

# UGI Corp (UGI)

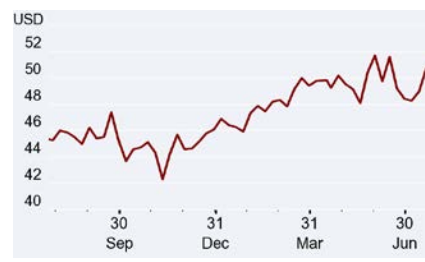
## Model Update

- Updating financial estimates based on underlying adjustments to APU.

■ Estimate Change

Neutral	2
Price (26 Jul 17 16:00)	US\$50.74
Target price	US\$49.00
Expected share price return	-3.4%
Expected dividend yield	2.0%
Expected total return	-1.5%
Market Cap	US\$8,784M

### Price Performance (RIC: UGI.N, BB: UGI US)



EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2016A	0.64A	1.24A	0.23A	-0.05A	2.06A	2.05A
2017E	0.91A	1.31A	0.15E	-0.09E	2.27E	2.31E
Previous	0.91A	1.31A	0.14E	-0.09E	2.27E	na
2018E	0.81E	1.43E	0.16E	-0.10E	2.31E	2.50E
Previous	0.80E	1.45E	0.15E	-0.10E	2.30E	na
2019E	0.83E	1.43E	0.18E	-0.08E	2.36E	2.60E
Previous	0.82E	1.44E	0.17E	-0.08E	2.35E	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\$50.74; TP: US\$49.00; Market Cap: US\$8,784m; Recomm: Neutral					
Profit & Loss (US\$m)	2015	2016	2017E	2018E	2019E	Valuation ratios	2015	2016	2017E	2018E	2019E
Sales revenue	6,691	5,686	6,087	6,389	6,536	PE (x)	26.3	24.7	22.3	22.0	21.5
Cost of sales	-3,617	-2,529	-2,868	-2,954	-3,057	PB (x)	3.3	3.1	2.9	2.7	2.5
Gross profit	3,074	3,157	3,220	3,436	3,479	EV/EBITDA (x)	9.5	9.9	9.5	8.3	7.9
Gross Margin (%)	45.9	55.5	52.9	53.8	53.2	FCF yield (%)	7.6	4.6	3.0	7.6	9.4
<b>EBITDA (Adj)</b>	<b>1,373</b>	<b>1,320</b>	<b>1,381</b>	<b>1,580</b>	<b>1,604</b>	Dividend yield (%)	1.8	1.8	1.9	2.0	2.1
EBITDA Margin (Adj) (%)	20.5	23.2	22.7	24.7	24.5	Payout ratio (%)	46	45	43	44	45
Depreciation	-374	-401	-400	-419	-434	ROE (%)	10.5	13.2	15.5	12.7	12.1
Amortisation	0	0	0	0	0	<b>Cashflow (US\$m)</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
<b>EBIT (Adj)</b>	<b>954</b>	<b>896</b>	<b>969</b>	<b>1,141</b>	<b>1,160</b>	EBITDA	1,328	1,297	1,369	1,560	1,594
EBIT Margin (Adj) (%)	14.3	15.8	15.9	17.9	17.7	Working capital	192	43	-214	0	0
Net interest	-242	-229	-222	-221	-221	Other	-356	-371	-351	-491	-498
Associates	-1	0	2	0	0	<b>Operating cashflow</b>	<b>1,164</b>	<b>970</b>	<b>805</b>	<b>1,069</b>	<b>1,096</b>
Non-op/Except	-119	43	25	0	0	Capex	-491	-564	-536	-392	-259
<b>Pre-tax profit</b>	<b>592</b>	<b>710</b>	<b>775</b>	<b>920</b>	<b>939</b>	Net acq/disposals	-448	-61	-7	0	0
Tax	-178	-221	-219	-271	-277	Other	-38	66	11	0	0
Extraord./Min.Int./Pref.div.	-133	-124	-96	-243	-246	<b>Investing cashflow</b>	<b>-976</b>	<b>-559</b>	<b>-532</b>	<b>-392</b>	<b>-259</b>
<b>Reported net profit</b>	<b>281</b>	<b>365</b>	<b>460</b>	<b>406</b>	<b>416</b>	Dividends paid	-402	-418	-432	-444	-454
Net Margin (%)	4.2	6.4	7.6	6.4	6.4	<b>Financing cashflow</b>	<b>-217</b>	<b>-275</b>	<b>-315</b>	<b>-444</b>	<b>-454</b>
Core NPAT	338	360	402	406	416	<b>Net change in cash</b>	<b>-50</b>	<b>133</b>	<b>-59</b>	<b>233</b>	<b>383</b>
<b>Per share data</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>Free cashflow to s/holders</b>	<b>673</b>	<b>406</b>	<b>269</b>	<b>676</b>	<b>837</b>
Reported EPS (\$)	1.60	2.08	2.60	2.31	2.36						
Core EPS (\$)	1.93	2.06	2.27	2.31	2.36						
DPS (\$)	0.89	0.93	0.98	1.02	1.06						
CFPS (\$)	6.63	5.54	4.54	6.07	6.23						
FCFPS (\$)	3.83	2.32	1.52	3.84	4.75						
BVPS (\$)	15.54	16.41	17.54	18.82	20.13						
Wtd avg ord shares (m)	176	175	177	176	176						
Wtd avg diluted shares (m)	176	175	177	176	176						
<b>Growth rates</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>						
Sales revenue (%)	-19.2	-15.0	7.1	5.0	2.3						
EBIT (Adj) (%)	-6.9	-6.0	8.1	17.7	1.7						
Core NPAT (%)	-4.9	6.4	11.7	1.0	2.4						
Core EPS (%)	-5.5	6.7	10.4	1.6	2.4						
<b>Balance Sheet (US\$m)</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>						
Cash & cash equiv.	439	518	444	677	1,060						
Accounts receivables	620	552	455	458	470						
Inventory	240	210	103	104	108						
Net fixed & other tangibles	5,523	5,854	5,959	5,974	5,842						
Goodwill & intangibles	3,564	3,569	3,478	3,435	3,392						
Financial & other assets	161	144	107	107	109						
<b>Total assets</b>	<b>10,547</b>	<b>10,847</b>	<b>10,546</b>	<b>10,756</b>	<b>10,982</b>						
Accounts payable	393	391	238	240	249						
Short-term debt	448	321	50	50	50						
Long-term debt	3,442	3,766	4,196	4,196	4,196						
Provisions & other liab	2,692	2,767	2,391	2,393	2,402						
<b>Total liabilities</b>	<b>6,974</b>	<b>7,245</b>	<b>6,875</b>	<b>6,879</b>	<b>6,897</b>						
Shareholders' equity	2,692	2,851	3,087	3,313	3,542						
Minority interests	880	751	585	564	543						
<b>Total equity</b>	<b>3,572</b>	<b>3,602</b>	<b>3,671</b>	<b>3,877</b>	<b>4,085</b>						
<b>Net debt (Adj)</b>	<b>3,451</b>	<b>3,569</b>	<b>3,802</b>	<b>3,569</b>	<b>3,186</b>						
Net debt to equity (Adj) (%)	96.6	99.1	103.6	92.1	78.0						

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 26% 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 \$49/unit based on 3 valuation methodologies. Our NAV yields a value of \$46.66/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 9x EBITDA. These values are partially offset by the UGI's debt. Our P/E valuation of \$46.11/share is based on blended 20x EPS multiple, using 21x for the Utilities segment, 20x for the midstream, and 19x 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 \$44.70/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	01-Feb-15 21:48:39	2	*\$36.50	36.99
2	03-May-16 18:14:07	2	*\$44.00	39.86

	Date	Rating	Target Price	Closing Price
3	06-Feb-17 21:25:33	2	*\$48.00	46.61
4	02-May-17 18:07:41	2	*\$49.00	48.73

\*Indicates Change

Rating/target price changes above reflect Eastern Time

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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 1<sup>st</sup> 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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## 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 12/31/15	1Q:16E 12/31/15			
<b>Gross Profit Per Segment</b>							
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%)
<b>Segment Gross Margin</b>	<b>\$810.0</b>	<b>\$520.9</b>	<b>\$870.2</b>	<b>\$919.9</b>	<b>67.1%</b>	<b>7.4%</b>	<b>(5.4%)</b>
<b>Operating Income Per Segment *</b>							
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%)
<b>Segment Income</b>	<b>\$310.0</b>	<b>\$44.6</b>	<b>\$305.9</b>	<b>\$405.5</b>	<b>585.9%</b>	<b>(1.3%)</b>	<b>(24.6%)</b>
<b>Adj Net Income to UGI Corp *</b>	<b>\$116.0</b>	<b>\$1.9</b>	<b>\$112.4</b>	<b>\$130.0</b>	<b>5,815.8%</b>	<b>(3.1%)</b>	<b>(13.6%)</b>
<b>Adj EPS *</b>	<b>\$0.66</b>	<b>\$0.01</b>	<b>\$0.64</b>	<b>\$0.74</b>	<b>5,736.3%</b>	<b>(3.0%)</b>	<b>(13.4%)</b>
<b>Dividend Per Share (announced)</b>	<b>\$0.2175</b>	<b>\$0.2275</b>	<b>\$0.2275</b>	<b>\$0.2275</b>	<b>0.0%</b>	<b>4.6%</b>	<b>0.0%</b>
<b>Annualized</b>	<b>\$0.8700</b>	<b>\$0.9100</b>	<b>\$0.9100</b>	<b>\$0.9100</b>	<b>0.0%</b>	<b>4.6%</b>	<b>0.0%</b>
<b>Segment Stats</b>							
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 12/31/15	1Q:16E 12/31/15			
<b>Propane Sold - Retail (MM Gallons)</b>	<b>340.2</b>	<b>193.9</b>	<b>295.1</b>	<b>370.8</b>	<b>52.2%</b>	<b>(13.3%)</b>	<b>(20.4%)</b>
<b>Total Gross Profit</b>	<b>\$425.0</b>	<b>\$257.3</b>	<b>\$395.3</b>	<b>\$458.4</b>	<b>53.6%</b>	<b>(7.0%)</b>	<b>(13.8%)</b>
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	<b>334.8%</b>	<b>(8.7%)</b>	<b>(21.1%)</b>
<b>Adjusted EBITDA</b>	<b>\$188.5</b>	<b>\$39.7</b>	<b>\$177.7</b>	<b>\$216.4</b>	<b>347.6%</b>	<b>(5.8%)</b>	<b>(17.9%)</b>
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%
<b>Distributable Cash Flow (Estimate)</b>	<b>\$129.6</b>	<b>(\$15.4)</b>	<b>\$121.6</b>	<b>\$157.3</b>	<b>(889.8%)</b>	<b>(6.2%)</b>	<b>(22.7%)</b>
<b>Distributions per unit (announced)</b>	<b>\$0.8800</b>	<b>\$0.9200</b>	<b>\$0.9200</b>	<b>\$0.9200</b>	<b>0.0%</b>	<b>4.5%</b>	<b>0.0%</b>
Distribution Coverage Ratio (LTM)	1.06x	1.07x	1.03x	1.13x	(3.6%)	(2.3%)	(8.4%)
<b>EPS</b>	<b>(\$0.49)</b>	<b>(\$0.62)</b>	<b>\$0.77</b>	<b>\$1.25</b>	<b>(223.7%)</b>	<b>(256.5%)</b>	<b>(38.6%)</b>
<b>Unit Analysis - Retail (\$/gal)</b>							
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%

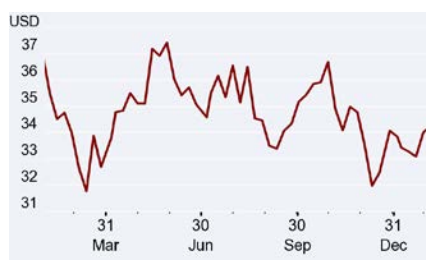
Source: Citi Research

## 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.

■ **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 1<sup>st</sup> 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.

■ **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.

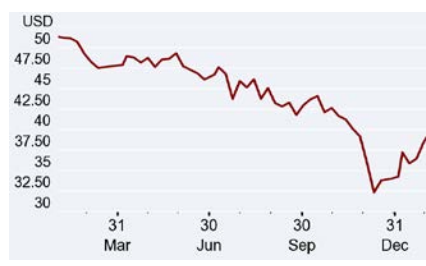
## Company Focus

### ■ 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)
<b>Distributable Cash Flow</b>	<b>\$438.6</b>	<b>\$443.0</b>	<b>\$446.9</b>	<b>\$450.5</b>	<b>\$453.8</b>
Total Cash Distributions	388.0	402.8	417.6	428.7	436.1
<b>Total Distribution Per Unit</b>	<b>\$3.72</b>	<b>\$3.80</b>	<b>\$3.88</b>	<b>\$3.94</b>	<b>\$3.98</b>
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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#### 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

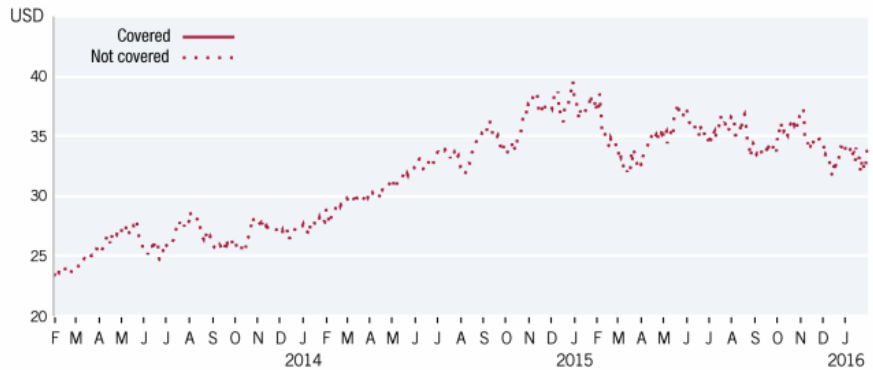
	Date	Rating	Target Price	Closing Price
5	01-Feb-15	2	*36.50	36.99

\*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

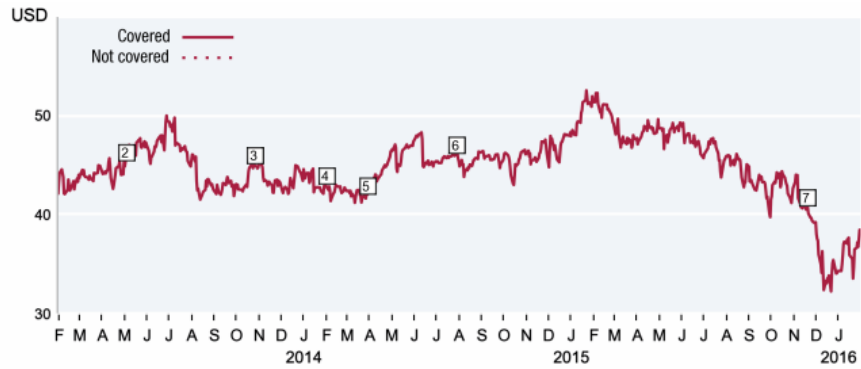


\*Indicates Change

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

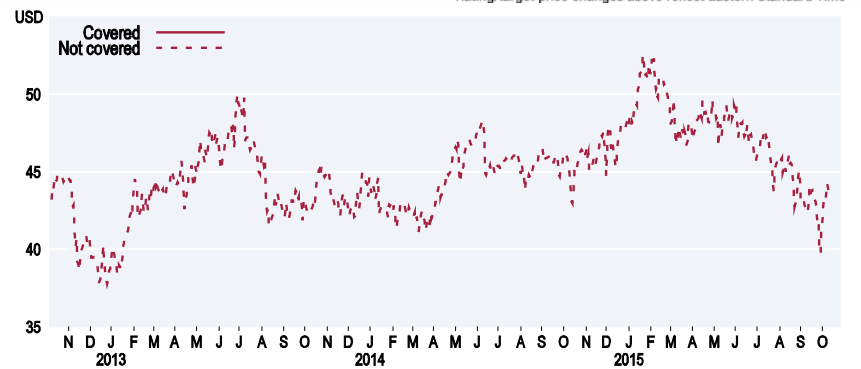
	Date	Rating	Target Price	Closing Price
7	18-Nov-15	2H	*42.00	40.72

\*Indicates Change

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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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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## 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				EPS	EPS		
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			
<b>Gross Margin Per Segment</b>							
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%)
<b>Segment Gross Margin</b>	<b>\$1,146.2</b>	<b>\$865.7</b>	<b>\$1,129.3</b>	<b>\$1,217.8</b>	<b>30.5%</b>	<b>(1.5%)</b>	<b>(7.3%)</b>
<b>Operating Income Per Segment *</b>							
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%)
<b>Segment Income</b>	<b>\$603.4</b>	<b>\$300.4</b>	<b>\$554.2</b>	<b>\$651.6</b>	<b>84.5%</b>	<b>(8.2%)</b>	<b>(14.9%)</b>
<b>Adj Net Income to UGI Corp *</b>	<b>\$220.8</b>	<b>\$112.4</b>	<b>\$216.2</b>	<b>\$223.6</b>	<b>92.4%</b>	<b>(2.1%)</b>	<b>(3.3%)</b>
<b>Adj EPS *</b>	<b>\$1.26</b>	<b>\$0.64</b>	<b>\$1.24</b>	<b>\$1.27</b>	<b>93.3%</b>	<b>(1.6%)</b>	<b>(2.4%)</b>
<b>Dividend Per Share (announced)</b>	<b>\$0.2275</b>	<b>\$0.2275</b>	<b>\$0.2375</b>	<b>\$0.2366</b>	<b>4.4%</b>	<b>4.4%</b>	<b>0.4%</b>
<b>Annualized</b>	<b>\$0.9100</b>	<b>\$0.9100</b>	<b>\$0.9100</b>	<b>\$0.9464</b>	<b>0.0%</b>	<b>0.0%</b>	<b>(3.8%)</b>
<b>Segment Stats</b>							
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			
<b>Propane Sold - Retail (MM Gallons)</b>	<b>448.0</b>	<b>295.1</b>	<b>385.8</b>	<b>457.0</b>	<b>30.7%</b>	<b>(13.9%)</b>	<b>(15.6%)</b>
<b>Total Gross Profit</b>	<b>\$595.8</b>	<b>\$400.9</b>	<b>\$568.7</b>	<b>\$595.9</b>	<b>41.9%</b>	<b>(4.5%)</b>	<b>(4.6%)</b>
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%)
<b>EBITDA</b>	<b>\$345.8</b>	<b>\$178.9</b>	<b>\$334.4</b>	<b>\$340.4</b>	<b>86.9%</b>	<b>(3.3%)</b>	<b>(1.8%)</b>
<b>Adjusted EBITDA</b>	<b>\$342.1</b>	<b>\$177.7</b>	<b>\$295.4</b>	<b>\$337.2</b>	<b>66.2%</b>	<b>(13.7%)</b>	<b>(12.4%)</b>
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%
<b>Distributable Cash Flow (Estimate)</b>	<b>\$285.4</b>	<b>\$122.8</b>	<b>\$238.0</b>	<b>\$281.0</b>	<b>93.8%</b>	<b>(16.6%)</b>	<b>(15.3%)</b>
<b>Distributions per unit (announced)</b>	<b>\$0.9200</b>	<b>\$0.9200</b>	<b>\$0.9400</b>	<b>\$0.9400</b>	<b>2.2%</b>	<b>2.2%</b>	<b>(0.0%)</b>
Distribution Coverage Ratio (LTM)	1.08x	1.04x	0.90x	1.10x	(13.6%)	(17.0%)	(18.6%)
<b>EPS</b>	<b>\$3.40</b>	<b>\$0.77</b>	<b>\$1.74</b>	<b>\$2.56</b>	<b>126.3%</b>	<b>(48.9%)</b>	<b>(32.0%)</b>
<b>Unit Analysis - Retail (\$/gal)</b>							
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)
<b>Distributable Cash Flow</b>	<b>\$372.7</b>	<b>\$475.2</b>	<b>\$480.8</b>	<b>\$486.0</b>	<b>\$490.7</b>
Total Cash Distributions	388.3	402.8	417.6	428.7	436.1
<b>Total Distribution Per Unit</b>	<b>\$3.72</b>	<b>\$3.80</b>	<b>\$3.88</b>	<b>\$3.94</b>	<b>\$3.98</b>
Growth in Distribution Per Unit	3.3%	2.2%	2.1%	1.5%	1.0%
<b>Distribution Cash Flow Coverage:</b>	<b>0.96x</b>	<b>1.18x</b>	<b>1.15x</b>	<b>1.13x</b>	<b>1.13x</b>

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 undergo 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

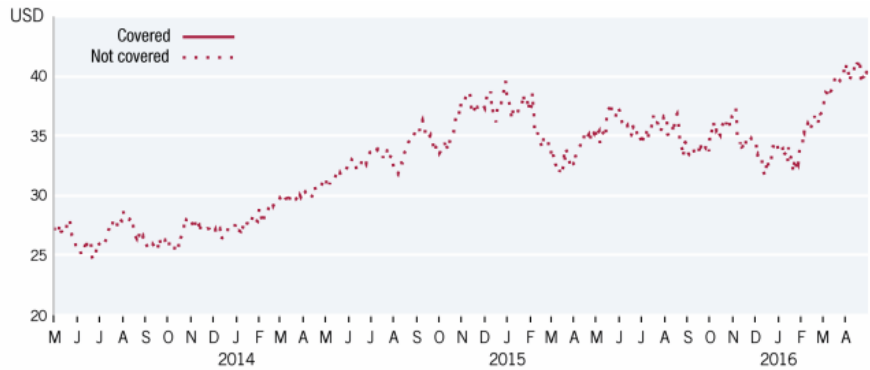
\*Indicates Change

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

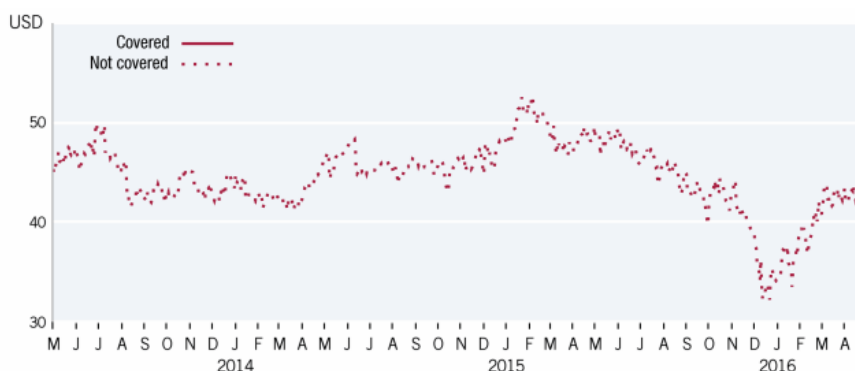
	Date	Rating	Target Price	Closing Price
7	18-Nov-15	2H	*42.00	40.72

\*Indicates Change

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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Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from UGI Corp.

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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.

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Citi Research Global Fundamental Coverage	48%	39%	13%
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Citigroup Global Markets Inc Faisal Khan, CFA

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Pipelines & Gas Utilities  
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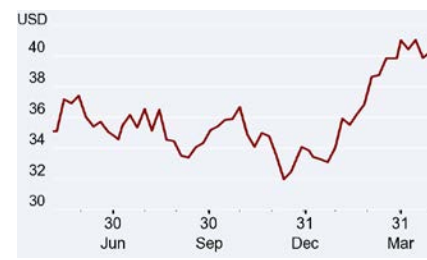
## UGI Corp (UGI)

### 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.

<b>Neutral</b>	<b>2</b>
Price (04 May 16)	US\$40.62
Target price	US\$44.00
Expected share price return	8.3%
Expected dividend yield	2.3%
<b>Expected total return</b>	<b>10.7%</b>
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
<b>EBITDA (Adj)</b>	<b>1,387</b>	<b>1,373</b>	<b>1,340</b>	<b>1,559</b>	<b>1,589</b>	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	<b>Cashflow (US\$m)</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>
<b>EBIT (Adj)</b>	<b>1,024</b>	<b>954</b>	<b>1,017</b>	<b>1,122</b>	<b>1,140</b>	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	<b>Operating cashflow</b>	<b>1,024</b>	<b>1,164</b>	<b>775</b>	<b>1,040</b>	<b>1,055</b>
Non-op/Except	0	-119	1	0	0	Capex	-457	-491	-315	-246	-246
<b>Pre-tax profit</b>	<b>787</b>	<b>592</b>	<b>783</b>	<b>890</b>	<b>909</b>	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	<b>Investing cashflow</b>	<b>-488</b>	<b>-976</b>	<b>-339</b>	<b>-246</b>	<b>-246</b>
<b>Reported net profit</b>	<b>356</b>	<b>281</b>	<b>365</b>	<b>389</b>	<b>400</b>	Dividends paid	-374	-402	-420	-433	-445
Net Margin (%)	4.3	4.2	6.2	5.8	5.7	<b>Financing cashflow</b>	<b>-476</b>	<b>-217</b>	<b>-353</b>	<b>-433</b>	<b>-445</b>
Core NPAT	356	338	345	389	400	<b>Net change in cash</b>	<b>49</b>	<b>-50</b>	<b>76</b>	<b>361</b>	<b>364</b>
<b>Per share data</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>	<b>Free cashflow to s/holders</b>	<b>567</b>	<b>673</b>	<b>460</b>	<b>794</b>	<b>808</b>
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						
<b>Growth rates</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>						
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						
<b>Balance Sheet (US\$m)</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>						
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						
<b>Total assets</b>	<b>10,093</b>	<b>10,547</b>	<b>10,350</b>	<b>10,627</b>	<b>10,848</b>						
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						
<b>Total liabilities</b>	<b>6,430</b>	<b>6,974</b>	<b>6,700</b>	<b>6,781</b>	<b>6,804</b>						
Shareholders' equity	2,659	2,692	2,846	3,065	3,289						
Minority interests	1,004	880	804	781	756						
<b>Total equity</b>	<b>3,663</b>	<b>3,572</b>	<b>3,650</b>	<b>3,847</b>	<b>4,045</b>						
<b>Net debt (Adj)</b>	<b>3,286</b>	<b>3,451</b>	<b>3,460</b>	<b>3,099</b>	<b>2,735</b>						
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.

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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

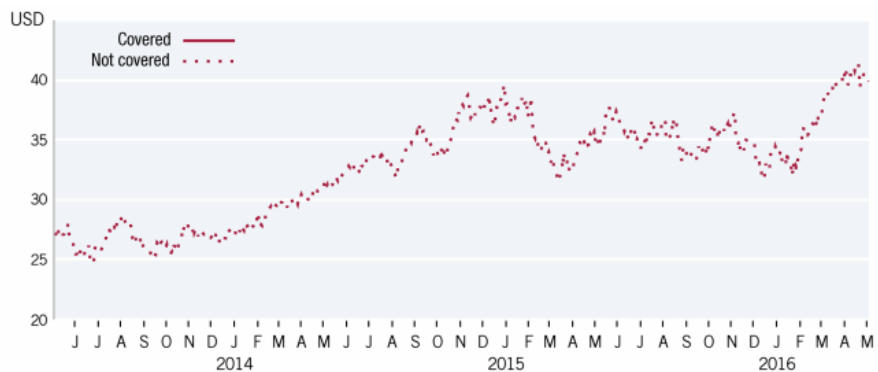
	Date	Rating	Target Price	Closing Price
5	03-May-16	2	*44.00	39.86

\*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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<i>Data current as of 31 Mar 2016</i>	12 Month Rating		
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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

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## 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

<b>Ad EBITDA (\$ Mil)</b>	<b>4Q:16E</b>	<b>2016E</b>	<b>1Q:17E</b>	<b>2Q:17E</b>	<b>3Q:17E</b>	<b>4Q:17E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
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
<b>% Change</b>	<b>(2.9%)</b>	<b>3.1%</b>	<b>1.2%</b>	<b>5.9%</b>	<b>26.7%</b>	<b>(4.3%)</b>	<b>3.1%</b>	<b>3.1%</b>	<b>3.2%</b>	<b>3.2%</b>
<b>DPS (\$)</b>	<b>4Q:16E</b>	<b>2016E</b>	<b>1Q:17E</b>	<b>2Q:17E</b>	<b>3Q:17E</b>	<b>4Q:17E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
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
<b>% Change</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Adj EPU (\$)</b>	<b>4Q:16E</b>	<b>2016E</b>	<b>1Q:17E</b>	<b>2Q:17E</b>	<b>3Q:17E</b>	<b>4Q:17E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
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
<b>% Change</b>	<b>NM</b>	<b>3.2%</b>	<b>(10.4%)</b>	<b>4.0%</b>	<b>74.3%</b>	<b>NM</b>	<b>(4.2%)</b>	<b>(4.0%)</b>	<b>(3.7%)</b>	<b>(3.4%)</b>

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)
<b>Distributable Cash Flow</b>	<b>\$364.1</b>	<b>\$451.6</b>	<b>\$456.1</b>	<b>\$460.6</b>	<b>\$465.0</b>
Total Cash Distributions	388.4	403.0	417.8	428.9	436.3
<b>Total Distribution Per Unit</b>	<b>\$3.72</b>	<b>\$3.80</b>	<b>\$3.88</b>	<b>\$3.94</b>	<b>\$3.98</b>
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

<b>Adj EBITDA (\$mil)</b>	<b>4Q:16E</b>	<b>2016E</b>	<b>1Q:17E</b>	<b>2Q:17E</b>	<b>3Q:17E</b>	<b>4Q:17E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
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
<b>% Change</b>	<b>0.0%</b>	<b>(1.1%)</b>	<b>(1.2%)</b>	<b>(0.9%)</b>	<b>(12.7%)</b>	<b>(5.4%)</b>	<b>(2.4%)</b>	<b>(2.4%)</b>	<b>(2.3%)</b>	<b>(2.3%)</b>
<b>DCF (\$mil)</b>	<b>4Q:16E</b>	<b>2016E</b>	<b>1Q:17E</b>	<b>2Q:17E</b>	<b>3Q:17E</b>	<b>4Q:17E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
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
<b>% Change</b>	<b>17.2%</b>	<b>(2.3%)</b>	<b>(2.7%)</b>	<b>(1.4%)</b>	<b>(62.1%)</b>	<b>34.7%</b>	<b>(5.0%)</b>	<b>(5.1%)</b>	<b>(5.2%)</b>	<b>(5.2%)</b>
<b>DPU - Paid Basis (\$)</b>	<b>4Q:16E</b>	<b>2016E</b>	<b>1Q:17E</b>	<b>2Q:17E</b>	<b>3Q:17E</b>	<b>4Q:17E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
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
<b>% Change</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>EPU (\$)</b>	<b>4Q:16E</b>	<b>2016E</b>	<b>1Q:17E</b>	<b>2Q:17E</b>	<b>3Q:17E</b>	<b>4Q:17E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
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
<b>% Change</b>	<b>(2.5%)</b>	<b>(4.7%)</b>	<b>(0.4%)</b>	<b>(0.5%)</b>	<b>20.5%</b>	<b>1.7%</b>	<b>(3.8%)</b>	<b>(4.3%)</b>	<b>(4.6%)</b>	<b>(4.7%)</b>

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

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by "AC" in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or rating history tables for that issuer shown below. Each of these analysts certify, with respect to the sections of the report for which they are responsible: (1) 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; and (2) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views 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	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

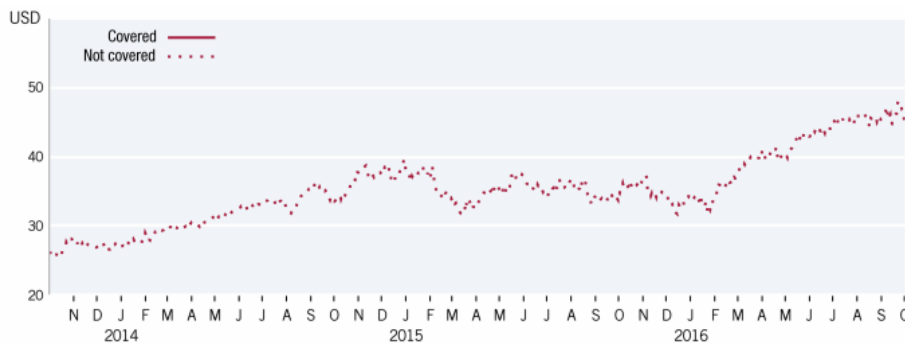
\*Indicates Change

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

\*Indicates Change

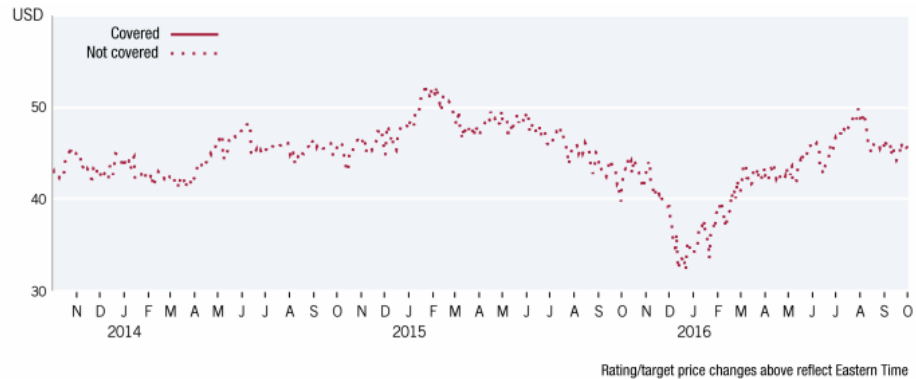
Rating/target price changes above reflect Eastern Time



**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

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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

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## UGI & APU 3Q:17 Earnings Results

### UGI Miss on International Propane and Marketing; APU In-Line

- **UGI Results** — UGI reported adj EPS of \$0.09/share (excl M2M hedges), below our estimate of \$0.15 and Consensus of \$0.16. Adj net income came in at \$16.6 million, also below our estimate of \$25.6 million and Consensus of \$32.4 million. The miss was primarily driven by lower unit margins in the International Propane segment and weaker basis differentials in the Midstream & Marketing segment. Management reiterated its expectation for 2017 EPS at UGI to be at or below its prior guidance of \$2.30-\$2.45/share. The announced dividend of \$0.25/share (\$1.00 annualized) is up 5.3% YoY.
- **Project Updates** — PennEast's FERC certificate continues to wait for a quorum at the FERC while progress continues on permitting at the state level. PennEast's in-service date still remains end of calendar 2018. Construction continues on schedule for the Steelton LNG facility and still targets an in-service date of early 2018.
- **International** — UGI's international propane business reported gross margin of \$173.1 mil, below our estimate of \$214.9 mil. Gross margin declined ~20% vs last year due to temps that were almost 8% warmer YoY and a less favorable pricing market in France. UGI also closed on the acquisition of Preem Gas in Sweden, which sells ~20 million gallons per year. Integrating the business has already begun and we'd expect costs to be incurred over the next couple of years.
- **Gas Utility** — Gas Utility reported gross margin of \$93.6 mil vs our estimate of \$103.4 mil. Margins benefitted from a higher rate base at UGI Gas but was more than offset by temps that were 30% warmer YoY.
- **Midstream & Marketing** — The midstream & marketing segment reported gross margin of \$33.4 mil vs our estimate of \$48.8 mil. The segment benefitted from higher peaking and storage margins but was offset by lower basis differentials. We expect this trend in basis to continue as new infrastructure comes online.
- **APU Results** — APU reported adj EBITDA of \$58.4 mil, relatively in-line with our estimate of \$61.6 million and below Consensus of \$74.2 mil. Retail volumes of 195 million gallons were ~4% lower YoY as temperatures were over 10% warmer YoY, and 12% warmer than normal. Unit margin improvement of \$0.01/gal helped slightly offset the impact of weather. Management sees propane inventory levels vs historical norms as a concern, a view we share considering the rate of exports being experienced and the potential of a colder winter vs last year. Our detailed view of the propane space can be found in our recent macro note: [Propane MLPs: Winter is Coming; SPH Upgraded to Buy](#). Management expects full year adj EBITDA to come in around the bottom of its \$550-\$580 million range, which is in-line with our \$549 million estimate when accounting for 3Q results. Estimated distributable cash flow of \$6.8 mil resulted in distribution coverage of ~0.76x on an LTM basis.
- **Recommendations** — We maintain our Neutral rating and \$49/share target price on UGI. We also maintain our Neutral rating and \$44/unit target price 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	Date & Time	Rating		Target Price		Div Yld (%)	ETR (%)	Last Rpt Year	Current Fiscal Year		Next Fiscal Year	
					Old	New	Old	New				EPS		EPS	
AmeriGas Part	APU	US\$	44.62	03 Aug 16:00	2	2	44.00	44.00	8.5	7.1	Sep-16	1.12	0.89	2.96	2.96
UGI	UGI	US\$	48.17	03 Aug 16:00	2	2	49.00	49.00	2.1	3.8	Sep-16	2.27	2.22	2.31	2.31

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)	3Q:16A	2Q:17A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	6/30/16	3/31/17	3Q:17A	3Q:17E			
<b>Gross Margin Per Segment</b>							
AmeriGas Propane	\$276.2	\$507.6	\$270.0	\$275.1	(46.8%)	(2.2%)	(1.9%)
UGI International	\$215.8	\$307.6	\$173.1	\$214.9	(43.7%)	(19.8%)	(19.4%)
Gas Utility	\$95.9	\$195.5	\$93.6	\$103.4	(52.1%)	(2.4%)	(9.5%)
Midstream & Marketing	\$41.9	\$113.9	\$33.4	\$48.8	(70.7%)	(20.3%)	(31.5%)
<b>Segment Gross Margin</b>	<b>\$629.8</b>	<b>\$1,124.6</b>	<b>\$570.1</b>	<b>\$642.1</b>	<b>(49.3%)</b>	<b>(9.5%)</b>	<b>(11.2%)</b>
<b>Adj Net Income to UGI Corp *</b>	<b>\$40.0</b>	<b>\$231.8</b>	<b>\$16.6</b>	<b>\$25.6</b>	<b>(92.8%)</b>	<b>(58.5%)</b>	<b>(35.3%)</b>
<b>Adj EPS *</b>	<b>\$0.23</b>	<b>\$1.31</b>	<b>\$0.09</b>	<b>\$0.15</b>	<b>(93.1%)</b>	<b>(60.4%)</b>	<b>(38.2%)</b>
<b>Dividend Per Share (announced)</b>	<b>\$0.2375</b>	<b>\$0.2500</b>	<b>\$0.2500</b>	<b>\$0.2500</b>	<b>0.0%</b>	<b>5.3%</b>	<b>0.0%</b>
<b>Annualized</b>	<b>\$0.9500</b>	<b>\$1.0000</b>	<b>\$1.0000</b>	<b>\$1.0000</b>	<b>0.0%</b>	<b>5.3%</b>	<b>0.0%</b>
<b>Segment Stats</b>							
Amerigas - Retail Gallons Sold (MMGal)	202.8	362.7	195.0	206.9	(46.2%)	(3.8%)	(5.7%)
UGI International - Retail Gallons Sold (MMGal)	169.9	253.1	158.6	169.9	(37.3%)	(6.7%)	(6.7%)
Gas Utility System Throughput - Core Market (Bcf)	10.3	33.8	8.7	9.3	(74.3%)	(15.5%)	(6.1%)
Gas Utility System Throughput - Total (Bcf)	43.6	81.8	46.5	43.2	(43.2%)	6.7%	7.5%

\*Excludes unrealized hedges.

