$465.0
Total Cash Distributions	388.4	403.0	417.8	428.9	436.3
Total Distribution Per Unit	\$3.72	\$3.80	\$3.88	\$3.94	\$3.98
Growth in Distribution Per Unit	3.3%	2.2%	2.1%	1.5%	1.0%
Distribution Cash Flow Coverage:	0.94x	1.12x	1.09x	1.07x	1.07x

Source: Citi Research

Updating Model Estimates

Estimate Changes

We are updating our estimates to incorporate the latest reported financial information, as well as slightly adjusting our expectations for domestic propane sales based on updated weather information, and 4Q margin expectations.

Figure 2. Estimate Changes

Adj EBITDA (\$mil)	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	\$43.7	\$581.4	\$189.3	\$385.8	\$59.9	\$39.3	\$674.3	\$679.3	\$684.3	\$689.2
Previous	\$43.7	\$588.0	\$191.6	\$389.1	\$68.6	\$41.5	\$690.9	\$695.8	\$700.7	\$705.6
% Change	0.0%	(1.1%)	(1.2%)	(0.9%)	(12.7%)	(5.4%)	(2.4%)	(2.4%)	(2.3%)	(2.3%)
DCF (\$mil)	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	(\$12.5)	\$364.1	\$133.0	\$329.1	\$6.6	(\$17.1)	\$451.6	\$456.1	\$460.6	\$465.0
Previous	(\$10.7)	\$372.7	\$136.7	\$333.9	\$17.4	(\$12.7)	\$475.2	\$480.8	\$486.0	\$490.7
% Change	17.2%	(2.3%)	(2.7%)	(1.4%)	(62.1%)	34.7%	(5.0%)	(5.1%)	(5.2%)	(5.2%)
DPU - Paid Basis (\$)	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	\$0.94	\$3.72	\$0.94	\$0.94	\$0.96	\$0.96	\$3.80	\$3.88	\$3.94	\$3.98
Previous	\$0.94	\$3.72	\$0.94	\$0.94	\$0.96	\$0.96	\$3.80	\$3.88	\$3.94	\$3.98
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EPU (\$)	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	2018E	2019E	2020E
Current	(\$0.62)	\$2.21	\$0.94	\$3.06	(\$0.47)	(\$0.70)	\$2.83	\$2.77	\$2.73	\$2.71
Previous	(\$0.64)	\$2.32	\$0.95	\$3.07	(\$0.39)	(\$0.69)	\$2.94	\$2.89	\$2.86	\$2.84
% Change	(2.5%)	(4.7%)	(0.4%)	(0.5%)	20.5%	1.7%	(3.8%)	(4.3%)	(4.6%)	(4.7%)

Source: Citi Research

UGI Corp

Company description

UGI Corp operates as a diversified gas utility, electric utility and global propane distribution company. The company's utility and power assets are located in Pennsylvania. The company's propane business is composed of a 46% equity interest in AmeriGas Partners and an international propane distribution unit with principal operations in Europe, where the company controls about a quarter of the market. UGI also operates an energy services business with generation and storage assets.

Investment strategy

We rate UGI a Neutral (2). The company provides stable cash flows through a combination of an electric and gas utility. In addition, the company has one of the largest propane businesses in the US and has an International Propane division that serves customers in Europe. Historically UGI has generated strong free cash flows from its domestic propane and utilities businesses enabling the company to make bolt-on acquisitions and increase its dividend over time. However, the propane business in the US looks challenged as commodity prices move higher, and customers migrate to alternative fuels.

Valuation

Our 12-month target price for UGI Corp is \$44/unit based on 4 valuation methodologies. Our NAV yields a value of \$47.93/share. We value regulated assets at a multiple of rate base (2.0x for gas utilities). The company's midstream & marketing segment is valued at 8x EBITDA and its international propane segment is valued at 8x EBITDA. These values are partially offset by the UGI's debt. Our P/E valuation of \$44.44/share is based on a 21x EPS multiple, in-line with other utility companies. For our EV/EBITDA analysis which yields a price of \$41.68/share, we use a 9x multiple for the company's Gas & Electric Utility, 8x for the Midstream & Marketing businesses, an 8x multiple for the International Propane business, and 10x for the domestic propane business. Finally, we use a discounted cash flow valuation which utilizes current corporate spreads, betas and projected risk-free yields, and yields a value of \$29.97/share.

