



Michael Gaugler

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## Gas and Electric Utilities

Price:	\$46.23
Fair Value Estimate:	\$53.00
52-Week Range:	\$45.94 - \$59.31
Market Cap (MM):	9,662
Shr.O/S-Diluted (mm):	209.0
Average Daily Volume:	1,760,550
Dividend:	\$1.15
Yield:	2.5%

FYE: Sept	2019A	2020E	2021E
EPS:	\$2.28A	\$2.76E	\$2.93E
Prior EPS:		NC	NC
P/E Ratio:	20.3x	16.8x	15.8x

## Quarterly EPS:

Q1	\$0.81A	\$1.02E	\$1.17E
Q2	\$1.43A	\$1.85E	\$2.05E
Q3	\$0.13A	\$0.00E	\$0.00E
Q4	\$(0.09)A	\$(0.11)E	\$(0.29)E
EPS: Adjusted			

November 12, 2019

## UGI Corporation

(UGI) - BUY

## UGI: Conference Call Follow-Up

## PORTFOLIO MANAGER BRIEF

Lots to digest from UGI's conference call earlier this morning, but the key items were: 1) adjusted EPS for 2019 would have been \$2.36, excluding \$0.08 of impact associated with 4Q acquisitions, 2) sees 2023 EPS of \$3.75 - \$4.05, implying 13% growth, and 3) will invest substantially in the LPG businesses to take out significant costs. All-in, the forward outlook is more positive than we anticipated in our earlier note this morning. That said, our investment thesis remains unchanged; the company will need to hit Street expectations and its own guidance for the shares to return to a peer group multiple.

## ANALYST NOTES

- **Significant Investments Planned in FY20 & FY21 for the LPG Businesses.** UGI is looking to carve out \$120MM from its AmeriGas business, with planned investments over the next 24 months of \$175MM. It sees \$30MM of P&L benefit in FY20, with more significant benefits in FY21 and beyond. In the International segment, it sees annual savings of euro 30MM, and it expects to invest euro 55MM to achieve those gains, again with the majority of the costs expected over a 24 month timeframe. UGI expects euro 5MM in P&L benefits in FY20 as a result, with more significant benefits in F21 and beyond.
- **Guidance Through 2023 is Eye-Opening.** Beyond FY20's anticipated adjusted EPS range of \$2.60 - \$2.90, UGI sees adjusted EPS in 2023 of \$3.75 - \$4.05, which implies a 13% annual growth rate over that time period. The company gets there with 10-12% growth in its LPG business and 11-13% growth in its natural gas business.
- **Our Take:** Our investment thesis and expectations for near-term share prices remain unchanged. We believe UGI has the asset mix to achieve its short and long-term guidance; where the shares trade will depend on execution against those targets. Near-term, UGI's first opportunity in that regard will most likely be its FY1Q20 results in early February. The company expects 40% of its total earnings to be realized in Q1, so that equates to Q1 adjusted EPS in a range of \$1.04 to \$1.16. For 2Q (reported in May, anticipated 70% of earnings), the implied range is \$1.82 to \$2.03. If it meets those expectations, we'd expect the shares to trade back to a peer group multiple. If it doesn't, FY20 could be a difficult year for shareholders. Longer term, if UGI executes against its 2023 guidance, the shares could likely double from current price levels if we apply a peer group 20-ish P/E multiple.



## IMPORTANT DISCLOSURES

### Research Analyst Certification

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

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

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

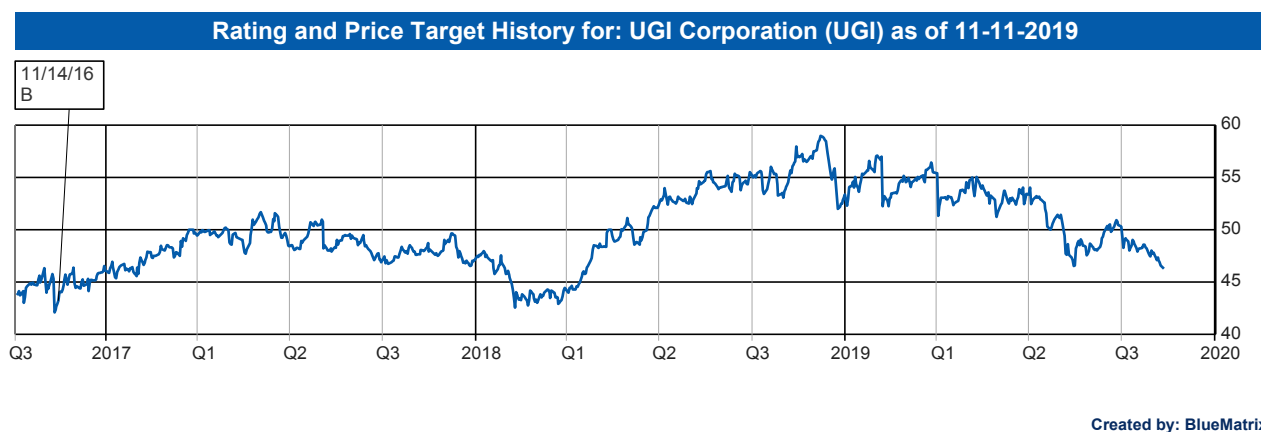
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**BUY:** Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

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### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 09/30/2019

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	171	52.78	37	21.64
<b>NEUTRAL [N]</b>	151	46.60	20	13.25
<b>SELL [S]</b>	2	0.62	0	0.00

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

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