Source: Company reports, Citi Research

Figure 2. Reported Results vs Citi Estimates – APU

(\$ in Millions)	3Q:16A	2Q:17A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	6/30/16	3/31/17	3Q:17A	3Q:17E			
<b>Propane Sold - Retail (MM Gallons)</b>	<b>202.8</b>	<b>362.7</b>	<b>195.0</b>	206.9	(46.2%)	(3.8%)	(5.7%)
<b>Total Gross Profit*</b>	<b>\$276.2</b>	<b>\$507.6</b>	<b>\$269.9</b>	<b>\$275.1</b>	<b>(46.8%)</b>	<b>(2.3%)</b>	<b>(1.9%)</b>
Operating Expenses	\$217.2	\$240.0	\$227.4	\$221.5	(5.3%)	4.7%	2.7%
<b>Adjusted EBITDA</b>	<b>\$64.6</b>	<b>\$271.2</b>	<b>\$58.4</b>	<b>\$61.6</b>	<b>(78.5%)</b>	<b>(9.6%)</b>	<b>(5.2%)</b>
Interest Expense	(40.8)	(40.0)	(40.6)	(39.1)	1.5%	(0.6%)	3.9%
Maintenance Capex	(10.0)	(14.1)	(10.4)	(10.1)	(25.8%)	4.4%	3.3%
Other	(0.9)	(0.6)	(0.6)	(0.9)	0.0%	NM	(28.2%)
<b>Distributable Cash Flow (Est)</b>	<b>\$12.9</b>	<b>\$216.5</b>	<b>\$6.8</b>	<b>\$11.6</b>	<b>(96.9%)</b>	<b>(47.4%)</b>	<b>(41.3%)</b>
<b>Distributions per unit (announced)</b>	<b>\$0.9400</b>	<b>\$0.9500</b>	<b>\$0.9500</b>	<b>\$0.9500</b>	<b>0.0%</b>	<b>1.1%</b>	<b>0.0%</b>
<b>Annualized</b>	<b>\$3.7600</b>	<b>\$3.8000</b>	<b>\$3.8000</b>	<b>\$3.8000</b>	<b>0.0%</b>	<b>1.1%</b>	<b>0.0%</b>
<b>Distribution Coverage Ratio (LTM)</b>	<b>0.94x</b>	<b>0.78x</b>	<b>0.76x</b>	<b>0.78x</b>	<b>(2.4%)</b>	<b>(18.6%)</b>	<b>(1.5%)</b>
<b>EPS</b>	<b>(\$0.46)</b>	<b>\$1.33</b>	<b>(\$0.62)</b>	<b>(\$0.39)</b>	<b>(146.8%)</b>	<b>33.5%</b>	<b>59.5%</b>
<b>Unit Analysis - Retail (\$/gal)</b>							
Cost Per Gallon	\$0.71	\$0.89	\$2.70	\$0.84	201.4%	281.8%	220.5%

\*Adjusted for hedges

Source: Company reports, Citi Research



## Company Focus

### UGI Corp (UGI)

#### 3Q Miss on International Propane and Marketing

■ Estimate Change

**Neutral**

Price (03 Aug 17 16:00)	US\$48.17
Target price	US\$49.00
Market Cap	US\$8,339M
Expected share price return	1.7%
Expected dividend yield	2.1%
Expected total return	3.8%

■ **UGI Results** — UGI reported adj EPS of \$0.09/share (excl M2M hedges), below our estimate of \$0.15 and Consensus of \$0.16. Adj net income came in at \$16.6 million, also below our estimate of \$25.6 million and Consensus of \$32.4 million. The miss was primarily driven by lower unit margins in the International Propane segment and weaker basis differentials in the Midstream & Marketing segment. Management reiterated its expectation for 2017 EPS at UGI to be at or below its prior guidance of \$2.30-\$2.45/share. The announced dividend of \$0.25/share (\$1.00 annualized) is up 5.3% YoY.

■ **Project Updates** — PennEast's FERC certificate continues to wait for a quorum at the FERC while progress continues on permitting at the state level. PennEast's in-service date remains end of calendar 2018. UGI continues to make progress on the construction of Steelton LNG and still targets an in-service date of early 2018.

■ **International** — UGI's international propane business reported gross margin of \$173.1 mil, below our estimate of \$214.9 mil. Gross margin declined ~20% vs last year due to temps that were almost 8% warmer YoY and 14% warmer than normal. UGI also closed on the acquisition of Preem Gas in Sweden, which sells ~20 million gallons per year. Integrating the business has begun and would expect integration costs to be incurred quarterly for the next couple of years.

■ **Gas Utility** — Gas utilities reported gross margin of \$93.6 mil vs our estimate of \$103.4 mil. Margins benefitted from a higher rate base at UGI Gas but was more than offset by temps that were 30% warmer YoY.

■ **Midstream & Marketing** — The midstream & marketing segment reported gross margin of \$33.4 mil vs our estimate of \$48.8 mil. The segment benefitted from higher peaking and storage margins but was offset by lower basis differentials.

■ **Recommendation** — We maintain our Neutral rating and \$49/share target price on UGI.

EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2016A	0.64A	1.24A	0.23A	-0.05A	2.06A	2.05A
2017E	0.91A	1.31A	0.09A	-0.09E	2.22E	2.31E
Previous	0.91A	1.31A	0.15E	-0.09E	2.27E	na
2018E	0.81E	1.43E	0.16E	-0.10E	2.31E	2.50E
Previous	0.81E	1.43E	0.16E	-0.10E	2.31E	na
2019E	0.83E	1.43E	0.18E	-0.08E	2.36E	2.60E
Previous	0.83E	1.43E	0.18E	-0.08E	2.36E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

### AmeriGas Partners LP (APU)

#### 2Q Mostly In-Line; Continues To Look For Roll-Up Opps

■ Estimate Change

**Neutral**

Price (03 Aug 17 16:00)	US\$44.62
Target price	US\$44.00
Market Cap	US\$4,148M
Expected share price return	-1.4%
Expected dividend yield	8.5%
Expected total return	7.1%

■ **APU Results** — APU reported adj EBITDA of \$58.4 mil, relatively in-line with our estimate of \$61.6 million and below Consensus of \$74.2 mil. Retail volumes of 195 million gallons were ~4% lower YoY as temperatures were over 10% warmer YoY, and 12% warmer than normal. Unit margin improvement of \$0.01/gal helped slightly offset the impact of weather. Management expects full year adj EBITDA to come in around the bottom of its \$550-\$580 million range, which is in-line with our \$549 million estimate when accounting for 3Q results. Estimated distributable cash flow of \$6.8 mil resulted in distribution coverage of ~0.76x on an LTM basis.

■ **Acquisition Opportunities** — Management completed 3 small acquisitions during the quarter bringing total acquired volumes this year to 6 million gallons. Management plans on continuing to look for roll-up opportunities and plans on maintaining adequate liquidity and balance sheet strength in order to be able to take advantage of other opportunities should they present themselves.

■ **Distribution Growth** — Management continues to target 1-2% annual distribution growth at APU driven by the ability to increase unit margins by approximately the rate of inflation over time and its ability to offset industry volume attrition through regular acquisitions. We believe that this could be a sustainable rate for APU given normal weather patterns.

■ **Inventories Concerning** — Current propane inventories vs historical levels is a point of concern for APU management. We share this concern as we believe the likelihood of a colder winter vs the prior two years as well as continued propane exports may result in strong drawdowns on inventories. This could manifest itself in higher propane costs and possibly pressure on margins going into the next winter cycle. More details on our view of propane margins and the space in general can be found in our recent macro note: [Propane MLPs: Winter is Coming; SPH Upgraded to Buy.](#)

■ **Recommendation** — We maintain our Neutral rating and \$44/unit target price on APU.

Distributable Cash Flow (\$ Millions)	2017E	2018E	2019E	2020	2021
Adjusted EBITDA	\$552.5	\$677.2	\$684.5	\$691.7	\$699.0
Interest Expense	(159.7)	(157.1)	(157.1)	(157.1)	(157.1)
Tax	(3.0)	(3.6)	(3.6)	(3.6)	(3.6)
Maintenance Capital Expenditures	(55.8)	(56.1)	(56.6)	(57.2)	(57.8)
Other Cash Adjustments	(3.6)	(5.3)	(5.3)	(5.4)	(5.4)
<b>Distributable Cash Flow</b>	<b>\$330.4</b>	<b>\$455.2</b>	<b>\$461.8</b>	<b>\$468.5</b>	<b>\$475.1</b>
Total Cash Distributions	399.6	406.8	414.2	421.6	429.0
<b>Total Distribution Per Unit</b>	<b>\$3.78</b>	<b>\$3.82</b>	<b>\$3.86</b>	<b>\$3.90</b>	<b>\$3.94</b>
Growth in Distribution Per Unit	1.6%	1.1%	1.0%	1.0%	1.0%
<b>Distribution Cash Flow Coverage:</b>	<b>0.83x</b>	<b>1.12x</b>	<b>1.11x</b>	<b>1.11x</b>	<b>1.11x</b>

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 26% 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 \$49/unit based on 3 valuation methodologies. Our NAV yields a value of \$46.66/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 9x EBITDA. These values are partially offset by the UGI's debt. Our P/E valuation of \$46.11/share is based on blended 20x EPS multiple, using 21x for the Utilities segment, 20x for the midstream, and 19x 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 \$44.70/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 ~1,900 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 (2). 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 \$44.96 and a 2) discounted cash distribution (DCD) valuation of \$43.57. Our EV / EBITDA valuation is based on an 11.0x multiple on 2018 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 DCD valuation of \$43.57. We use an internal rate of return (IRR) methodology to help support our primary valuations, which results in an IRR of ~6.3%.

### Risks

Our Neutral rating on AmeriGas Partners 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 2018 Net Debt/EBITDA of ~3.9x compared to the MLP peer group average at 4.9x. AmeriGas's 2018E distribution coverage of ~1.12x is also strong amongst its peer group. 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

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by "AC" in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or rating history tables for that issuer shown below. Each of these analysts certify, with respect to the sections of the report for which they are responsible: (1) 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; and (2) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views 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	01-Feb-15 21:48:39	2	*\$36.50	36.99
2	03-May-16 18:14:07	2	*\$44.00	39.86

	Date	Rating	Target Price	Closing Price
3	06-Feb-17 21:25:33	2	*\$48.00	46.61
4	02-May-17 18:07:41	2	*\$49.00	48.73

\*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



	Date	Rating	Target Price	Closing Price
1	17-Nov-15 19:20:37	2H	*\$42.00	40.49
2	03-May-16 18:12:28	2H	*\$44.00	42.63

	Date	Rating	Target Price	Closing Price
3	06-Feb-17 21:25:33	2H	*\$46.00	48.59
4	02-May-17 18:07:41	2H	*\$45.00	45.01

	Date	Rating	Target Price	Closing Price
5	26-Jul-17 22:29:55	*2	*\$44.00	45.02

\*Indicates Change

Rating/target price changes above reflect Eastern Time

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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

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02 May 2017 18:07:41 ET | 14 pages

Master Limited Partnerships  
North America

## UGI & APU 2Q:17 Earnings Results

### APU Lowers Guidance; UGI Expected Near Bottom Of Range

- **UGI Results** — UGI reported adj EPS of \$1.31/share (excl M2M hedges), ahead of consensus but below our estimate. The miss vs our estimate was driven by weather which impacted almost all segments, resulting in lower propane volumes sold, lower electricity demand, and weaker gas demand. Management now expects 2017 EPS at UGI to be at or below its prior guidance of \$2.30-\$2.45/share. The announced dividend of \$0.25/share (\$1.00 annualized) is up 5.3% YoY.
- **Project Updates** — PennEast received its EIS from the FERC and should receive its certificate after the FERC establishes a quorum. Management is now turning its focus to local governance in PA & NJ in order to obtain all necessary permits. PennEast's in-service date remains end of calendar 2018.
- **International** — UGI's international propane business reported gross margin of \$307.6 mil, below our estimate of \$338.0 mil. Gross margin was flat YoY as a 6% increase in retail volumes (colder temps) was offset by weaker unit margins. Temps were ~1% colder than last year but still 6% warmer than normal.
- **Gas Utility** — Gas utilities reported gross margin of \$194.2 mil vs our estimate of \$214.7 mil. Margins benefitted from higher firm deliveries and higher base rates. However, gross margin missed our estimate as temps reduced gas demand and operating expenses came in higher, closer to historical norms.
- **Midstream & Marketing** — The midstream & marketing segment reported gross margin of \$113.9 mil, in-line with our estimate of \$117.7 mil. The segment benefitted from higher peaking demand somewhat offset by lower electric generation and storage demand.
- **APU Results** — APU reported adj EBITDA of \$271.2 mil, below our estimate and consensus of \$314.9 mil. Retail volumes were 6.0% lower YoY as temperatures were ~3% warmer YoY, and 13.3% warmer than normal. This led management to reduce adj EBITDA guidance by ~17% to \$550-\$580 million. Estimated distributable cash flow of \$216.5 mil resulted in distribution coverage of ~0.78x on an LTM basis.
- **Recommendations** — We maintain our Neutral rating on UGI and increasing our target price to \$49/share based on 3 valuation methodologies as we roll forward our estimates one quarter. We also maintain our Neutral High-Risk rating on APU and decreasing our target price to \$45/unit. This decrease is based on DCF and EV / EBITDA valuation methodologies which incorporate an updated lower estimate of forward 12-month EBITDA and distributions.

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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	Date & Time	Rating		Target Price		Div Yld (%)	ETR (%)	Last Rpt Year	Current Fiscal Year		Next Fiscal Year	
					Old	New	Old	New				EPS		EPS	
AmeriGas Part	APU	US\$	45.01	02 May 16:00	2H	2H	46.00	45.00	8.4	8.4	Sep-16	2.53	1.11	2.91	2.94
UGI	UGI	US\$	48.73	02 May 16:00	2	2	48.00	49.00	2.1	2.6	Sep-16	2.35	2.27	2.30	2.30

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:16A	1Q:17A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	3/30/16	12/31/16	2Q:17A	2Q:17E			
<b>Gross Margin Per Segment</b>							
AmeriGas Propane	\$529.3	\$416.7	\$507.8	\$557.4	21.9%	(4.1%)	(8.9%)
UGI International	\$307.7	\$281.1	\$307.6	\$338.0	9.4%	(0.0%)	(9.0%)
Gas Utility	\$183.2	\$151.9	\$194.2	\$214.7	27.8%	6.0%	(9.5%)
Midstream & Marketing	\$109.1	\$72.4	\$113.9	\$117.7	57.3%	4.4%	(3.2%)
<b>Segment Gross Margin</b>	<b>\$1,129.3</b>	<b>\$922.1</b>	<b>\$1,123.5</b>	<b>\$1,227.8</b>	<b>21.8%</b>	<b>(0.5%)</b>	<b>(8.5%)</b>
<b>Operating Income Per Segment *</b>							
AmeriGas Propane	\$250.4	\$142.2	\$227.3	\$313.2	59.9%	(9.2%)	(27.4%)
UGI International	\$111.5	\$88.9	\$121.0	\$128.5	36.1%	8.5%	(5.8%)
Gas Utility	\$114.5	\$82.2	\$116.4	\$165.8	41.6%	1.7%	(29.8%)
Midstream & Marketing	\$77.8	\$49.7	\$82.1	\$95.2	65.2%	5.5%	(13.7%)
<b>Segment Income</b>	<b>\$554.2</b>	<b>\$363.0</b>	<b>\$546.8</b>	<b>\$702.6</b>	<b>50.7%</b>	<b>(1.3%)</b>	<b>(22.2%)</b>
<b>Adj Net Income to UGI Corp *</b>	<b>\$216.2</b>	<b>\$160.9</b>	<b>\$231.8</b>	<b>\$245.4</b>	<b>44.1%</b>	<b>7.2%</b>	<b>(5.5%)</b>
<b>Adj EPS *</b>	<b>\$1.24</b>	<b>\$0.91</b>	<b>\$1.31</b>	<b>\$1.39</b>	<b>44.1%</b>	<b>5.6%</b>	<b>(6.1%)</b>
<b>Dividend Per Share (announced)</b>	<b>\$0.2375</b>	<b>\$0.2375</b>	<b>\$0.2500</b>	<b>\$0.2500</b>	<b>5.3%</b>	<b>5.3%</b>	<b>0.0%</b>
<b>Annualized</b>	<b>\$0.9500</b>	<b>\$0.9500</b>	<b>\$1.0000</b>	<b>\$1.0000</b>	<b>5.3%</b>	<b>5.3%</b>	<b>0.0%</b>
<b>Segment Stats</b>							
Amerigas - Retail Gallons Sold (MMGal)	385.8	305.7	362.7	408.9	18.6%	(6.0%)	(11.3%)
UGI International - Retail Gallons Sold (MMGal)	240.5	254.2	253.1	254.9	(0.4%)	5.2%	(0.7%)
Gas Utility System Throughput - Core Market (Bcf)	34.0	23.0	33.8	44.2	47.0%	(0.6%)	(23.5%)
Gas Utility System Throughput - Total (Bcf)	72.1	66.2	81.8	83.1	23.6%	13.5%	(1.5%)

\*Excludes unrealized hedges.

Source: Citi Research

Figure 2. Reported Results vs Citi Estimates – APU

(\$ in Millions)	2Q:16A	1Q:17A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	3/30/16	12/31/16	2Q:17A	2Q:17E			
<b>Propane Sold - Retail (MM Gallons)</b>	<b>385.8</b>	<b>305.7</b>	<b>362.7</b>	<b>408.9</b>	<b>18.6%</b>	<b>(6.0%)</b>	<b>(11.3%)</b>
<b>Total Gross Profit*</b>	<b>\$529.7</b>	<b>\$416.7</b>	<b>\$507.6</b>	<b>\$557.4</b>	<b>21.8%</b>	<b>(4.2%)</b>	<b>(8.9%)</b>
Operating Expenses	\$238.5	\$226.8	\$240.0	\$207.3	5.8%	0.6%	15.8%
<b>Adjusted EBITDA</b>	<b>\$295.4</b>	<b>\$185.1</b>	<b>\$271.2</b>	<b>\$354.5</b>	<b>46.5%</b>	<b>(8.2%)</b>	<b>(23.5%)</b>
Interest Expense	(40.8)	(40.0)	(40.0)	(40.4)	(0.1%)	(2.0%)	(1.1%)
Maintenance Capex	(13.4)	(15.4)	(14.1)	(13.5)	(8.6%)	5.1%	4.0%
Other	(0.3)	(0.8)	(0.6)	(0.9)	(22.8%)	NM	(28.2%)
<b>Distributable Cash Flow (Est)</b>	<b>\$240.9</b>	<b>\$128.9</b>	<b>\$216.5</b>	<b>\$299.7</b>	<b>68.0%</b>	<b>(10.1%)</b>	<b>(27.8%)</b>
<b>Distributions per unit (announced)</b>	<b>\$0.9400</b>	<b>\$0.9400</b>	<b>\$0.9500</b>	<b>\$0.9500</b>	<b>1.1%</b>	<b>1.1%</b>	<b>0.0%</b>
<b>Annualized</b>	<b>\$3.7600</b>	<b>\$3.7600</b>	<b>\$3.8000</b>	<b>\$3.8000</b>	<b>1.1%</b>	<b>1.1%</b>	<b>0.0%</b>
<b>Distribution Coverage Ratio (LTM)</b>	<b>0.90x</b>	<b>0.85x</b>	<b>0.78x</b>	<b>0.99x</b>	<b>(8.2%)</b>	<b>(13.4%)</b>	<b>(21.2%)</b>
<b>EPS</b>	<b>\$2.52</b>	<b>\$0.87</b>	<b>\$1.14</b>	<b>\$2.76</b>	<b>31.6%</b>	<b>(54.8%)</b>	<b>(58.7%)</b>
<b>Unit Analysis - Retail (\$/gal)</b>							
Revenue Per Gallon	\$1.94	\$1.94	\$2.19	\$2.09	13.0%	12.9%	5.1%
Cost Per Gallon	\$0.70	\$0.75	\$0.79	\$0.84	5.8%	13.9%	(5.5%)
<b>Margin Per Gallon</b>	<b>\$1.25</b>	<b>\$1.19</b>	<b>\$1.40</b>	<b>\$1.25</b>	<b>17.6%</b>	<b>12.3%</b>	<b>12.3%</b>
Mt Belvieu Propane Price	\$0.39	\$0.59	\$0.71	\$0.64	21.5%	82.3%	11.3%

\*Adjusted for hedges

Source: Citi Research

## Company Focus

### UGI Corp (UGI)

#### EPS Expected At Bottom or Below Guidance

- Estimate Change
- Target Price Change

#### Neutral

Price (02 May 17 16:00)	US\$48.73
Target price	US\$49.00
	from US\$48.00
Market Cap	US\$8,427M
Expected share price return	0.6%
Expected dividend yield	2.1%
Expected total return	2.6%

- **UGI Results** — UGI reported adj EPS of \$1.31/share (excl M2M hedges), ahead of consensus but below our estimate. The miss vs our estimate was driven by weather which impacted almost all segments, resulting in lower propane volumes sold, lower electricity demand, and weaker gas demand. Management now expects 2017 EPS at UGI to be at or below its prior guidance of \$2.30-\$2.45/share. The announced dividend of \$0.25/share (\$1.00 annualized) is up 5.3% YoY.
- **Project Updates** — PennEast received its EIS from the FERC and should receive its certificate after the FERC establishes a quorum. Management is now turning its focus to local governance in PA & NJ in order to obtain all necessary permits. PennEast's in-service date remains end of calendar 2018.
- **International** — UGI's international propane business reported gross margin of \$307.6 mil, below our estimate of \$338.0 mil. Gross margin was flat YoY as a 6% increase in retail volumes (colder temps) was offset by weaker unit margins. Temps were ~1% colder than last year but still 6% warmer than normal.
- **Gas Utility** — Gas utilities reported gross margin of \$194.2 mil vs our estimate of \$214.7 mil. Margins benefitted from higher firm deliveries and higher base rates. However, gross margin missed our estimate as temps reduced gas demand and operating expenses came in higher, closer to historical norms.
- **Midstream & Marketing** — The midstream & marketing segment reported gross margin of \$113.9 mil, in-line with our estimate of \$117.7 mil. The segment benefitted from higher peaking demand somewhat offset by lower electric generation and storage demand.
- **Recommendation** — We maintain our Neutral rating on UGI and increasing our target price to \$49/share based on 3 valuation methodologies as we roll forward our estimates one quarter. 7

EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2016A	0.64A	1.24A	0.23A	-0.05A	2.06A	2.05A
2017E	0.91A	1.31A	0.14E	-0.09E	2.27E	2.43E
Previous	0.91A	1.39E	0.14E	-0.09E	2.35E	na
2018E	0.80E	1.45E	0.15E	-0.10E	2.30E	2.48E
Previous	0.80E	1.45E	0.15E	-0.10E	2.30E	na
2019E	0.82E	1.44E	0.17E	-0.08E	2.35E	2.60E
Previous	0.82E	1.44E	0.17E	-0.08E	2.35E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

### AmeriGas Partners LP (APU) APU Lowers Guidance

- Estimate Change
- Target Price Change

#### Neutral/High Risk

Price (02 May 17 16:00)	US\$45.01
Target price	US\$45.00
	from US\$46.00
Market Cap	US\$4,184M
Expected share price return	0.0%
Expected dividend yield	8.4%
Expected total return	8.4%

- **APU Results** — APU reported adj EBITDA of \$271.2 mil, below our estimate and consensus of \$314.9 mil. Retail volumes were 6.0% lower YoY as temperatures were ~3% warmer YoY, and 13.3% warmer than normal. Estimated distributable cash flow of \$216.5 mil resulted in distribution coverage of ~0.78x on an LTM basis.
- **Guidance Lowered** — Management lowered its 2017 adj EBITDA guidance by ~17% to \$550-\$580 million from \$660-\$700 million previously. Our estimate for 2017 adj EBITDA remains at the bottom of the guidance range at \$552 million.
- **Refinancing Complete** — APU has completed refinancing its debt resulting in a decrease of its average interest rate by over 1%. APU's next debt maturity is now 7+ years out in 2024.
- **Recommendation** — We maintain our Neutral High-Risk rating on APU and decreasing our target price to \$45/unit. This decrease is based on DCF and EV / EBITDA valuation methodologies which incorporate an updated lower estimate of forward 12-month EBITDA and distributions.

Distributable Cash Flow (\$ Millions)	2017E	2018E	2019E	2020	2021
Adjusted EBITDA	\$555.8	\$678.2	\$682.8	\$687.4	\$692.0
Interest Expense	(159.8)	(159.2)	(159.2)	(159.2)	(159.3)
Tax	(3.3)	(3.6)	(3.6)	(3.6)	(3.6)
Maintenance Capital Expenditures	(55.5)	(56.1)	(56.6)	(57.2)	(57.8)
Other Cash Adjustments	(3.7)	(5.3)	(5.3)	(5.3)	(5.3)
<b>Distributable Cash Flow</b>	<b>\$333.6</b>	<b>\$454.1</b>	<b>\$458.1</b>	<b>\$462.1</b>	<b>\$466.0</b>
Total Cash Distributions	399.5	410.4	421.5	428.9	432.6
<b>Total Distribution Per Unit</b>	<b>\$3.78</b>	<b>\$3.84</b>	<b>\$3.90</b>	<b>\$3.94</b>	<b>\$3.96</b>
Growth in Distribution Per Unit	1.6%	1.6%	1.6%	1.0%	0.5%
<b>Distribution Cash Flow Coverage:</b>	<b>0.84x</b>	<b>1.11x</b>	<b>1.09x</b>	<b>1.08x</b>	<b>1.08x</b>

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 26% 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 \$49/unit based on 3 valuation methodologies. Our NAV yields a value of \$46.66/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 9x EBITDA. These values are partially offset by the UGI's debt. Our P/E valuation of \$46.11/share is based on blended 20x EPS multiple, using 21x for the Utilities segment, 20x for the midstream, and 19x 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 \$44.70/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 ~1,900 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 \$45/unit based on 2 valuation methodologies. These valuations are a 1) EV/EBITDA valuation of \$41.74 and a 2) discounted cash flow (DCF) valuation of \$47.60. Our EV / EBITDA valuation is based on a 10.5x multiple on 2018 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 \$47.60. We use an internal rate of return (IRR) methodology to help support our primary valuations, which results in an IRR of ~8.3%.

### 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 2018 Net Debt/EBITDA of ~3.9x compared to the MLP peer group average at 4.0x. AmeriGas's 2018E distribution coverage of ~1.11x is above its peer group average of 1.03x. 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

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by “AC” in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or rating history tables for that issuer shown below. Each of these analysts certify, with respect to the sections of the report for which they are responsible: (1) 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; and (2) no part of the research analyst’s compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views 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	01-Feb-15 21:48:39	2	*36.50	36.99

	Date	Rating	Target Price	Closing Price
2	03-May-16 18:14:07	2	*44.00	39.86

	Date	Rating	Target Price	Closing Price
3	06-Feb-17 21:25:33	2	*48.00	46.61

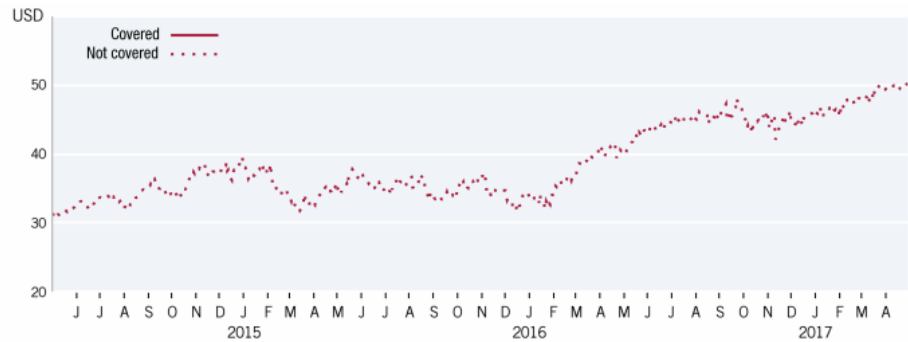
\*Indicates Change

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



	Date	Rating	Target Price	Closing Price
1	28-Jul-14 17:24:02	2H	*46.00	46.10
2	17-Nov-15 19:20:37	2H	*42.00	40.49

	Date	Rating	Target Price	Closing Price
3	03-May-16 18:12:28	2H	*44.00	42.63
4	06-Feb-17 21:25:33	2H	*46.00	48.59

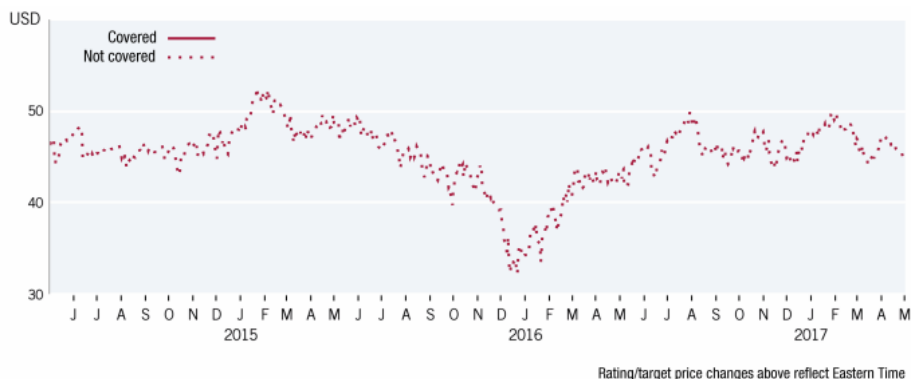
\*Indicates Change

Rating/target price changes above reflect Eastern Time

**AmeriGas Partners LP (APU)**

**Ratings and Target Price History**  
**Best Ideas Research**  
**Relative Call (3 Month)**

Analyst: Faisal Khan, CFA



\*Indicates Change

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Data current as of 31 Mar 2017

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06 Feb 2017 21:25:33 ET | 14 pages

Master Limited Partnerships  
North America

## UGI & APU 1Q:17 Earnings Results

### 1Q In-Line On Base Rates And Cost Savings; PennEast On Track

- **UGI Results** — UGI reported adj EPS of \$0.91/share (excl M2M hedges), beating our estimate of \$0.78 and consensus of \$0.76. The quarter benefitted from colder weather YoY, increase base rates at UGI Gas, and operating efficiencies from the integration of the Finagaz business. The announced dividend of \$0.2375/share (\$0.95 annualized) is flat YoY.
- **Project Updates** — UGI's Sunbury Pipeline went into service on January 1<sup>st</sup> and is supporting volumes on UGI CPG. Sunbury will begin servicing a base load power generation customer starting in August. The Manning LNG facility will begin operations in 2Q and should see high utilization as management see strong demand for LNG. Finally, UGI expects to receive the FERC EIS for the PennEast Pipeline in mid-April, supporting an expected in-service date by the end of calendar 2018.
- **International** — UGI's international propane business reported gross margin of \$281.1 mil, below our estimate of \$307.1 mil. This was driven by slightly weaker sales volumes (305.7 mmmgal) than we had estimated (318.7 mmmgal) due to the prior sale of lower margin auto-gas business in Poland. Temperatures were colder than last year and relatively close to normal.
- **Gas Utility** — The gas utility business reported gross margin of \$150.6 mil vs our estimate of \$140.6 mil as total system throughput volumes of 66.2 Bcf were positively impacted by temperatures that were ~25% colder YoY. Margins also benefitted from the UGI Gas rate case which came into effect in mid-Oct.
- **Midstream & Marketing** — The midstream & marketing segment reported gross margin of \$78.0 mil, in-line with our estimate of \$79.3 mil. The segment benefitted from increased volumes on temps that were ~27% colder YoY and increased demand for peaking services.
- **APU Results** — APU reported adj EBITDA of \$185.1 mil, in-line with our estimate of \$187.7 mil and below consensus of \$198.9 mil. Retail volumes were 3.6% higher YoY as temperatures were ~7.4% colder YoY, but still 13.9% warmer than normal. Estimated distributable cash flow of \$132.2 mil resulted in distribution coverage of ~0.86x on an LTM basis.
- **Recommendations** — We are maintaining our Neutral rating on UGI and increasing our target price to \$48/share based on 3 valuation methodologies. We are also maintaining our Neutral High-Risk rating on APU and increasing our target price to \$46/unit based on DCF and EV / EBITDA valuation methodologies.

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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	
			06 Feb	Old	Old	New	Old	New				EPS	EPS		
AmeriGas Part	APU	US\$	48.59	2H	2H	44.00	46.00	7.9	2.5	Sep-16	2.89	2.80	2.89	2.91	
UGI	UGI	US\$	46.61	2	2	44.00	48.00	2.0	5.0	Sep-16	2.30	2.38	2.38	2.30	

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:16A	4Q:16A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	12/31/15	9/30/16	1Q:17A	1Q:17E			
<b>Gross Margin Per Segment</b>							
AmeriGas Propane	\$400.9	\$241.0	\$416.5	\$420.4	72.8%	3.9%	(0.9%)
UGI International	\$275.4	\$166.1	\$281.1	\$307.1	69.2%	2.1%	(8.5%)
Gas Utility	\$121.5	\$75.7	\$150.6	\$140.6	98.9%	24.0%	7.1%
Midstream & Marketing	\$72.4	\$41.0	\$78.0	\$79.3	90.2%	7.7%	(1.6%)
<b>Segment Gross Margin</b>	<b>\$870.2</b>	<b>\$523.8</b>	<b>\$926.2</b>	<b>\$947.4</b>	<b>76.8%</b>	<b>6.4%</b>	<b>(2.2%)</b>
<b>Operating Income Per Segment *</b>							
AmeriGas Propane	\$129.6	(\$42.0)	\$141.9	\$142.1	(438.2%)	9.5%	(0.1%)
UGI International	\$85.1	(\$23.5)	\$88.9	\$117.7	(478.3%)	4.5%	(24.5%)
Gas Utility	\$48.3	\$8.3	\$82.2	\$90.4	890.4%	70.2%	(9.0%)
Midstream & Marketing	\$42.9	\$14.7	\$49.7	\$56.8	238.1%	15.9%	(12.5%)
<b>Segment Income</b>	<b>\$305.9</b>	<b>(\$42.5)</b>	<b>\$362.7</b>	<b>\$406.9</b>	<b>(954.3%)</b>	<b>18.6%</b>	<b>(10.9%)</b>
<b>Adj Net Income to UGI Corp *</b>	<b>\$112.4</b>	<b>(\$8.6)</b>	<b>\$160.9</b>	<b>\$137.7</b>	<b>(1,981.4%)</b>	<b>43.1%</b>	<b>16.9%</b>
<b>Adj EPS *</b>	<b>\$0.64</b>	<b>(\$0.05)</b>	<b>\$0.91</b>	<b>\$0.78</b>	<b>(1,948.7%)</b>	<b>42.2%</b>	<b>16.3%</b>
<b>Dividend Per Share (announced)</b>	<b>\$0.2275</b>	<b>\$0.2375</b>	<b>\$0.2375</b>	<b>\$0.2375</b>	<b>0.0%</b>	<b>4.4%</b>	<b>0.0%</b>
<b>Annualized</b>	<b>\$0.9100</b>	<b>\$0.9500</b>	<b>\$0.9500</b>	<b>\$0.9500</b>	<b>0.0%</b>	<b>4.4%</b>	<b>0.0%</b>
<b>Segment Stats</b>							
Amerigas - Retail Gallons Sold (MMGal)	295.1	181.8	305.7	318.7	68.2%	3.6%	(4.1%)
UGI International - Retail Gallons Sold (MMGal)	259.1	151.0	254.2	277.2	68.3%	(1.9%)	(8.3%)
Gas Utility System Throughput - Core Market (Bcf)	17.4	4.5	23.0	23.5	411.1%	32.2%	(2.1%)
Gas Utility System Throughput - Total (Bcf)	49.9	46.8	66.2	56.6	41.5%	32.7%	16.9%

\*Excludes unrealized hedges.

Source: Citi Research

Figure 2. Reported Results vs Citi Estimates – APU

(\$ in Millions)	1Q:16A	4Q:16A	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
	12/31/15	9/30/16	1Q:17A	1Q:17E			
<b>Propane Sold - Retail (MM Gallons)</b>	<b>295.1</b>	<b>181.8</b>	<b>305.7</b>	<b>318.7</b>	<b>68.2%</b>	<b>3.6%</b>	<b>(4.1%)</b>
Gross Margin per Gallon*	\$1.20	\$1.11	\$1.19	\$1.17	6.9%	(0.6%)	1.4%
<b>Gross Profit from Retail Propane</b>	<b>\$353.4</b>	<b>\$202.4</b>	<b>\$363.9</b>	<b>\$374.1</b>	<b>79.8%</b>	<b>3.0%</b>	<b>(2.7%)</b>
Other Gross Profit	\$47.4	\$38.6	\$52.5	\$46.3	35.9%	10.7%	13.3%
<b>Total Gross Profit*</b>	<b>\$400.9</b>	<b>\$241.0</b>	<b>\$416.4</b>	<b>\$420.4</b>	<b>72.8%</b>	<b>3.9%</b>	<b>(0.9%)</b>
Operating Expenses	\$230.9	\$242.2	\$226.8	\$239.4	(6.4%)	(1.8%)	(5.3%)
<b>Adjusted EBITDA</b>	<b>\$177.7</b>	<b>\$5.3</b>	<b>\$185.1</b>	<b>\$187.7</b>	<b>3,385.4%</b>	<b>4.2%</b>	<b>(1.4%)</b>
Interest Expense	(41.0)	(41.4)	(40.0)	(39.8)	(3.4%)	(2.4%)	0.5%
Maintenance Capex	(12.9)	(15.8)	(15.4)	(13.0)	(2.8%)	19.1%	17.9%
Other	(0.9)	3.7	2.5	(0.9)	(32.1%)	NM	NM
<b>Distributable Cash Flow (Est)</b>	<b>\$122.8</b>	<b>(\$48.3)</b>	<b>\$132.2</b>	<b>\$133.9</b>	<b>(373.9%)</b>	<b>7.6%</b>	<b>(1.3%)</b>
<b>Distributions per unit (announced)</b>	<b>\$0.9200</b>	<b>\$0.9400</b>	<b>\$0.9400</b>	<b>\$0.9400</b>	<b>0.0%</b>	<b>2.2%</b>	<b>0.0%</b>
<b>Annualized</b>	<b>\$3.6800</b>	<b>\$3.7600</b>	<b>\$3.7600</b>	<b>\$3.7600</b>	<b>0.0%</b>	<b>2.2%</b>	<b>0.0%</b>
<b>Distribution Coverage Ratio (LTM)</b>	<b>1.04x</b>	<b>0.85x</b>	<b>0.86x</b>	<b>0.87x</b>	<b>1.9%</b>	<b>(17.0%)</b>	<b>(0.5%)</b>
<b>EPS</b>	<b>\$0.77</b>	<b>(\$1.04)</b>	<b>\$0.87</b>	<b>\$0.95</b>	<b>(183.9%)</b>	<b>13.1%</b>	<b>(8.7%)</b>
<b>Unit Analysis - Retail (\$/gal)</b>							
Revenue Per Gallon	\$1.91	\$1.81	\$1.94	\$1.99	7.5%	1.4%	(2.4%)
Cost Per Gallon	\$0.72	\$0.69	\$0.75	\$0.82	8.3%	4.7%	(7.8%)
<b>Margin Per Gallon</b>	<b>\$1.20</b>	<b>\$1.11</b>	<b>\$1.19</b>	<b>\$1.17</b>	<b>6.9%</b>	<b>(0.6%)</b>	<b>1.4%</b>
Mt Belvieu Propane Price	\$0.42	\$0.47	\$0.59	\$0.62	23.7%	38.5%	(5.1%)

\*Adjusted for hedges

Source: Citi Research

## Company Focus

### UGI Corp (UGI)

#### 1Q In-Line On Base Rates And Cost Savings; PennEast On Track

- Estimate Change
- Target Price Change

#### Neutral

Price (06 Feb 17)	US\$46.61
Target price	US\$48.00
	from US\$44.00
Market Cap	US\$8,060M
Expected share price return	3.0%
Expected dividend yield	2.0%
Expected total return	5.0%

- **UGI Results** — UGI reported adj EPS of \$0.91/share (excl M2M hedges), beating our estimate of \$0.78 and consensus of \$0.76. The quarter benefitted from colder weather YoY, increase base rates at UGI Gas, and operating efficiencies from the integration of the Finagaz business. The announced dividend of \$0.2375/share (\$0.95 annualized) is flat YoY.
- **Project Updates** — UGI's Sunbury Pipeline went into service on January 1<sup>st</sup> and is supporting volumes on UGI CPG. Sunbury will begin servicing a base load power generation customer starting in August. The Manning LNG facility will begin operations in 2Q and should see high utilization as management see strong demand for LNG. Finally, UGI expects to receive the FERC EIS for the PennEast Pipeline in mid-April, supporting an expected in-service date by the end of calendar 2018.
- **International** — UGI's international propane business reported gross margin of \$281.1 mil, below our estimate of \$307.1 mil. This was driven by slightly weaker sales volumes (305.7 mmgal) than we had estimated (318.7 mmgal) due to the prior sale of lower margin auto-gas business in Poland. Temperatures were colder than last year and relatively close to normal.
- **Gas Utility** — The gas utility business reported gross margin of \$150.6 mil vs our estimate of \$140.6 mil as total system throughput volumes of 66.2 Bcf were positively impacted by temperatures that were ~25% colder YoY. Margins also benefitted from the UGI Gas rate case which came into effect in mid-Oct.
- **Midstream & Marketing** — The midstream & marketing segment reported gross margin of \$78.0 mil, in-line with our estimate of \$79.3 mil. The segment benefitted from increased volumes on temps that were ~27% colder YoY and increased demand for peaking services.
- **Recommendation** — We are maintaining our Neutral rating on UGI and increasing our target price to \$48/share based on 3 valuation methodologies.

EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2016A	0.64A	1.24A	0.23A	-0.05A	2.06A	2.05A
2017E	0.91A	1.42E	0.14E	-0.09E	2.38E	2.41E
Previous	0.78E	1.44E	0.16E	-0.08E	2.30E	na
2018E	0.80E	1.45E	0.15E	-0.10E	2.30E	2.48E
Previous	0.81E	1.47E	0.17E	-0.08E	2.38E	na
2019E	0.82E	1.44E	0.17E	-0.08E	2.35E	2.57E
Previous	0.82E	1.45E	0.17E	-0.08E	2.36E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

### AmeriGas Partners LP (APU) 1Q In-Line; Guidance Still Appears Achievable

- Estimate Change
- Target Price Change

#### Neutral/High Risk

Price (06 Feb 17)	US\$48.59
Target price	US\$46.00
	from US\$44.00
Market Cap	US\$4,517M
Expected share price return	-5.3%
Expected dividend yield	7.9%
Expected total return	2.5%

- **APU Results** — APU reported adj EBITDA of \$185.1 mil, in-line with our estimate of \$187.7 mil and below consensus of \$198.9 mil. Retail volumes were 3.6% higher YoY as temperatures were ~7.4% colder YoY, but still 13.9% warmer than normal. Estimated distributable cash flow of \$132.2 mil resulted in distribution coverage of ~0.86x on an LTM basis.
- **Late Winter Arrival** — The late arrival of winter this heating season has resulted in the increase in leverage and decrease in coverage at APU, along with the rest of the peer group. However, APU is well diversified geographically and has been able to further reduce its unit cost margin to help offset some of the weakness seen in volumes. This performance makes us believe that APU can still meet its 2017 guidance of adjusted EBITDA in the range of \$660 - \$700 million, albeit near the lower end. Management will update its 2017 guidance following its 2Q financial results.
- **Recommendation** — We are maintaining our Neutral High-Risk rating on APU and increasing our target price to \$46/unit based on DCF and EV / EBITDA valuation methodologies.

Distributable Cash Flow (\$ Millions)	2017E	2018E	2019E	2020	2021
Adjusted EBITDA	\$666.3	\$678.2	\$682.8	\$687.4	\$691.9
Interest Expense	(162.0)	(162.3)	(162.3)	(162.3)	(162.3)
Tax	(3.5)	(3.6)	(3.6)	(3.6)	(3.6)
Maintenance Capital Expenditures	(55.0)	(55.5)	(56.1)	(56.6)	(57.2)
Other Cash Adjustments	(5.5)	(5.3)	(5.3)	(5.3)	(5.3)
<b>Distributable Cash Flow</b>	<b>\$440.3</b>	<b>\$451.6</b>	<b>\$455.6</b>	<b>\$459.6</b>	<b>\$463.6</b>
Total Cash Distributions	403.1	417.8	428.9	436.3	440.0
<b>Total Distribution Per Unit</b>	<b>\$3.80</b>	<b>\$3.88</b>	<b>\$3.94</b>	<b>\$3.98</b>	<b>\$4.00</b>
Growth in Distribution Per Unit	2.2%	2.1%	1.5%	1.0%	0.5%
<b>Distribution Cash Flow Coverage:</b>	<b>1.09x</b>	<b>1.08x</b>	<b>1.06x</b>	<b>1.05x</b>	<b>1.05x</b>

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 26% 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 \$48/unit based on 3 valuation methodologies. Our NAV yields a value of \$46.50/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 9x EBITDA. These values are partially offset by the UGI's debt. Our P/E valuation of \$40.60/share is based on blended 20x EPS multiple, using 21x for the Utilities segment, 20x for the midstream, and 19x 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 \$46.91/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 ~1,900 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/unit based on 2 valuation methodologies. These valuations are a 1) EV/EBITDA valuation of \$42.86 and a 2) discounted cash flow (DCF) valuation of \$48.07. Our EV / EBITDA valuation is based on a 10.5x multiple on 2018 estimates. We use 10.5 multiple to reflect a midstream partnership with low single digit distribution growth with a strong balance. APU's multiple is above the peer group average due to these attributes and its stronger operating metrics and geographic diversification. 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 \$48.07. We use an internal rate of return (IRR) methodology to help support our primary valuations, which results in an IRR of ~6.6%.

### 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 2017 Net Debt/EBITDA of ~3.7x, better than the MLP peer group average at 4.0x. AmeriGas's 2017E distribution coverage of ~1.09x is slightly above its peer group average of 1.03x. 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

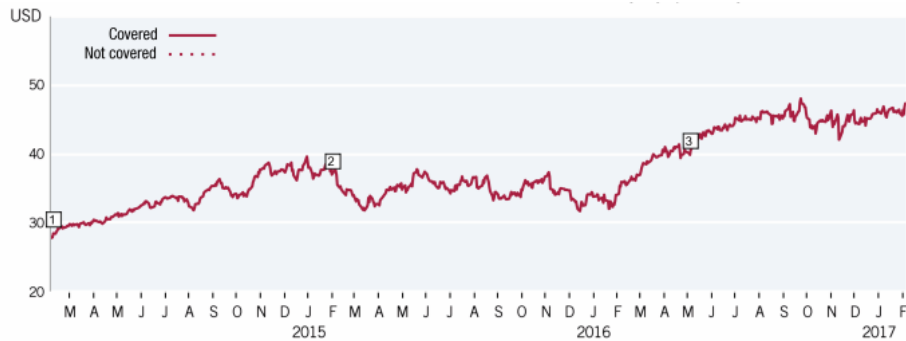
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Analyst: Faisal Khan, CFA



	Date	Rating	Target Price	Closing Price
[1]	07-Feb-14 11:57:36	2	*29.33	28.41

	Date	Rating	Target Price	Closing Price
[2]	01-Feb-15 21:48:39	2	*36.50	36.99

	Date	Rating	Target Price	Closing Price
[3]	03-May-16 18:14:07	2	*44.00	39.86

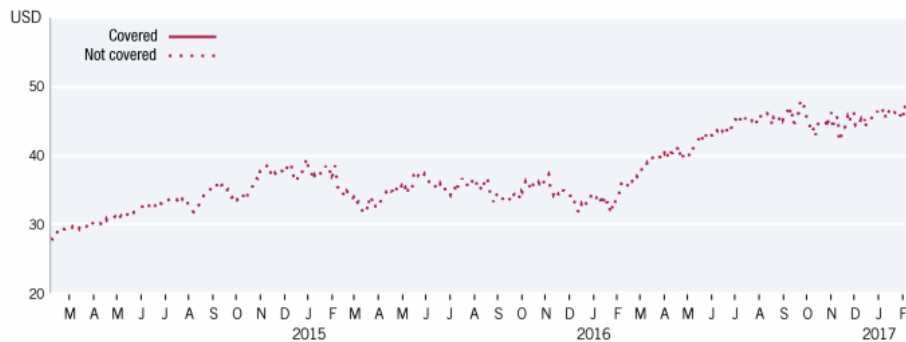
\*Indicates Change

Rating/target price changes above reflect Eastern Time

#### UGI Corp (UGI)

##### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

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\*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]	28-Mar-14 04:01:19	2H	*44.50	41.99
[2]	28-Jul-14 17:24:02	2H	*46.00	46.10

	Date	Rating	Target Price	Closing Price
[3]	17-Nov-15 19:20:37	2H	*42.00	40.49
[4]	03-May-16 18:12:28	2H	*44.00	42.63

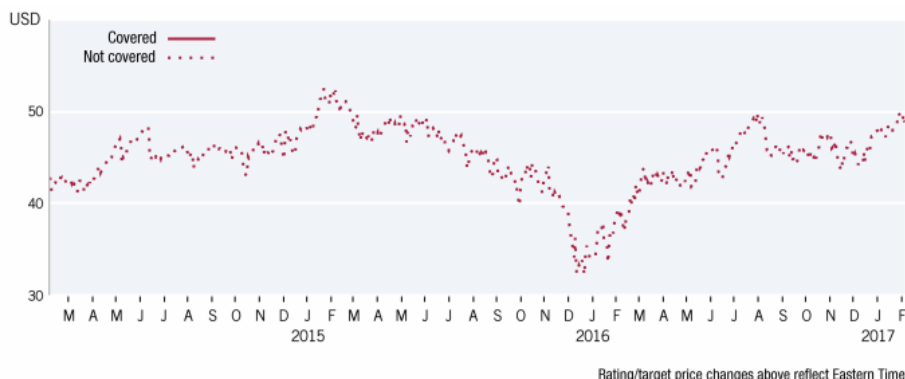
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**AmeriGas Partners LP (APU)**

**Ratings and Target Price History**  
**Best Ideas Research**  
**Relative Call (3 Month)**

Analyst: Faisal Khan, CFA  
Covered since March 31 2014



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**Data current as of 31 Dec 2016**

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Pipelines & Gas Utilities  
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## UGI Corp (UGI)

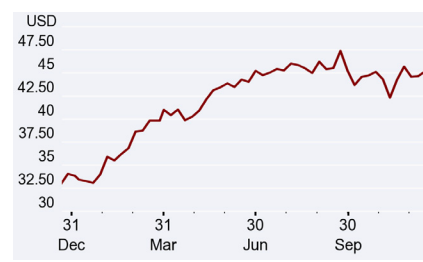
### Model Update

- We are updating our estimates to incorporate 4Q results. We are also slightly adjusting our international volume & unit margins based on normal weather going forward, as well as adjusting our domestic gas volume growth estimates.

#### ■ Estimate Change

<b>Neutral</b>	<b>2</b>
Price (22 Dec 16)	US\$45.49
Target price	US\$44.00
Expected share price return	-3.3%
Expected dividend yield	2.1%
<b>Expected total return</b>	<b>-1.2%</b>
Market Cap	US\$7,869M

#### Price Performance (RIC: UGI.N, BB: UGI US)



EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
<b>2016A</b>	0.64A	1.24A	0.23A	-0.05A	2.06A	2.05A
<b>2017E</b>	<b>0.78E</b>	<b>1.44E</b>	<b>0.16E</b>	<b>-0.08E</b>	<b>2.30E</b>	<b>2.34E</b>
Previous	0.72E	1.34E	0.15E	-0.08E	2.12E	na
<b>2018E</b>	<b>0.81E</b>	<b>1.47E</b>	<b>0.17E</b>	<b>-0.08E</b>	<b>2.38E</b>	<b>2.43E</b>
Previous	0.74E	1.37E	0.16E	-0.08E	2.19E	na
<b>2019E</b>	<b>0.82E</b>	<b>1.45E</b>	<b>0.17E</b>	<b>-0.08E</b>	<b>2.36E</b>	<b>2.65E</b>
Previous	0.76E	1.40E	0.17E	-0.07E	2.26E	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\$45.49; TP: US\$44.00; Market Cap: US\$7,869m; Recomm: Neutral					
Profit & Loss (US\$m)	2015	2016	2017E	2018E	2019E	Valuation ratios	2015	2016	2017E	2018E	2019E
Sales revenue	6,691	5,686	6,313	6,600	6,707	PE (x)	23.6	22.1	19.8	19.1	19.3
Cost of sales	-3,617	-2,529	-2,666	-2,888	-2,984	PB (x)	2.9	2.8	2.6	2.4	2.2
Gross profit	3,074	3,157	3,647	3,712	3,723	EV/EBITDA (x)	8.9	9.2	7.7	7.2	7.0
Gross Margin (%)	45.9	55.5	57.8	56.2	55.5	FCF yield (%)	8.4	5.1	9.5	10.5	10.7
<b>EBITDA (Adj)</b>	<b>1,373</b>	<b>1,320</b>	<b>1,568</b>	<b>1,608</b>	<b>1,604</b>	Dividend yield (%)	2.0	2.0	2.1	2.1	2.2
EBITDA Margin (Adj) (%)	20.5	23.2	24.8	24.4	23.9	Payout ratio (%)	46	45	41	41	43
Depreciation	-374	-401	-416	-428	-439	ROE (%)	10.5	13.2	13.6	13.0	12.0
Amortisation	0	0	0	0	0	<b>Cashflow (US\$m)</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
<b>EBIT (Adj)</b>	<b>954</b>	<b>896</b>	<b>1,132</b>	<b>1,160</b>	<b>1,155</b>	EBITDA	1,328	1,297	1,548	1,588	1,594
EBIT Margin (Adj) (%)	14.3	15.8	17.9	17.6	17.2	Working capital	192	43	16	2	9
Net interest	-242	-229	-221	-220	-220	Other	-356	-371	-491	-499	-496
Associates	-1	0	0	0	0	<b>Operating cashflow</b>	<b>1,164</b>	<b>970</b>	<b>1,074</b>	<b>1,091</b>	<b>1,107</b>
Non-op/Except	-119	43	0	0	0	Capex	-491	-564	-314	-249	-249
<b>Pre-tax profit</b>	<b>592</b>	<b>710</b>	<b>911</b>	<b>941</b>	<b>935</b>	Net acq/disposals	-448	-61	0	0	0
Tax	-178	-221	-270	-279	-276	Other	-38	66	0	0	0
Extraord./Min.Int./Pref.div.	-133	-124	-237	-243	-244	<b>Investing cashflow</b>	<b>-976</b>	<b>-559</b>	<b>-314</b>	<b>-249</b>	<b>-249</b>
<b>Reported net profit</b>	<b>281</b>	<b>365</b>	<b>404</b>	<b>419</b>	<b>415</b>	Dividends paid	-402	-418	-430	-439	-450
Net Margin (%)	4.2	6.4	6.4	6.3	6.2	<b>Financing cashflow</b>	<b>-217</b>	<b>-275</b>	<b>1,904</b>	<b>-439</b>	<b>-450</b>
Core NPAT	338	360	404	419	415	<b>Net change in cash</b>	<b>-50</b>	<b>133</b>	<b>2,664</b>	<b>403</b>	<b>408</b>
<b>Per share data</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>Free cashflow to s/holders</b>	<b>673</b>	<b>406</b>	<b>760</b>	<b>842</b>	<b>857</b>
Reported EPS (\$)	1.60	2.08	2.30	2.38	2.36						
Core EPS (\$)	1.93	2.06	2.30	2.38	2.36						
DPS (\$)	0.89	0.93	0.95	0.97	1.01						
CFPS (\$)	6.63	5.54	6.10	6.20	6.29						
FCFPS (\$)	3.83	2.32	4.32	4.79	4.87						
BVPS (\$)	15.54	16.41	17.55	18.96	20.31						
Wtd avg ord shares (m)	176	175	176	176	176						
Wtd avg diluted shares (m)	176	175	176	176	176						
<b>Growth rates</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>						
Sales revenue (%)	-19.2	-15.0	11.0	4.5	1.6						
EBIT (Adj) (%)	-6.9	-6.0	26.3	2.5	-0.5						
Core NPAT (%)	-4.9	6.4	12.3	3.6	-1.0						
Core EPS (%)	-5.5	6.7	11.8	3.6	-1.0						
<b>Balance Sheet (US\$m)</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>						
Cash & cash equiv.	439	518	3,182	3,586	3,993						
Accounts receivables	620	552	613	616	628						
Inventory	240	210	223	225	233						
Net fixed & other tangibles	5,523	5,854	5,795	5,658	5,511						
Goodwill & intangibles	3,564	3,569	3,527	3,484	3,441						
Financial & other assets	161	144	158	159	162						
<b>Total assets</b>	<b>10,547</b>	<b>10,847</b>	<b>13,497</b>	<b>13,727</b>	<b>13,968</b>						
Accounts payable	393	391	415	418	434						
Short-term debt	448	321	292	292	292						
Long-term debt	3,442	3,766	6,129	6,129	6,129						
Provisions & other liab	2,692	2,767	2,848	2,853	2,868						
<b>Total liabilities</b>	<b>6,974</b>	<b>7,245</b>	<b>9,683</b>	<b>9,691</b>	<b>9,723</b>						
Shareholders' equity	2,692	2,851	3,088	3,336	3,574						
Minority interests	880	751	725	700	671						
<b>Total equity</b>	<b>3,572</b>	<b>3,602</b>	<b>3,813</b>	<b>4,036</b>	<b>4,245</b>						
<b>Net debt (Adj)</b>	<b>3,451</b>	<b>3,569</b>	<b>3,239</b>	<b>2,835</b>	<b>2,428</b>						
Net debt to equity (Adj) (%)	96.6	99.1	84.9	70.3	57.2						

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 \$45.77/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 \$43.17/share is based on a 21x EPS multiple, in-line with other utility companies. For our EV/EBITDA analysis which yields a price of \$40.60/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 \$33.12/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

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Analyst: Faisal Khan, CFA



	Date	Rating	Target Price	Closing Price
[1]	07-Feb-14 11:57:36	2	*29.33	28.41

	Date	Rating	Target Price	Closing Price
[2]	01-Feb-15 21:48:39	2	*36.50	36.99

	Date	Rating	Target Price	Closing Price
[3]	03-May-16 18:14:07	2	*44.00	39.86

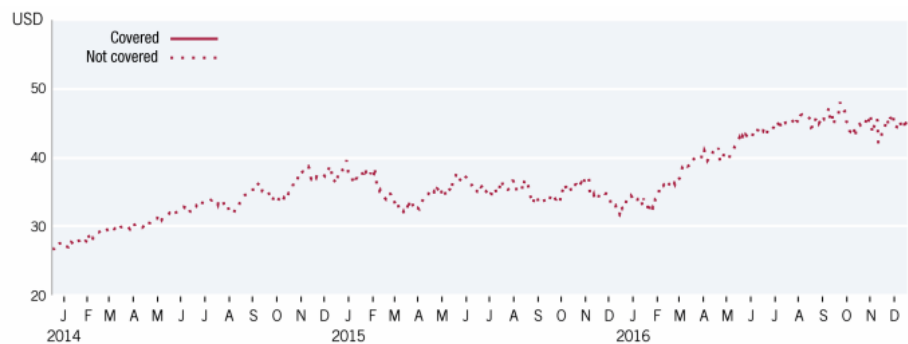
\*Indicates Change

Rating/target price changes above reflect Eastern Time

#### UGI Corp (UGI)

##### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

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\*Indicates Change

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Pipelines & Gas Utilities  
North America | United States

## UGI Corp (UGI)

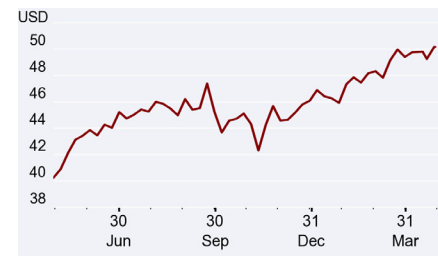
### Model Update

- Updating heating degree day count for historical information.

#### Estimate Change

<b>Neutral</b>	<b>2</b>
Price (01 May 17 13:04)	US\$50.03
Target price	US\$48.00
Expected share price return	-4.1%
Expected dividend yield	1.9%
<b>Expected total return</b>	<b>-2.2%</b>
Market Cap	US\$8,652M

#### Price Performance (RIC: UGI.N, BB: UGI US)



EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
<b>2016A</b>	0.64A	1.24A	0.23A	-0.05A	2.06A	2.05A
<b>2017E</b>	<b>0.91A</b>	<b>1.39E</b>	<b>0.14E</b>	<b>-0.09E</b>	<b>2.35E</b>	<b>2.42E</b>
Previous	0.91A	1.42E	0.14E	-0.09E	2.38E	na
<b>2018E</b>	<b>0.80E</b>	<b>1.45E</b>	<b>0.15E</b>	<b>-0.10E</b>	<b>2.30E</b>	<b>2.48E</b>
Previous	0.80E	1.45E	0.15E	-0.10E	2.30E	na
<b>2019E</b>	<b>0.82E</b>	<b>1.44E</b>	<b>0.17E</b>	<b>-0.08E</b>	<b>2.35E</b>	<b>2.59E</b>
Previous	0.82E	1.44E	0.17E	-0.08E	2.35E	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\$50.03; TP: US\$48.00; Market Cap: US\$8,652m; Recomm: Neutral					
Profit & Loss (US\$m)	2015	2016	2017E	2018E	2019E	Valuation ratios	2015	2016	2017E	2018E	2019E
Sales revenue	6,691	5,686	6,216	6,428	6,567	PE (x)	26.0	24.3	21.3	21.7	21.3
Cost of sales	-3,617	-2,529	-3,182	-3,412	-3,515	PB (x)	3.2	3.0	2.8	2.6	2.5
Gross profit	3,074	3,157	3,034	3,016	3,052	EV/EBITDA (x)	9.4	9.8	8.4	8.0	7.7
Gross Margin (%)	45.9	55.5	48.8	46.9	46.5	FCF yield (%)	7.7	4.6	5.0	8.0	9.8
<b>EBITDA (Adj)</b>	<b>1,373</b>	<b>1,320</b>	<b>1,533</b>	<b>1,598</b>	<b>1,618</b>	Dividend yield (%)	1.8	1.9	1.9	1.9	2.0
EBITDA Margin (Adj) (%)	20.5	23.2	24.7	24.9	24.6	Payout ratio (%)	46	45	40	42	43
Depreciation	-374	-401	-413	-437	-451	ROE (%)	10.5	13.2	16.2	12.5	11.9
Amortisation	0	0	0	0	0	<b>Cashflow (US\$m)</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
<b>EBIT (Adj)</b>	<b>954</b>	<b>896</b>	<b>1,098</b>	<b>1,141</b>	<b>1,157</b>	EBITDA	1,328	1,297	1,511	1,578	1,608
EBIT Margin (Adj) (%)	14.3	15.8	17.7	17.8	17.6	Working capital	192	43	-129	0	3
Net interest	-242	-229	-223	-223	-223	Other	-356	-371	-465	-493	-499
Associates	-1	0	0	0	0	<b>Operating cashflow</b>	<b>1,164</b>	<b>970</b>	<b>918</b>	<b>1,085</b>	<b>1,112</b>
Non-op/Except	-119	43	71	0	0	Capex	-491	-564	-476	-383	-250
<b>Pre-tax profit</b>	<b>592</b>	<b>710</b>	<b>946</b>	<b>918</b>	<b>935</b>	Net acq/disposals	-448	-61	-1	0	0
Tax	-178	-221	-257	-270	-276	Other	-38	66	6	0	0
Extraord./Min.Int./Pref.div.	-133	-124	-204	-244	-245	<b>Investing cashflow</b>	<b>-976</b>	<b>-559</b>	<b>-471</b>	<b>-383</b>	<b>-250</b>
<b>Reported net profit</b>	<b>281</b>	<b>365</b>	<b>485</b>	<b>405</b>	<b>414</b>	Dividends paid	-402	-418	-429	-439	-450
Net Margin (%)	4.2	6.4	7.8	6.3	6.3	<b>Financing cashflow</b>	<b>-217</b>	<b>-275</b>	<b>-225</b>	<b>-439</b>	<b>-450</b>
Core NPAT	338	360	415	405	414	<b>Net change in cash</b>	<b>-50</b>	<b>133</b>	<b>202</b>	<b>264</b>	<b>412</b>
<b>Per share data</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>Free cashflow to s/holders</b>	<b>673</b>	<b>406</b>	<b>442</b>	<b>703</b>	<b>862</b>
Reported EPS (\$)	1.60	2.08	2.75	2.30	2.35						
Core EPS (\$)	1.93	2.06	2.35	2.30	2.35						
DPS (\$)	0.89	0.93	0.95	0.97	1.01						
CFPS (\$)	6.63	5.54	5.20	6.17	6.32						
FCFPS (\$)	3.83	2.32	2.51	3.99	4.90						
BVPS (\$)	15.54	16.41	17.71	19.04	20.39						
Wtd avg ord shares (m)	176	175	176	176	176						
Wtd avg diluted shares (m)	176	175	176	176	176						
<b>Growth rates</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>						
Sales revenue (%)	-19.2	-15.0	9.3	3.4	2.2						
EBIT (Adj) (%)	-6.9	-6.0	22.5	3.9	1.4						
Core NPAT (%)	-4.9	6.4	15.3	-2.4	2.3						
Core EPS (%)	-5.5	6.7	14.5	-2.2	2.3						
<b>Balance Sheet (US\$m)</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>						
Cash & cash equiv.	439	518	713	976	1,389						
Accounts receivables	620	552	577	581	595						
Inventory	240	210	186	187	193						
Net fixed & other tangibles	5,523	5,854	5,891	5,880	5,722						
Goodwill & intangibles	3,564	3,569	3,463	3,420	3,377						
Financial & other assets	161	144	172	173	176						
<b>Total assets</b>	<b>10,547</b>	<b>10,847</b>	<b>11,003</b>	<b>11,218</b>	<b>11,452</b>						
Accounts payable	393	391	468	470	485						
Short-term debt	448	321	234	234	234						
Long-term debt	3,442	3,766	4,043	4,043	4,043						
Provisions & other liab	2,692	2,767	2,451	2,453	2,464						
<b>Total liabilities</b>	<b>6,974</b>	<b>7,245</b>	<b>7,195</b>	<b>7,201</b>	<b>7,226</b>						
Shareholders' equity	2,692	2,851	3,117	3,351	3,588						
Minority interests	880	751	691	666	638						
<b>Total equity</b>	<b>3,572</b>	<b>3,602</b>	<b>3,807</b>	<b>4,017</b>	<b>4,226</b>						
<b>Net debt (Adj)</b>	<b>3,451</b>	<b>3,569</b>	<b>3,564</b>	<b>3,301</b>	<b>2,888</b>						
Net debt to equity (Adj) (%)	96.6	99.1	93.6	82.2	68.4						

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 26% 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 \$48/unit based on 3 valuation methodologies. Our NAV yields a value of \$46.50/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 9x EBITDA. These values are partially offset by the UGI's debt. Our P/E valuation of \$40.60/share is based on blended 20x EPS multiple, using 21x for the Utilities segment, 20x for the midstream, and 19x 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 \$46.91/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	01-Feb-15 21:48:39	2	*36.50	36.99

	Date	Rating	Target Price	Closing Price
2	03-May-16 18:14:07	2	*44.00	39.86

	Date	Rating	Target Price	Closing Price
3	06-Feb-17 21:25:33	2	*48.00	46.61

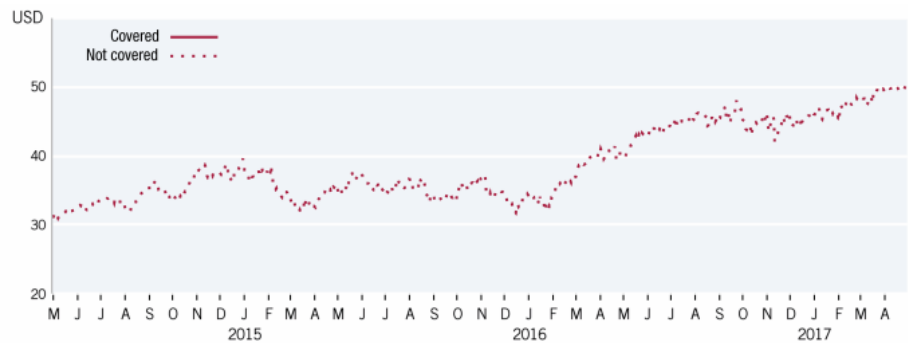
\*Indicates Change

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



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Rating/target price changes above reflect Eastern Time

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*Data current as of 31 Mar 2017*

Citi Research Global Fundamental Coverage	12 Month Rating			Catalyst Watch		
	Buy	Hold	Sell	Buy	Hold	Sell
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FLASH NOTE

Company Update

USA | Energy | Natural Gas

August 2, 2017

# UGI Corporation (UGI)

## That F3Q, So Hot Right Now

**HOLD**

Bloomberg NYSE: UGI  
Price target \$46.00  
Price \$50.76^

^Prior trading day's closing price unless otherwise noted.

EQUITY RESEARCH AMERICAS

### Key Takeaway

**UGI realized F3Q EPS of 10¢ (ex items), well below our 18¢ EPS forecast & the 16¢ Street mean EPS est. Given the nature of UGI's release, it is difficult to know precisely where operational deltas exist; we await the 10-Q for full disclosure. Of note, we exclude \$5.8mm of favorable Utility settlements & \$13.0mm of unfavorable APU adjustments which appear non-recurring. Mgmt affirmed an expectation to be 'at the or slightly below' its \$2.30-\$2.45 F17 EPS range.**

**Margins compress on reduced volumes.** UGI reported lower total margin across each of its operating segments. Mgmt cited lower volumes as the primary driver within its propane businesses, decreased capacity management within its M&M segment, and reduced core market throughput for its Utilities. Sharply warmer than normal F3Q temps (+11.7% APU, +13.7% UGI International, +22.9% M&M, and +21.2% Utilities) crimped results & escalating product costs (US propane +28% y/y, European propane +22%, European butane +28%) added to operational pressures. Utility customer growth, new UGI Gas base rates, and further realization of Finigaz synergies partially offset these headwinds.

**Growth project updates.** With results, mgmt offered views regarding its various growth initiatives. PNG reached a base rate case settlement and, on June 30th, filed a Joint Petition for Approval with the PA PUC; if approved, base rates would increase by \$11.25mm (vs. its initial \$27.0mm request), and mgmt expects new rates to take effect in mid-October. Separately, APU closed two retail acquisitions in F3Q, M&M placed the Manning LNG facility into service on July 1st, and UGI International closed a small Swedish acquisition. We await the call for greater color on all initiatives, including the latest outlook for the PennEast Pipeline.

**Dividend declared.** On July 25th, UGI announced a dividend of 25¢/share, flat q/q and up ~5.3% y/y. We continue to expect long-term increases at an annual rate of ~5%, and note that UGI typically increases its quarterly dividend prior to communicating F2Q results.

**Conference call.** Tomorrow @ 9AM EDT. Dial-in: 866-393-4306. Key issues include 1) update on add'l midstream initiatives & rate case proceedings; 2) operational update and QTD trends; 3) mgmt's M&A appetite.

### UGI F3Q17 results review

Recurring Operating Income	Actual F3Q17A	JEFa F3Q17E	Year-over-Year F3Q16A	
<b>Operating Income (\$MM)</b>				
AmeriGas Propane	\$17.7	\$21.7	-18.7%	\$18.4 -3.7%
Utilities	\$21.9	\$22.0	-0.3%	\$29.8 -26.5%
Midstream & Marketing	\$2.8	\$11.2	-74.9%	\$11.3 -75.2%
International Propane	\$7.5	\$35.9	-79.1%	\$38.0 -80.3%
Corporate & Other	(\$6.2)	\$9.9	NM	\$15.1 NM
<b>Total Operating Income</b>	<b>\$43.7</b>	<b>\$100.7</b>	<b>-56.6%</b>	<b>\$115.1 -62.1%</b>
Income (Loss) from Equity Investees	\$0.9	(\$0.1)	NM	\$0.0 NM
Interest Expense	(\$56.8)	(\$55.3)	2.8%	(\$56.4) 0.7%
Other Items	\$0.0	\$0.0	NM	\$0.0 NM
Minority Interests	\$32.6	\$4.8	572.9%	\$5.0 552.1%
Income Tax Benefit (Expense)	(\$3.4)	(\$18.1)	-81.1%	(\$21.2) -83.8%
<b>Recurring Net Income</b>	<b>\$17.0</b>	<b>\$32.0</b>	<b>-47.1%</b>	<b>\$42.5 -60.1%</b>
Diluted Shares Outstanding	177.3	176.1	0.7%	176.0 0.8%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$0.10</b>	<b>\$0.18</b>	<b>-47.4%</b>	<b>\$0.23 -57.9%</b>
<b>Capital Expenditures</b>	<b>\$140.8</b>	<b>\$143.3</b>	<b>-1.7%</b>	<b>\$116.0 21.4%</b>
<b>Dividend Per Share</b>	<b>\$0.25</b>	<b>\$0.25</b>	<b>0.0%</b>	<b>\$0.24 5.3%</b>

Source: Jefferies, company reports.

Note: Recurring NI excludes the impact of one-time items not excluded by UGI; some figures in the actual column remain JEFa as full information is unavailable until the 10-Q is filed.

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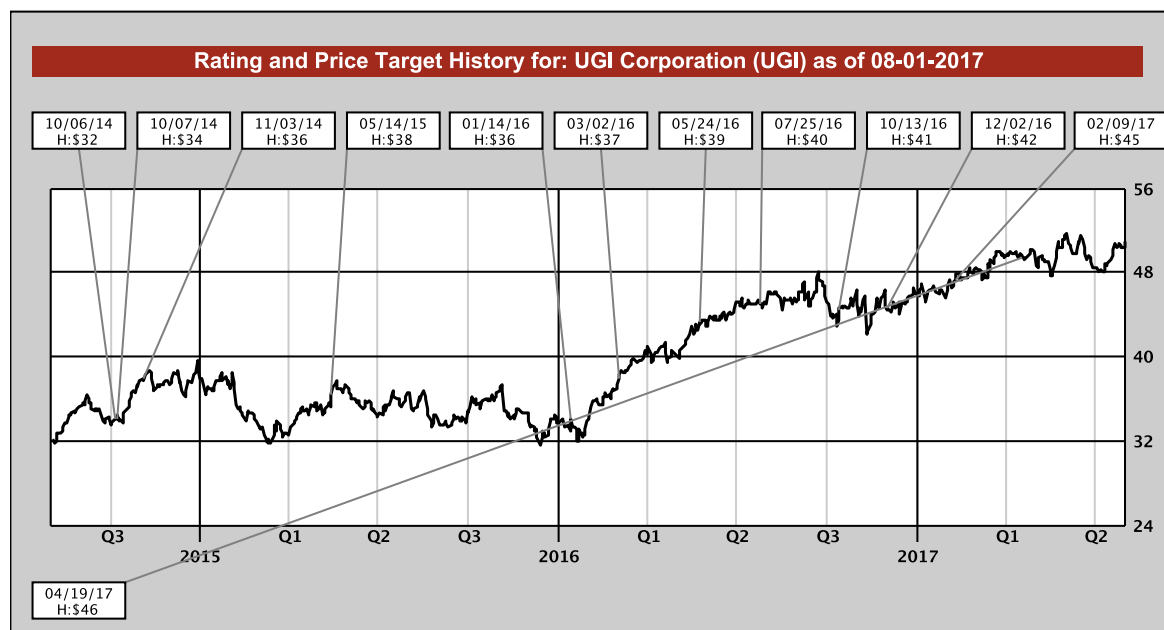
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			Count	Percent
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# UGI Corp (UGI)

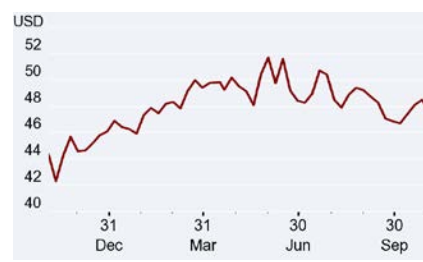
## Model Update

- Minor estimate change upon updating assumptions for actual historical weather temperatures and commodity prices during the past 2 months.

