



Michael Gaugler

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Gas and Electric Utilities

Price:	\$52.90
Fair Value Estimate:	\$60.00
52-Week Range:	\$42.51 - \$54.09
Market Cap (MM):	9,157
Shr.O/S-Diluted (mm):	173.1
Average Daily Volume:	820,680
Dividend:	\$1.04
Yield:	2.0%

FYE: Sept	2018E	2019E	2020E
EPS:	\$2.74E	\$2.94E	\$3.15E
Prior EPS:	\$2.63	\$2.79	NC
P/E Ratio:	19.3x	18.0x	16.8x

Quarterly EPS:

Q1	\$1.01A	\$1.26E	\$1.24E
Q2	\$1.69A	\$1.63E	\$1.73E
Q3	\$0.09A	\$0.14E	\$0.30E
Q4	\$(0.05)E	\$(0.08)E	\$(0.11)E

EPS: Adjusted



August 2, 2018

UGI Corporation

(UGI) - BUY

UGI: FY3Q18 Results Below Expectations but FY Guidance Reaffirmed; Maintain BUY Rating, Fair Value to \$60

PORTFOLIO MANAGER BRIEF

UGI's adjusted FY3Q18 EPS results were slightly below expectations, but better YoY excluding TCJA impacts, which cut earnings in half. That said, individual segment performances were in line with our expectations, and we've increased our FY18/ FY19 adjusted EPS estimates, and introduced FY20 forecasts, which we move to for valuation purposes. We maintain our BUY rating, but raise our Fair Value from \$56 to \$60, based on a P/E of 19x our 2020 EPS estimate of \$3.15.

ANALYST NOTES

- **FY3Q18 Results Better YoY, Excluding TCJA Impacts.** UGI's FY3Q18 adjusted EPS of \$0.09 was below our \$0.14 estimate and consensus of \$0.13, negatively impacted by an order from the Pennsylvania Public Utility Commission to establish a regulatory liability for the utility operations, which negatively impacted adjusted EPS by -\$0.09. Sans the PAPUC order's impact, adjusted EPS would have been \$0.18, above our and consensus forecasts. With regard to individual segment performance, results were as expected, and we note FY3Q and FY4Q are seasonally weak reporting periods for UGI.
- **Major Project Initiatives Continue to Move Forward.** While only a brief amount of time was spent discussing the PennEast Pipeline, the company noted it continues to work through the final permitting processes, and expects construction to begin in 2019. UGI is also moving ahead on its Bethlehem LNG vaporization and storage facility (2MM gallons), which will alleviate shortages during peaking periods in the region.
- **Additional Growth Expected from LPG and International.** UGI/AmeriGas continues to look for additional volume growth from national accounts and the occasional tuck-in acquisition. Also cited was a desire to improve the customer experience with cylinder exchange; we've noted on occasion that the self-service units at big box retailers can require human intervention anyway. In Europe, UGI continues to look for acquisitions and organic growth opportunities to increase its presence in that region.
- **Summary/Valuation.** UGI's forward outlook continues to improve, and we consider it a story of "growth begets more growth". There will always be puts and takes in any given quarter given the wide-ranging businesses, but directionally the bias is up, in our opinion. We've moved to 2020 forecasts for valuation purposes, and raised our Fair Value from \$56 to \$60, based on a P/E of 19x our 2020 EPS estimate of \$3.15. We maintain our BUY rating on UGI shares.

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.

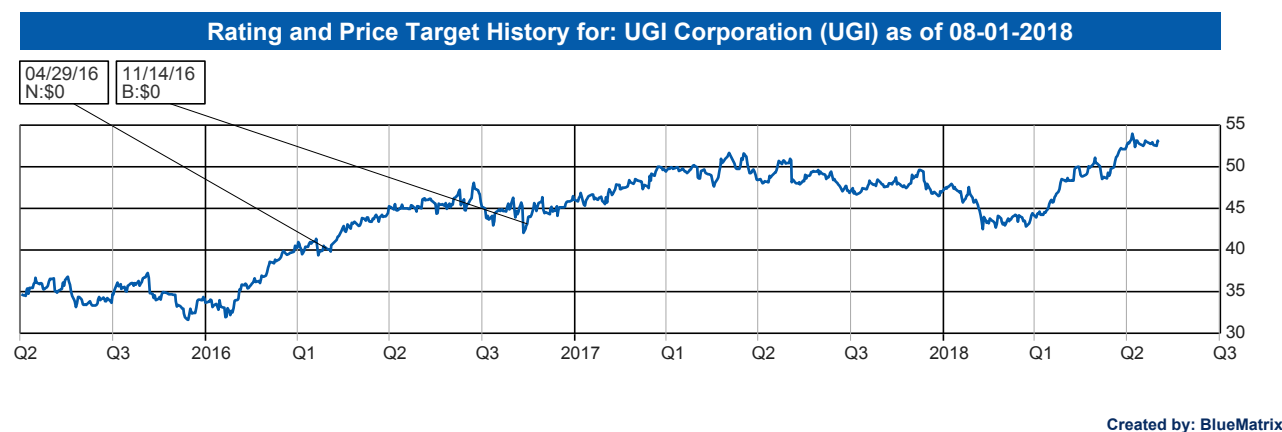
Definition of Ratings

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 06/30/18

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
BUY [B]	121	49.39	27	22.31
NEUTRAL [N]	122	49.80	23	18.85
SELL [S]	2	0.82	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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