Risks

The key risks to our investment thesis are: 1) Weather and exchange rates: Slightly affecting UGI's stable cash flows are sensitivities to weather and exchange rates. Flaga and Antargaz's earnings remain exposed to foreign currency fluctuations; 2) Demand fluctuation and industry evolution: Propane distributors compete in an unregulated market. While the barriers to entry are high, UGI competes with a number of propane distributors in the U.S. and Europe. Economics for other fuel types is also making it more economical for customers to switch into other fuels; 3) Regulation: Our earnings estimates assume normal weather and recovery of capital spent in excess of depreciation through higher customer rates. These rates depend on orders from Pennsylvania Public Utility Commission; 4) Commodity prices: Our margin assumptions at UGI's power plants are based on market prices and the capacity market in PJM. Higher fuel costs or regulatory impediments within the PJM market could adversely affect our earnings estimates. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may

prevent the stock from achieving our target price or could cause our target price to be materially outperformed.

AmeriGas Partners LP

Company description

AmeriGas Partners, L.P. is structured as a master limited partnership (MLP) and is the largest propane distributor in the country, serving about ~2 million residential, commercial, industrial, and agricultural customers from ~2,000 distribution locations in 50 states, selling ~1.3 billion gallons of propane annually. The partnership operates an extensive storage and distribution network, using interstate natural gas liquids pipelines, railroad tank cars, barges, and delivery trucks to transport propane from suppliers to storage and distribution facilities. UGI Corp. is the MLP's general partner and owns 26% of the partnership.

Investment strategy

We rate AmeriGas Partners LP Neutral/High Risk (2H). While we believe these units offer investors an attractive yield with stable cash flows and adequate distribution coverage, the fundamentals of the retail propane sector remain challenged, limiting upside appreciation. AmeriGas will face a challenging environment ahead as margins may face headwinds from higher wholesale propane prices due to increased competition with foreign markets as export capacity comes online. We continue to see overall volumes in the industry continuing a structural decline of ~1-2% annually despite more normal temps, as economically viable alternatives such as natural gas and electrical heating become available. We view retail propane distributors such as APU as unregulated utilities. While margins can vary over time, customers rely on these services for basic space heating purposes. However, weather, economic conditions and price volatility tend to impact demand for propane which in turn impact cash flows. We estimate that 95% of the partnership's distributions will be tax-deferred.

Valuation

Our 12-month target price for AmeriGas Partners, L.P. is \$44/unit based on 2 valuation methodologies. These valuations are a 1) EV/EBITDA valuation of \$44.04 and a 2) discounted cash flow (DCF) valuation of \$43.73. Our EV / EBITDA valuation is based on using a 10.5x multiple on 2017 estimates. Our DCF is based on our 5-year operational forecast that takes into account near-term growth opportunities and/or risk factors. Our terminal yield and growth estimates take into account a more normalized yield environment and a slower pace of long-term industry growth. Based on a long-term cost of equity of 9.00% and a growth rate of 0% in perpetuity, we derive a DCF valuation of \$43.73. We use an internal rate of return (IRR) methodology to help support our primary valuations, which results in an IRR of ~8.4%.

Risks

We rate AmeriGas Partners High Risk based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. AmeriGas' balance sheet strength as measured by 2017 Net Debt/EBITDA of ~3.6x, better than the MLP peer group average at 4.1x. AmeriGas's 2017E distribution coverage of ~1.12x is in-line with the peer group average of 1.14x. These positive attributes are balanced by a high level of seasonal volatility in

cash flows. Risks to the MLP achieving our 12-month target price include: 1) a sharp increase in wholesale propane costs that can cause the partnership's retail margin to shrink if it is unable to pass on the cost to customers in a timely basis, 2) unfavorable weather conditions, such as a materially warm winter, that drives volumes lower than expected, and 3) a greater increase in interest rates that could make the partnership's relatively high yield less attractive. (Investors should recognize the volume of propane sold is directly affected by the severity of winter weather conditions since many customers of AmeriGas rely heavily on propane as a heating fuel.) Conversely, we believe the units could materially outperform our target price if the weather becomes more favorable (i.e., colder winter) and the partnership is able to sell a greater amount of propane than anticipated.