### Estimate Change

Neutral	2
Price (06 Nov 17 16:00)	US\$47.64
Target price	US\$49.00
Expected share price return	2.9%
Expected dividend yield	2.1%
<b>Expected total return</b>	<b>5.0%</b>
Market Cap	US\$8,260M

### Price Performance (RIC: UGI.N, BB: UGI US)



EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2016A	0.64A	1.24A	0.23A	-0.05A	2.06A	2.05A
2017E	0.91A	1.31A	0.10A	-0.10E	2.20E	2.28E
Previous	0.91A	1.31A	0.09A	-0.09E	2.22E	na
2018E	0.83E	1.45E	0.18E	-0.09E	2.37E	2.47E
Previous	0.81E	1.43E	0.16E	-0.10E	2.31E	na
2019E	0.80E	1.39E	0.17E	-0.08E	2.28E	2.60E
Previous	0.83E	1.43E	0.18E	-0.08E	2.36E	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\$47.64; TP: US\$49.00; Market Cap: US\$8,260m; Recomm: Neutral					
Profit & Loss (US\$m)	2015	2016	2017E	2018E	2019E	Valuation ratios	2015	2016	2017E	2018E	2019E
Sales revenue	6,691	5,686	6,085	6,312	6,117	PE (x)	24.7	23.2	21.6	20.1	20.9
Cost of sales	-3,617	-2,529	-2,938	-2,947	-2,763	PB (x)	3.1	2.9	2.7	2.5	2.4
Gross profit	3,074	3,157	3,147	3,365	3,354	EV/EBITDA (x)	9.2	9.5	9.4	7.8	7.6
Gross Margin (%)	45.9	55.5	51.7	53.3	54.8	FCF yield (%)	8.0	4.9	3.9	8.2	9.9
<b>EBITDA (Adj)</b>	<b>1,373</b>	<b>1,320</b>	<b>1,341</b>	<b>1,607</b>	<b>1,594</b>	Dividend yield (%)	1.9	2.0	2.0	2.1	2.2
EBITDA Margin (Adj) (%)	20.5	23.2	22.0	25.5	26.1	Payout ratio (%)	46	45	44	43	47
Depreciation	-374	-401	-407	-434	-449	ROE (%)	10.5	13.2	13.9	12.9	11.6
Amortisation	0	0	0	0	0	<b>Cashflow (US\$m)</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
<b>EBIT (Adj)</b>	<b>954</b>	<b>896</b>	<b>921</b>	<b>1,164</b>	<b>1,135</b>	EBITDA	1,328	1,297	1,328	1,598	1,583
EBIT Margin (Adj) (%)	14.3	15.8	15.1	18.4	18.5	Working capital	192	43	-123	-13	-1
Net interest	-242	-229	-224	-222	-222	Other	-356	-371	-302	-501	-490
Associates	-1	0	3	0	0	<b>Operating cashflow</b>	<b>1,164</b>	<b>970</b>	<b>904</b>	<b>1,083</b>	<b>1,093</b>
Non-op/Except	-119	43	-32	0	0	Capex	-491	-564	-572	-392	-259
<b>Pre-tax profit</b>	<b>592</b>	<b>710</b>	<b>668</b>	<b>941</b>	<b>912</b>	Net acq/disposals	-448	-61	-53	0	0
Tax	-178	-221	-183	-279	-267	Other	-38	66	-7	0	0
Extraord./Min.Int./Pref.div.	-133	-124	-71	-245	-244	<b>Investing cashflow</b>	<b>-976</b>	<b>-559</b>	<b>-632</b>	<b>-392</b>	<b>-259</b>
<b>Reported net profit</b>	<b>281</b>	<b>365</b>	<b>414</b>	<b>418</b>	<b>401</b>	Dividends paid	-402	-418	-431	-444	-454
Net Margin (%)	4.2	6.4	6.8	6.6	6.6	<b>Financing cashflow</b>	<b>-217</b>	<b>-275</b>	<b>-327</b>	<b>-444</b>	<b>-454</b>
Core NPAT	338	360	391	418	401	<b>Net change in cash</b>	<b>-50</b>	<b>133</b>	<b>-51</b>	<b>247</b>	<b>380</b>
<b>Per share data</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>Free cashflow to s/holders</b>	<b>673</b>	<b>406</b>	<b>332</b>	<b>691</b>	<b>834</b>
Reported EPS (\$)	1.60	2.08	2.33	2.37	2.28						
Core EPS (\$)	1.93	2.06	2.20	2.37	2.28						
DPS (\$)	0.89	0.93	0.98	1.02	1.06						
CFPS (\$)	6.63	5.54	5.08	6.15	6.21						
FCFPS (\$)	3.83	2.32	1.87	3.93	4.74						
BVPS (\$)	15.54	16.41	17.70	19.05	20.27						
Wtd avg ord shares (m)	176	175	178	176	176						
Wtd avg diluted shares (m)	176	175	178	176	176						
<b>Growth rates</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>						
Sales revenue (%)	-19.2	-15.0	7.0	3.7	-3.1						
EBIT (Adj) (%)	-6.9	-6.0	2.8	26.3	-2.5						
Core NPAT (%)	-4.9	6.4	8.7	6.8	-4.0						
Core EPS (%)	-5.5	6.7	7.1	7.8	-4.0						
<b>Balance Sheet (US\$m)</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>						
Cash & cash equiv.	439	518	459	706	1,086						
Accounts receivables	620	552	587	563	559						
Inventory	240	210	219	193	191						
Net fixed & other tangibles	5,523	5,854	6,081	6,082	5,935						
Goodwill & intangibles	3,564	3,569	3,593	3,550	3,507						
Financial & other assets	161	144	105	101	100						
<b>Total assets</b>	<b>10,547</b>	<b>10,847</b>	<b>11,044</b>	<b>11,195</b>	<b>11,379</b>						
Accounts payable	393	391	364	320	317						
Short-term debt	448	321	164	164	164						
Long-term debt	3,442	3,766	4,134	4,134	4,134						
Provisions & other liab	2,692	2,767	2,707	2,682	2,679						
<b>Total liabilities</b>	<b>6,974</b>	<b>7,245</b>	<b>7,369</b>	<b>7,301</b>	<b>7,293</b>						
Shareholders' equity	2,692	2,851	3,115	3,353	3,568						
Minority interests	880	751	561	541	518						
<b>Total equity</b>	<b>3,572</b>	<b>3,602</b>	<b>3,675</b>	<b>3,894</b>	<b>4,085</b>						
<b>Net debt (Adj)</b>	<b>3,451</b>	<b>3,569</b>	<b>3,839</b>	<b>3,592</b>	<b>3,212</b>						
Net debt to equity (Adj) (%)	96.6	99.1	104.4	92.2	78.6						

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 26% 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 \$49/unit based on 3 valuation methodologies. Our NAV yields a value of \$46.66/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 9x EBITDA. These values are partially offset by the UGI's debt. Our P/E valuation of \$46.11/share is based on blended 20x EPS multiple, using 21x for the Utilities segment, 20x for the midstream, and 19x 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 \$44.70/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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Analyst: Faisal Khan, CFA



	Date	Rating	Target Price	Closing Price
1	01-Feb-15 21:48:39	2	*\$36.50	36.99
2	03-May-16 18:14:07	2	*\$44.00	39.86
3	06-Feb-17 21:25:33	2	*\$48.00	46.61
4	02-May-17 18:07:41	2	*\$49.00	48.73

\*Indicates Change

Rating/target price changes above reflect Eastern Time

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## UGI & APU 1Q:18 Earnings Results

### UGI Beats on Gas Demand & Diffs; APU Misses on Refill Timing

- **UGI Results** — UGI reported adj EPS of \$1.01/share (excl M2M hedges), above our estimate of \$0.87 and Consensus of \$0.93. The beat was driven by stronger than estimated gas demand in UGI's gas utility segment as temperatures for the quarter were 6% colder YoY, as well as higher peaking demand and margins in the midstream segment. Finally, a timing delay in sales volumes at APU offset the colder than estimated weather in the international segment. The announced dividend of \$0.25/share (\$1.00 annualized) is up 5.3% YoY.
- **Tax Impacts** — UGI expects a full year 2018 EPS net benefit of \$0.15-\$0.25/share from new US and French tax legislation. The range is dependent on the PUC's treatment of the new tax rules on the Gas Utility segment. The low end of the range includes the possibility of a "refund" to customers for Q2 – Q4.
- **Project Updates** — PennEast received its FERC certificate in January, prior to receiving all necessary state and local permits/approvals, which is UGI's focus at this point. Construction remains slated to begin at the end of 2018 with an in-service date of 2H:19. The Steelton LNG facility is expected in-service during 2Q.
- **International** — UGI's international propane business reported gross margin of \$299.4 mil benefitting from temps that were ~7% colder than normal and recent acquisitions. Integration of its Finagaz acquisition is expected to conclude this year.
- **Gas Utility** — Gas Utility reported gross margin of \$170.0 mil benefitting from temps that were 6% colder YoY helping achieve gas demand records. UGI filed its first electric utility rate case in 22 years, looking to increase its base rates by ~\$9.2 million annually. Prior rate cases have taken ~1 year to conclude.
- **Midstream & Marketing** — The midstream & marketing segment reported gross margin of \$89.0 mil driven by colder weather and higher peaking margins. UGI was able to capture additional margin from wide basis differentials and its upcoming Steelton storage facility will allow for additional peaking capacity later in 2Q.
- **APU Results** — APU reported adj EBITDA of \$194.1 mil, below our estimate of \$211.4 mil and Consensus of \$217.3 mil. The miss was driven by a delayed onset of cold winter temps which pushed customer refills into 2Q, despite temperatures that were relatively normal during the quarter. Retail volumes of 305.0 million gallons were flat YoY as temperatures were ~10% colder YoY, and ~1% warmer than normal. Management expects 2Q volumes to see the benefit from colder 1Q temps, with January volumes already up ~20% YoY. Updated guidance for 2018 will be provided after 2Q but we continue to believe full year results will be near the mid-point of their \$650 - \$690 million adj EBITDA guidance. Estimated distributable cash flow of \$143.4 mil resulted in distribution coverage of ~0.87x on an LTM basis.
- **Recommendations** — We maintain our Neutral rating and \$49/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	Date & Time	Rating		Target Price		Div Yld (%)	ETR (%)	Last Rpt Year	Current Fiscal Year		Next Fiscal Year	
					Old	New	Old	New				EPS		EPS	
AmeriGas Part	APU	US\$	47.06	01 Feb 16:00	2	2	44.00	44.00	8.1	1.6	Sep-17	2.54	2.61	2.53	2.54
UGI	UGI	US\$	46.06	01 Feb 16:00	2	2	49.00	49.00	2.2	8.6	Sep-17	2.54	2.70	2.47	2.47

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:17A 9/30/16	4Q:17A 6/30/17	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
			1Q:18A 9/30/17	1Q:18E 9/30/17			
<b>Gross Margin Per Segment</b>							
AmeriGas Propane	\$416.5	\$256.6	\$421.2	\$446.3	64.1%	1.1%	(5.6%)
UGI International	\$281.1	\$180.4	\$299.4	\$287.8	66.0%	6.5%	4.0%
Gas Utility	\$150.6	\$78.3	\$170.0	\$154.9	117.1%	12.9%	9.7%
Midstream & Marketing	\$78.0	\$39.2	\$89.0	\$74.9	127.0%	14.1%	18.8%
<b>Segment Gross Margin</b>	<b>\$926.2</b>	<b>\$554.5</b>	<b>\$979.6</b>	<b>\$963.9</b>	<b>76.7%</b>	<b>5.8%</b>	<b>1.6%</b>
<b>Adj Net Income to UGI Corp *</b>	<b>\$160.9</b>	<b>(\$3.1)</b>	<b>\$179.3</b>	<b>\$153.4</b>	<b>(5,843.1%)</b>	<b>11.5%</b>	<b>16.9%</b>
<b>Adj EPS *</b>	<b>\$0.91</b>	<b>(\$0.02)</b>	<b>\$1.01</b>	<b>\$0.87</b>	<b>(5,831.8%)</b>	<b>11.1%</b>	<b>15.9%</b>
<b>Dividend Per Share (announced)</b>	<b>\$0.2375</b>	<b>\$0.2500</b>	<b>\$0.2500</b>	<b>\$0.2500</b>	<b>0.0%</b>	<b>5.3%</b>	<b>0.0%</b>
<b>Annualized</b>	<b>\$0.9500</b>	<b>\$1.0000</b>	<b>\$1.0000</b>	<b>\$1.0000</b>	<b>0.0%</b>	<b>5.3%</b>	<b>0.0%</b>
<b>Segment Stats</b>							
Amerigas - Retail Gallons Sold (MMGal)	305.7	183.5	305.0	345.4	66.2%	(0.2%)	(11.7%)
UGI International - Retail Gallons Sold (MMGal)	254.2	162.0	263.6	254.2	62.7%	3.7%	3.7%
Gas Utility System Throughput - Core Market (Bcf)	23.0	4.9	25.5	23.5	420.4%	10.9%	8.7%
Gas Utility System Throughput - Total (Bcf)	66.2	48.6	69.2	67.5	42.4%	4.5%	2.5%

\*Excludes unrealized hedges.

Source: Citi Research

Figure 2. Reported Results vs Citi Estimates – APU

(\$ in Millions)	1Q:17A 12/31/16	4Q:17A 9/30/17	Results vs. Estimates		Sequential Change	YoY Change	Actual vs. Citi Est
			1Q:18A 12/31/17	1Q:18E 12/31/17			
<b>Propane Sold - Retail (MM Gallons)</b>	<b>305.7</b>	<b>183.5</b>	<b>305.0</b>	<b>345.4</b>	<b>66.2%</b>	<b>(0.2%)</b>	<b>(11.7%)</b>
<b>Total Gross Profit*</b>	<b>\$416.7</b>	<b>\$256.6</b>	<b>\$421.2</b>	<b>\$446.3</b>	<b>64.1%</b>	<b>1.1%</b>	<b>(5.6%)</b>
Operating Expenses	\$226.8	\$221.0	\$230.3	\$240.4	4.2%	1.6%	(4.2%)
<b>Adjusted EBITDA</b>	<b>\$185.1</b>	<b>\$36.5</b>	<b>\$194.1</b>	<b>\$211.4</b>	<b>431.2%</b>	<b>4.8%</b>	<b>(8.2%)</b>
Interest Expense	(40.0)	(39.6)	(40.6)	(40.0)	2.4%	1.4%	1.4%
Maintenance Capex	(15.4)	(12.2)	(10.1)	(15.5)	(17.0%)	(34.3%)	(34.9%)
Other	(0.8)	0.1	0.0	(0.9)	(100.0%)	NM	NM
<b>Distributable Cash Flow (Est)</b>	<b>\$128.9</b>	<b>(\$15.2)</b>	<b>\$143.4</b>	<b>\$154.9</b>	<b>(1,044.4%)</b>	<b>11.3%</b>	<b>(7.5%)</b>
<b>Distributions per unit (announced)</b>	<b>\$0.9400</b>	<b>\$0.9500</b>	<b>\$0.9500</b>	<b>\$0.9500</b>	<b>0.0%</b>	<b>1.1%</b>	<b>0.0%</b>
<b>Annualized</b>	<b>\$3.7600</b>	<b>\$3.8000</b>	<b>\$3.8000</b>	<b>\$3.8000</b>	<b>0.0%</b>	<b>1.1%</b>	<b>0.0%</b>
<b>Distribution Coverage Ratio (LTM)</b>	<b>0.93x</b>	<b>0.84x</b>	<b>0.87x</b>	<b>0.90x</b>	<b>3.4%</b>	<b>(6.2%)</b>	<b>(3.6%)</b>
<b>EPS</b>	<b>\$0.87</b>	<b>(\$0.32)</b>	<b>\$0.97</b>	<b>\$1.11</b>	<b>(407.1%)</b>	<b>11.9%</b>	<b>(12.6%)</b>

\*Adjusted for hedges

Source: Citi Research

## Company Focus

### UGI Corp (UGI)

■ Estimate Change

**Neutral**

Price (01 Feb 18 16:00)	US\$46.06
Target price	US\$49.00
Market Cap	US\$7,975M
Expected share price return	6.4%
Expected dividend yield	2.2%
Expected total return	8.6%

EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2017A	0.91A	1.31A	0.10A	-0.02A	2.29A	2.29A
2018E	1.01A	1.52E	0.22E	-0.05E	2.70E	2.58E
Previous	0.87E	1.50E	0.22E	-0.05E	2.54E	na
2019E	0.85E	1.44E	0.22E	-0.04E	2.47E	2.66E
Previous	0.85E	1.44E	0.22E	-0.04E	2.47E	na
2020E	0.83E	1.41E	0.22E	-0.03E	2.43E	2.74E
Previous	0.83E	1.41E	0.22E	-0.03E	2.43E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## Company Focus

### AmeriGas Partners LP (APU)

■ Estimate Change

**Neutral**

Price (01 Feb 18 16:00)	US\$47.06
Target price	US\$44.00
Market Cap	US\$4,375M
Expected share price return	-6.5%
Expected dividend yield	8.1%
Expected total return	1.6%

EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
2017A	0.87A	1.33A	-0.62A	-0.32A	1.26A	1.25A
2018E	0.99A	2.88E	-0.57E	-0.69E	2.61E	2.66E
Previous	1.11E	2.70E	-0.57E	-0.70E	2.54E	na
2019E	1.11E	2.71E	-0.58E	-0.70E	2.54E	2.78E
Previous	1.11E	2.71E	-0.58E	-0.70E	2.53E	na
2020E	1.11E	2.72E	-0.59E	-0.71E	2.53E	2.82E
Previous	1.11E	2.72E	-0.59E	-0.71E	2.52E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

## 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 26% 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 \$49/unit based on 3 valuation methodologies. Our NAV yields a value of \$46.67/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 9x EBITDA and its international propane segment is valued at 9x EBITDA. These values are partially offset by the UGI's debt. Our P/E valuation of \$48.32/share is based on blended ~19x EPS multiple, using 20x for the Utilities segment, 20x for the midstream, and 18x 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 \$41.89/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 ~1,900 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 (2). 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 \$43.44 and a 2) discounted cash distribution (DCD) valuation of \$43.57. Our EV / EBITDA valuation is based on a 11.0x multiple on 2018 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. We use a long-term cost of equity of 9.00% and a growth rate of 0% in perpetuity. We use an internal rate of return (IRR) methodology to help support our primary valuations, which results in an IRR of ~6.3%.

### Risks

Our Neutral rating on AmeriGas Partners 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 2018 Net Debt/EBITDA of ~4.0x compared to the MLP peer group average at 4.9x. AmeriGas's 2018E distribution coverage of ~1.12x is also strong amongst its peer group. 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

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by "AC" in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or rating history tables for that issuer shown below. Each of these analysts certify, with respect to the sections of the report for which they are responsible: (1) 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; and (2) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in this report.

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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	01-Feb-15 21:48:39	2	*36.50	36.99
2	03-May-16 18:14:07	2	*44.00	39.86

	Date	Rating	Target Price	Closing Price
3	06-Feb-17 21:25:33	2	*48.00	46.61
4	02-May-17 18:07:41	2	*49.00	48.73

\*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



	Date	Rating	Target Price	Closing Price
1	17-Nov-15 19:20:37	2H	*42.00	40.49
2	03-May-16 18:12:28	2H	*44.00	42.63

	Date	Rating	Target Price	Closing Price
3	06-Feb-17 21:25:33	2H	*46.00	48.59
4	02-May-17 18:07:41	2H	*45.00	45.01

	Date	Rating	Target Price	Closing Price
5	26-Jul-17 22:29:55	*2	*44.00	45.02

\*Indicates Change

Rating/target price changes above reflect Eastern Time

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Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Amerigas Partners LP

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<i>Data current as of 31 Dec 2017</i>	12 Month Rating			Catalyst Watch		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Research Global Fundamental Coverage	49%	38%	13%	3%	96%	1%
<i>% of companies in each rating category that are investment banking clients</i>	64%	65%	56%	66%	64%	61%

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INDUSTRY NOTE

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November 30, 2018

# Master Limited Partnerships

## A Biennial Update From the King of Prussia: Upgrade APU to Buy

### Key Takeaway

**On Dec. 4th, UGI & APU will hold a joint NYC Investor Day; we expect a focus on capital investments, particularly in Utility where spending has doubled since F15 & in Midstream where sizable expansions are in-flight. Given stock price divergence, we also see an opportunity for UGI to accretively acquire APU via a stock-for-unit transaction and upgrade APU to Buy, from Hold. Finally, we expect F19 UGI EPS and APU EBITDA guidance to be affirmed.**

### Recent performance, mgmt changes & F19 guidance raise structural questions.

A slew of MLP reorganizations since 2014 has illuminated the potential for structural change at APU as its 50% IDR splits & tight distribution coverage exacerbate the impact of warm and/or volatile winter temps. While its debt profile is long-dated (first maturity in 2024) and its GP historically supportive, we believe disappointing F18 results, a F19 outlook short of F13's initial guidance, and recent CEO departure all raise questions about the sustainability of its present configuration. With a sharp divergence in the performance of UGI shares (+28%) and APU units (-22%) since the F16 Investor Day, we now see an opportunity for UGI to accretively acquire the public's APU interest via a share-for-unit exchange. A ~22.5% premium to respective 30-day VWAPs, consistent with the OKE/OKS merger in 2017, implies an average ~4% F19-F23 EPS accretion for UGI.

**Operational review & financial outlook.** The biennial Investor Day offers mgmt a forum to review operations, illustrate strategic growth initiatives, and detail financial outlooks. Warmer-than-normal and volatile winter weather the last several years has weighed on results, though F18 was aided by the impact of the TCJA; a return to normal conditions and contributions from capital investments & acquisitions offer UGI & APU meaningful growth in F19+ financial performance. While leverage to weather volatility remains inherent in nearly every UGI business, as weather conditions cannot be controlled, we expect mgmt to primarily focus on its regulated, fee-oriented Utility & Midstream investments.

**Affirmation of F19 financial guidance & long-range targets.** With F4Q results, UGI initiated respective F19 EPS & capex guidance of \$2.75-\$2.95 (\$2.90 JEF) & ~\$740mm and APU established F19 adjusted EBITDA and capex guidance of \$610-\$650mm (\$641mm JEF) & \$117mm. All earnings forecasts are predicated on normal weather and we believe each metric will be affirmed at the Investor Day. Moreover, we also expect UGI to affirm its long-standing 6-10% EPS, 4% dividend, and 35-45% payout ratio targets, metrics it has achieved over the last decade; we see no distribution growth at APU.

**Utility capex speaks to material rate base growth.** In Oct., UGI merged its utilities (UGI Utilities, Penn Natural Gas, and Central Penn Gas) into a single entity; in aggregate, it serves ~640K natural gas and ~60K electric customers in eastern PA. With a continued focus on infrastructure replacement and system betterment, strong customer growth (+2%), and DSIC-eligible investments (\$185mm in 2019), utility capital spending has jumped in recent years. In fact, planned F19 spending of \$375mm is more than double F15's deployment and ~4.5x F18 depreciation, implying material rate base growth in the coming years.

**Valuation/Risks.** Our \$54 UGI PT is derived via DCF, SOP, and Target Yield approaches. Our \$40 APU PT is derived via a DDM and Target Yield approach; with ~26% total return to our PT, we upgrade APU to Buy, from Hold. Importantly, our APU analysis does not assume a buy-in, though we think the possibility exists. Non-normal US and European weather conditions, severe fluctuations in LPG prices, rising interest rates, and dislocations in currency exchange (USD/EUR, USD/GBP) all pose risks to our EPS & dividend projections and to our target prices.

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Company Name	Ticker	Mkt. Cap (MM)	Rating	Price <sup>^</sup>	Price Target	Cons. Next FY	Current EPS Estimates			Previous Est.	
							2018	2019	2020	2019	2020
AmeriGas Partners	APU	\$3.2B	BUY▲	\$34.86	\$40.00▼	\$664.2	\$2.20	\$2.59	\$2.69	\$2.72	\$2.86
UGI Corporation	UGI	\$9.9B	HOLD	\$56.77	\$54.00	\$3.08	\$2.74	\$2.90	\$3.05	\$2.95	\$3.18

**Hold: \$40 Price Target****Scenarios****Base Case**

- Propane continues to capture incremental fuel oil market share, helping to mitigate its LT structural demand decline.
- Ongoing, periodic acquisitions of small, independent operators offset the structural decline in propane sales.
- Normal weather conditions across all service areas.
- Equal-weighted DDM and Yield Analysis, F4Q19E Distribution: 95¢, Target Yield 9.25%, Projected Distribution CAGR 0%, Target Price \$40

**Upside Scenario**

- Accelerated conversions of fuel-oil customers supplement acquisition activities, driving strong sales growth and margin expansion.
- Significantly colder-than-normal winter weather conditions produce robust sales during peak margin environment.
- Propane prices remain significantly depressed, helping to mitigate customer conservation
- Equal-weighted DDM and Yield Analysis, F4Q19E Distribution: 98¢, Target Yield 7.5%, Projected Distribution CAGR 1.5%, Terminal growth rate 1%, Target Price \$50

**Downside Scenario**

- Rival fuel sources begin capturing propane market share, accelerating its LT structural demand decline.
- APU is unable to close accretive, bolt-on acquisitions and sales track the historic structural decline of the broad market.
- Persistently warmer than normal temps crimp sales, margins, and cash flows.
- Rising US propane exports elevate prices, further pressuring sales and margins.
- Equal-weighted DDM and Yield Analysis, F4Q19E Distribution: 92¢, Target Yield 10.5%, Projected Distribution CAGR 0%, Terminal growth rate 0%, Target Price \$30

**Investment Thesis / Where We Differ**

- Propane continues to capture incremental fuel oil market share, helping to mitigate its LT structural demand decline.
- Ongoing, periodic acquisitions of small, independent operators offset the structural decline in propane sales.
- Normal weather conditions across all service areas.
- Equal-weighted DDM and Yield Analysis, F4Q19E Distribution: 95¢, Target Yield 9.25%, Projected Distribution CAGR 0%, Target Price \$40

**Catalysts**

- A potential stock-for-stock acquisition by UGI given persistent questions about APU's traditional MLP structure (50% IDRs), a slew of 3<sup>rd</sup>-party MLP eliminations giving, and recent management changes.
- Another unseasonably warm winter would act as a negative catalyst for earnings while a colder than normal winter would act as a positive catalyst for earnings.
- We forecast a flat distribution profile throughout the forecast period

**Long Term Analysis****Long Term Financial Model Drivers**

<b>Terminal Cost of Equity</b>	<b>9.4%</b>
Terminal Distribution Growth (decline)	-1.0%
2023E Distribution Coverage	~1.14x
2023E Net Debt to EBITDA	~4.2x

## Key Investor Day Discussion Topics

The UGI & APU Investor Day presents management with a forum to review operations & illustrate strategic growth initiatives; as it occurs every other year, we expect all subsidiary heads to be present and anticipate a detailed discussion on every operating division. We anticipate the day will principally focus on the following topic areas:

**APU's future, including the possibility of a roll-up announcement.** While APU is one of the oldest publicly-traded MLPs, having IPOed in 1995, and has been managed far differently (more conservatively) over its lifetime than many of its MLP peers (modest annual distribution growth, reliance on long-term fixed-rate debt, limited equity issuance, reasonable maintenance capital budgets, etc.) the MLP landscape is now rapidly evolving and APU's 50% IDR structure and limited distribution coverage now casts it in a negative relative light. These issues have been exacerbated by >10% Adj. EBITDA shortfalls vs. initial guidance each of the last four fiscal years, largely the result of warmer-than-normal winter weather, and management has fielded an increasing number of inquiries about what, if anything, it is planning to do about APU's structure and future. On the F4Q earnings call in mid-November, CFO Ted Jastrzebski closed his prepared remarks with the following:

*"I want to comment briefly on the AmeriGas MLP structure given recent movement in the sector. UGI and AmeriGas remain mindful of the balance sheet and remain aligned on the goal of a healthy and sustainable AmeriGas. We evaluate business plans with AmeriGas and all of our businesses as part of our annual strategic review process. UGI and AmeriGas and their respective boards regularly explore a range of options to optimize the business, and will continue to do so in the future."*

Accordingly, we expect investors to remain focused on APU. We believe its F19 Adj. EBITDA guidance of \$610-\$650mm is conservative as it appears to haircut vs. initial F18 guidance (\$650-\$690mm) for the weather volatility experienced last year which caused 'normal' heating degree day (HDD) counts to result in below-forecast sales volumes. On an independent basis, we see no need for APU to rein in its distribution and find its valuation attractive at present levels; we are upgrading to Buy, from Hold. However, given the >50% outperformance of UGI shares vs. APU units since the last Investor Day (Dec. 2016), we also believe there is the potential for a roll-up announcement as UGI could acquire APU via an all-equity transaction at a meaningful premium (>20%) to respective 30-day VWAPs and still achieve mid-single digit EPS accretion in each of our F19-F23 forecast periods. Such a move would also sharply rein in cash distributions, greatly enhancing APU's credit profile over time, a point raised by Ted on the F4Q call ('remain mindful of the balance sheet').

### Exhibit 1: Historical MLP Simplification Transaction Metrics

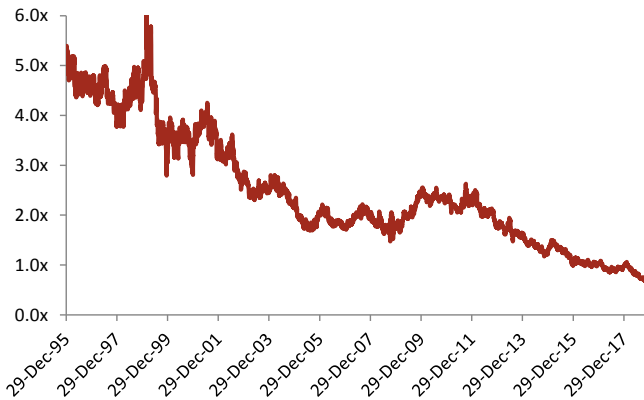
Acquirer	KMI	KMI	TRGP	SEMG	OKE	TEGP	WMB	ENLC	ENB	ENB	VLO	AMGP	ET	WGP	Average	UGI
Target	KMP	EPB	NGLS	RRMS	OKS	TEP	WPZ	ENLK	SEP	EEP	VLP	AM	ETP	WES		APU
Date Announced	10-Aug-14	10-Aug-14	3-Nov-15	31-May-16	1-Feb-17	7-Feb-18	15-Mar-18	22-Oct-18	17-May-18	17-May-18	18-Oct-18	9-Oct-18	1-Aug-18	8-Nov-18		29-Nov-18
Cash Per Unit Offered	\$10.77	\$4.65	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$42.25	\$3.42	\$0.00	\$0.00		\$0.00
Share Exchange Ratio	2.19x	0.95x	0.62x	0.81x	0.99x	2.00x	1.49x	1.15x	1.11x	0.34x	0.00x	1.64x	1.28x	1.53x		0.855x
1-Day Premium	12.0%	15.4%	18.4%	0.0%	25.8%	9.6%	13.6%	1.1%	9.8%	8.7%	5.6%	6.5%	11.2%	7.6%	10.4%	40.1%
5-Day Premium	10.8%	13.8%	23.1%	3.4%	22.2%	10.6%	13.5%	1.3%	9.5%	18.9%	7.0%	11.4%	10.5%	12.4%	12.0%	35.0%
10-Day Premium	6.9%	8.9%	11.0%	19.0%	21.8%	9.3%	10.2%	5.9%	16.0%	12.5%	4.5%	7.8%	12.9%	7.5%	11.0%	39.1%
30-Day Premium	9.5%	7.1%	12.2%	44.6%	23.1%	7.0%	14.2%	5.6%	10.4%	6.6%	17.4%	8.0%	17.4%	4.5%	13.4%	21.0%
10-Day VWAP Premium	10.8%	14.7%	18.4%	3.2%	23.7%	8.1%	14.4%	3.0%	12.1%	13.7%	6.7%	8.7%	11.9%	9.3%	11.3%	37.8%
20-Day VWAP Premium	9.5%	11.4%	15.4%	10.6%	22.7%	9.2%	13.4%	3.1%	8.7%	6.7%	10.5%	6.8%	12.9%	8.8%	10.7%	33.5%
30-Day VWAP Premium	9.7%	10.2%	16.2%	25.6%	22.4%	10.0%	13.0%	3.0%	8.2%	6.1%	12.6%	6.6%	13.6%	8.0%	11.8%	30.0%

Source: Company Reports, FactSet, Jefferies

Exhibit 1 illustrates fourteen transactions since 2014 in which a GP sponsor acquired its MLP subsidiary; on average, these deals were done at ~12% premiums to 30-day VWAPs and entailed ~23% distribution cuts to the MLP unitholders. In many instances, they constituted taxable events for the LP unitholder but created tax basis step-ups and subsequent cash tax shields for the acquiring sponsor. We believe this comp group proves useful in examining

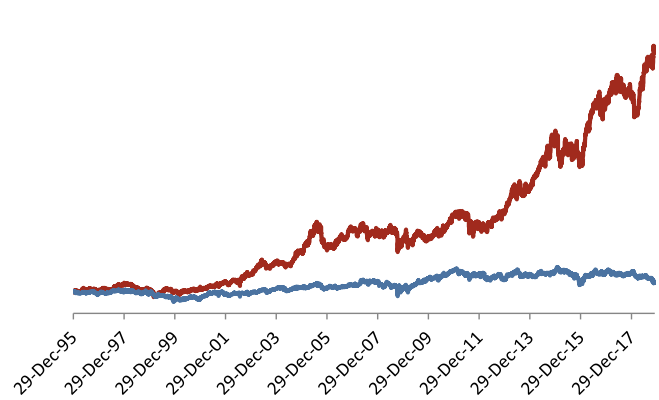
a potential combination of APU and UGI, but see the acquisition of OKS by OKE in 2017 as representing the closest comparable example the financial health of OKS and the level of OKE's LP ownership at the time of the acquisition. As this was among the most generous VWAP-premium offered, we believe it serves as a useful proxy for what UGI and APU may agree to in the event their Boards and Special Committees decide a merger is in their collective best interests. Similar terms, in which UGI acquires APU via an all-stock merger at a ~22-23% premium to respective 30-day VWAPs would still generate mid-single digit EPS accretion to UGI in all our forecast periods. In fact, F19-F20 EPS accretion remains up to an approximate 30% VWAP premium; however, even at 30%, it constitutes the most severe backdoor MLP distribution cut (~76%) among the tracked deals given the very wide delta between APU's ~1% distribution yield and UGI's <2% dividend yield.

**Chart 1: APU/UGI Exchange Ratio**



Source: FactSet, Jefferies

**Chart 2: UGI (Red) and APU (Blue) Price Performance**

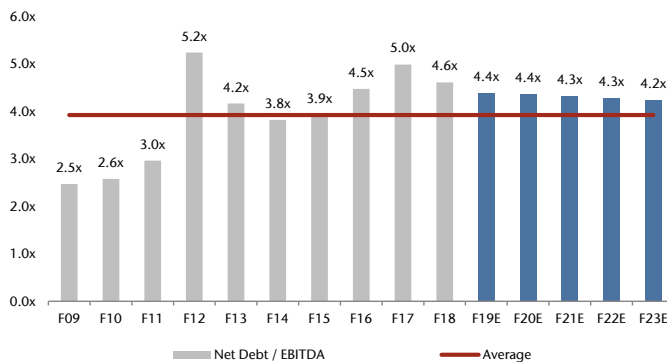


Source: APU, Jefferies

**APU is capable of remaining independent**

While we believe a potential roll-up of APU is feasible, would address many lingering questions, and is momentarily compelling to UGI based on the divergence in equity prices, it is important to note that we believe APU is capable of remaining a viable independent entity. As Charts 3-6 detail, our F19-F23 financial forecasts, which assume no distribution growth and no equity issuances, imply leverage and distribution coverage in-line with historical (trailing 10-year average) levels.

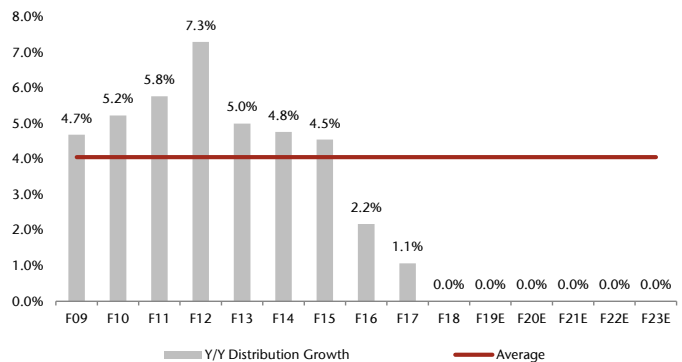
**Chart 3: APU Leverage (10-Years + Forecasts)**



Source: APU, Jefferies

Note: F12 included the acquisition of Heritage Propane

**Chart 4: APU Distribution Growth (10-Years + Forecasts)**

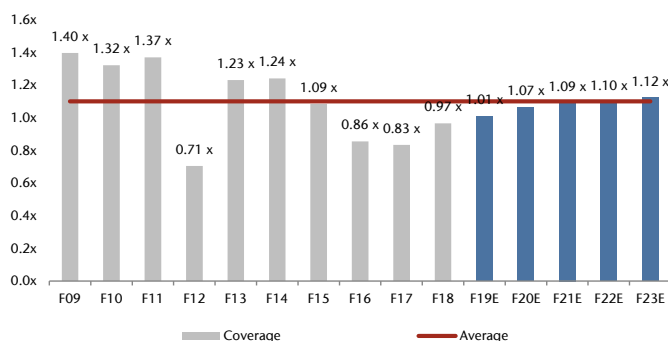


Source: APU, Jefferies

At current APU unit price, our forecasts also imply consistent EV/LP-EBITDA discounts vs. trailing historically achieved levels, leaving room for unit-price appreciation if the market regains confidence in APU's financial standing and longevity.



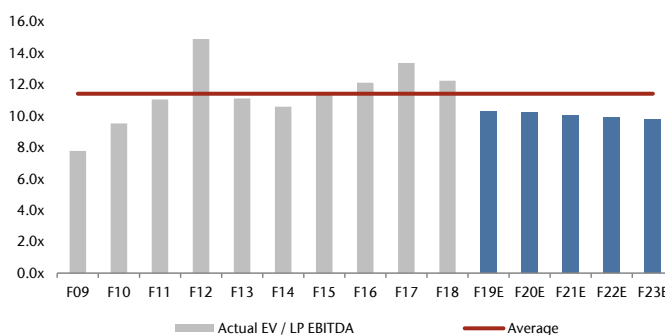
Chart 5: APU Distribution Coverage (10-Years + Forecasts)



Source: APU, Jefferies

Note: Forecast periods assume maintenance capex approximates ~8.5% of Adj. EBITDA and ~6-7% of net PP&amp;E.

Chart 6: APU EV/LP-EBITDA (10-Years + Forecasts)



Source: APU, Jefferies

Note: Forecast periods assume static unit count, no distribution growth, and current unit price. LP-EBITDA is derived from EBITDA less IDR cash payments.

Notably, APU does not face a debt maturity until 2024 and, in November 2017, entered into a \$225mm standby equity commitment agreement (SECA) with UGI for the potential issuance of Class B. The SECA remains in place through June 2019 and provides balance sheet flexibility should adverse weather or other operating conditions present cash flow pressures. Minimum issuance must be at least \$50mm and distributions can be paid to UGI in cash or additional Class B units, convertible into APU common units in five years at UGI's option and in six years at APU's option. The Class B units are not subject to IDRs until conversion to common units.

Finally, while some analysts have suggested APU needs to curtail its distribution, we believe its acquisition is a much more attractive alternative for UGI as APU distributions represented ~65% of its total subsidiary cash receipts in F18 and have averaged ~47% of subsidiary dividends over the last three fiscal years. With the 50% IDR, a reduction in APU's distribution would have a pronounced effect on UGI cash receipts. For perspective, the \$128mm of cash UGI received from APU in F18 covered ~72% of its own dividend payments.

Historically, distribution cuts were generally driven by severe and permanent deterioration in business leading to capital constraints, stretched balance sheet and absence of alternatives (no help from the parent). APU has a modest growth plan, no near-term maturities and somewhat high but manageable leverage. Given none of these are constraints, a distribution cut just to fix coverage would be premature as the weak coverage in the recent past was being driven by weather. Additionally, as indicated, a distribution cut just to fix coverage is rare and could be punitive to equity of both the parent and the MLP. Instead, in such instances, the parent could announce temporary IDR discounts to alleviate concerns about weak coverage. For instance, DCP midstream has such an arrangement in place with its parents.

### Recent management changes also hint of further change

On Sept. 17th, APU announced Jerry Sheridan, President & CEO since March 2012, had elected to leave his position, but will remain an employee until Jan. 2019. Hugh Gallagher was appointed as Mr. Sheridan's successor; Mr. Gallagher has held various finance, accounting and operational roles at both UGI and APU, including APU VP of Finance and CFO since May 2013. UGI CFO, Ted J. Jastrzebski, will serve as APU principal financial officer on an interim basis until a permanent successor is named.

Furthermore, UGI announced the appointment of Roger Perreault to the newly created position of Executive Vice President, Global LPG, and the appointment of Robert F. Beard to the newly created position of Executive Vice President, Natural Gas, effective October 1, 2018. In his new role, Mr. Perreault will oversee all LPG distributions conducted through AmeriGas Propane, L.P., UGI International, LLC and their subsidiaries and note that APU's

new CEO, Mr. Gallagher, will report to Mr. Perreault. While it makes sense to have respective heads of UGI's two principal operations (Propane and Natural Gas), the effective subordination of APU management stands out as it is today UGI's only publicly-traded subsidiary and so perhaps the move, in conjunction with Mr. Sheridan's departure, is a harbinger of additional structural changes yet to be announced.

## F2019 Guidance

In November, UGI & APU initiated F2019 earnings & capital expenditure guidance, which we expect to be affirmed at next week's Investor Day.

### UGI F2019 Guidance

Assuming normal weather conditions, UGI guided F2019 EPS of \$2.75-\$2.95, indicating a mid-point that is ~12% higher than the mid-point of its initial F2018 EPS expectation. JEF of \$2.90 is squarely within this range and in-line with the current \$2.89 Street consensus estimate. We acknowledge and know from first-hand experience the challenges inherent in forecasting, but note that UGI's year-ahead EPS guidance has historically demonstrated elevated volatility, largely driven by company's leverage to winter weather dynamics.

### Exhibit 2: UGI Guidance History

Metric	F2009	F2010	F2011	F2012	F2013	F2014	F2015	F2016	F2017	F2018	F2019E
EPS Guidance Range	\$1.40-\$1.47	\$1.47-\$1.53	\$1.53-\$1.60	\$1.57-\$1.63	\$1.65-\$1.72	\$1.73-\$1.80	\$1.88-\$1.98	\$2.15-\$2.30	\$2.30-\$2.45	\$2.45-\$2.65	\$2.75-\$2.95
Actual Recurring EPS	\$1.33	\$1.62	\$1.41	\$1.27	\$1.63	\$2.00	\$2.01	\$2.09	\$2.29	\$2.74	\$2.90
% Difference From Mid-Point	-7%	8%	-10%	-21%	-3%	13%	4%	-6%	-3%	8%	2%

### Source: UGI reports & JEF estimates

Note: Historical results may include adjustments that JEFs believe are appropriate & may differ from those adjustments formally made by UGI mgmt; Guidance is that initially provided (i.e. no revisions). Historical performance underscores UGI's leverage to winter weather. F19 'actual' is JEFs.

Separately, management outlined a F2019 capital budget of ~\$740mm and also outlined plans to deploy ~\$1.5B at the utilities over the next four years.

### APU F2019 Guidance

APU guided F2019 adjusted EBITDA of \$610-\$650mm, also predicated on normal weather conditions. The ~\$630mm guidance midpoint is ~6% below the midpoint of its initial F18 guidance, likely a result of more conservative volumetric modeling in the wake of F2018's muted sales vs. 'normal' HDD dynamic; JEF of \$641mm is above APU's mid-point, but below the current \$654mm Street mean estimate. As with UGI, the accuracy of APU's year-ahead EBITDA guidance has historically hinged on weather dynamics, as illustrated in Exhibit 3 below. In addition, APU guided F2019 capex of \$117mm, \$54mm of maintenance and \$63mm of growth, higher y/y due to planned replacement of financial systems.

### Exhibit 3: APU Guidance History

	F2009	F2010	F2011	F2012	F2013	F2014	F2015	F2016	F2017	F2018	F2019E
EBITDA Guidance Range (\$MM)	\$315-\$325	\$335-\$345	\$345-\$355	\$345-\$355	\$630-\$660	\$645-\$675	\$670-\$700	\$660-\$690	\$660-\$700	\$650-\$690	\$610-\$650
Actual Adjusted EBITDA	\$341.5	\$340.2	\$335.3	\$380.5	\$617.7	\$664.8	\$619.2	\$573.3	\$565.6	\$605.5	\$641.5
% Difference From Mid-Point	7%	0%	-4%	9%	-4%	1%	-10%	-15%	-17%	-10%	2%

### Source: APU reports & JEF estimates

Historical results may include adjustments that JEFs believe are appropriate & may differ from those adjustments formally made by APU mgmt; Guidance is that initially provided (i.e. no revisions). Historical performance underscores APU's leverage to winter weather. F19 'actual' is JEFs.

