



Michael Gaugler

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Gas and Electric Utilities

| | |
|-----------------------|-------------------|
| Price: | \$45.77 |
| Fair Value Estimate: | \$56.00 |
| 52-Week Range: | \$45.44 - \$52.00 |
| Market Cap (MM): | 7,927 |
| Shr.O/S-Diluted (mm): | 173.2 |
| Average Daily Volume: | 794,554 |
| Dividend: | \$1.00 |
| Yield: | 2.2% |

| | | | |
|------------|---------|---------|---------|
| FYE: Sept | 2017A | 2018E | 2019E |
| EPS: | \$2.29A | \$2.71E | \$2.79E |
| Prior EPS: | | \$2.57 | NC |
| P/E Ratio: | 20.0x | 16.9x | 16.4x |

Quarterly EPS:

| | | | |
|---------------|-----------|---------|---------|
| Q1 | \$0.91A | \$1.01A | \$0.84E |
| Q2 | \$1.31A | \$1.43E | \$1.60E |
| Q3 | \$0.09A | \$0.16E | \$0.19E |
| Q4 | \$(0.02)A | \$0.11E | \$0.16E |
| EPS: Adjusted | | | |

February 1, 2018

UGI Corporation

(UGI) - BUY

UGI - First Look at FY1Q18 Results, Maintain BUY Rating, \$56 Fair Value

PORTFOLIO MANAGER BRIEF

UGI's FY1Q18 results exceeded expectations, with weather favorably impacting U.S. operations. Adjusted EPS of \$1.01 was above the consensus forecast of \$0.93, but included a \$0.09 benefit from favorable tax legislation (U.S. and France). Stripping tax benefits away, the quarter was essentially inline with no real surprises. Looking forward, the company expects \$0.25 of favorable tax benefits in FY18, and we'd certainly expect FY2Q18 results to be stronger than previously expected. We've made no adjustments to our forward estimates (but updated for Q1), which had a positive net impact on FY18. We'll wait for the 10Q reviews to make final estimate revisions, but the bias is up given we haven't yet accounted for colder FY2Q weather and the remaining tax benefits to be realized. We maintain our BUY rating and \$56 Fair Value heading into this morning's conference call.

ANALYST NOTES

- FY1Q18, by the Segments - Operating income performance for the quarter was as follows: AmeriGas - +4.2%, UGI International - +4.7%, Midstream & Marketing - +5.2%, UGI Utilities - +17.2%. Colder weather benefitted AmeriGas, UGI Utilities and Midstream & Marketing; warmer weather prevailed across UGI International.
- No Guidance Update Until FY2Q18 Closes. UGI indicated it will update FY18 guidance after its FY2Q18 (seasonally strongest) quarter ends. Given the polar-vortex like temperatures that gripped much of its service territory in the U.S., our view is the bias in guidance is likely to be up, unless February and March are above-normal in terms of temperature.
- Summary/Valuation. As we mentioned previously, we've not adjusted our forward quarterly estimates, but we have adjusted annually to incorporate FY1Q18 results (final revisions will come after we've had a chance to review the 10Q's). Our bias is decidedly up given the tax benefits are not yet baked into forecasts, nor is any benefit from the extreme cold weather in the beginning days of January. We maintain our BUY rating and \$56 fair Value on UGI Corp, based on a P/E of 20x our FY19 EPS estimate of \$2.79.



IMPORTANT DISCLOSURES

Research Analyst Certification

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

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

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

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

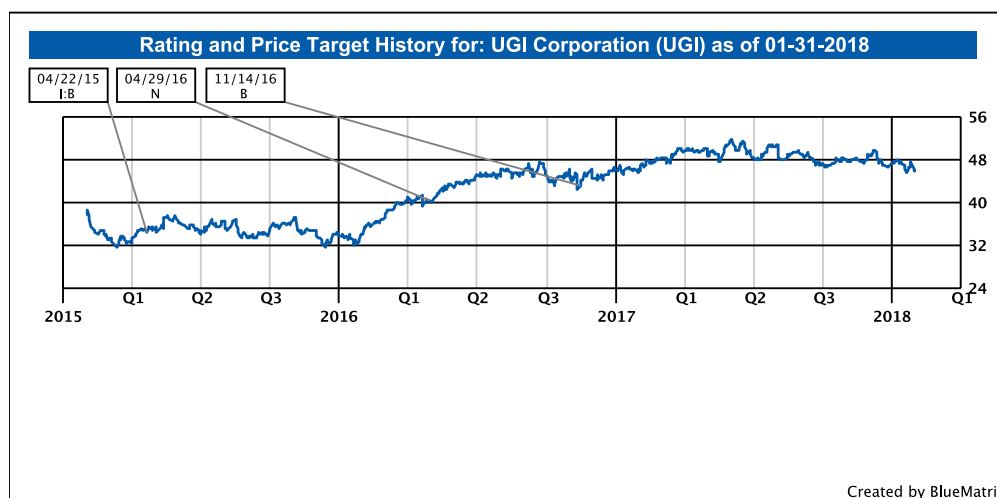
Definition of Ratings

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

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

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

Price Charts



Janney Montgomery Scott Ratings Distribution as of 12/31/17

| Rating | Count | Percent | IB Serv./Past 12 Mos.* | |
|--------------------|-------|---------|------------------------|---------|
| | | | Count | Percent |
| BUY [B] | 111 | 48.05 | 31 | 27.93 |
| NEUTRAL [N] | 117 | 50.65 | 22 | 18.80 |
| SELL [S] | 3 | 1.30 | 0 | 0.00 |

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

Other Disclosures

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