Appendix A-1

Analyst Certification

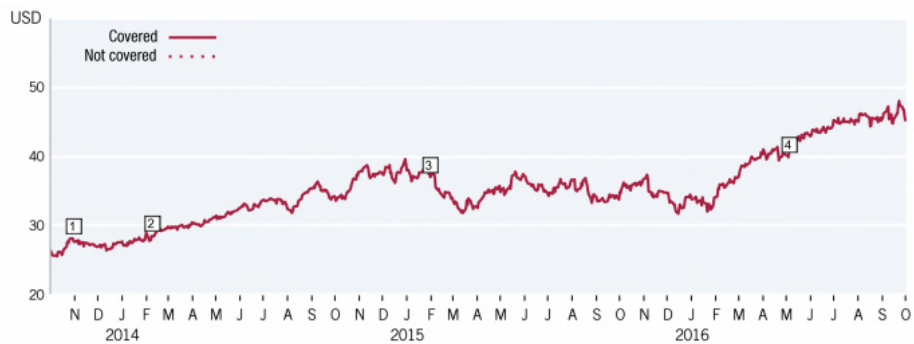
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IMPORTANT DISCLOSURES

UGI Corp (UGI)

Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA



	Date	Rating	Target Price	Closing Price
1	29-Oct-13 17:25:08	2	*28.00	28.05
2	07-Feb-14 11:57:36	2	*29.33	28.41

	Date	Rating	Target Price	Closing Price
3	01-Feb-15 21:48:39	2	*36.50	36.99
4	03-May-16 18:14:07	2	*44.00	39.86

*Indicates Change

Rating/target price changes above reflect Eastern Time

UGI Corp (UGI)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Faisal Khan, CFA



*Indicates Change

Rating/target price changes above reflect Eastern Time

AmeriGas Partners LP (APU)

Ratings and Target Price History Fundamental Research

Analyst: Faisal Khan, CFA
Covered since March 31 2014



	Date	Rating	Target Price	Closing Price
1	25-Oct-13 02:49:43	*2H	*45.50	44.95
2	30-Jan-14 23:46:24	2H	*43.50	42.93

	Date	Rating	Target Price	Closing Price
3	28-Mar-14 04:01:19	2H	*44.50	41.99
4	28-Jul-14 17:24:02	2H	*46.00	46.10

	Date	Rating	Target Price	Closing Price
5	17-Nov-15 19:20:37	2H	*42.00	40.49
6	03-May-16 18:12:28	2H	*44.00	42.63

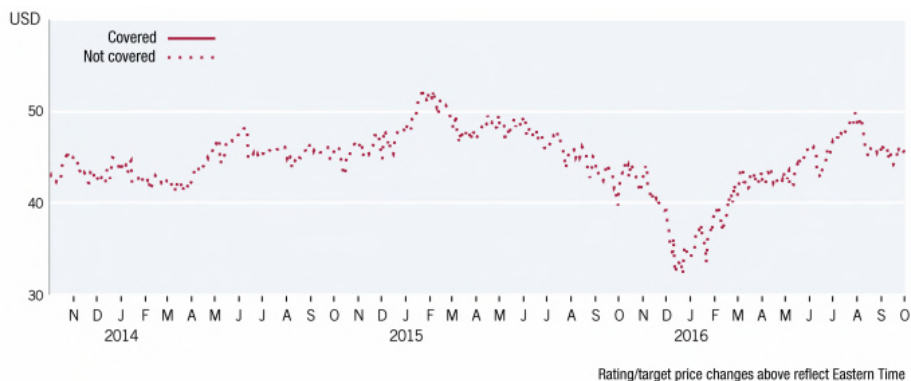
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AmeriGas Partners LP (APU)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Faisal Khan, CFA
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