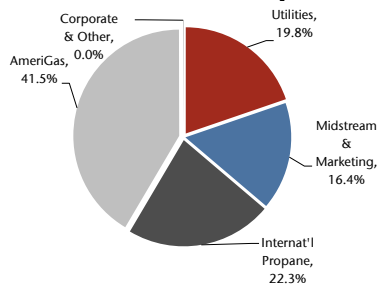
We also expect UGI to affirm its 6-10% long-range annual EPS growth rate, 4% dividend guidance, and 35-45% payout ratio target. On the other hand, we expect APU to discuss a desire to attain long term financial goals of 1.1x – 1.2x distribution coverage and a targeted leverage ratio of <4.0x, implying no distribution growth over our F19-F23 forecast periods.

## Company Overview

UGI Corporation (NYSE: UGI) is a holding company which, via its subsidiaries, distributes and markets energy products and services in the United States and Europe. UGI distributes propane and butane (referred to as liquefied petroleum gases or “LPG”) to domestic and international retail markets, provides natural gas and electric service through regulated utilities, markets energy commodities, owns and manages midstream energy assets, and provides household heating, ventilation, and electrical services.

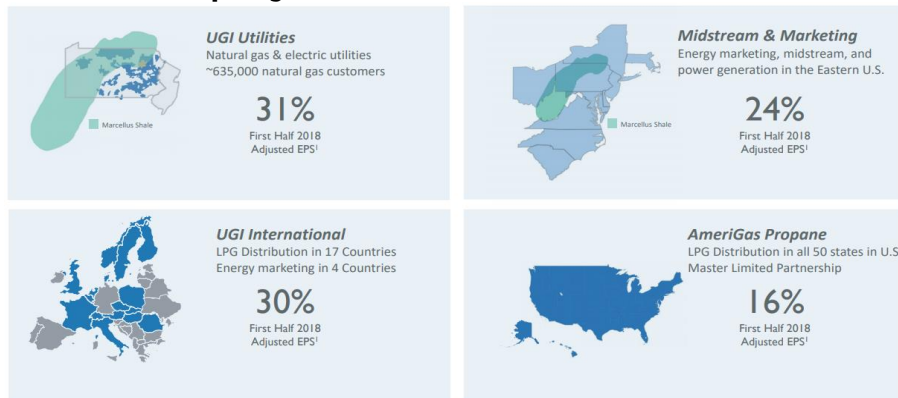
Consistent with previous UGI Investor Days, we expect management will offer a deep-dive on all segments of the company and outline operations & growth prospects for each, as well as discuss targeted growth rates for the next several years. We further discuss our expectations for each segment in the sections below.

**Chart 7: F19E EBIT Composition**



Source: Jefferies estimates

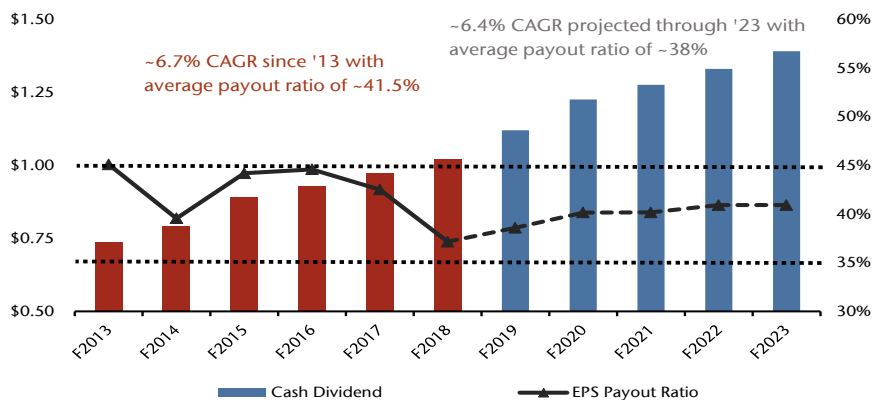
**Exhibit 4: UGI Corp. Organizational Structure**



Source: UGI May 2018 presentation

The company celebrated its 134<sup>th</sup> year of consecutive dividend payments in 2018 and has raised its dividend in each of the last 31 years. While UGI’s stated long-term dividend growth guidance is 4%, its long-term annual EPS expectation is 6-10% and payout ratio target is 35-45%; hence, if successful in its goals, the faster pace of EPS growth (vs. the dividend) results in a falling payout ratio which could be corrected by periods of elevated dividend growth. As a result, UGI’s dividend has grown at a CAGR of ~6.7% over the previous five fiscal years and we project a continued ~6.4% CAGR through F2023 with an average payout ratio of ~39%. Of note, this pace of dividend growth could be accelerated with an equity-financed acquisition of APU as our modeling implies EPS accretion in all forecast periods at premiums to 30-day APU VWAP less than 30%.

**Chart 8: UGI Dividend History & Projections**



Source: UGI Reports, Jefferies Estimates

## Segment Overview and Asset Profile

UGI's business segments can easily be divided into 'Propane' and 'Natural Gas' operations, as are explained below and depicted in Exhibit 4 on the prior page.

- Propane: Domestic propane distribution is conducted via AmeriGas Partners, L.P. (APU), the nation's largest propane distributor, while European propane operations are primarily performed by UGI France SAS, Flaga GmbH, AvantiGas Limited, UniverGas and DVEP.
- Natural Gas: UGI has both regulated and unregulated domestic natural gas & electric operations. The company's regulated operations are conducted by UGI Utilities, which operates both gas and electric distribution companies, largely serving residential and industrial customers in eastern Pennsylvania. UGI Energy Services houses the company's unregulated gas and electric assets, including gas peaking plants, power generation facilities, FERC-regulated gas storage fields & pipelines, and LNG liquefaction & vaporization plants. These operations are concentrated in the Mid-Atlantic region.

### AmeriGas Propane, L.P. (APU)

UGI's domestic propane distribution operations are conducted by AmeriGas Propane, L.P. (NYSE: APU), a publicly-traded Master Limited Partnership formed in 1994. Based on annual sales volumes, AmeriGas is the largest retail propane distributor in the US, serving ~1.7 million residential, commercial, industrial, agricultural, and motor fuel customers in all 50 states. In F18, the Partnership had ~1,900 distribution & over 59,000 cylinder exchange retail locations nationwide. We estimate the Partnership has contributed ~17% of UGI's average consolidated F2014-F18 net income & provided ~\$635mm in cash distributions.

#### Distribution Practices & Product Uses

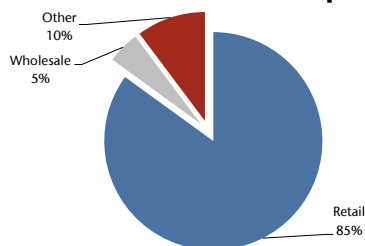
AmeriGas Partners distributes propane and related equipment and supplies to residential, commercial, industrial, motor fuel, and agricultural customers throughout the US and its operations are generally conducted in rural and suburban areas where natural gas is not readily available. APU district offices consist of a business office, appliance showroom, warehouse, and service facility, with one or more 18,000-30,000 gallon storage tanks on-site. To facilitate its transportation and distribution needs, AmeriGas is also licensed as an interstate carrier throughout the continental US.

APU distributed more than 1.1 billion gallons of propane in F2018, with ~95% to retail accounts and the remaining ~5% to wholesale and supply customers. No single customer represented more than 5% of consolidated APU revenues in the last fiscal year and none are expected to in the future.

The Partnership boasts an extensive cylinder exchange program, dubbed "ACE" (AmeriGas Cylinder Exchange). As of FYE 2018, ACE cylinders were available at ~59,000 retail locations throughout the US. The ACE program enables customers to purchase or exchange propane cylinders at various retail locations such as home improvement centers, gas stations, mass merchandisers, supermarkets, and convenience stores. ACE cylinder sales are included in APU's commercial /industrial segment results.

Residential and commercial customers use propane primarily for home heating, water heating, and cooking purposes. Commercial customers include hotels, restaurants, churches, warehouses, and retail stores. Industrial customers use propane to fire furnaces, as a cutting gas and in process applications. Other industrial customers are large-scale heating accounts and local gas utility customers who use propane as a supplemental fuel to meet peak load deliverability requirements. As a motor fuel, propane is burned in internal combustion engines that power over-the-road vehicles, forklifts, commercial lawn mowers, and stationary engines. Agricultural uses include tobacco curing, chicken brooding, crop

**Chart 9: F19E Revenue Comp.**



Source: Jefferies estimates

drying, and orchard heating. In its wholesale operations, APU principally sells propane to large industrial end-users and other propane distributors.

Retail deliveries are typically made using bobtail and rack trucks which typically hold 2,400-3,000 gallons of propane. These trucks deposit propane into stationary storage tanks on the customer's premises, which range in capacity from 120-1,200 gallons and are mostly owned by APU and leased to customers. APU also delivers propane in portable cylinders, including ACE cylinders; some of these deliveries are made to the customer's location where cylinders are either picked-up and replaced or refilled.

### Exhibit 5: APU Customer Diversity



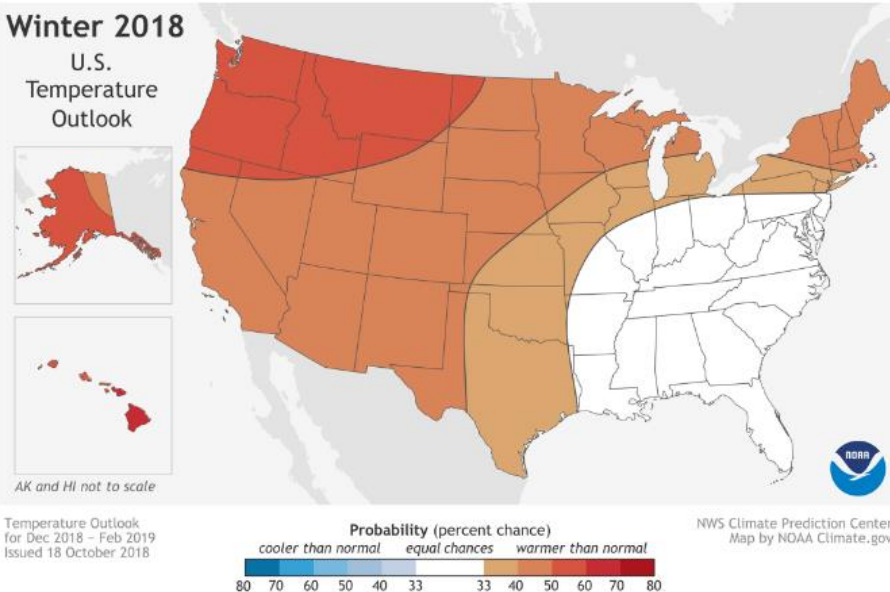
Source: UGI May 2018 presentation; data based on retail gallons sold

### Financial Position and Liquidity

We would like to highlight the current leverage, coverage and distribution growth relative to historical levels given the structural decline of the propane business as well as recent sector wide simplifications and a divergence in share price that presents an interesting opportunity for UGI to buy in APU; a transaction that would put APU in the same corporate structural position as the rest of its wholly-owned subsidiaries. Over the past 10 years, APU has had an average leverage ratio of ~4.0x, a coverage ratio of ~1.1x and y/y distribution growth of ~4%. Currently, with F18 results, APU has a leverage ratio of ~4.6x, a coverage ratio of ~.97x and no y/y distribution growth. Although these metrics are not currently at historical levels, given the abnormal winters over the past couple of years, we believe APU has held up relatively well. Furthermore, if it maintains the distribution at \$3.80/year as intended, then APU will be in a solid position to achieve its guided metrics of 1.1x-1.2x coverage and leverage of <4x.

### Weather Outlook

As we have noted, UGI & APU financial performance can be materially swayed by non-normal winter weather patterns. On October 18th, the National Oceanic & Atmospheric Administration (NOAA) issued its 2018/2019 US Winter Weather Outlook, which predicts an El Niño influenced winter weather pattern; however, it did note that any El Niño influence should be relatively weak. During El Niño, the jet stream's position shows a dip in the Eastern Pacific resulting in a trough that typically sends the storm track, with huge amounts of tropical moisture, into California, south of its normal position of the Pacific Northwest. This jet stream pattern allows for warm, dry air in the northern half of the continental US, particularly in the west, leaving the southeast US wetter with normal temperatures. Accordingly, for the months of December, January, and February, the NOAA is forecasting above normal temperatures across the vast majority of the north and western US and average temperatures in the southeast; no part of the U.S. is favored to have below-average temperatures. NOAA's winter temperature forecast map is featured in Exhibit 6.

**Exhibit 6: NOAA's Winter 2018/2019 Temperature Forecast**

Source: NOAA

Despite the above-normal winter temperature outlook featured in NOAA's October report, cold temps have set-in during November and have coincided with a dramatic decline in wholesale propane prices. According to the EIA's weekly propane data, implied US retail propane margins have averaged ~\$1.47/gal since the beginning of October, up ~14% y/y.

## International Propane

UGI's international propane operations are conducted principally by UGI France SAS, Flaga GmbH, AvantiGas Limited, UniverGas and DVEP; these subsidiaries principally serve markets in France & Benelux countries, Scandinavia, Austria, the United Kingdom, and most of Central Europe. The European customer base consists of residential, commercial, industrial, agricultural, wholesale and motor fuel users. As UGI International has acquired additional subsidiaries, expanding its European footprint, it has shifted towards a more consolidated form of reporting. In total, these subsidiaries sold ~1B gallons of propane in F2018; ~38% was sold to commercial and industrial customers, ~24% was sold to residential customers, ~8% was sold to agricultural customers and ~30% was sold to wholesale and other customers. Furthermore, UGI separates their LPG distribution into three main categories:

- **Bulk** accounted for ~627mm of LPG gallons sold during F2018 as UGI served over 550,000 bulk LPG customers. Bulk customers include residential and small business users such as restaurants that use LPG for heating and cooking, medium customers like large housing developments, hospitals, hotels, etc, and large agricultural customers and companies who use LPG in their industrial processes.
- **Cylinders** comprised ~170mm gallons in F18 as UGI international had ~19mm cylinders in circulation. End-users are residential customers who use LPG for domestic applications while non-residential customer uses include fuel for forklift trucks, road construction, and welding. UGI International sells LPG in both steel and composite cylinders and typically owns the cylinders in which the LPG is sold.
- **Wholesale, Autogas, and Other Services** was ~21% of total F2018 LPG sales; ~13% attributable to wholesale customers and ~8% to autogas customers.

We forecast UGI's international propane segment contributed, on average, approximately 27% of total F2014-F18 UGI net income.

In F2018, UGI International sold ~1B gallons of propane; 38% to commercial & industrial, 24% to residential customers, 8% to agricultural customers & 30% to wholesale and other customers.

**Exhibit 7: UGI International Propane**

Source: UGI May 2018 presentation

**Acquisitions Abroad**

In Oct. 2017, UGI completed the acquisition of Totalgaz Italia S.r.l ("Totalgaz Italia"), the LPG distribution business of TotalErg S.p.A, a JV between Total S.A. and Erg S.p.A. Totalgaz Italia (renamed UniverGas), which serves ~65K space heating & industrial customers in northern Italy. Additionally, on Sept. 5, 2017 UGI acquired Dutch energy marketer DVEP Investeringen B.V. ("DVEP"), which markets natural gas and electricity, produced mainly from renewable sources, to companies in the Netherlands. These acquisitions resulted in incremental margin of \$58mm in Fiscal 2018. Furthermore, UGI International completed the integration of Finagaz, acquired back in May 2015, on time and achieving higher-than-expected synergies. We look to the Investor Day for color on the international LPG market and how management views incremental overseas expansion opportunities. We would be particularly interested in its views on entering the German market, as Europe's leading economy is a noticeable geographic hole in UGI International's LPG distribution territory.

**Currency Risks**

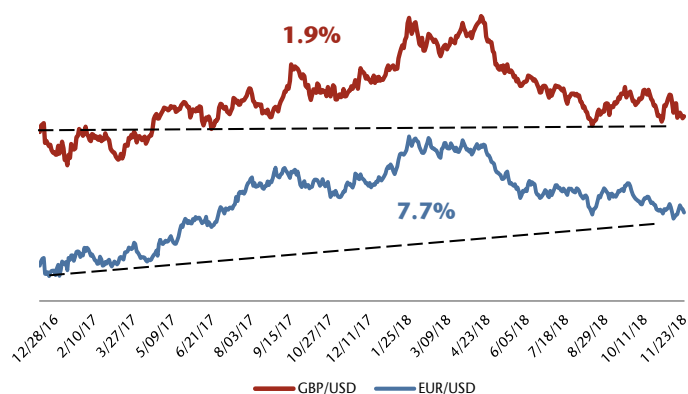
Over the past five years, the US Dollar (USD) has strengthened materially against major European currencies, notably the Euro (EUR) and the British Pound Sterling (GBP). Over this period, the EUR/USD exchange rate has fallen ~16.0% while the GBP/USD exchange rate has fallen ~20.7%. More recently, since the last UGI/APU Investor Day was held on December 8<sup>th</sup>, 2016, the EUR/USD exchange rate has risen ~7.7% largely due to a global recovery and greater confidence in the long-term financial health of the European Union. Meanwhile, the GBP/USD exchange rate has remained largely flat (up 1.9% over 2 years) as the currency has experienced significant volatility related to the uncertainty surrounding a complicated Brexit (the UK always maintained an independent currency during its time in the EU). See Charts 10 & 11 below for detail of the USD's short & long term divergence.

Chart 10: USD vs Euro &amp; GBP (5 years)



Source: FactSet

Chart 11: USD vs Euro &amp; GBP (Since 2016 Investor Day)



Source: FactSet

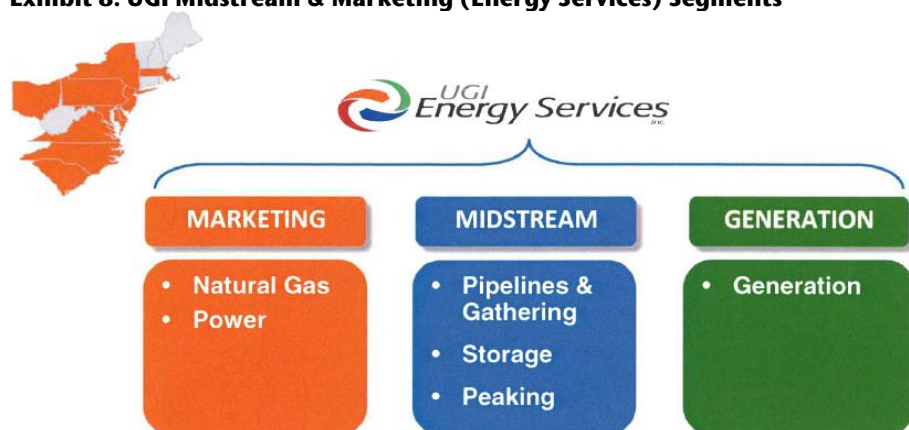
As UGI translates the earnings of its European subsidiaries into US dollars for reporting purposes, the dollar's recent weakness against local currencies benefits the USD-denominated earnings profile of UGI International. UGI has more exposure to the EUR than the GBP as they do significantly more business in Europe. Importantly, UGI has for some time conducted an active currency hedging strategy via which it has historically sought to fully insulate a given year's exposure by layering in hedges evenly over the preceding three years (1/3 each year), and this has helped mitigate the impact of these currency exchange movements. However, the multi-year nature of its hedging strategy also means that much of the recent increase in the Euro and British Pound has not yet been reflected in results, posing a future tailwind as current rates are gradually incorporated. So, while the weakening of the USD vs European currencies does not immediately affect UGI International's USD-denominated results due to hedging, it does pose a gradual & multi-year tailwind to the segment's performance as less favorable rates expire and are replaced with current exchange rate realities.

Alternatively, a reversal of this trend would pose a threat for UGI. In addition, UGI management may want to hold off on deploying its USD-denominated cash flow into European expansions if it believes a reversal of these currency exchanges is likely in the future. As no other diversified US gas utility peer has this degree of European exposure, it is a risk and opportunity unique to UGI. We look forward to commentary next week regarding UGI's views on the European marketplace, acquisition opportunities, and currency risks.

## Marketing and Midstream

Through its Marketing and Midstream (aka Energy Services) segment, UGI provides a variety of services. It sells natural gas, liquid fuels, and electricity to over 12,500 commercial and industrial customers at nearly 35,500 locations in 11 states along the east coast and in the District of Columbia. It operates natural gas liquefaction, storage, and vaporization facilities as well as propane storage and propane air-mixing stations in Pennsylvania. It has interests in two power generation facilities, operates a landfill gas-fueled generation plant which qualifies for renewable energy credits, owns & operates a solar park, and controls ~15 Bcf of FERC-regulated natural gas storage. We estimate the Marketing and Midstream segment constituted ~27% of average F2014-F18 net income.



**Exhibit 8: UGI Midstream & Marketing (Energy Services) Segments**

Source: UGI Nov. 2016 presentation

**Midstream Outlook**

Since F2010, UGI's Midstream & Marketing segment has sought to capitalize on its position in eastern Pennsylvania to help connect the low-cost natural gas supplies of nearby Marcellus producers to consuming markets. Such efforts have taken the form of efficient gas-fired electric generation (Hunlock Station), gathering systems to enable UGI Utilities' customers an ability to harness local natural gas supplies (Auburn system & Union Dale Lateral), and enhanced regional LNG storage options with an ability to straddle the pipeline-constrained northeast market (Temple LNG). And, until recently, it had also unsuccessfully partnered with other regional operators in an attempt to advance several FERC-regulated natural gas transmission projects (PennStar & Commonwealth); however, since August 2014 UGI and its project partners have been incrementally advancing the PennEast Pipeline, a ~120-mile, 36" pipeline line through PA & NJ with an expected construction start-up in late 2019. In total, UGI has deployed just over \$800mm into its Midstream & Marketing segment since F2010 and has outlined a \$129mm budget for F2019.

We expect the Investor Day to offer a progress report on its in-flight Midstream projects as well as a discussion of future expansion opportunities. Some of the most recent acquisitions and in-flight expansion projects are highlighted below:

- **F2018 Energy Service Acquisitions:** In conjunction with placing the Steelton LNG peak shaving facility into service, Energy Services also purchased portable LNG shaving equipment, which includes skid mounted LNG vaporizers, storage and LNG transport trailers, designed to provide up to 15 MMcfd of peaking. Furthermore, Energy Services completed the acquisition of 60 miles of natural gas gathering lines, dehydration and compression facilities located in Bradford, Tioga, and Lycoming Counties, Penn., as well as 3.6 miles of natural gas gathering lines located in Clinton County Penn.
- **PennEast Pipeline:** After a series of delays which beset many NE natural gas pipeline projects, including the FERC's approx. 6-month lack of quorum last year, PennEast Pipeline received its FERC certificate on Jan. 20<sup>th</sup>; mgmt. expects to commence construction on the project in late 2019. The ~\$1.3B, 120-mile pipe will deliver up to 1 Bcfd of Marcellus shale production to Mid-Atlantic customers as ~90% of its capacity is contracted with regional gas utilities & electric generators. UGI holds a 20% interest in PennEast and will be its operator.
- **Expansion of Auburn Gathering System:** On May 22nd, UGI Energy Services announced a further expansion of its Auburn Gathering System via the addition of two compressor stations, in Susquehanna and Wyoming Counties, which will

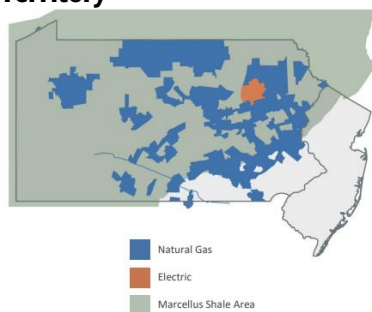
increase system capacity by ~150 MMcfd, bringing total system capacity to ~620 MMcfd. The \$50mm project is supported by long-term agreements with Cabot Oil & Gas (COG). Initial deliveries began this fall, with remaining capacity coming on-line during the fall of 2019.

**Exhibit 9: UGI Midstream & Marketing Map**



Source: UGI May 2018 Presentation

**Exhibit 10: UGI Utilities Service Territory**



Source: UGI May 2018 Presentation

**Utilities**

UGI Utility consists of the regulated natural gas distribution businesses of UGI Utilities, which prior to Oct. 1<sup>st</sup> 2018, was comprised of UGI Utilities and two separate subsidiaries, PNG and CPG. Following the merger, UGI operates one, large consolidated entity allowing mgmt. to optimize and allocate capital spend efficiently as well as monitor the execution of infrastructure programs which leads to a simple and streamlined regulatory process. Gas Utility serves more than 642,000 customers in eastern and central Pennsylvania and more than 500 customers in portions of one Maryland county.

In January 2017, PNG (now known as the UGI North rate district) filed a \$21.7mm rate case with the Pennsylvania Public Utility Commission (PUC). By August 2017, the PUC approved a settlement permitting an increase of \$11.3mm to its annual rate base. Additionally, in August 2018, the PUC approved a one year extension of the Distribution System Improvement Charge (DSIC). UGI’s PA utilities have been provided approximately \$185mm of projected spend on DSIC-eligible property during calendar year 2019. We note F2019 utility capex of \$375mm is a record high and more than 4-times its F2018 depreciation, pointing to continued commitment to significantly grow the rate base in the coming years.

We look forward to discussion next week regarding management’s multi-year investment plans at its Utility operations and the potential earnings growth which may result from these efforts. Over the last five fiscal years (2014-2018), we estimate the utilities have represented roughly 30% of UGI’s average consolidated net income and note that these operations compare well to stand-alone utilities such as ATO, NWN, SWX, and WGL.

**UGI Valuation Analysis**

Our \$54 UGI price target is derived via a combination of Discounted Cash Flow (DCF), Sum-of-the-Parts (SOP), and target yield approaches. We equal-weight these outcomes and offer a detailed explanation of each approach below.

**Target Yield Analysis**

A target yield approach simply seeks to build-up a forward-year equity value based on the anticipated dividend run-rate in one year’s time. We expect UGI to lift its dividend once by this point next year (in April) to a rate of 30¢/quarter, resulting in an annualized run-rate in F4Q17 of \$1.20/share. Over the last three, five, and ten year timeframes, UGI has carried an

**Exhibit 11: Target Yield Analysis**

Target Yield Analysis	
F4Q19 Dividend	\$0.30
3-year average yield	2.12%
Target Yield	2.25%
<b>Implied Price Target</b>	<b>\$53.30</b>

Source: Jefferies estimates

average dividend yield of ~2.12%, ~2.26%, and ~2.76%, respectively. As we do not project UGI dividend growth to materially exceed its respective trailing five & ten year CAGRs of 6.7% and 7.3%, and see the likelihood of rising interest rates next year, we have capitalized this anticipated F4Q19 dividend at the historic 2.25% rate in our target yield analysis. The outcome implies a share price of ~\$53.30 as illustrated in Exhibit 11 to the left.

## Discounted Cash Flow

As UGI receives cash payments annually from its various operating subsidiaries, we have included a consolidated Discounted Cash Flow (DCF) into our valuation analysis.

### Exhibit 12: DCF Valuation Analysis

Discounted Cash Flow	2019E	2020E	2021E	2022E	2023E
EBIT	\$1,104.8	\$1,143.9	\$1,187.4	\$1,210.3	\$1,243.4
(Minority Interests in EBIT)	(\$135.2)	(\$134.7)	(\$141.3)	(\$141.1)	(\$150.5)
Total EBIT	\$969.5	\$1,009.2	\$1,046.1	\$1,069.2	\$1,092.9
(Taxes on EBIT)	(\$179.4)	(\$191.8)	(\$204.0)	(\$213.8)	(\$218.6)
NOPAT	\$790.2	\$817.5	\$842.1	\$855.4	\$874.3
D&A	\$337.8	\$346.8	\$360.1	\$370.6	\$381.4
(Capex)	(\$667.5)	(\$625.3)	(\$548.5)	(\$523.4)	(\$581.4)
(Changes in NWC)	\$1.6	\$4.6	\$5.0	\$0.8	(\$3.3)
Free Cash Flow to the Firm	\$462.0	\$543.6	\$658.7	\$703.3	\$671.0
Terminal Value					\$12,169.4
PV of Cash Flows	\$443.2	\$493.3	\$565.5	\$571.2	\$9,864.5
Implied Enterprise Value	\$11,937.6				
(Net Debt, Excl proportional APU net debt)	(\$2,312.1)				
(Pension & Operating Lease Obligation)	(\$219.0)				
Plus Inventory	\$174.7				
Implied Equity Value	\$9,581.2				
Shares Outstanding	177.5				
<b>Implied Share Price</b>	<b>\$56.60</b>				

Source: Jefferies estimates

Note: We assume 75% of current inventory can be monetized quickly as this mitigates the impact of working capital fluctuations on cash balances.

## Sum-of-the-Parts

Our Sum-of-the-Parts (SOP) analysis seeks to aggregate stand-alone valuations for UGI's diverse collection of businesses. We ascribe EBITDA multiples for the Utilities, Midstream, and International propane businesses and equity values to UGI's LP and GP stakes in APU.

### Exhibit 13: Sum-of-the-Parts Valuation

Sum-of-the-Parts Valuation			
Operating Segment	F2020E EBITDA	Multiple	Implied EV
Utilities	\$325.3	10.75x	\$3,496.4
Midstream & Marketing	\$237.5	10.0x	\$2,375.2
International Propane & Other	\$393.2	8.5x	\$3,342.0
		Implied Enterprise Value	\$9,213.7
		(Net Debt, Excl Net Debt of AmeriGas)	(\$1,485.4)
		(Pension & Operating Lease Obligation, Excl APU)	(\$132.8)
		Plus Inventory	\$181.1
		Equity Value of Non-AmeriGas Portfolio	\$7,776.6
		Equity in AmeriGas	\$1,266.5
		Implied Equity Value of UGI	\$9,043.1
		Shares Outstanding	175.4
		<b>Implied Share Price</b>	<b>\$51.60</b>

Source: Jefferies estimates

Note: We ascribe the LDC peer group average multiple to the utility, which implies a ~20.5x P/E with its current debt position. Similarly, the multiple ascribed to International Propane represents a ~20% discount to APU given market & currency exposures; we note that acquisitions have been done at ~5x EBITDA. Marketing and Midstream comprises merchant power gen, fee-based midstream, energy marketing, E&P JV, etc. so the multiple is based on a blend of comps. APU valuation consists of: 1) ~23.8mm LP units multiplied by our \$40 APU PT, tax-effected and hit for an assumed 10% liquidity discount and 2) a 15.0x multiple is applied to estimated F18E GP distributions, which are taxed at 21%; this multiple implies a 8.7% GP yield, which is ~200 bps tighter than our assumed LP yield.

## APU Valuation Analysis

Our \$40 price target is derived from an equal weighting of a target yield analysis and a two-stage Distribution Discount Model (DDM). Our target yield analysis implies a value of ~\$41/unit, based on a projected F4Q19 annual distribution run-rate of \$3.80 and a target yield of 9.25%. Meanwhile, our DDM, which assumes a 7.5% cost of equity, a 9.4% terminal cost of equity (IDR drag), and a -1.0% terminal distribution decline rate, implies a price of ~\$40. We forecast a 0% 5-yr compound annual growth rate (CAGR) in partnership distributions through F23E, implying a terminal LP coverage ratio of approximately 1.12x.

### Exhibit 14: Target Yield Analysis

Target Yield Analysis	
Projected F4Q19 Distribution	\$0.95
Historical 3-year average Yield	8.71%
Target Yield	9.25%
<b>Implied Price Target</b>	<b>\$41.10</b>

Source: Jefferies estimates

### Exhibit 15: Distribution Discount Model (DDM) Valuation

Distribution Discount Model	2019E	2020E	2021E	2022E	2023E
Available distributable cash flow per LP Unit	\$3.85	\$4.08	\$4.20	\$4.22	\$4.33
Actual paid distribution per unit	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80
LP Coverage ratio	1.01x	1.07x	1.10x	1.11x	1.14x
Actual paid distribution growth	0.0%	0.0%	0.0%	0.0%	0.0%
Terminal value of paid distribution					\$36
PV of paid distributions per unit	\$2.75	\$3.44	\$3.20	\$2.98	\$2.77
Sum of PV of paid distributions per unit	\$15.14				
PV of terminal value	\$25.74				
Equity value per unit	\$40.88				
<b>12-Month Price Target</b>	<b>\$39.50</b>				

Source: Jefferies estimates

Note: Our price target calculations are rounded to the nearest \$1.00

November 30, 2018

## Exhibit 16: APU Consolidated Income Statement

Consolidated Income Statement ('000s)	2014	2015	2016	2017	Dec-1Q	Mar-2Q	Jun-3Q	Sep-4Q	2018	Dec-1Q	Mar-2Q	Jun-3Q	Sep-4Q	2019E	Dec-1Q	Mar-2Q	Jun-3Q	Sep-4Q	2020E	2021E	2022E	2023E
Mt. Belvieu Propane Price (\$/gallon)	\$1.15	\$0.54	\$0.44	\$0.67	\$0.96	\$0.85	\$0.87	\$0.99	\$0.92	\$0.85	\$0.80	\$0.78	\$0.80	\$0.81	\$0.96	\$0.84	\$0.80	\$0.82	\$0.86	\$0.86	\$0.92	\$0.23
Propane Revenue / Gallon	\$2.51	\$2.11	\$1.84	\$1.99	\$2.21	\$2.31	\$2.16	\$2.14	\$2.23	\$2.10	\$2.27	\$2.06	\$1.94	\$2.13	\$2.22	\$2.30	\$2.09	\$1.97	\$2.19	\$2.19	\$2.24	\$1.58
Propane Cost / Gallon	\$1.48	\$1.01	\$0.70	\$0.84	\$1.07	\$1.11	\$1.03	\$1.05	\$1.07	\$0.96	\$1.05	\$0.92	\$0.84	\$0.97	\$1.06	\$1.08	\$0.94	\$0.86	\$1.01	\$1.01	\$1.04	\$0.37
Propane Margin / Gallon	\$1.03	\$1.098	\$1.136	\$1.151	\$1.138	\$1.203	\$1.130	\$1.090	\$1.153	\$1.148	\$1.215	\$1.140	\$1.100	\$1.163	\$1.159	\$1.227	\$1.151	\$1.112	\$1.175	\$1.187	\$1.199	\$1.211
Y/Y Gross Margin Growth	6.1%	6.1%	3.6%	1.3%	-0.2%	-0.4%	0.7%	0.3%	0.1%	0.9%	1.0%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>VOLUMES (gallons in 000's)</b>	<b>1.6%</b>	<b>-9.5%</b>	<b>-10.0%</b>	<b>-1.7%</b>	0.8%	10.5%	5.0%	-2.6%	<b>4.3%</b>	4.7%	0.5%	0.6%	0.5%	<b>1.7%</b>	0.0%	0.0%	0.0%	0.0%	<b>0.0%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.2%</b>
Retail	1,275,600	1,184,300	1,065,500	1,046,900	305,000	398,500	202,000	175,800	1,081,300	320,250	400,493	203,162	176,679	1,100,583	320,250	400,493	203,162	176,679	1,100,583	1,102,784	1,104,438	1,106,647
Wholesale	93,400	54,400	49,700	49,100	17,000	20,000	12,100	13,200	62,300	17,026	20,030	12,118	13,220	62,393	16,991	19,990	12,094	13,193	62,269	62,113	61,958	61,989
Total Gallons Sold (000's)	1,369,000	1,238,700	1,115,200	1,096,000	322,000	418,500	214,100	189,000	1,143,600	337,276	420,523	215,280	189,899	1,162,976	337,241	420,482	215,255	189,872	1,162,852	1,164,897	1,166,396	1,168,636
<b>REVENUES</b>																						
Retail Propane	3,307,600	2,570,700	2,023,800	2,142,800	\$692,800	\$946,400	\$450,500	\$376,404	2,466,104	\$673,845	\$908,424	\$418,517	\$343,620	2,344,405	\$709,828	\$923,058	\$424,111	\$348,470	2,405,467	2,417,499	2,470,131	1,751,022
Wholesale Propane	133,268	41,701	29,360	40,782	18,664	21,389	11,375	28,262	79,690	35,824	45,433	24,964	25,711	131,932	37,661	46,073	25,247	26,022	135,003	135,070	137,640	96,206
Total Propane Revenues	3,440,868	2,612,401	2,053,160	2,183,582	711,464	967,789	461,875	404,666	2,545,794	709,668	953,857	443,481	369,331	2,476,337	747,490	969,131	449,357	374,491	2,540,470	2,552,569	2,607,771	1,847,228
Other	272,067	272,921	258,657	269,957	75,832	72,543	66,528	62,281	277,184	77,159	73,813	67,692	63,321	282,035	78,316	74,920	68,708	64,321	286,265	290,559	294,918	299,341
Total Revenues	3,712,935	2,885,322	2,311,817	2,453,539	\$787,296	\$1,040,332	\$528,403	\$466,947	2,822,978	\$786,828	\$1,027,669	\$511,173	\$432,702	2,758,372	\$825,806	\$1,044,051	\$518,065	\$438,813	2,826,735	2,843,128	2,902,688	2,146,569
<b>COSTS &amp; EXPENSES</b>																						
Propane Costs	2,025,097	1,253,326	785,921	922,321	345,102	464,456	219,952	198,579	1,228,089	322,473	442,832	198,096	160,348	1,123,749	356,462	453,300	201,547	163,375	1,174,684	1,170,456	1,209,820	432,365
Propane Gross Profit	1,415,771	1,359,075	1,267,239	1,261,261	366,362	503,333	241,923	206,087	1,317,705	387,196	511,025	245,384	208,982	1,352,588	391,028	515,831	247,810	211,116	1,365,786	1,382,113	1,397,950	1,414,863
Cost of Other Sales	81,982	86,638	78,857	80,611	20,994	19,284	24,492	21,806	86,576	21,361	19,621	24,921	22,188	88,091	21,682	19,916	25,294	22,520	89,412	90,754	92,115	93,497
Depreciation & Amortization Expenses	197,215	194,880	189,980	190,505	47,424	45,151	46,393	46,785	185,753	46,656	46,534	46,457	46,292	185,939	46,007	46,007	46,007	46,007	184,028	182,257	180,755	179,335
Operating & Administrative Expenses	963,963	953,283	898,786	902,088	230,339	251,449	222,358	218,918	923,064	230,915	252,078	222,914	219,465	925,372	232,820	254,157	224,753	221,276	933,006	940,004	949,404	960,796
Other Income, net	(27,450)	(31,355)	(28,252)	(20,673)	(4,637)	(7,013)	(5,793)	(6,930)	(24,373)	(4,683)	(7,083)	(5,851)	(6,999)	(24,617)	(4,730)	(7,154)	(5,909)	(7,069)	(24,863)	(25,112)	(25,237)	(25,363)
Total Costs & Expenses	3,240,807	2,456,772	1,925,292	2,074,852	639,222	773,327	507,402	479,158	2,399,109	616,722	753,982	486,537	441,294	2,298,534	652,240	766,226	491,692	446,110	2,356,268	2,358,358	2,406,857	1,640,629
Total Operating Income / (Loss)	472,128	428,550	386,525	378,687	148,074	267,005	21,001	(12,211)	423,869	170,105	273,688	24,636	(8,592)	459,837	173,566	277,825	26,373	(7,297)	470,467	484,770	495,832	505,940
<b>EBITDA</b>	<b>\$664,795</b>	<b>\$619,190</b>	<b>\$573,263</b>	<b>\$565,620</b>	<b>\$194,057</b>	<b>\$309,499</b>	<b>\$67,217</b>	<b>\$34,737</b>	<b>\$605,510</b>	<b>\$215,035</b>	<b>\$317,455</b>	<b>\$70,993</b>	<b>\$38,013</b>	<b>\$641,496</b>	<b>\$217,828</b>	<b>\$321,008</b>	<b>\$72,287</b>	<b>\$38,916</b>	<b>\$650,038</b>	<b>\$662,450</b>	<b>\$671,961</b>	<b>\$680,543</b>
Interest Expense	(165,581)	(162,842)	(164,095)	(160,226)	(40,577)	(40,995)	(40,449)	(41,104)	(163,125)	(40,804)	(40,847)	(39,639)	(39,911)	(161,201)	(40,669)	(40,669)	(40,669)	(40,669)	(162,676)	(163,545)	(165,856)	(166,536)
Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pretax Earnings	306,547	265,708	222,430	218,461	107,497	226,010	(19,448)	(53,315)	260,744	129,302	232,840	(15,003)	(48,503)	298,636	132,897	237,156	(14,296)	(47,965)	307,792	321,224	329,976	339,404
Income Tax (Expense) / Benefit	(2,611)	(2,898)	1,573	(3,134)	(2,378)	(656)	(624)	(557)	(4,215)	(2,557)	(731)	(452)	(201)	(3,941)	(2,770)	(717)	(447)	(357)	(4,290)	(4,165)	(4,267)	(4,264)
Net Income before Minority Interest	303,936	262,810	224,003	215,327	105,119	225,354	(20,072)	(53,872)	256,529	126,745	232,109	(15,455)	(48,704)	294,694	130,128	236,439	(14,742)	(48,323)	303,501	317,059	325,708	335,140
Less: Minority Interest	(4,548)	(4,240)	(3,242)	(3,572)	(1,441)	(2,657)	(177)	163	(4,112)	(1,727)	(2,767)	(100)	313	(4,281)	(1,746)	(2,824)	(93)	206	(4,457)	(4,576)	(4,626)	(4,731)
Net Income before Accounting Changes	299,388	258,570	220,761	211,755	103,678	222,697	(20,249)	(53,709)	252,417	125,017	229,342	(15,555)	(48,391)	290,413	128,382	233,615	(14,835)	(48,117)	299,044	312,483	321,082	330,409
Less: Cumulative Effect of Acctg Changes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net Income</b>	<b>299,388</b>	<b>258,570</b>	<b>220,761</b>	<b>211,755</b>	<b>103,678</b>	<b>222,697</b>	<b>(20,249)</b>	<b>(53,709)</b>	<b>252,417</b>	<b>125,017</b>	<b>229,342</b>	<b>(15,555)</b>	<b>(48,391)</b>	<b>290,413</b>	<b>128,382</b>	<b>233,615</b>	<b>(14,835)</b>	<b>(48,117)</b>	<b>299,044</b>	<b>312,483</b>	<b>321,082</b>	<b>330,409</b>
Less: General Partner's Interest	(26,749)	(32,469)	(40,227)	(45,146)	(12,372)	(13,249)	(10,587)	(11,018)	(47,226)	(12,312)	(12,312)	(12,312)	(12,312)	(49,246)	(12,284)	(12,284)	(12,284)	(12,284)	(49,137)	(49,027)	(48,918)	(48,809)
Net Income Available to Limited Partners	272,639	226,101	180,534	166,609	91,306	209,448	(30,836)	(64,727)	205,191	112,706	217,031	(27,866)	(60,703)	241,167	116,098	221,330	(27,119)	(60,401)	249,908	263,455	272,164	281,600
<b>Net Income per Limited Partner Unit</b>	<b>\$2.93</b>	<b>\$2.43</b>	<b>\$1.94</b>	<b>\$1.79</b>	<b>\$0.98</b>	<b>\$2.25</b>	<b>(\$0.33)</b>	<b>(\$0.70)</b>	<b>\$2.20</b>	<b>\$1.21</b>	<b>\$2.33</b>	<b>(\$0.30)</b>	<b>(\$0.65)</b>	<b>\$2.59</b>	<b>\$1.25</b>	<b>\$2.38</b>	<b>(\$0.29)</b>	<b>(\$0.65)</b>	<b>\$2.69</b>	<b>\$2.83</b>	<b>\$2.93</b>	<b>\$3.03</b>
% Change from Prior Comparable Period	20%	-17%	-20%	-8%	-5%	20%	-10%	-6%	23%	23%	4%	-10%	-6%	18%	3%	2%	-3%	0%	4%	5%	3%	3%
LP Units owned by UGI	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757
Average # of Units Outstanding	92,913	92,923	92,986	93,021	93,080	93,074	93,042	93,044	93,060	93,044	93,044	93,044	93,044	93,044	93,044	93,044	93,044	93,044	93,044	93,044	93,044	93,044

