



Michael Gaugler

215-665-1359 mgaugler@janney.com

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:	\$2.43	\$3.10	NC
P/E Ratio:	20.3x	16.8x	15.8x

Quarterly EPS:

Q1	\$0.81A	\$0.89E	\$0.95E
Q2	\$1.43A	\$1.84E	\$1.96E
Q3	\$0.13A	\$0.18E	\$0.20E
Q4	\$(0.09)A	\$(0.15)E	\$(0.18)E
EPS: Adjusted			

November 12, 2019

UGI Corporation

(UGI) - BUY

UGI: First Look; FY20 Guidance Disappointing, Maintain BUY Rating, Lowering Fair Value to \$53

PORTFOLIO MANAGER BRIEF

UGI's shares were down 7.6% yesterday after market close, as FY19 results of adjusted EPS of \$2.28 missed the bottom end of its guidance range of \$2.40 to \$2.60, and FY20 adjusted EPS guidance of \$2.60 to \$2.90 came in below consensus of \$3.02. The miss and lowered FY20 expectations are disappointing, but we note that the underlying fundamentals driving our positive investment thesis remain intact. The company's completed AmeriGas transaction, successful PA rate case outcome for its Utilities segment and acquisition of Columbia Midstream Group all set the stage for better cash flows, earnings growth and dividend increases. That said, the company will most likely need to meet its own guidance and Street expectations in 1H20 before its shares can command a peer group multiple. We maintain our BUY rating but lower our Fair Value from \$65 to \$53, based on a P/E of 18x our FY21 EPS estimate of \$2.93.

ANALYST NOTES

- **FY19 Adjusted EPS Below Expectations.** Adjusted EPS of \$2.28 missed the bottom end of the company's guidance range of \$2.40 to \$2.60 (consensus was \$2.37). There were several items that negatively impacted full year results; most notable was unfavorable weather in 1H19 that created significant headwinds to meeting FY19 expectations during the peak earnings period. FY4Q results also saw some impact from the issuance of shares for the AmeriGas transaction.
- **FY20 Guidance Disappointed.** UGI sees FY20 adjusted EPS guidance of \$2.60 to \$2.90, below the consensus forecast of \$3.02. Key elements of the guidance assumes normal weather based on a 15-year average and the return of some pipeline capacity values (at reduced levels).
- **Adjusting Forward Estimates.** Unfavorable weather has negatively impacted UGI results for the last two years, and we've lowered our FY20 adj EPS estimates to reflect both guidance and a more conservative stance overall (see table, this page).
- **Summary/Valuation.** Our positive investment thesis on UGI shares remains intact, despite disappointing FY19 results and lower-than-expected FY20 guidance. The strategic changes in FY19 (AmeriGas transaction, CMG acquisition) coupled with a successful PA rate case sets the stage for improving earnings throughout our published forecasts. That said, our view is that 1H20 results will need to support the midpoint of the company's guidance range (at a minimum) before the shares can trade towards a peer group multiple. Weather thus far in Q1 appears favorable, and the near-term forward forecast supports that continuing trend. The shares have already seen a noticeable price decline recently (as has



most of our utility coverage as the yield on the 10-year T-Note has increased), and traded down 7.6% yesterday after hours after Q4 results/FY20 guidance were released. We've lowered our target P/E multiple from 21x to 18x, which we hope to revisit with a positive bias after 1H20 results. We maintain our BUY rating, but lower our Fair Value from \$65 to \$53, based on a P/E of 18x our FY21 EPS estimate of \$2.93.

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.

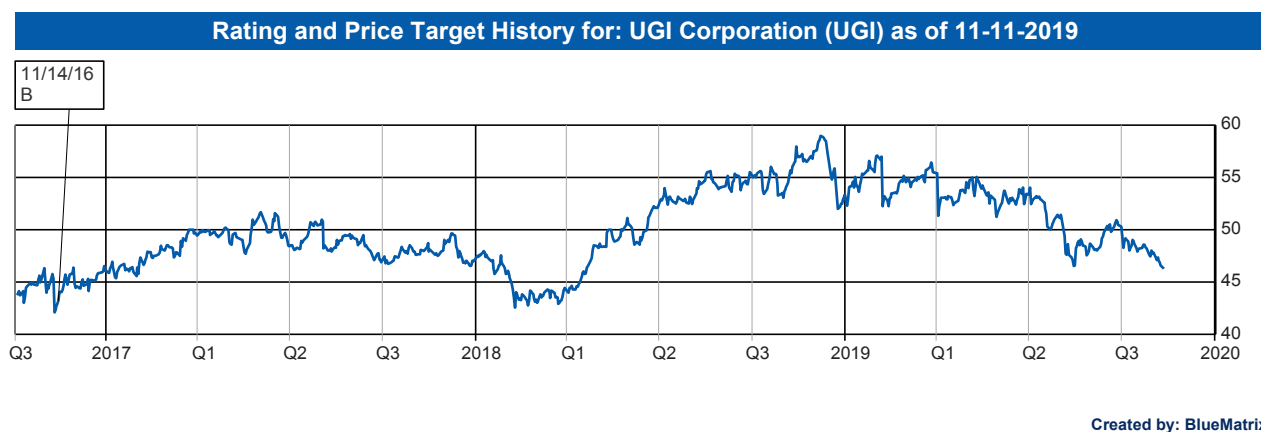
Definition of Ratings

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 09/30/2019

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

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

Other Disclosures

Janney Montgomery Scott LLC, is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

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

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