Source: APU reports, Jefferies estimates

## Exhibit 17: APU Consolidated Balance Sheet

Consolidated Balance Sheet ('000s)	2014	2015	2016	2017	Dec-1Q	Mar-2Q	Jun-3Q	Sep-4Q	2018	Dec-1QE	Mar-2QE	Jun-3QE	Sep-4QE	2019E	2020E	2021E	2022E	2023E
Cash & equivalents	13,480	14,757	15,827	7,316	7,197	4,736	5,082	6,878	6,878	12,382	15,263	8,679	7,277	7,277	7,394	7,420	7,558	5,184
Accounts receivable	280,920	201,427	185,308	201,441	337,861	346,825	219,460	209,824	209,824	354,072	462,451	219,804	170,917	170,917	169,604	170,588	174,161	118,061
Inventory	181,946	93,934	78,823	116,679	135,849	119,873	116,133	130,527	130,527	160,348	196,035	109,471	88,259	88,259	94,251	94,334	96,274	57,422
Other current assets	29,562	56,243	64,490	88,338	100,334	80,055	86,546	104,662	104,662	104,662	104,662	104,662	104,662	104,662	104,662	104,662	104,662	104,662
<b>Total current assets</b>	<b>505,908</b>	<b>366,361</b>	<b>344,448</b>	<b>413,774</b>	<b>581,241</b>	<b>551,489</b>	<b>427,221</b>	<b>451,891</b>	<b>451,891</b>	<b>631,464</b>	<b>778,411</b>	<b>442,616</b>	<b>371,115</b>	<b>371,115</b>	<b>375,911</b>	<b>377,004</b>	<b>382,656</b>	<b>285,330</b>
<b>Tangible fixed assets</b>	<b>1,386,910</b>	<b>1,324,327</b>	<b>1,274,557</b>	<b>1,206,710</b>	<b>1,189,397</b>	<b>1,174,529</b>	<b>1,158,045</b>	<b>1,148,383</b>	<b>1,148,383</b>	<b>1,127,938</b>	<b>1,108,523</b>	<b>1,096,200</b>	<b>1,069,982</b>	<b>1,069,982</b>	<b>995,438</b>	<b>926,366</b>	<b>867,779</b>	<b>812,395</b>
Goodwill	1,945,748	1,956,688	1,978,981	2,002,010	2,002,010	2,001,960	2,006,139	2,003,671	2,003,671	2,003,671	2,003,671	2,003,671	2,003,671	2,003,671	2,003,671	2,003,671	2,003,671	2,003,671
Other intangible fixed assets	464,338	433,713	411,319	390,040	380,433	370,859	290,023	279,608	279,608	279,608	279,608	279,608	279,608	279,608	279,608	279,608	279,608	279,608
Investment in affiliates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other investments	61,154	60,623	48,465	46,727	39,023	42,133	44,913	42,265	42,265	42,265	42,265	42,265	42,265	42,265	42,265	42,265	42,265	42,265
<b>Non-Current Assets</b>	<b>2,471,240</b>	<b>2,451,024</b>	<b>2,438,765</b>	<b>2,438,777</b>	<b>2,421,466</b>	<b>2,414,952</b>	<b>2,341,075</b>	<b>2,325,544</b>	<b>2,325,544</b>	<b>2,325,544</b>	<b>2,325,544</b>	<b>2,325,544</b>	<b>2,325,544</b>	<b>2,325,544</b>	<b>2,325,544</b>	<b>2,325,544</b>	<b>2,325,544</b>	<b>2,325,544</b>
<b>Total assets</b>	<b>4,364,058</b>	<b>4,141,712</b>	<b>4,057,770</b>	<b>4,059,261</b>	<b>4,192,104</b>	<b>4,140,970</b>	<b>3,926,341</b>	<b>3,925,818</b>	<b>3,925,818</b>	<b>4,084,945</b>	<b>4,212,479</b>	<b>3,864,360</b>	<b>3,766,640</b>	<b>3,766,640</b>	<b>3,696,892</b>	<b>3,628,915</b>	<b>3,575,979</b>	<b>3,423,269</b>
Trade payables and other ST liabilities	341,791	366,482	330,014	313,095	263,136	257,747	343,396	437,402	437,402	462,542	565,486	377,066	353,035	353,035	359,331	359,650	367,046	271,524
Short term debt	275,723	179,812	258,441	268,437	456,038	311,319	186,176	240,626	240,626	352,618	249,557	268,896	266,261	266,261	245,858	247,039	248,476	249,061
<b>Total current liabilities</b>	<b>617,514</b>	<b>546,294</b>	<b>588,455</b>	<b>581,532</b>	<b>719,174</b>	<b>569,066</b>	<b>529,572</b>	<b>678,028</b>	<b>678,028</b>	<b>815,159</b>	<b>815,043</b>	<b>645,962</b>	<b>619,296</b>	<b>619,296</b>	<b>605,189</b>	<b>606,688</b>	<b>615,521</b>	<b>520,585</b>
Long term debt	2,280,145	2,273,817	2,325,334	2,563,832	2,563,441	2,563,942	2,565,181	2,561,007	2,561,007	2,562,579	2,558,186	2,477,024	2,579,516	2,579,516	2,616,689	2,629,257	2,644,552	2,650,777
Debt deemed provisions (e.g. pensions)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority Interests	38,376	36,157	34,988	35,172	35,050	36,172	34,226	33,061	33,061	33,061	33,061	33,061	33,061	33,061	33,061	33,061	33,061	33,061
Other long term liabilities	105,509	121,228	124,772	130,826	122,641	128,566	128,943	117,115	117,115	127,221	143,387	175,536	164,208	164,208	228,287	290,489	348,280	409,637
<b>Long Term Liabilities</b>	<b>3,041,544</b>	<b>2,977,496</b>	<b>3,073,549</b>	<b>3,311,362</b>	<b>3,440,306</b>	<b>3,297,746</b>	<b>3,257,922</b>	<b>3,389,211</b>	<b>3,389,211</b>	<b>3,538,020</b>	<b>3,549,677</b>	<b>3,331,583</b>	<b>3,396,082</b>	<b>3,396,082</b>	<b>3,483,226</b>	<b>3,559,495</b>	<b>3,641,414</b>	<b>3,614,060</b>
Subordinated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Unitholders	1,299,260	1,145,291	967,073	733,104	736,966	827,473	654,418	523,925	523,925	0	0	0	0	0	0	0	0	0
General Partner	20,460	18,925	17,148	14,795	14,832	15,751	14,001	12,682	12,682	0	0	0	0	0	0	0	0	0
Accumulated Other Comprehensive Income	2,794	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Shareholders' Equity</b>	<b>1,322,514</b>	<b>1,164,216</b>	<b>984,221</b>	<b>747,899</b>	<b>751,798</b>	<b>843,224</b>	<b>668,419</b>	<b>536,607</b>	<b>536,607</b>	<b>546,925</b>	<b>662,802</b>	<b>532,777</b>	<b>370,559</b>	<b>370,559</b>	<b>213,666</b>	<b>69,420</b>	<b>(65,436)</b>	<b>(190,791)</b>
<b>Total liabilities and equity</b>	<b>4,364,058</b>	<b>4,141,712</b>	<b>4,057,770</b>	<b>4,059,261</b>	<b>4,192,104</b>	<b>4,140,970</b>	<b>3,926,341</b>	<b>3,925,818</b>	<b>3,925,818</b>	<b>4,084,945</b>	<b>4,212,479</b>	<b>3,864,360</b>	<b>3,766,640</b>	<b>3,766,640</b>	<b>3,696,892</b>	<b>3,628,915</b>	<b>3,575,979</b>	<b>3,423,269</b>
Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Balance sheet assumptions</b>	(41,219)	65,122	25,633	(69,302)	(157,626)	(38,624)	81,284	70,047	(44,919)	(148,930)	(41,122)	140,791	46,068	(3,192)	1,617	(748)	1,882	(569)
Revenue	3,712,935	2,885,322	2,311,817	2,453,539	787,296	1,040,332	528,403	466,947	2,822,978	786,828	1,027,669	511,173	432,702	2,758,372	2,826,735	2,843,128	2,902,688	2,146,569
Operating Expenses	3,240,807	2,456,772	1,925,292	2,074,852	639,222	773,327	507,402	479,158	2,399,109	616,722	753,982	486,537	441,294	2,298,534	2,356,268	2,358,358	2,406,857	1,640,629
Accounts receivable (as % of sales)	8%	7%	8%	8%	43%	33%	42%	45%	7%	45%	45%	43%	40%	6%	6%	6%	6%	6%
Inventory (as % of operating expenses)	6%	4%	4%	6%	21%	16%	23%	27%	5%	26%	26%	23%	20%	4%	4%	4%	4%	4%
Trade payable & other S.T. liabilities	11%	15%	17%	15%	41%	33%	68%	91%	18%	75%	75%	78%	80%	15%	15%	15%	15%	17%
Cash	13,480	14,757	15,827	7,316	7,197	4,736	5,082	6,878	6,878	12,382	15,263	8,679	7,277	7,277	7,394	7,420	7,558	5,184
Total Debt	2,555,868	2,453,629	2,583,775	2,832,269	3,019,479	2,875,261	2,751,357	2,801,633	2,801,633	2,915,197	2,807,743	2,745,921	2,845,777	2,845,777	2,862,547	2,876,295	2,893,028	2,899,837
Total Net Debt	2,542,388	2,438,872	2,567,948	2,824,953	3,012,282	2,870,525	2,746,275	2,794,755	2,794,755	2,902,815	2,792,480	2,737,242	2,838,500	2,838,500	2,855,153	2,868,875	2,885,470	2,894,653
Common Securities	1,299,260	1,145,291	967,073	733,104	736,966	827,473	654,418	523,925	523,925	0	0	0	0	0	0	0	0	0
Shareholders' Equity	1,322,514	1,164,216	984,221	747,899	751,798	843,224	668,419	536,607	536,607	546,925	662,802	532,777	370,559	370,559	213,666	69,420	(65,436)	(190,791)
<b>Net Debt/Capital</b>	<b>65.8%</b>	<b>67.7%</b>	<b>72.3%</b>	<b>79.1%</b>	<b>80.0%</b>	<b>77.3%</b>	<b>80.4%</b>	<b>83.9%</b>	<b>83.9%</b>	<b>84.1%</b>	<b>80.8%</b>	<b>83.7%</b>	<b>88.5%</b>	<b>88.5%</b>	<b>93.0%</b>	<b>97.6%</b>	<b>102.3%</b>	<b>107.1%</b>
<b>Net Debt / TTM EBITDA</b>	<b>3.8x</b>	<b>3.9x</b>	<b>4.5x</b>	<b>5.0x</b>	5.3x	4.8x	4.5x	4.6x	<b>4.6x</b>	3.1x	2.4x	2.3x	4.4x	<b>4.4x</b>	<b>4.4x</b>	<b>4.3x</b>	<b>4.3x</b>	<b>4.2x</b>
<b>EBITDA / Interest</b>	<b>4.0x</b>	<b>3.8x</b>	<b>3.5x</b>	<b>3.5x</b>	3.5x	3.7x	3.8x	3.7x	<b>3.7x</b>	3.2x	4.1x	4.3x	4.0x	<b>4.0x</b>	<b>4.0x</b>	<b>4.1x</b>	<b>4.1x</b>	<b>4.1x</b>

Source: APU reports, Jefferies estimates

## Exhibit 18: APU Consolidated Statement of Cash Flows

Consolidated Cash Flow Statement ('000s)	2014	2015	2016	2017	Dec-1Q	Mar-2Q	Jun-3Q	Sep-4Q	2018	Dec-1QE	Mar-2QE	Jun-3QE	Sep-4QE	2019E	2020E	2021E	2022E	2023E
<b>Operating activities</b>																		
Net income	294,441	214,969	211,193	165,869	105,870	194,166	(74,772)	(31,262)	194,002	112,706	217,031	(27,866)	(60,703)	241,167	249,908	263,455	272,164	281,600
Depreciation & Conservation Amortization	197,215	194,880	189,980	190,505	47,424	45,151	46,393	46,785	185,753	46,656	46,534	46,457	46,292	185,939	184,028	182,257	180,755	179,335
Deferred taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net change in working capital	(41,219)	65,122	25,633	(69,302)	(157,626)	(38,624)	81,284	70,047	(44,919)	(148,930)	(41,122)	140,791	46,068	(3,192)	1,617	(748)	1,882	(569)
Other, including changes in provisions and other liabilities	29,633	48,887	(3,863)	69,710	6,153	27,906	61,002	(19,628)	75,433	10,106	16,166	32,149	(11,327)	47,093	64,079	62,202	57,791	61,357
<b>Cash from operating activities</b>	<b>480,070</b>	<b>523,858</b>	<b>422,943</b>	<b>356,782</b>	<b>1,821</b>	<b>228,599</b>	<b>113,907</b>	<b>65,942</b>	<b>410,269</b>	<b>20,538</b>	<b>238,610</b>	<b>191,530</b>	<b>20,330</b>	<b>471,008</b>	<b>499,631</b>	<b>507,166</b>	<b>512,593</b>	<b>521,722</b>
<b>Investing activities</b>																		
Capital expenditure - tangible fixed assets	(113,934)	(102,009)	(101,693)	(98,164)	(23,586)	(23,610)	(25,697)	(28,384)	(101,277)	(29,312)	(29,828)	(27,316)	(30,544)	(117,000)	(115,000)	(115,000)	(115,000)	(115,000)
Acquisitions	(15,746)	(20,840)	(37,560)	(36,824)	0	0	(9,382)	(708)	(10,090)	(267)	(2,053)	(12,453)	(226)	(15,000)	(16,500)	(18,000)	(25,000)	(25,000)
Net disposals	19,931	23,816	14,636	19,935	3,661	3,836	2,763	16,920	27,180	3,368	4,762	5,635	10,697	24,462	22,016	19,814	17,833	16,050
Other investment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cash from investing activities</b>	<b>(109,749)</b>	<b>(99,033)</b>	<b>(124,617)</b>	<b>(115,053)</b>	<b>(19,925)</b>	<b>(19,774)</b>	<b>(32,316)</b>	<b>(12,172)</b>	<b>(84,187)</b>	<b>(26,211)</b>	<b>(27,120)</b>	<b>(34,134)</b>	<b>(20,073)</b>	<b>(107,538)</b>	<b>(109,484)</b>	<b>(113,186)</b>	<b>(122,167)</b>	<b>(123,950)</b>
<b>Financing activities</b>																		
Inc./(dec.) in short term debt	(7,900)	(40,900)	85,100	(13,200)	123,500	(109,000)	22,500	55,000	92,000	111,992	(103,061)	19,339	(2,636)	25,635	(20,403)	1,181	1,437	585
Inc./(dec.) in long term debt	(12,272)	(5,949)	9,543	163,983	(1,255)	(401)	(1,518)	(5,880)	(9,054)	1,572	(4,393)	(81,162)	102,492	18,509	37,173	12,567	15,296	6,225
Inc./(dec.) in equity	2,524	3,535	1,138	1,480	0	0	8	793	801	0	746	(2)	396	1,140	1,500	1,147	1,262	1,303
Common stock dividends paid	(346,744)	(368,426)	(387,659)	(398,877)	(100,650)	(100,665)	(100,665)	(100,665)	(402,645)	(100,703)	(100,703)	(100,703)	(100,703)	(402,813)	(402,704)	(402,594)	(402,485)	(402,376)
Other cash from financing	(5,084)	(11,808)	(5,378)	(3,626)	(3,610)	(1,220)	(1,570)	(1,222)	(7,622)	(1,684)	(1,197)	(1,453)	(1,208)	(5,542)	(5,597)	(6,254)	(5,797)	(5,883)
<b>Cash from financing activities</b>	<b>(369,476)</b>	<b>(423,548)</b>	<b>(297,256)</b>	<b>(250,240)</b>	<b>17,985</b>	<b>(211,286)</b>	<b>(81,245)</b>	<b>(51,974)</b>	<b>(326,520)</b>	<b>11,176</b>	<b>(208,608)</b>	<b>(163,981)</b>	<b>(1,659)</b>	<b>(363,072)</b>	<b>(390,030)</b>	<b>(393,953)</b>	<b>(390,288)</b>	<b>(400,146)</b>
Cash flow increase/(decrease) in cash	845	1,277	1,070	(8,511)	(119)	(2,461)	346	1,796	(438)	5,504	2,881	(6,584)	(1,402)	399	117	27	138	(2,374)
Non-cash movements in cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forex Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net change in cash</b>	<b>845</b>	<b>1,277</b>	<b>1,070</b>	<b>(8,511)</b>	<b>(119)</b>	<b>(2,461)</b>	<b>346</b>	<b>1,796</b>	<b>(438)</b>	<b>5,504</b>	<b>2,881</b>	<b>(6,584)</b>	<b>(1,402)</b>	<b>399</b>	<b>117</b>	<b>27</b>	<b>138</b>	<b>(2,374)</b>
<b>Cash at the beginning of the year</b>	<b>12,635</b>	<b>13,480</b>	<b>14,757</b>	<b>15,827</b>	<b>7,316</b>	<b>7,197</b>	<b>4,736</b>	<b>5,082</b>	<b>7,316</b>	<b>6,878</b>	<b>12,382</b>	<b>15,263</b>	<b>8,679</b>	<b>6,878</b>	<b>7,277</b>	<b>7,394</b>	<b>7,420</b>	<b>7,558</b>
<b>Cash at the end of the year</b>	<b>13,480</b>	<b>14,757</b>	<b>15,827</b>	<b>7,316</b>	<b>7,197</b>	<b>4,736</b>	<b>5,082</b>	<b>6,878</b>	<b>6,878</b>	<b>12,382</b>	<b>15,263</b>	<b>8,679</b>	<b>7,277</b>	<b>7,277</b>	<b>7,394</b>	<b>7,420</b>	<b>7,558</b>	<b>5,184</b>
Cash paid for income taxes																		
Cash Interest paid, net of amount capitalized	161,518	158,837	167,460	152,165					158,421					158,050	157,324	159,114	161,459	161,734
Free Cash Flow after distributions	23,577	56,399	(89,333)	(157,148)	(118,754)	108,160	(19,074)	(46,895)	(76,563)	(106,376)	110,786	56,693	(100,446)	(39,343)	(12,557)	(8,615)	(12,060)	(4,604)

Source: APU reports, Jefferies estimates

## Exhibit 19: UGI Consolidated Income Statement

Consolidated Income Statement	2013	2014	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1QE	2QE	3QE	4QE	2019E	2020E	2021E	2022E	2023E
Revenues	\$7,191.6	\$8,277.3	\$6,691.1	\$5,685.7	\$6,120.7	\$2,125.2	\$2,812.0	\$1,440.9	\$1,273.1	\$7,651.2	\$2,058.6	\$2,790.8	\$1,451.0	\$1,235.7	\$7,536.0	\$7,638.5	\$7,786.0	\$7,818.1	\$7,107.3
(Cost of Sales)	(\$4,332.7)	(\$5,175.7)	(\$3,647.6)	(\$2,529.1)	(\$2,896.6)	(\$1,144.1)	(\$1,536.4)	(\$787.0)	(\$702.2)	(\$4,169.7)	(\$1,079.4)	(\$1,500.2)	(\$775.2)	(\$674.7)	(\$4,029.5)	(\$4,084.2)	(\$4,168.2)	(\$4,179.2)	(\$3,424.2)
Gross Margin	\$2,859.0	\$3,101.7	\$3,043.5	\$3,156.6	\$3,224.1	\$981.1	\$1,275.6	\$653.9	\$570.9	\$3,481.5	\$979.2	\$1,290.6	\$675.8	\$561.0	\$3,506.5	\$3,554.3	\$3,617.8	\$3,638.9	\$3,683.1
(Operating & Administrative)	(\$1,693.5)	(\$1,752.6)	(\$1,751.3)	(\$1,808.0)	(\$1,804.9)	(\$488.2)	(\$544.9)	(\$488.5)	(\$461.3)	(\$1,982.9)	(\$477.6)	(\$543.2)	(\$491.1)	(\$450.4)	(\$1,962.3)	(\$1,962.6)	(\$1,972.5)	(\$1,959.4)	(\$1,961.0)
(Depreciation & Amortization)	(\$360.3)	(\$362.9)	(\$374.1)	(\$400.9)	(\$416.3)	(\$110.3)	(\$112.2)	(\$118.8)	(\$113.8)	(\$455.1)	(\$114.0)	(\$115.0)	(\$115.0)	(\$115.4)	(\$459.3)	(\$467.1)	(\$479.3)	(\$488.8)	(\$498.7)
Other Income (Loss)	\$17.9	\$19.5	\$28.3	\$6.6	(\$2.0)	\$4.4	\$6.1	\$10.0	\$10.8	\$31.3	\$4.1	\$5.1	\$5.7	\$5.1	\$19.9	\$19.3	\$21.4	\$19.6	\$20.0
Operating Income	\$823.1	\$1,005.6	\$946.4	\$954.4	\$1,000.9	\$387.0	\$624.6	\$56.6	\$6.6	\$1,074.8	\$391.7	\$637.5	\$75.3	\$0.2	\$1,104.8	\$1,143.9	\$1,187.4	\$1,210.3	\$1,243.4
(Income from Equity Investees)	(\$0.4)	(\$0.1)	(\$1.2)	(\$0.2)	\$4.3	\$1.0	\$0.7	\$1.3	\$1.3	\$4.3	\$1.1	\$1.1	\$1.2	\$1.2	\$4.5	\$11.3	\$14.8	\$15.8	\$15.0
(Other Items)	\$10.1	\$11.8	\$0.0	\$0.0	(\$46.0)	(\$4.7)	(\$9.0)	(\$0.5)	\$1.5	(\$12.7)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
(Interest Expense)	(\$239.1)	(\$237.7)	(\$231.6)	(\$228.9)	(\$223.5)	(\$58.2)	(\$58.1)	(\$56.5)	(\$57.3)	(\$230.1)	(\$60.3)	(\$62.0)	(\$63.4)	(\$64.1)	(\$249.8)	(\$255.0)	(\$259.6)	(\$264.8)	(\$259.3)
Income before Taxes	\$593.7	\$779.7	\$713.6	\$725.3	\$735.8	\$325.1	\$558.2	\$0.9	(\$47.9)	\$836.3	\$332.4	\$576.6	\$13.2	(\$62.7)	\$859.5	\$900.1	\$942.7	\$961.3	\$999.1
(Income Tax Expense)	(\$163.9)	(\$235.2)	(\$226.7)	(\$178.6)	(\$204.5)	(\$77.5)	(\$128.3)	\$4.8	\$14.7	(\$186.3)	(\$81.4)	(\$144.2)	(\$3.0)	\$18.8	(\$209.8)	(\$219.1)	(\$229.7)	(\$234.3)	(\$243.8)
(Preferred Dividends)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Income before Other Items	\$429.8	\$544.5	\$486.9	\$546.7	\$531.2	\$247.6	\$429.9	\$5.7	(\$33.2)	\$650.0	\$251.0	\$432.5	\$10.1	(\$43.9)	\$649.7	\$681.0	\$713.0	\$727.0	\$755.3
(Minority Interest, prnc. in AmeriGas)	(\$147.7)	(\$195.4)	(\$133.0)	(\$181.7)	(\$126.9)	(\$68.3)	(\$131.7)	\$9.4	\$26.2	(\$164.4)	(\$61.2)	(\$126.1)	\$14.3	\$33.2	(\$139.7)	(\$145.9)	(\$156.1)	(\$156.9)	(\$165.5)
Net Income - Recurring	\$282.1	\$349.1	\$353.9	\$365.0	\$404.3	\$179.3	\$298.2	\$15.1	(\$7.0)	\$485.6	\$189.8	\$306.4	\$24.4	(\$10.7)	\$510.0	\$535.1	\$556.9	\$570.1	\$589.8
<b>EPS (Adjusted Diluted)</b>	<b>\$1.63</b>	<b>\$2.00</b>	<b>\$2.01</b>	<b>\$2.09</b>	<b>\$2.29</b>	<b>\$1.01</b>	<b>\$1.69</b>	<b>\$0.09</b>	<b>(\$0.04)</b>	<b>\$2.74</b>	<b>\$1.07</b>	<b>\$1.74</b>	<b>\$0.14</b>	<b>(\$0.06)</b>	<b>\$2.90</b>	<b>\$3.05</b>	<b>\$3.17</b>	<b>\$3.25</b>	<b>\$3.36</b>
Shares Outstanding - Basic	170.9	172.7	173.1	173.2	173.7	173.7	173.6	174.0	174.4	173.9	173.8	173.7	173.5	173.3	173.6	173.3	173.3	173.3	173.3
Shares Outstanding - Diluted	172.7	174.6	175.7	174.9	176.3	176.9	176.4	176.8	177.5	176.9	176.7	176.5	176.3	173.3	175.7	175.4	175.4	175.4	175.4
EBIT	\$823.1	\$1,005.6	\$946.4	\$954.4	\$1,000.9	\$387.0	\$624.6	\$56.6	\$6.6	\$1,074.8	\$391.7	\$637.5	\$75.3	\$0.2	\$1,104.8	\$1,143.9	\$1,187.4	\$1,210.3	\$1,243.4
EBITDA	\$1,183.4	\$1,368.6	\$1,320.5	\$1,355.2	\$1,417.2	\$497.3	\$736.8	\$175.4	\$120.4	\$1,529.9	\$505.7	\$752.5	\$190.3	\$115.6	\$1,564.1	\$1,611.0	\$1,666.7	\$1,699.1	\$1,742.1

Source: UGI reports, Jefferies estimates



## Company Description

### UGI Corporation

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

### AmeriGas Partners

AmeriGas Partners, L.P. (NYSE: APU) is the nation's largest retail propane marketer, serving more than 2.3 million customers in all 50 states from roughly 2,100 distribution locations. AmeriGas is a master limited partnership (MLP) and UGI Corporation (NYSE: UGI) is its sole General Partner and owns an approximate 26% Limited Partner interest. AmeriGas is organized under the laws of the state of Delaware and headquartered in King of Prussia, PA.

## Company Valuation/Risks

### UGI Corporation

Our \$54 PT and Hold rating are derived via a combination of DCF, SOP, and Target Yield approaches. Risks include non-normal weather, severe & rapid LPG price fluctuations, project execution, and interest rates.

### AmeriGas Partners

Our \$40 PT and Buy rating are derived via Target Yield and DDM approaches. Risks include non-normal weather, severe & rapid LPG price fluctuations, project execution, and interest rates.

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### (Article 3(1)e and Article 7 of MAR)

Recommendation Published	November 29, 2018 , 21:18 ET.
Recommendation Distributed	November 30, 2018 , 00:00 ET.

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The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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## Other Companies Mentioned in This Report

- AmeriGas Partners, L.P. (APU: \$34.86, BUY)
- UGI Corporation (UGI: \$56.77, HOLD)

Rating and Price Target History for: UGI Corporation (UGI) as of 11-28-2018



**Rating and Price Target History for: AmeriGas Partners, L.P. (APU) as of 11-28-2018**



**Notes:** Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

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Rating	Count	Percent	IB Serv./Past 12 Mos.		JIL Mkt Serv./Past 12 Mos.	
			Count	Percent	Count	Percent
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# AmeriGas Partners (APU) Propane or Propain?

## Key Takeaway

**APU F4Q Adj. EBITDA of ~\$34.7mm (ex. items) fell short of our \$47.4mm forecast & the Street's \$44.5mm mean est.; the miss was principally driven by sales volumes ~4% short of JEFfe. UGI appears to have realized F4Q Adj. LPS of 4¢, wider than our 2¢ LPS estimate but matching the Street consensus. With results, APU initiated F19 Adj. EBITDA guidance of \$610-\$650mm (vs. \$655mm JEFfe) and UGI offered F19 Adj. EPS guidance of \$2.75-\$2.95 (vs. \$2.95 JEFfe). See page 2.**

**APU financial results.** Gross profit missed JEFfe by ~4%, the result of lower than expected volumes (189mm gallons vs 197mm JEFfe) and higher 'other' costs as unit margins of \$1.09/gal matched our expectation. For F18, APU realized Adj. EBITDA of \$605.5mm, ~10% short of its initial Adj. EBITDA midpoint and marking APU's fourth consecutive double-digit guidance miss. While F15-F17 results were negatively impacted by historically warmer-than-normal winter temps, F18 saw HDDs in-line with 15-year NOAA averages; mgmt has attributed F18 financial weakness to the timing & volatility of HDDs, which surprised its modeling.

**UGI financial results.** Adj. F4Q loss per share (LPS) appears to be 4¢, modestly short of 2¢ JEFfe, but matching the Street consensus; the release is a bit cumbersome so individual segment results are not clear, but the miss (vs. JEFfe) appears to largely be a follow-through from weaker than expected APU results. F18 Adj. EPS of \$2.75 is a new record.

**F2019 guidance initiated.** With results, APU initiated F19 Adj. EBITDA of \$610-\$650mm, \$30mm below the Street's \$660mm mean forecast at its midpoint and marking APU's weakest Adj. EBITDA guidance since its F12 acquisition of Heritage Propane; see page 2. Meanwhile, UGI F19 Adj. EPS of \$2.75-\$2.95 broadly matches Street expectations as the mid-point of its range is just 1% below the Street's \$2.88 consensus estimate. We await tomorrow's call for more color on mgmt's outlook and wonder if the lower APU forecast incorporates HDD volatility sales adjustments in addition to aggregate HDD projections.

**APU management changes.** On Sept. 17th, APU announced Jerry Sheridan had elected to leave the position of President & CEO, but will remain an employee until Jan. 2019. Hugh Gallagher was appointed as Mr. Sheridan's successor; Mr. Gallagher has held various finance, accounting and operational roles at both UGI and APU, including APU VP of Finance and CFO since May 2013. UGI CFO, Ted J. Jastrzebski, will serve as APU principal financial officer on an interim basis until a permanent successor is named.

**Structural questions illuminated by mgmt changes & F19 guidance.** Amid a slew of MLP reorganizations over the last several years, APU has periodically fielded questions about potential structural change as its 50% IDR splits & tight distribution coverage exacerbate the impact of warm winter temps. While its debt profile is long-dated (first maturity in 2024) and its GP supportive, we believe disappointing F18 results, a F19 outlook short of F13's initial guidance, and mgmt turnover all raise questions about the sustainability of APU's present configuration. We believe an acquisition of the public's APU stake by UGI is a possibility.

**APU distribution, UGI dividend.** On Oct. 26th, APU declared a quarterly cash distribution of 95¢/unit, flat q/q & y/y; it is payable on Nov. 19th to unitholders of record on Nov. 9th. UGI last declared a quarterly cash dividend of 26¢/share on July 24th and it was paid on Oct. 1st; we expect another dividend declaration of equal magnitude at the end of November.

**Conference call.** UGI & APU will host a joint conference call tomorrow @ 9am EST to discuss F4Q18 results and respective F2019 outlooks (Dial-in: 866.393.4306; PC: 8897959). We look for greater color on operating results, regulatory activities, midstream expansions including PennEast, and plans for APU given disappointing F18 results and F19 Adj. EBITDA guidance which falls ~5% short of the current Street consensus.

**Page 2 exhibits.** Please see the next page for greater detail on F4Q APU operating and financial results as well as historical guidance accuracy for both APU and UGI.

**HOLD**Bloomberg NYSE: APU  
Price target \$41.00  
Price \$36.72^**HOLD**Bloomberg NYSE: UGI  
Price target \$54.00  
Price \$56.52^

^Prior trading day's closing price unless otherwise noted.

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**Exhibit 1: APU F4Q18 Results Review**

Operating Results	Actual F4Q18A	JEF Expectations F4Q18E	Year-over-Year F4Q17A
Total Retail Gallons Sold	175.8	186.3 -5.6%	183.5 -4.2%
Total Gallons Sold	189.0	197.0 -4.1%	194.1 -2.6%
Total Revenues	\$466.9	\$496.4 -5.9%	\$445.2 4.9%
Propane Cost of Sales	\$198.6	\$215.2 -7.7%	\$168.6 17.7%
Propane Gross Profit	\$206.1	\$214.8 -4.0%	\$211.1 -2.4%
Operating & Administrative Expenses	\$218.9	\$221.0 -0.9%	\$221.0 -0.9%
Depreciation & Amortization Expenses	\$46.8	\$46.3 1.0%	\$54.7 -14.5%
Interest Expense	\$41.1	\$40.0 2.7%	\$39.6 3.7%
<b>Net Income</b>	<b>(\$53.7)</b>	<b>(\$38.9)</b> -38.0%	<b>(\$57.7)</b> 7.0%
GP Interest	\$11.0	\$12.3 -10.7%	\$11.1 -1.1%
<b>Net Income Attributable to LP</b>	<b>(\$64.7)</b>	<b>(\$51.3)</b> -26.3%	<b>(\$68.9)</b> 6.0%
Average # of Units Outstanding	93.0	93.0 0.0%	93.0 0.0%
<b>Earnings Per Unit (EPU)</b>	<b>(\$0.70)</b>	<b>(\$0.55)</b> -26.3%	<b>(\$0.74)</b> 6.1%
<b>Adjusted EBITDA</b>	<b>\$34.7</b>	<b>\$47.4</b> -26.7%	<b>\$36.5</b> -4.9%
<b>Capital Expenditure</b>	<b>\$28.4</b>	<b>\$39.1</b> -27.5%	<b>\$23.7</b> 19.8%

Source: NFG, Jefferies estimates

Note: Recurring results exclude one-time or unrealized items; F4Q18 excludes \$22.61mm in unrealized non-cash commodity mark-to-market adjustments.

**Exhibit 2: APU Adj. EBITDA Guidance Accuracy**

	F2009	F2010	F2011	F2012	F2013	F2014	F2015	F2016	F2017	F2018	F2019E
EBITDA Guidance Range (\$MM)	\$315-\$325	\$335-\$345	\$345-\$355	\$345-\$355	\$630-\$660	\$645-\$675	\$670-\$700	\$660-\$690	\$660-\$700	\$650-\$690	\$610-\$650
Actual Adjusted EBITDA	\$341.5	\$340.2	\$335.3	\$380.5	\$617.7	\$664.8	\$619.2	\$573.3	\$565.6	\$605.5	\$630.0
<b>% Difference From Mid-Point</b>	<b>7%</b>	<b>0%</b>	<b>-4%</b>	<b>9%</b>	<b>-4%</b>	<b>1%</b>	<b>-10%</b>	<b>-15%</b>	<b>-17%</b>	<b>-10%</b>	<b>1%</b>

Source: APU reports

Note: Historical results include adjustments that JEFe believe are appropriate &amp; may differ from those adjustments formally made by APU mgmt; Guidance is that initially provided by APU (i.e. it excludes subsequent revisions). Historical performance underscores APU's leverage to winter weather and F2019 'actual' merely marks the mid-point of the Partnership's expected range.

**Exhibit 3: UGI Adj. EPS Guidance Accuracy**

Metric	F2009	F2010	F2011	F2012	F2013	F2014	F2015	F2016	F2017	F2018	F2019E
EPS Guidance Range	\$1.40-\$1.47	\$1.47-\$1.53	\$1.53-\$1.60	\$1.57-\$1.63	\$1.65-\$1.72	\$1.73-\$1.80	\$1.88-\$1.98	\$2.15-\$2.30	\$2.30-\$2.45	\$2.45-\$2.65	\$2.75-\$2.95
Actual Recurring EPS	\$1.33	\$1.62	\$1.41	\$1.27	\$1.63	\$2.00	\$2.01	\$2.09	\$2.29	\$2.75	\$2.85
<b>% Difference From Mid-Point</b>	<b>-7%</b>	<b>8%</b>	<b>-10%</b>	<b>-21%</b>	<b>-3%</b>	<b>13%</b>	<b>4%</b>	<b>-6%</b>	<b>-3%</b>	<b>8%</b>	<b>0%</b>

Source: UGI reports

Note: Historical results include adjustments that JEFe believe are appropriate &amp; may differ from those adjustments formally made by UGI mgmt; Guidance is that initially provided by UGI (i.e. it excludes subsequent revisions). Historical performance underscores UGI's leverage to winter weather and F2019 'actual' merely marks the mid-point of the Company's expected range.

## Company Description

### AmeriGas Partners

AmeriGas Partners, L.P. (NYSE: APU) is the nation's largest retail propane marketer, serving more than 2.3 million customers in all 50 states from roughly 2,100 distribution locations. AmeriGas is a master limited partnership (MLP) and UGI Corporation (NYSE: UGI) is its sole General Partner and owns an approximate 26% Limited Partner interest. AmeriGas is organized under the laws of the state of Delaware and headquartered in King of Prussia, PA. Of note, on April 29th, 2018 MPC and ANDV entered into a definitive agreement under which MPC will acquire all of ANDV's outstanding shares. We expect this transaction to close in 4Q18. Both underlying MLPs (ANDX and MPLX) are expected to continue operating as distinct entities upon the closing of the agreement.

### UGI Corporation

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

## Company Valuation/Risks

### AmeriGas Partners

Our \$41 PT and rating are derived via Target Yield and DDM approaches. Risks include non-normal weather, severe & rapid LPG price fluctuations, project execution, and interest rates.

### UGI Corporation

Our \$54 PT and Hold rating are derived via a combination of DCF, SOP, and Target Yield approaches. Risks include non-normal weather, severe & rapid LPG price fluctuations, project execution, and interest rates.

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Recommendation Published	November 12, 2018 , 22:01 ET.
Recommendation Distributed	November 12, 2018 , 22:01 ET.

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## Other Companies Mentioned in This Report

- AmeriGas Partners, L.P. (APU: \$36.72, HOLD)
- UGI Corporation (UGI: \$56.52, HOLD)

Rating and Price Target History for: AmeriGas Partners, L.P. (APU) as of 11-09-2018



## Rating and Price Target History for: UGI Corporation (UGI) as of 11-09-2018



**Notes:** Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

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D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

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FLASH NOTE

Company Update

USA | Energy | Utilities

August 1, 2018

# UGI Corporation (UGI)

## Geo-Diversity Drives In-line Results

**HOLD**

Bloomberg NYSE: UGI  
Price target \$53.00  
Price \$52.90^

^Prior trading day's closing price unless otherwise noted.

EQUITY RESEARCH

### Key Takeaway

**UGI realized recurring Adj. F3Q EPS of 9¢ (ex-items), in-line with our 9¢ forecast but short of the Street's 13¢ mean estimate. Operating income of ~\$56.1mm fell well below \$72.0mm JEFé, but was offset by a host of below-the-line items. With results, mgmt affirmed its F18 EPS forecast of \$2.70- \$2.80 (\$2.77 JEFé).**

**Financial & operational performance.** Colder than normal spring weather in the US helped offset sharply warmer than normal (+35%) F3Q conditions in Europe. Despite the warm spring temps, UGI International experienced ~14% higher y/y sales due to the impact of its recent UniverGas acquisition and French demand carried over from a late-March cold snap. Marketing & Midstream margins expanded due to ~27% colder y/y temps and contributions from the Sunbury pipeline and TX Creek gathering assets. Utility Op Income fell sharply y/y due to the line-item impacts of the TCJA (revenue reductions offset in tax). In aggregate, UGI Op Income of \$56.1mm missed JEFé by ~22%, largely due to Utility revenue recognition, but was offset by below-the-line items to drive an in-line 9¢ EPS.

**PA PUC order.** Due to the TCJA reduction in corp. tax rates from 35% to 21%, on May 17th the PA PUC ordered a negative surcharge on customer bills to establish regulatory liabilities for tax savings during 1H18. Accordingly, UGI Utilities reduced 2Q revenues by ~\$22.7mm; the post-tax impact of this liability is ~\$16mm (9¢/share), of which ~\$15mm, or 8¢ of EPS, relates to F3Q. Separately, in March UGI filed merger authorization requests with the PA PUC and MD PSC to merge PNG and CPG into UGI Utilities, with a target effective date of Oct. 1st; we look for an update on tomorrow's call.

**New Marcellus development project.** On May 22nd, UGI Energy Services announced a further expansion of its Auburn Gathering System via the addition of two compressor stations, in Susquehanna and Wyoming Counties, which will increase system capacity by ~150 MMcf/d, bringing total system capacity to ~620 MMcf/d. The \$50mm project is supported by long-term agreements with Cabot Oil & Gas (COG). Initial deliveries will begin this fall, with remaining capacity coming on-line during the fall of 2019.

**Dividend & call details.** On July 24th, UGI declared a 26¢/share quarterly cash dividend (\$1.04 annualized), up ~4% y/y and flat q/q. Mgmt will host a call tomorrow @ 9am EDT to review F3Q results and its outlook (866.393.4306).

### UGI F3Q18 results review

Recurring Operating Income	Actual F3Q18A	JEFé F3Q18E	Year-over-Year F3Q17A
<b>Operating Income (\$MM)</b>			
AmeriGas Propane	\$20.3	\$26.9 -24.5%	\$17.6 15.5%
Utilities	\$3.9	\$19.6 -80.1%	\$21.9 -82.2%
Midstream & Marketing	\$7.4	\$5.8 28.5%	\$2.8 164.3%
International Propane	\$16.6	\$10.0 66.3%	\$7.5 121.3%
Corporate & Other	\$7.9	\$9.7 -19.1%	(\$6.2) NM
<b>Total Operating Income</b>	<b>\$56.1</b>	<b>\$72.0 -22.1%</b>	<b>\$43.6 28.6%</b>
Income (Loss) from Equity Investees	\$1.3	\$1.0 33.3%	\$0.9 NM
Interest Expense	(\$56.5)	(\$57.7) -2.1%	(\$56.8) -0.5%
Minority Interests	\$9.4	\$3.0 NM	\$32.6 -71.2%
Income Tax Benefit (Expense)	\$4.8	(\$3.2) NM	(\$3.4) -239.9%
<b>Recurring Net Income</b>	<b>\$15.1</b>	<b>\$15.1 -0.1%</b>	<b>\$16.9 -10.7%</b>
Diluted Shares Outstanding	176.8	176.2 0.4%	177.3 -0.3%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$0.09</b>	<b>\$0.09 -0.4%</b>	<b>\$0.10 -10.5%</b>
<b>Capital Expenditures</b>	<b>\$138.2</b>	<b>\$139.6 -1.0%</b>	<b>\$130.1 6.3%</b>
<b>Dividend Per Share</b>	<b>\$0.26</b>	<b>\$0.26 0.0%</b>	<b>\$0.25 4.0%</b>

Source: UGI reports & Jefferies estimates

Note: Recurring results exclude the impact of one-time or non-operational items.

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## Company Description

### UGI Corporation

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

## Company Valuation/Risks

### UGI Corporation

Our \$53 PT and Hold rating are derived via a combination of DCF, SOP, and Target Yield approaches. Risks include non-normal weather, severe & rapid LPG price fluctuations, project execution, and interest rates.

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### (Article 3(1)e and Article 7 of MAR)

Recommendation Published , 21:48 ET. August 1, 2018  
Recommendation Distributed , 21:48 ET. August 1, 2018

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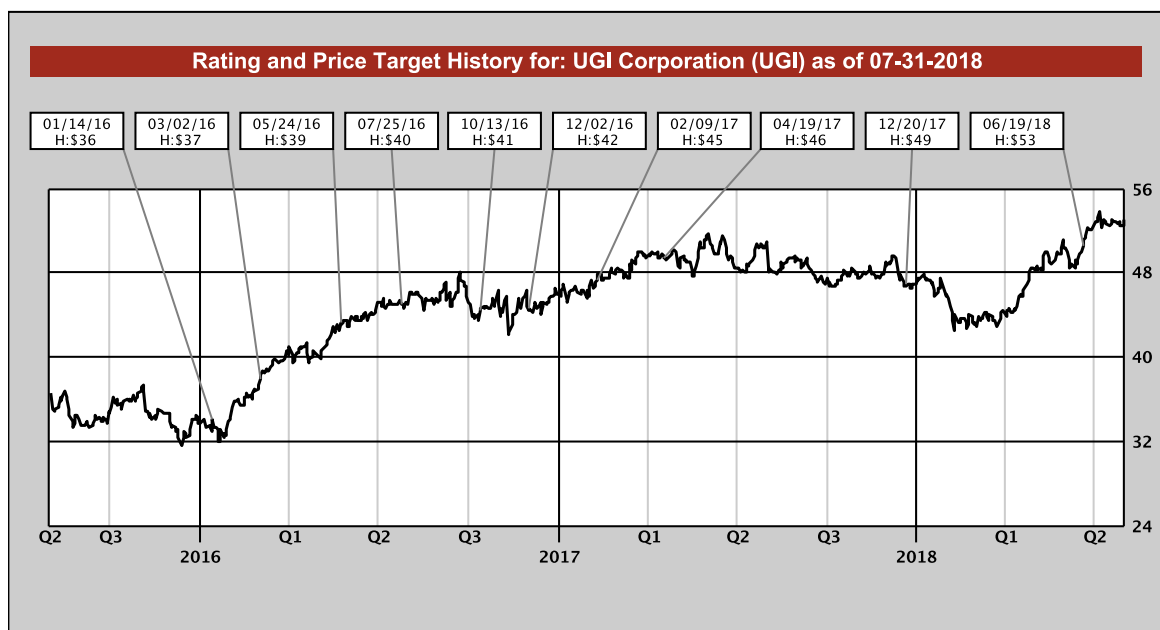
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			Count	Percent	Count	Percent
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FLASH NOTE

Company Update

USA | Energy | Natural Gas

May 2, 2018

# UGI Corporation (UGI)

## When Average (Weather) Is Celebrated

**HOLD**

Bloomberg NYSE: UGI  
Price target \$49.00  
Price \$48.26^

^Prior trading day's closing price unless otherwise noted.

EQUITY RESEARCH

### Key Takeaway

**UGI realized recurring Adj. F2Q EPS of \$1.69 (ex-items), surpassing our \$1.64 forecast & sharply beating the Street's \$1.55 mean estimate. While operating income from UGI propane operations collectively fell ~9% short of JEFe, strong M&M and Utility performances and lower below-the-line costs more than offset to drive the EPS beat. With results, mgmt lifted its F18 EPS forecast to \$2.70-\$2.80 (vs. \$2.69 JEFe), up ~8% from its initial guidance mid-point.**

**Operating & financial results.** F2Q offered near-normal weather conditions across UGI's service territories, contributing to its record quarterly EPS; excluding tax reform benefits, mgmt noted F1H18 EPS is up ~50% from 1H13, the last comparable 1H weather environment. This growth has been driven by strategic investments & acquisitions across UGI subsidiaries and we await the call for an update on its in-flight expansions and potential future investments, particularly as environmental opposition appears to be mounting against the ~\$1.3B PennEast pipeline. F18 EPS guidance was lifted ~8% to \$2.70-\$2.80.

**CFO transition.** In late Feb., UGI named Ted Jastrzebski CFO, effective on or before 5/21/18. Since 2013, Mr. Jastrzebski has served as EVP & CFO of the QVC Group of Companies, which comprises QVC, HSN, Cornerstone Brands, and Zulily. Prior to QVC, Mr. Jastrzebski held senior-level finance and management positions at Hershey (2004-2013), CARE (2002-2004), Project HOPE (1999-2002), and Proctor & Gamble (1985-1999). We suspect Mr. Jastrzebski may join tomorrow's call and wish outgoing CFO Kirk Oliver the best in his future endeavors.

**31st consecutive annual dividend increase.** On April 24th, UGI declared a quarterly cash dividend of 26¢/sh (\$1.04 annualized), up ~4% q/q & y/y; the dividend increase marks UGI's 31st consecutive annual raise and it has paid uninterrupted dividends since 1885. This quarter's payment will be paid on July 1st to shareholders of record on June 15th.

**Key topics for tomorrow's call.** Mgmt will host a conference call @ 9am EDT tomorrow (866.393.4306) to discuss F2Q results and its updated guidance. We look for updates on 1) the PennEast pipeline project, 2) UGI Utility's electric rate case, filed in January, 3) potential midstream investments and/or propane acquisitions, and 4) dividend policy as UGI's F18 payout ratio will approach the low-end of its historic 35%-45% guidance range.

### F2Q18 Results Review

Recurring Operating Income	Actual F2Q18A	JEFe F2Q18E	Year-over-Year F2Q17A	
<b>Operating Income (SMM)</b>				
AmeriGas Propane	\$266.6	\$297.1	-10.3%	\$227.3 17.3%
Utilities	\$135.1	\$128.1	5.4%	\$116.4 16.0%
Midstream & Marketing	\$107.5	\$84.9	26.6%	\$82.1 31.0%
International Propane	\$131.8	\$139.7	-5.7%	\$127.7 3.2%
Corporate & Other	(\$25.4)	\$3.1	NM	(\$29.9) NM
<b>Total Operating Income</b>	<b>\$615.6</b>	<b>\$653.0</b>	<b>-5.7%</b>	<b>\$523.6 17.6%</b>
Income (Loss) from Equity Investees	\$0.7	\$1.4	-49.1%	\$2.3 NM
Interest Expense	(\$58.1)	(\$62.9)	-7.6%	(\$55.8) 4.1%
Minority Interests	(\$131.7)	(\$176.7)	-25.5%	(\$108.1) 21.8%
Income Tax Benefit (Expense)	(\$128.3)	(\$124.2)	3.3%	(\$130.2) -1.5%
<b>Recurring Net Income</b>	<b>\$298.2</b>	<b>\$290.6</b>	<b>2.6%</b>	<b>\$231.8 28.6%</b>
Diluted Shares Outstanding	176.4	176.8	-0.2%	177.1 -0.4%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$1.69</b>	<b>\$1.64</b>	<b>2.8%</b>	<b>\$1.31 29.2%</b>
<b>Capital Expenditures</b>	<b>\$109.3</b>	<b>\$125.1</b>	<b>-12.7%</b>	<b>\$144.7 -24.5%</b>
<b>Dividend Per Share</b>	<b>\$0.25</b>	<b>\$0.25</b>	<b>0.0%</b>	<b>\$0.24 5.3%</b>

Source: UGI reports & Jefferies estimates

Note: Recurring results exclude the impact of one-time or non-operational items.

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## Company Description

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

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## Investment Recommendation Record

### (Article 3(1)e and Article 7 of MAR)

Recommendation Published , 20:19 ET. May 2, 2018  
Recommendation Distributed , 20:19 ET. May 2, 2018

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The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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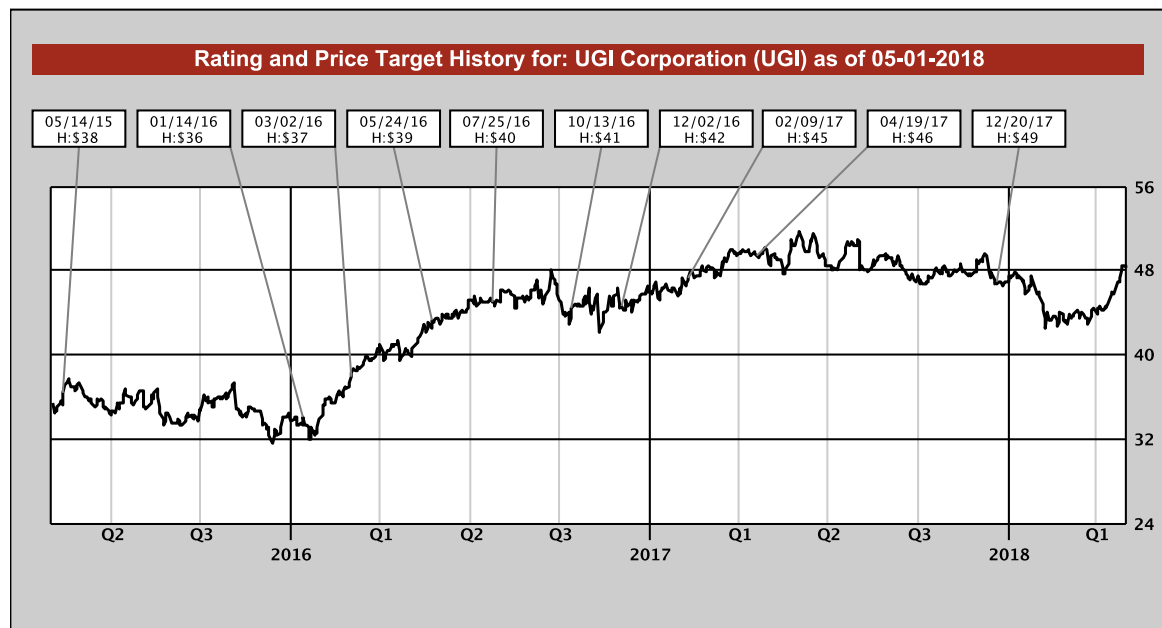
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Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

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			Count	Percent	Count	Percent
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**FLASH NOTE**

Company Update

USA | Energy | Natural Gas

January 31, 2018

**Jefferies**

# UGI Corporation (UGI)

## The Taxman Giveth

**HOLD**

Bloomberg NYSE: UGI  
Price target \$49.00  
Price \$45.77^

^Prior trading day's closing price unless otherwise noted.

EQUITY RESEARCH

**Key Takeaway**

**UGI realized recurring Adj. F1Q EPS of \$1.01 (ex-items), above our 95¢ EPS forecast & the Street's 93¢ mean estimate. While operational results fell short of JEFs and declined y/y, largely due to APU weakness, the combined effects of US & French tax law changes benefitted results by 9¢; mgmt expects a F18 EPS benefit of 15-25¢ from tax law changes, implying EPS guidance of \$2.60-\$2.90, ~8% above the current \$2.55 Street mean at its mid-point.**

**Tax benefits overcome APU weakness.** Though F1Q weather was colder y/y across UGI's US service territories, it remained warmer than normal, crimping results; moreover, as Dec.'s cold snap occurred late in the month, its associated sales effect will largely appear in F2Q results. The Utilities and Midstream & Marketing units benefitted from the effects of rate case decisions, continued customer growth, and recent infrastructure expansions, which propelled operational beats and strong y/y growth; however, APU enjoyed no such tailwinds and its Op Income missed JEFs by ~12% and declined y/y. UGI international matched JEFs as warmer y/y temperatures were offset by the contribution of recent acquisitions. Despite the subdued operating performance (~3% below JEFs), the combined, recurring effects of recent US & French tax legislation created a ~9¢ net EPS benefit, driving the EPS beat.

**PennEast receives FERC certificate.** After a series of delays which beset many NE natural gas pipeline projects, including the FERC's approx. 6-month lack of quorum last year, PennEast Pipeline received its FERC certificate on Jan. 20th. The ~\$1.3B, 120-mile pipe will deliver up to 1 Bcfd of Marcellus shale production to Mid-Atlantic customers as ~90% of its capacity is contracted with regional gas utilities & electric generators. We await tomorrow's call for updates on project cost and in-service timelines; UGI holds a 20% interest in PennEast and will be its operator and mgmt had previously noted a late-2019 in-service target.

**Tax legislation creates recurring benefit.** UGI excluded ~\$183mm (\$1.04/share) in aggregate one-time benefits resulting from the US Tax Cuts and Jobs Act and the French Finance Bill from its F1Q18 results; however, these tax code changes offer recurring EPS tailwinds. UGI mgmt anticipates for F18 the new tax laws will generate a net EPS benefit of 15¢-25¢, effectively boosting its Nov. guidance to a new \$2.60-\$2.90 range, ~8% above the Street's current \$2.55 mean estimate at its mid-point. Moreover, as UGI's dividend policy is driven by a targeted 35-45% payout ratio, we look to the call for color on the cash flow impact of new taxes and any accelerated dividend growth it may permit; the mid-point of its payout ratio & implied F18 EPS guidance suggest ~10% dividend upside from F1Q levels.

**Conference Call.** Tomorrow @ 9am EDT; 866.393.4306

**UGI F1Q Results Review**

Recurring Operating Income	Actual F1Q18A	JEFs F1Q18E	Year-over-Year F1Q17A
<b>Operating Income (\$MM)</b>			
AmeriGas Propane	\$147.9	\$167.7	-11.8%
Utilities	\$96.3	\$79.6	20.9%
Midstream & Marketing	\$52.3	\$47.3	10.5%
International Propane	\$95.0	\$94.3	0.7%
Corporate & Other	(\$9.1)	\$5.3	NM
<b>Total Operating Income</b>	<b>\$382.3</b>	<b>\$394.3</b>	<b>-3.0%</b>
Income (Loss) from Equity Investees	\$1.0	\$1.1	-7.0%
Interest Expense	(\$58.2)	(\$57.3)	1.6%
Minority Interests	(\$68.3)	(\$44.1)	54.9%
Income Tax Benefit (Expense)	(\$77.5)	(\$125.9)	-38.5%
<b>Recurring Net Income</b>	<b>\$179.3</b>	<b>\$168.0</b>	<b>6.7%</b>
Diluted Shares Outstanding	176.9	177.1	-0.1%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$1.01</b>	<b>\$0.95</b>	<b>6.8%</b>
<b>Capital Expenditures</b>	<b>\$128.5</b>	<b>\$160.9</b>	<b>-20.2%</b>
<b>Dividend Per Share</b>	<b>\$0.25</b>	<b>\$0.25</b>	<b>0.0%</b>

Source: UGI reports & JEF estimates; results exclude non-recurring items.

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## Company Description

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### (Article 3(1)e and Article 7 of MAR)

Recommendation Published , 19:19 ET. January 31, 2018

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## Valuation Methodology

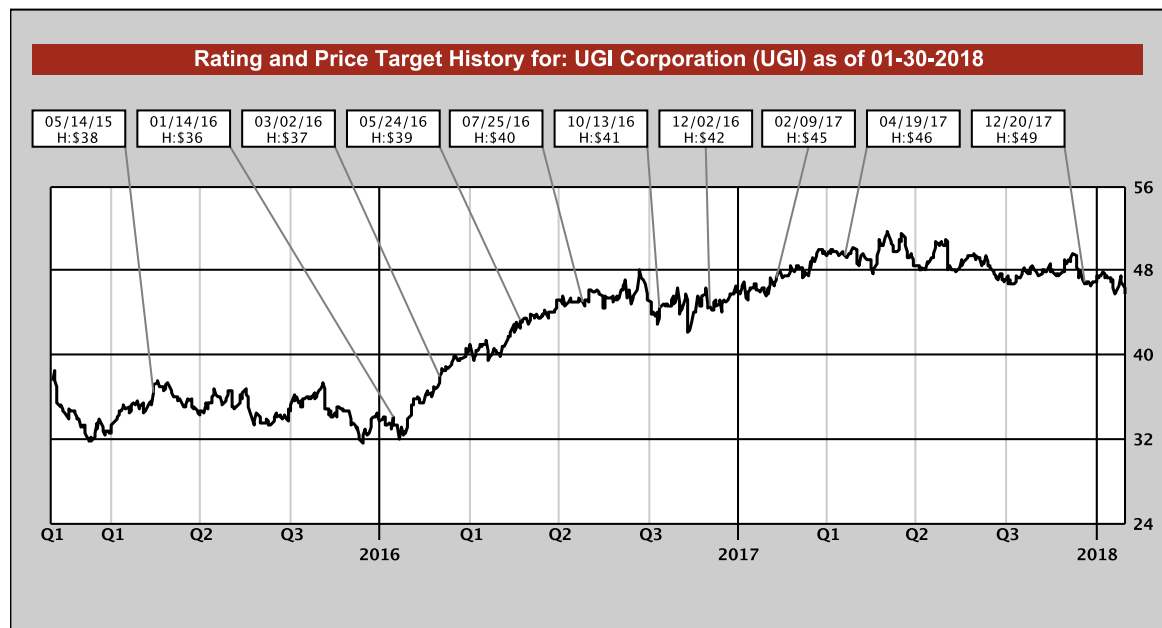
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Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

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			Count	Percent	Count	Percent
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FLASH NOTE

Company Update

USA | Energy | Natural Gas

November 9, 2017

# UGI Corporation (UGI)

## UGI Books a Perillo Tour

**HOLD**

Bloomberg NYSE: UGI  
Price target \$46.00  
Price \$48.03^

^Prior trading day's closing price unless otherwise noted.

EQUITY RESEARCH

### Key Takeaway

**UGI realized F4Q LPS of 4¢ (ex items), in-line with our 5¢ LPS forecast & the 5¢ Street mean LPS est. Given the nature of UGI's release, it is difficult to know precisely where operational deltas exist; we await the 10-K for full disclosure. Mgmt initiated a F18 EPS guidance range of \$2.45-\$2.65 (vs. \$2.45 JFe).**

**Operational results.** Total F4Q operating income of \$3.4mm (excluding items) fell short of our \$8.0mm estimate; the miss was primarily attributable to the domestic operations. F17 again presented weather-related challenges as temperatures across all service territories remained warmer-than-normal; however, there was a sequential improvement from F16 which aided volumes and profits y/y. The y/y EPS advance was primarily driven by infrastructure investments, acquisitions, and rate case benefits.

**F18 guidance.** UGI initiated F18 EPS guidance of \$2.45-\$2.65, slightly above \$2.45 JFe and \$2.48 Street mean. APU also offered F18 Adj. EBITDA guidance of \$650-\$690mm, also modestly ahead of \$657mm JFe. Guidance assumes normal weather (15-year NOAA).

**Acquisitions.** On Oct. 5th, UGI announced the acquisition of Totalgaz Italia S.r.l ("Totalgaz Italia"), the LPG distribution business of TotalErg S.p.A, a JV between Total S.A. and Erg S.p.A. Totalgaz Italia, which serves ~65K space heating & industrial customers in northern Italy. The acquisition is expected to be ~2¢ per share accretive to UGI in its first year. Additionally, on Sept. 5th, UGI acquired Dutch energy marketer DVEP Investeringen B.V. ("DVEP"), which markets natural gas and electricity, produced mainly from renewable sources, to companies in the Netherlands. UGI is also anticipating this acquisition to be 2¢ accretive to F18 EPS.

**Dividend.** On July 25th, UGI announced a 25¢/share dividend, flat q/q and up ~5.3% y/y. We continue to expect long-term increases at an annual rate of ~5% and note that UGI typically increases its dividend prior to communicating F2Q results in April.

**Conference call.** Today @ 9AM EDT (866.393.4306). Key issues include updates on: 1) midstream projects; 2) rate case proceedings; 3) acquisition integrations; and 4) QTD trends.

### UGI F4Q17 Results Review

Recurring Operating Income	Actual F4Q17A	JFe F4Q17E	Year-over-Year F4Q16A	
<b>Operating Income (\$MM)</b>				
AmeriGas Propane	(\$18.5)	(\$9.5)	94.0%	(\$12.0) 54.2%
Utilities	\$2.0	\$7.0	-71.5%	\$8.3 -75.9%
Midstream & Marketing	\$4.6	\$11.4	-59.5%	\$14.7 -68.7%
International Propane	\$3.4	\$0.4	NM	(\$11.0) NM
Corporate & Other	\$11.9	(\$1.2)	NM	(\$46.7) NM
<b>Total Operating Income</b>	<b>\$3.4</b>	<b>\$8.0</b>	<b>-57.6%</b>	<b>(\$46.7) NM</b>
Income (Loss) from Equity Investees	\$1.3	\$0.1	NM	(\$0.1) NM
Interest Expense	(\$56.1)	(\$56.1)	0.0%	(\$57.3) -2.2%
Other Items	\$0.0	\$0.0	NM	\$0.0 NM
Minority Interests	\$21.7	\$25.2	-13.8%	\$41.4 -47.6%
Income Tax Benefit (Expense)	\$22.9	\$14.4	59.2%	\$59.1 -61.2%
<b>Recurring Net Income</b>	<b>(\$6.8)</b>	<b>(\$8.4)</b>	<b>-19.4%</b>	<b>(\$3.7) 84.2%</b>
Diluted Shares Outstanding	173.8	173.3	0.3%	173.7 0.0%
<b>Recurring Earnings Per Share (EPS)</b>	<b>(\$0.04)</b>	<b>(\$0.05)</b>	<b>-19.6%</b>	<b>(\$0.02) 84.1%</b>
<b>Capital Expenditures</b>	<b>\$183.3</b>	<b>\$216.6</b>	<b>-15.4%</b>	<b>\$193.2 -5.1%</b>
<b>Dividend Per Share</b>	<b>\$0.25</b>	<b>\$0.25</b>	<b>0.0%</b>	<b>\$0.24 5.3%</b>

Source: UGI, Jefferies estimates

Note: UGI reported F4Q EPS of 3¢; however, with non-recurring adjustments we estimate a 4¢ LPS and therefore reflect diluted shares as basic. UGI notes 177.2mm diluted shares.

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## Company Description

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

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Recommendation Published , 09:16 ET. November 9, 2017  
Recommendation Distributed , 09:16 ET. November 9, 2017

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### Jefferies Franchise Picks



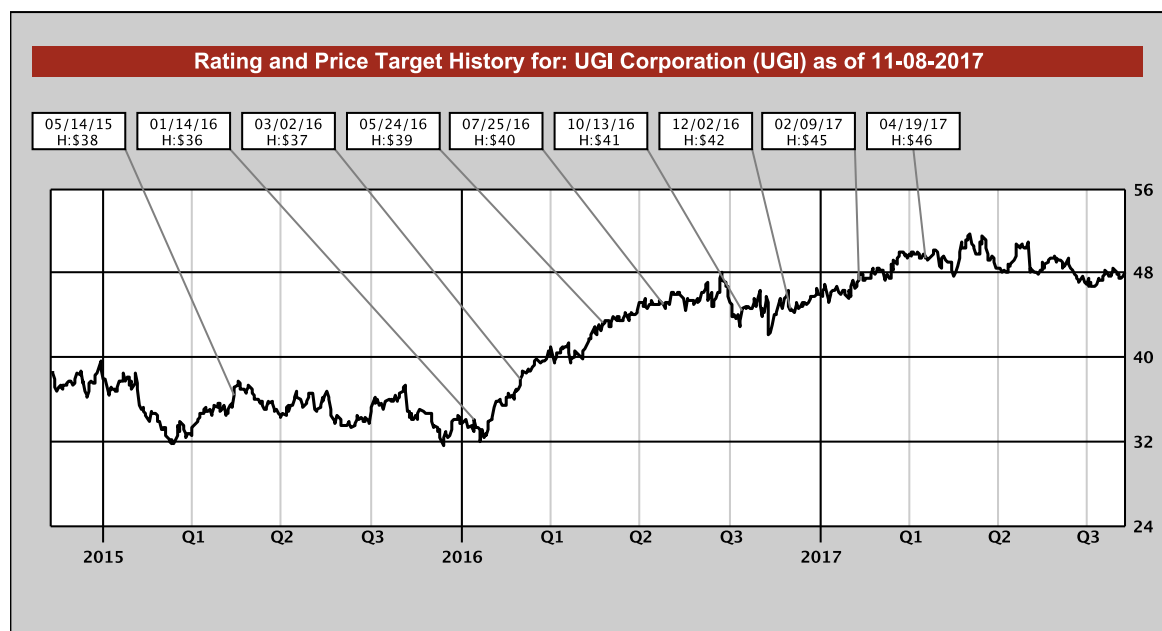
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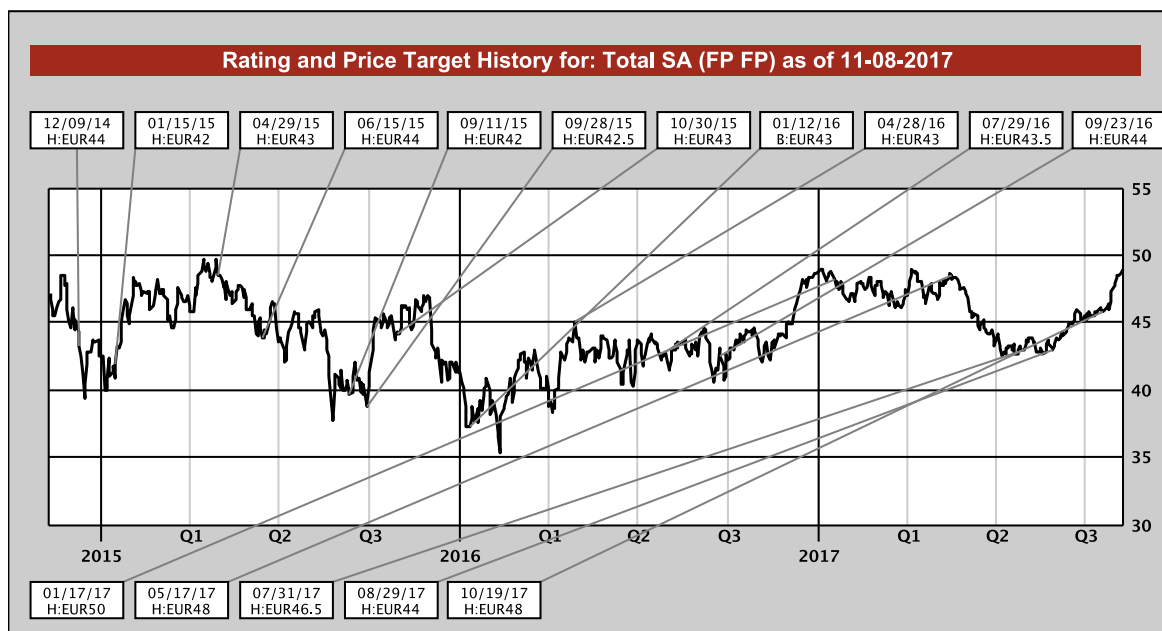
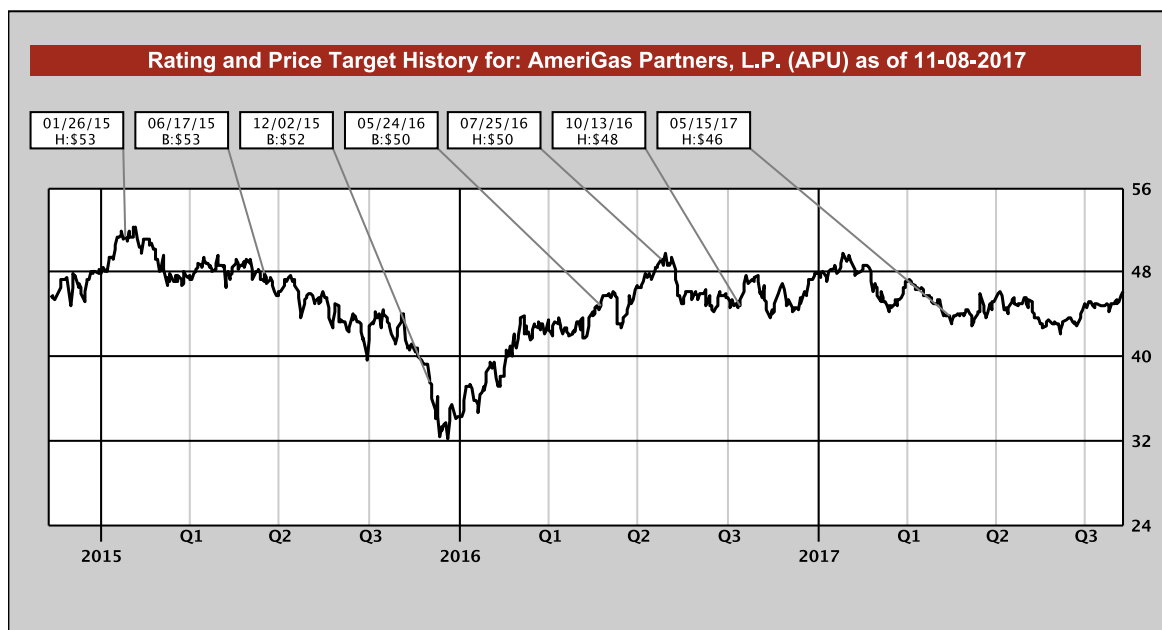
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## INDUSTRY NOTE

Target | Estimate Change

USA | Energy | Natural Gas

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EQUITY RESEARCH AMERICAS

## Natural Gas

### APU, UGI & NFG Model Updates

#### Key Takeaway

**After digesting F3Q results, guidance tweaks, and regulatory disclosures, we are adjusting our APU, NFG, and UGI models; given pending fiscal year-ends (9.30), we have added F2018 quarterly estimates & F2022 annual forecasts. These changes, along with updated commodity strip prices & a roll-forward of our valuation analysis, causes a slight bump in our NFG price target, to \$54, from \$52; we remain Hold-rated on all names.**

**AmeriGas Partners.** APU realized recurring F3Q Adj. EBITDA of ~\$69.3mm (ex-items), in line with our \$69mm forecast, but falling short of the \$74mm Street mean estimate. As was the common theme during the first half of FY17, warmer than normal temps coupled with an increase in propane prices provided a headwind to quarterly results. With results, mgmt lowered its F17 Adj. EBITDA guidance to \$550mm, the low-end of its previous range. However, not included within the guidance are \$14.3mm of one-time charges, thus our JFe for F17 Adj. EBITDA is ~\$565mm. On the call, mgmt. addressed investor's increasing concern regarding low propane inventory and the potential for another step-up in propane prices.

**National Fuel Gas.** NFG realized F3Q EPS of 69¢, broadly in line with our 68¢ estimate. While operating results were a touch below our projection (EBIT of \$123.4mm vs. \$126.7mm JFe), a better than expected tax rate (37.5% v. 41.4% JFe) more than offset. With results, mgmt initiated respective F18 capex, production & EPS guidance of \$535-\$645mm, 185-200 Bcfe, and \$2.70-\$3.05. After years of testing, NFG believes it has de-risked its sizable WDA Utica potential, adding significant economic drilling inventory on acreage which already enjoys Marcellus-oriented infrastructure. Accordingly, mgmt outlined plans to continue optimizing its well & completion designs as it transitions into a Utica development program that leverages in-place upstream & midstream infrastructure, delivering capital, operational, and marketing efficiencies. NFG's latest slide presentation features drilling program economic details which now include >500 EDA & WDA Utica locations, projected to deliver 15% IRRs at realized prices between \$1.77-\$1.94/Mcfe. Mgmt outlined a F18 Seneca capital budget of \$275-\$325mm and reiterated plans to grow F18-F20 production at a ~10% CAGR. Finally, in F3Q NFG added ~160 TBtu of in-basin fixed-price physical sale contracts through 2024 at an average price of ~\$2.30/MMBtu. Separately, NFG noted it now has precedent agreements in-place for 185 MMcfd of the planned capacity on its \$135mm Empire North project, targeted for in-service in Nov. 2019, and it has secured foundation shippers for several expansions of its Line N pipeline and precedent agreements are in negotiation; these two expansions have in-service target dates in July 2019 & July 2020.

**UGI Corporation.** UGI realized F3Q EPS of 10¢ (ex-items), falling short of both our 18¢ and the Street mean 16¢ EPS estimate. UGI reported lower total margin across all of its operating segments, citing lower volumes in its propane business, decreased capacity management within its M&M business and reduced core market throughput within its Utilities business as the primary drivers causing the decrease. These headwinds were partially offset by increased Utility customer growth, new base rates in UGI Gas, and continued synergy realization from the Finegaz acquisition. Mgmt also provided an update regarding its various growth initiatives, including two retail acquisitions at APU and the filing of a Joint Petition for Approval with the PA PUC. The petition, if approved, would increase base rates by \$11.25mm, mgmt expects these rates to be in place by Oct. During the F3Q call, mgmt reiterated its expectation for its PennEast project to commence construction in 2018, as the project is ready for its final FERC certification review.

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Company Name	Ticker	Mkt. Cap (MM)	Rating	Price <sup>^</sup>	Price Target	Cons. Next FY	Current EPS Estimates			Previous Est.	
							2016	2017	2018	2017	2018
AmeriGas Partners	APU	\$4,035.3	HOLD	\$43.39	\$46.00	--	\$1.91	\$1.87	\$2.89	\$2.00	\$2.97
National Fuel Gas Company	NFG	\$4,957.3	HOLD	\$57.98	\$54.00▲	--	\$3.10	\$3.32	\$2.95	\$3.25	\$2.98
UGI Corporation	UGI	\$8,567.7	HOLD	\$49.41	\$46.00	--	\$2.09	\$2.29	\$2.45	\$2.35	\$2.55

**Exhibit 1: APU Consolidated Income Statement**

Consolidated Income Statement ('000s)	2013	2014	2015	Dec-1Q	Mar-2Q	Jun-3Q	Sep-4Q	2016	Dec-1Q	Mar-2Q	Jun-3Q	Sep-4QE	2017E	2018E	2019E	2020E	2021E	2022E
Mt. Belvieu Propane Price (\$/gallon)	\$0.92	\$1.15	\$0.54	\$0.42	\$0.39	\$0.49	\$0.47	\$0.44	\$0.58	\$0.70	\$0.63	\$0.72	\$0.66	\$0.72	\$0.75	\$0.76	\$0.76	\$0.89
Propane Revenue / Gallon	\$2.14	\$2.51	\$2.11	\$1.85	\$1.89	\$1.82	\$1.75	\$1.84	\$1.89	\$2.10	\$1.98	\$2.00	\$2.00	\$2.07	\$2.09	\$2.10	\$2.11	\$2.24
Propane Cost / Gallon	\$1.17	\$1.48	\$1.01	\$0.72	\$0.70	\$0.71	\$0.69	\$0.70	\$0.75	\$0.89	\$0.86	\$0.94	\$0.85	\$0.92	\$0.93	\$0.93	\$0.92	\$1.04
Propane Margin / Gallon	\$0.975	\$1.034	\$1.098	\$1.134	\$1.189	\$1.115	\$1.052	\$1.136	\$1.140	\$1.208	\$1.122	\$1.058	\$1.146	\$1.152	\$1.163	\$1.175	\$1.187	\$1.199
Y/Y Gross Margin Growth	5.6%	6.1%	6.1%	7.9%	2.0%	5.1%	-0.7%	3.6%	0.5%	1.6%	0.6%	0.6%	0.8%	0.6%	1.0%	1.0%	1.0%	1.0%
<b>VOLUMES (gallons in 000's)</b>	<b>19.9%</b>	<b>1.6%</b>	<b>-9.5%</b>	-12.5%	-13.4%	-0.9%	-7.1%	-10.0%	3.0%	-5.9%	-3.5%	2.8%	-1.5%	6.44%	0.48%	0.23%	0.20%	0.19%
Retail	1,245,200	1,275,600	1,184,300	295,100	385,800	202,800	181,800	1,065,500	305,700	362,700	195,000	186,800	1,050,200	1,119,000	1,124,595	1,127,406	1,129,661	1,131,921
Wholesale	101,800	93,400	54,400	14,900	16,400	8,700	9,700	49,700	13,600	15,900	9,000	10,000	48,500	50,500	50,424	50,550	50,550	50,550
Total Gallons Sold (000's)	1,347,000	1,369,000	1,238,700	310,000	402,200	211,500	191,500	1,115,200	319,300	378,600	204,000	196,800	1,098,700	1,169,500	1,175,095	1,177,831	1,180,212	1,182,471
<b>REVENUES</b>																		
Retail Propane	2,775,800	3,307,600	2,570,700	\$565,100	\$750,000	\$380,200	\$328,500	2,023,800	\$593,600	\$781,800	\$396,900	\$372,861	2,145,161	2,314,797	2,353,193	2,367,835	2,381,082	2,531,885
Wholesale Propane	108,966	133,268	41,701	8,804	9,278	5,366	5,912	29,360	10,500	14,006	7,054	19,960	51,520	104,361	105,575	105,814	106,450	112,972
Total Propane Revenues	2,884,766	3,440,868	2,612,401	573,904	759,278	385,566	334,412	2,053,160	604,100	795,806	403,954	392,822	2,196,682	2,419,158	2,458,768	2,473,650	2,487,533	2,644,857
Other	281,777	272,067	272,921	70,194	68,209	61,118	59,136	258,657	73,110	67,854	63,542	58,843	263,349	267,458	271,470	275,542	279,675	283,871
Total Revenues	3,166,543	3,712,935	2,885,322	\$644,098	\$827,487	\$446,684	\$393,548	2,311,817	\$677,210	\$863,660	\$467,496	\$451,665	2,460,031	2,686,616	2,730,239	2,749,192	2,767,208	2,928,727
<b>COSTS &amp; EXPENSES</b>																		
Propane Costs	1,571,574	2,025,097	1,253,326	222,289	281,075	149,662	132,895	785,921	240,136	338,459	175,081	184,588	938,264	1,072,153	1,091,784	1,089,622	1,086,754	1,227,275
Propane Gross Profit	1,313,192	1,415,771	1,359,075	351,615	478,203	235,904	201,517	1,267,239	363,964	457,347	228,873	208,233	1,258,417	1,347,005	1,366,984	1,384,028	1,400,779	1,417,582
Cost of Other Sales	88,479	81,982	86,638	20,867	17,161	21,145	19,684	82,110	20,582	17,327	22,367	23,323	83,599	84,904	86,177	87,470	88,782	90,114
Depreciation & Amortization Expenses	202,871	197,215	194,880	49,206	47,419	46,410	46,945	189,980	44,611	45,012	46,141	46,200	181,964	180,752	179,703	178,737	177,839	177,000
Operating & Administrative Expenses	917,389	963,963	953,283	230,889	238,535	217,154	212,208	898,786	226,802	240,006	214,327	213,269	894,404	894,404	896,774	901,258	906,981	912,740
Other Income, net	(32,503)	(27,450)	(31,355)	(8,907)	(7,131)	(6,041)	(6,173)	(28,252)	(5,665)	(5,628)	(8,294)	(6,173)	(25,760)	(26,340)	(26,603)	(26,869)	(27,138)	(27,341)
Total Costs & Expenses	2,747,810	3,240,807	2,456,772	514,344	577,059	428,330	405,559	1,928,545	526,466	635,176	449,622	461,207	2,072,471	2,205,874	2,227,836	2,230,218	2,233,218	2,379,788
Total Operating Income / (Loss)	418,733	472,128	428,550	129,754	250,428	18,354	(12,011)	383,272	150,744	228,484	17,874	(9,543)	387,559	480,743	502,403	518,974	533,990	548,940
<b>EBITDA</b>	<b>\$617,735</b>	<b>\$664,795</b>	<b>\$619,190</b>	<b>\$177,690</b>	<b>\$295,368</b>	<b>\$64,603</b>	<b>\$35,602</b>	<b>\$570,010</b>	<b>\$193,954</b>	<b>\$271,212</b>	<b>\$63,921</b>	<b>\$36,960</b>	<b>\$566,047</b>	<b>\$657,025</b>	<b>\$677,520</b>	<b>\$692,949</b>	<b>\$706,974</b>	<b>\$720,994</b>
Interest Expense	(165,432)	(165,581)	(162,842)	(41,025)	(40,806)	(40,838)	(41,426)	(164,095)	(40,028)	(39,991)	(40,577)	(38,668)	(159,264)	(153,947)	(156,308)	(158,744)	(162,966)	(168,146)
Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pretax Earnings	253,301	306,547	265,708	88,729	209,622	(22,484)	(53,437)	219,177	110,716	188,493	(22,703)	(48,211)	228,295	326,795	346,095	360,231	371,024	380,793
Income Tax (Expense) / Benefit	(1,671)	(2,611)	(2,898)	(910)	(290)	(907)	3,680	1,573	(1,937)	(646)	(646)	(880)	(4,109)	(1,588)	(2,957)	(2,333)	(2,684)	(2,550)
Net Income before Minority Interest	251,630	303,936	262,810	87,819	209,332	(23,391)	(49,757)	220,750	108,779	187,847	(23,349)	(49,091)	224,186	325,207	343,138	357,898	368,341	378,244
Less: Minority Interest	(3,869)	(4,548)	(4,240)	(1,270)	(2,479)	(161)	668	(3,242)	(1,401)	(2,284)	(94)	303	(3,476)	(4,470)	(4,586)	(4,762)	(4,854)	(4,946)
Net Income before Accounting Changes	247,761	299,388	258,570	86,549	206,853	(23,552)	(49,089)	217,508	107,378	185,563	(23,443)	(48,788)	220,710	320,737	338,552	353,136	363,486	373,298
Less: Cumulative Effect of Acctg Changes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net Income</b>	<b>247,761</b>	<b>299,388</b>	<b>258,570</b>	<b>86,549</b>	<b>206,853</b>	<b>(23,552)</b>	<b>(49,089)</b>	<b>217,508</b>	<b>107,378</b>	<b>185,563</b>	<b>(23,443)</b>	<b>(48,788)</b>	<b>220,710</b>	<b>320,737</b>	<b>338,552</b>	<b>353,136</b>	<b>363,486</b>	<b>373,298</b>
Less: General Partner's Interest	(21,498)	(26,749)	(32,469)	(9,455)	(11,107)	(10,101)	(9,564)	(40,227)	(11,352)	(11,786)	(10,862)	(12,362)	(46,362)	(51,662)	(56,668)	(62,139)	(68,076)	(74,477)
Net Income Available to Limited Partners	226,263	272,639	226,101	77,094	195,746	(33,653)	(58,653)	177,281	96,026	173,777	(34,305)	(61,149)	174,349	269,075	281,884	290,996	295,411	298,821
<b>Net Income per Limited Partner Unit</b>	<b>\$2.44</b>	<b>\$2.93</b>	<b>\$2.43</b>	<b>\$0.83</b>	<b>\$2.10</b>	<b>(\$0.36)</b>	<b>(\$0.63)</b>	<b>\$1.91</b>	<b>\$1.03</b>	<b>\$1.87</b>	<b>(\$0.37)</b>	<b>(\$0.66)</b>	<b>\$1.87</b>	<b>\$2.89</b>	<b>\$3.03</b>	<b>\$3.13</b>	<b>\$3.18</b>	<b>\$3.21</b>
% Change from Prior Comparable Period	269%	20%	-17%	-15%	-19%	-31%	0%	-22%	25%	-11%	2%	4%	-2%	54%	5%	3%	2%	1%
LP Units owned by UGI	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757
Average # of Units Outstanding	92,869	92,913	92,923	93,004	93,020	92,960	92,962	92,986	93,019	93,045	93,009	93,009	93,020	93,009	93,009	93,009	93,009	93,009

Source: APU reports, Jefferies estimates

## Exhibit 2: UGI Consolidated Income Statement (\$MM)

Consolidated Income Statement	2012	2013	2014	2015	2016	1Q	2Q	3Q	4Q	2017E	1QE	2QE	3QE	4QE	2018E	2019E	2020E	2021E	2022E
Revenues	\$6,519.2	\$7,191.6	\$8,277.3	\$6,691.1	\$5,685.7	\$1,679.5	\$2,173.8	\$1,153.5	\$1,092.0	\$6,098.8	\$1,763.8	\$2,411.9	\$1,185.7	\$1,087.5	\$6,448.9	\$6,471.4	\$6,542.8	\$6,628.4	\$6,841.8
(Cost of Sales)	(\$4,111.2)	(\$4,332.7)	(\$5,175.7)	(\$3,647.6)	(\$2,529.1)	(\$732.9)	(\$1,066.3)	(\$586.1)	(\$539.6)	(\$2,924.9)	(\$812.6)	(\$1,179.3)	(\$597.3)	(\$547.0)	(\$3,136.2)	(\$3,129.2)	(\$3,161.7)	(\$3,191.6)	(\$3,357.7)
Gross Margin	\$2,408.0	\$2,859.0	\$3,101.7	\$3,043.5	\$3,156.6	\$946.6	\$1,107.5	\$567.4	\$552.3	\$3,173.8	\$951.1	\$1,232.6	\$588.5	\$540.4	\$3,312.7	\$3,342.2	\$3,381.1	\$3,436.8	\$3,484.0
(Operating & Administrative)	(\$1,591.7)	(\$1,693.5)	(\$1,752.6)	(\$1,751.3)	(\$1,808.0)	(\$456.7)	(\$479.5)	(\$425.7)	(\$441.6)	(\$1,803.5)	(\$452.6)	(\$478.3)	(\$415.8)	(\$433.1)	(\$1,779.9)	(\$1,769.7)	(\$1,763.0)	(\$1,769.6)	(\$1,768.7)
(Depreciation & Amortization)	(\$316.0)	(\$360.3)	(\$362.9)	(\$374.1)	(\$400.9)	(\$98.1)	(\$99.3)	(\$104.1)	(\$104.1)	(\$405.6)	(\$103.5)	(\$104.0)	(\$105.4)	(\$106.3)	(\$419.2)	(\$427.6)	(\$433.5)	(\$442.5)	(\$450.9)
Other Income (Loss)	\$16.4	\$17.9	\$19.5	\$28.3	\$6.6	\$5.9	(\$3.9)	\$6.2	\$1.3	\$9.5	(\$0.5)	\$0.5	\$4.4	\$1.9	\$6.3	\$7.0	\$6.3	\$7.0	\$7.2
Operating Income	\$516.7	\$823.1	\$1,005.6	\$946.4	\$954.4	\$397.7	\$524.8	\$43.8	\$8.0	\$974.3	\$394.5	\$650.7	\$71.7	\$2.9	\$1,119.9	\$1,152.0	\$1,190.9	\$1,231.7	\$1,271.6
(Income from Equity Investees)	(\$0.3)	(\$0.4)	(\$0.1)	(\$1.2)	(\$0.2)	(\$0.2)	\$2.3	\$0.9	\$0.1	\$3.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.4	\$8.0	\$8.6	\$9.2	\$9.8
(Extraordinary Items)	\$11.9	\$10.1	\$11.8	\$0.0	\$0.0	\$0.0	(\$1.2)	(\$0.2)	\$0.0	(\$1.4)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
(Interest Expense)	(\$221.5)	(\$239.1)	(\$237.7)	(\$231.6)	(\$228.9)	(\$55.4)	(\$55.8)	(\$56.8)	(\$56.1)	(\$224.1)	(\$55.3)	(\$55.6)	(\$57.3)	(\$58.4)	(\$226.7)	(\$235.5)	(\$239.8)	(\$241.3)	(\$245.0)
Income before Taxes	\$306.8	\$593.7	\$779.7	\$713.6	\$725.3	\$342.1	\$470.1	(\$12.3)	(\$47.9)	\$752.0	\$339.3	\$595.2	\$14.5	(\$55.4)	\$893.6	\$924.6	\$959.8	\$999.6	\$1,036.4
(Income Tax Expense)	(\$105.5)	(\$163.9)	(\$235.2)	(\$226.7)	(\$178.6)	(\$106.4)	(\$130.2)	(\$3.4)	\$14.4	(\$225.7)	(\$126.4)	(\$166.4)	\$7.8	\$12.5	(\$272.5)	(\$286.6)	(\$302.0)	(\$319.6)	(\$332.5)
(Preferred Dividends)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Income before Other Items	\$201.3	\$429.8	\$544.5	\$486.9	\$546.7	\$235.7	\$339.9	(\$15.7)	(\$33.6)	\$526.3	\$212.9	\$428.8	\$22.3	(\$42.9)	\$621.1	\$638.0	\$657.8	\$680.0	\$703.9
(Minority Interest, prnc. in AmeriGas)	\$13.2	(\$147.7)	(\$195.4)	(\$133.0)	(\$181.7)	(\$73.1)	(\$108.1)	\$32.6	\$25.2	(\$123.4)	(\$47.0)	(\$165.6)	(\$6.4)	\$29.3	(\$189.7)	(\$197.4)	(\$190.8)	(\$197.4)	(\$197.3)
Net Income - Recurring	\$214.5	\$282.1	\$349.1	\$353.9	\$365.0	\$162.6	\$231.8	\$16.9	(\$8.4)	\$402.9	\$165.9	\$263.3	\$15.9	(\$13.6)	\$431.4	\$440.6	\$467.0	\$482.6	\$506.5
<b>EPS (Adjusted Diluted)</b>	<b>\$1.27</b>	<b>\$1.63</b>	<b>\$2.00</b>	<b>\$2.01</b>	<b>\$2.09</b>	<b>\$0.92</b>	<b>\$1.31</b>	<b>\$0.10</b>	<b>(\$0.05)</b>	<b>\$2.29</b>	<b>\$0.94</b>	<b>\$1.49</b>	<b>\$0.09</b>	<b>(\$0.08)</b>	<b>\$2.45</b>	<b>\$2.50</b>	<b>\$2.65</b>	<b>\$2.74</b>	<b>\$2.87</b>
Shares Outstanding - Basic	168.9	170.9	172.7	173.1	173.2	173.5	173.6	173.7	173.3	173.5	173.3	173.3	173.4	173.4	173.3	173.4	173.5	173.6	173.7
Shares Outstanding - Diluted	169.5	172.7	174.6	175.7	174.9	177.0	177.1	177.3	173.3	176.2	176.9	176.9	176.9	173.4	176.0	176.1	176.2	176.3	176.4
EBIT	\$516.7	\$823.1	\$1,005.6	\$946.4	\$954.4	\$397.7	\$524.8	\$43.8	\$8.0	\$974.3	\$394.5	\$650.7	\$71.7	\$2.9	\$1,119.9	\$1,152.0	\$1,190.9	\$1,231.7	\$1,271.6
EBITDA	\$832.7	\$1,183.4	\$1,368.6	\$1,320.5	\$1,355.2	\$495.8	\$624.1	\$147.9	\$112.1	\$1,379.9	\$498.0	\$754.8	\$177.1	\$109.2	\$1,539.1	\$1,579.6	\$1,624.4	\$1,674.2	\$1,722.5

Source: UGI reports, Jefferies estimates



## Exhibit 1: NFG Consolidated Statement of Income

Consolidated Income Statement (SMM)	2012	2013	2014	2015	2016	1Q	2Q	3Q	4QE	2017E	1QE	2QE	3QE	4QE	2018E	2019E	2020E	2021E	2022E
Revenues	\$1,626.9	\$1,829.6	\$2,113.1	\$1,760.9	\$1,452.4	\$422.5	\$522.1	\$348.4	\$757.7	\$2,050.6	\$416.7	\$573.3	\$344.5	\$761.2	\$2,095.8	\$2,321.7	\$2,327.1	\$2,460.1	\$2,473.3
<b>OPERATING INCOME by DIVISION</b>																			
Utility	\$117.2	\$121.4	\$121.0	\$120.1	\$100.1	\$39.2	\$48.3	\$12.2	(\$0.7)	\$99.0	\$40.7	\$63.0	\$14.0	(\$1.5)	\$116.2	\$113.5	\$115.1	\$117.8	\$119.9
Pipeline & Storage	\$120.4	\$126.1	\$149.4	\$151.8	\$156.2	\$38.4	\$38.6	\$33.7	\$34.4	\$145.0	\$37.9	\$34.8	\$33.7	\$34.4	\$140.7	\$139.5	\$165.4	\$171.2	\$177.9
Gathering		\$25.8	\$57.9	\$58.1	\$63.4	\$21.2	\$20.2	\$19.8	\$18.3	\$79.5	\$18.1	\$21.5	\$21.0	\$23.1	\$83.7	\$90.6	\$92.6	\$95.3	\$97.1
Exploration & Production	\$211.2	\$249.0	\$247.4	\$185.2	\$223.9	\$73.4	\$65.1	\$61.8	\$60.5	\$260.8	\$45.2	\$52.3	\$43.9	\$53.0	\$194.4	\$227.8	\$248.6	\$312.3	\$312.5
Energy Marketing	\$5.9	\$6.8	\$10.1	\$12.0	\$6.4	\$2.8	\$1.3	(\$1.1)	\$0.5	\$3.5	\$4.2	\$2.4	(\$1.1)	\$0.5	\$6.0	\$5.9	\$5.8	\$5.6	\$5.5
Corporate	\$1.3	(\$11.4)	(\$12.1)	(\$12.0)	(\$10.2)	(\$2.9)	(\$3.5)	(\$3.0)	(\$3.4)	(\$12.8)	(\$3.0)	(\$3.7)	(\$2.7)	(\$3.6)	(\$13.0)	(\$12.0)	(\$12.6)	(\$12.5)	(\$12.4)
<b>Total Operating Income</b>	<b>\$455.9</b>	<b>\$517.8</b>	<b>\$573.8</b>	<b>\$515.2</b>	<b>\$539.7</b>	<b>\$172.1</b>	<b>\$170.0</b>	<b>\$123.4</b>	<b>\$109.6</b>	<b>\$575.0</b>	<b>\$143.1</b>	<b>\$170.4</b>	<b>\$108.8</b>	<b>\$105.9</b>	<b>\$528.1</b>	<b>\$565.3</b>	<b>\$614.8</b>	<b>\$689.6</b>	<b>\$700.4</b>
Depreciation	\$271.5	\$326.8	\$383.8	\$336.2	\$249.4	\$56.2	\$57.0	\$55.6	\$55.5	\$224.3	\$55.6	\$61.0	\$60.8	\$64.5	\$242.0	\$264.6	\$279.6	\$293.4	\$305.7
Other Income / (Expenses)	\$5.1	\$4.7	\$5.2	\$7.9	\$11.6	\$1.6	\$1.7	\$1.4	\$1.3	\$6.0	\$1.7	\$1.4	\$0.8	\$1.1	\$5.0	\$5.5	\$5.3	\$5.4	\$5.3
Interest Expense	(\$82.6)	(\$89.9)	(\$89.5)	(\$95.4)	(\$118.6)	(\$28.4)	(\$29.4)	(\$29.2)	(\$28.7)	(\$115.8)	(\$28.4)	(\$28.5)	(\$28.1)	(\$28.8)	(\$113.8)	(\$105.0)	(\$107.0)	(\$109.3)	(\$104.1)
<b>Earnings before Taxes</b>	<b>\$378.5</b>	<b>\$432.6</b>	<b>\$489.5</b>	<b>\$427.7</b>	<b>\$432.7</b>	<b>\$145.3</b>	<b>\$142.3</b>	<b>\$95.5</b>	<b>\$82.1</b>	<b>\$465.2</b>	<b>\$116.4</b>	<b>\$143.3</b>	<b>\$81.5</b>	<b>\$78.2</b>	<b>\$419.4</b>	<b>\$465.9</b>	<b>\$513.1</b>	<b>\$585.7</b>	<b>\$601.6</b>
Income Taxes	(\$152.1)	(\$172.8)	(\$198.0)	(\$175.2)	(\$168.7)	(\$56.4)	(\$53.0)	(\$35.8)	(\$34.1)	(\$179.3)	(\$44.9)	(\$54.7)	(\$33.0)	(\$32.8)	(\$165.3)	(\$186.3)	(\$205.3)	(\$234.3)	(\$240.6)
Effective Tax Rate	40.2%	39.9%	40.4%	41.0%	39.0%	38.8%	37.2%	37.5%	41.5%	38.5%	38.5%	38.1%	40.4%	42.0%	39.4%	40.0%	40.0%	40.0%	40.0%
Net Income	\$226.5	\$259.8	\$291.5	\$252.5	\$263.9	\$88.9	\$89.3	\$59.7	\$48.0	\$285.9	\$71.5	\$88.7	\$48.5	\$45.4	\$254.1	\$279.5	\$307.9	\$351.4	\$361.0
<b>Recurring Diluted Earnings Per Share</b>	<b>\$2.70</b>	<b>\$3.08</b>	<b>\$3.43</b>	<b>\$2.97</b>	<b>\$3.10</b>	<b>\$1.04</b>	<b>\$1.04</b>	<b>\$0.69</b>	<b>\$0.56</b>	<b>\$3.32</b>	<b>\$0.83</b>	<b>\$1.03</b>	<b>\$0.56</b>	<b>\$0.53</b>	<b>\$2.95</b>	<b>\$3.24</b>	<b>\$3.56</b>	<b>\$4.06</b>	<b>\$4.16</b>
	-0.3%	14.0%	11.4%	-13.5%	4.4%					7.2%					-11.3%	9.8%	10.0%	13.9%	2.6%
Average number of diluted shares outstanding	83,728	84,249	84,883	85,016	85,140	85,798	86,007	86,064	86,125	85,998	86,057	86,114	86,168	86,221	86,140	86,316	86,464	86,607	86,744
Average number of basic shares outstanding	83,128	83,519	83,930	84,388	84,848	85,190	85,335	85,422	85,483	85,357	85,416	85,473	85,528	85,580	85,499	85,675	85,823	85,966	86,103
Dividend	\$1.44	\$1.48	\$1.52	\$1.56	\$1.60	\$0.41	\$0.41	\$0.42	\$0.42	\$1.64	\$0.42	\$0.42	\$0.43	\$0.43	\$1.68	\$1.72	\$1.76	\$1.80	\$1.84
Payout Ratio	53%	48%	44%	53%	52%	39%	39%	60%	74%	49%	50%	40%	75%	81%	57%	53%	49%	44%	44%
Payout Ratio of Regulated EPS	102%	89%	75%	77%	88%	67%	63%	117%	138%	88%	71%	57%	120%	136%	87%	89%	82%	82%	82%
Payout ex. E&P	0.99%	0.95%	1.29%	1.04%	1.04%					1.22%					1.13%	1.13%	1.05%	1.06%	1.04%
Dividend Growth (Y/Y)	2.9%	2.8%	2.7%	2.6%	2.6%					2.5%					2.4%	2.4%	2.3%	2.3%	2.2%
Utility EPS	\$0.70	\$0.78	\$0.75	\$0.74	\$0.60	\$0.25	\$0.30	\$0.05	(\$0.02)	\$0.58	\$0.26	\$0.40	\$0.05	(\$0.02)	\$0.69	\$0.67	\$0.68	\$0.70	\$0.71
Pipeline & Storage EPS	\$0.71	\$0.73	\$0.90	\$0.90	\$0.86	\$0.23	\$0.22	\$0.19	\$0.21	\$0.81	\$0.22	\$0.20	\$0.18	\$0.20	\$0.76	\$0.75	\$0.93	\$0.95	\$0.99
Gathering EPS		\$0.16	\$0.39	\$0.37	\$0.36	\$0.13	\$0.12	\$0.12	\$0.11	\$0.48	\$0.10	\$0.13	\$0.12	\$0.14	\$0.49	\$0.53	\$0.53	\$0.54	\$0.55
Energy Marketing EPS	\$0.05	\$0.05	\$0.08	\$0.09	\$0.05	\$0.02	\$0.01	(\$0.01)	\$0.00	\$0.03	\$0.03	\$0.02	(\$0.01)	\$0.00	\$0.05	\$0.04	\$0.04	\$0.04	\$0.04
Exploration & Production EPS	\$1.25	\$1.37	\$1.87	\$1.10	\$1.20	\$0.41	\$0.39	\$0.35	\$0.36	\$1.51	\$0.21	\$0.27	\$0.21	\$0.30	\$0.97	\$1.19	\$1.35	\$1.81	\$1.84
Other	(\$0.00)	(\$0.01)	(\$0.55)	(\$0.23)	\$0.03	\$0.01	(\$0.01)	(\$0.00)	(\$0.10)	(\$0.08)	\$0.00	\$0.01	\$0.00	(\$0.09)	(\$0.01)	\$0.06	\$0.02	\$0.01	\$0.03
Total	\$2.71	\$3.09	\$3.99	\$3.20	\$3.07	\$1.03	\$1.04	\$0.70	\$0.66	\$3.40	\$0.83	\$1.02	\$0.56	\$0.61	\$2.96	\$3.18	\$3.54	\$4.05	\$4.13

Source: Company Data, Jefferies estimates

## Company Description

AmeriGas Partners, L.P. (NYSE: APU) is the nation's largest retail propane marketer, serving more than 2.3 million customers in all 50 states from roughly 2,100 distribution locations. AmeriGas is a master limited partnership (MLP) and UGI Corporation (NYSE: UGI) is its sole General Partner and owns an approximate 26% Limited Partner interest. AmeriGas is organized under the laws of the state of Delaware and headquartered in King of Prussia, PA.

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

National Fuel Gas Company (NYSE: NFG) is a diversified energy holding company which operates in five business segments: Utility, Pipeline & Storage, Gathering, Exploration & Production, and Energy Marketing. The Utility operations are conducted by NFG Distribution Corp., which sells natural gas and provides natural gas and transportation services to ~750,000 customers western New York and northwestern Pennsylvania. The Pipeline & Storage operations are carried out by NFG Supply Corp. and Empire Pipeline, Inc., which provide interstate natural gas transportation & storage services for affiliated and nonaffiliated companies. The Exploration & Production operates via Seneca Resources Corp., which is engaged in the exploration, development and purchase of natural gas and oil reserves primarily in California and in the Appalachian region. National Fuel Gas was founded on December 8, 1902, is incorporated under the laws of the state of New Jersey, and is headquartered in Williamsville, NY.

## Analyst Certification:

I, Christopher Sighinolfi, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Corey Goldman, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my 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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## Investment Recommendation Record

### (Article 3(1)e and Article 7 of MAR)

Recommendation Published , 19:25 ET. August 31, 2017

Recommendation Distributed , 19:25 ET. August 31, 2017

## Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

## Valuation Methodology

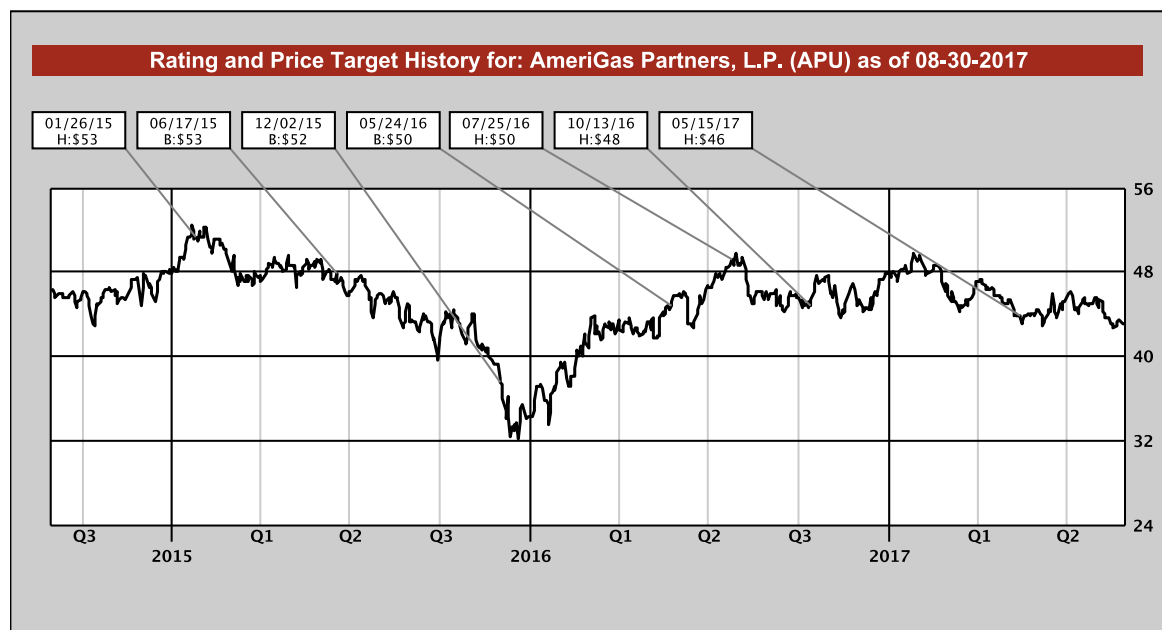
Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

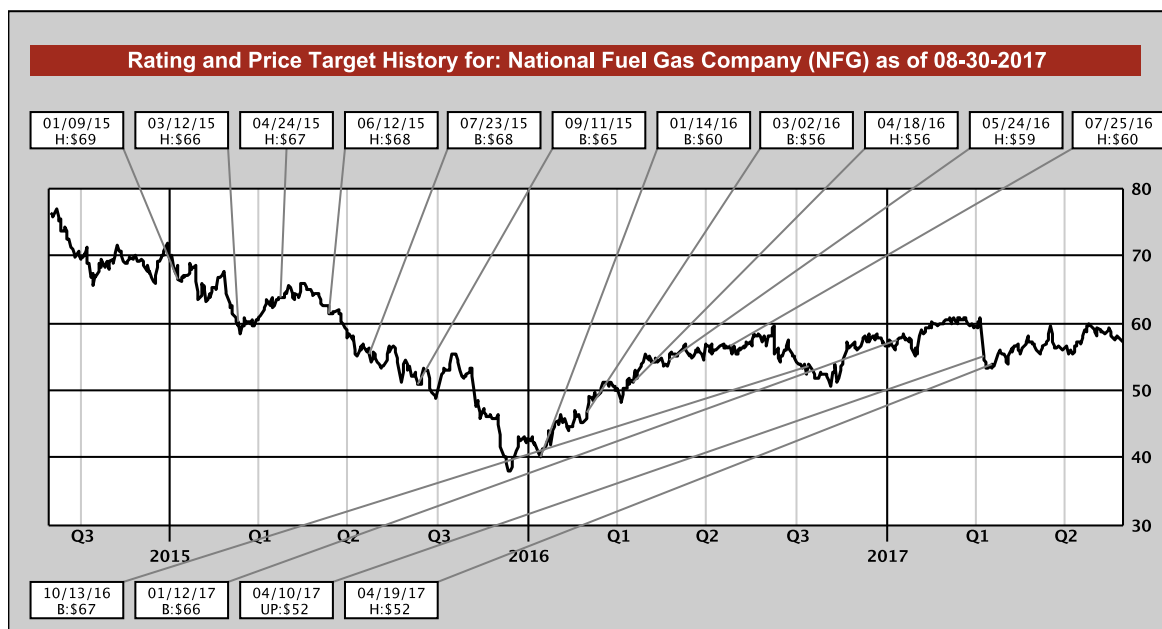
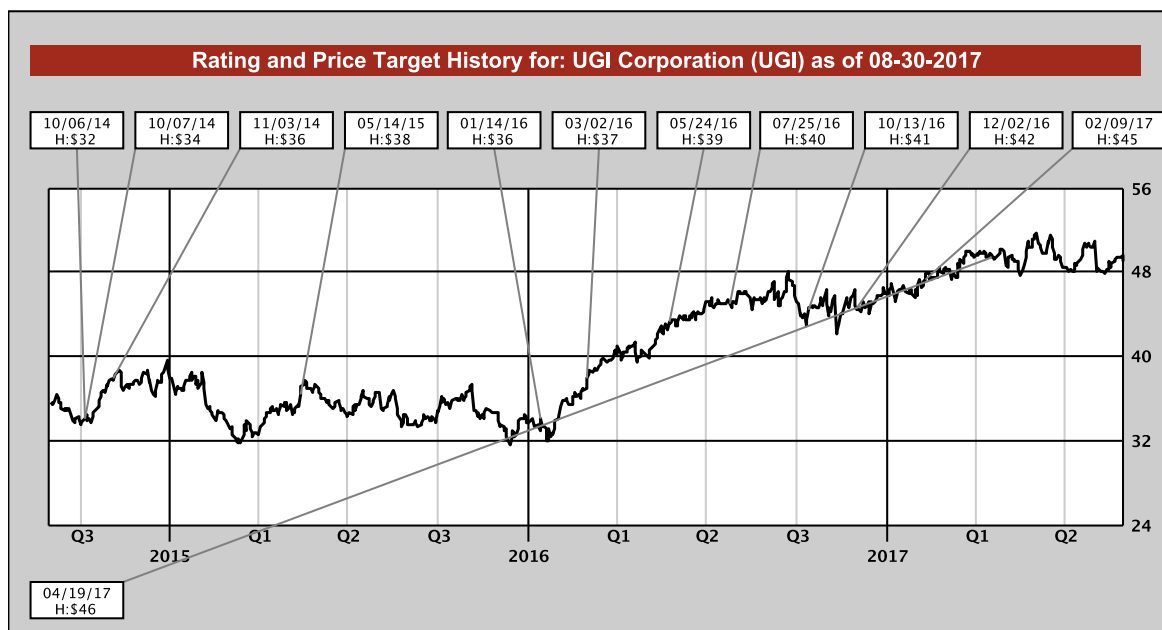
### Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

## Risks which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.





**Notes:** Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

**Legend:**

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
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HOLD	885	41.80%	176	19.89%
UNDERPERFORM	147	6.94%	18	12.24%

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## Gas and Electric Utilities

Price:	\$45.75
Fair Value Estimate:	\$50.00
52-Week Range:	\$33.33 - \$48.13
Market Cap (MM):	\$7,915
Shr.O/S-Diluted (mm):	173.0
Average Daily Volume:	697,882
Dividend:	\$0.95
Yield:	2.1%

FYE: Sept	2017E	2018E	2019E
EPS:	\$2.52E	\$2.57E	\$2.78E
Prior EPS:	\$2.38	\$2.48	NC
P/E Ratio:	18.2x	17.8x	16.5x

## Quarterly EPS:

Q1	\$0.91A	\$0.80E	\$0.84E
Q2	\$1.35E	\$1.47E	\$1.60E
Q3	\$0.10E	\$0.17E	\$0.19E
Q4	\$0.16E	\$0.12E	\$0.16E
EPS: Adjusted			

February 2, 2017

## UGI Corporation (UGI) - BUY

### FY1Q17 Above Expectations; Maintaining BUY Rating, Raising Fair Value from \$47 to \$50

## PORTFOLIO MANAGER BRIEF

UGI's FY1Q17 adjusted EPS results exceeded our and the consensus forecasts by a sizable amount, with all reporting segments surpassing year-ago results. Quarterly performance benefitted from colder weather and prior investments, and we've raised our 2017 estimates to reflect the strong Q1 results. We note our raised forecasts are now above the company's guidance; UGI indicated it will review its guidance after the all-important 2Q results are released. We've set aside our sum-of-the-parts valuation methodology, given the current market environment no longer appears to be differentiating between regulated and non-regulated earnings for valuation purposes. We assign an 18 P/E multiple to our FY19 EPS estimate of \$2.78, and raise our Fair Value to \$50.

## ANALYST NOTES

- FY1Q17 Adjusted Results Didn't Disappoint. On the bottom line, adjusted EPs of \$0.91 was well above consensus of \$0.76 (we were at \$0.73). By the segments, UGI Utilities was the stand-out performer, benefitting from colder weather and higher base rates. UGI International also had an outstanding performance, as it increased margins as significantly colder weather gripped various parts of Europe. Midstream & Marketing modestly increased YOY earnings due to additional natural gas volumes and higher peaking. AmeriGas also modestly improved its YOY performance, as gallons sold increased due to colder temperatures, but still warmer than normal. The extra gallons led to margin expansion, and partnership adjusted EBITDA benefitted as well.
- 2017 Looks to be Stronger than Originally Anticipated. Despite the significantly better 1Q results, UGI will not revisit FY17 guidance until the end of 2Q, which is the seasonally strongest. We've certainly observed that January has been a disappointment from a weather perspective in the Mid-Atlantic, but parts of Europe have been significantly colder. The stage certainly appears to be set for the International segment to outperform previous expectations.
- Adjusting Estimates. After plugging Q1 results into our forecast model, we saw only limited opportunities in the remaining quarters to get our numbers closer to the original guidance. We focused on 2Q results almost exclusively, given the warm Mid-Atlantic weather pattern thus far and Europe's deep freeze. The end result pushed our FY17 EPS number from \$2.38 to \$2.52. We typically don't exceed a company's guidance (in this case, \$2.30 to \$2.45), but we just couldn't get back to even the high end of the range based on what we viewed





as reasonable assumptions. We will revisit our forecasts again after we've had an opportunity to review the company's 10Q; we did reduce 2Q17 EPS by \$0.05. We made minor adjustments to 2018 and 2019 forecasts (see table, this page).

- Summary. Beyond the outstanding quarterly results, it was nice to hear that the PennEast FERC EIS can be concluded with the FERC in its current configuration, which is down several commissioners. A consistent theme during the last several calls has been the mention that additional sizable projects are under constant consideration; that said, the company wasn't willing to offer any timelines on future announcements. With the change in the macro political environment, it certainly could be "the best of times" for midstream investments over the next several years. UGI sits at the virtual epicenter of the Marcellus Shale in terms of opportunities, and the historical ability to successfully execute (in our opinion) should be factored into valuation.
- Valuation. We made a change in how we value UGI shares this quarter, and have moved to a single P/E multiple on all UGI earnings versus our previous sum-of-the-parts methodology. We've noted Gas LDC companies with non-regulated earnings can and have traded at or above those with near 100% regulated operations, particularly given the recent M&A activity in the Gas LDC sector. UGI is certainly unique and does not fit the typical mold of a conventional Gas LDC, but we can make the case that its non-regulated operations are as attractive (or more so) than others attached to regulated utility operations in the aforementioned sector. We assign a P/E of 18x our FY19 EPS forecast of \$2.78, and raise our Fair Value from \$47 to \$50.

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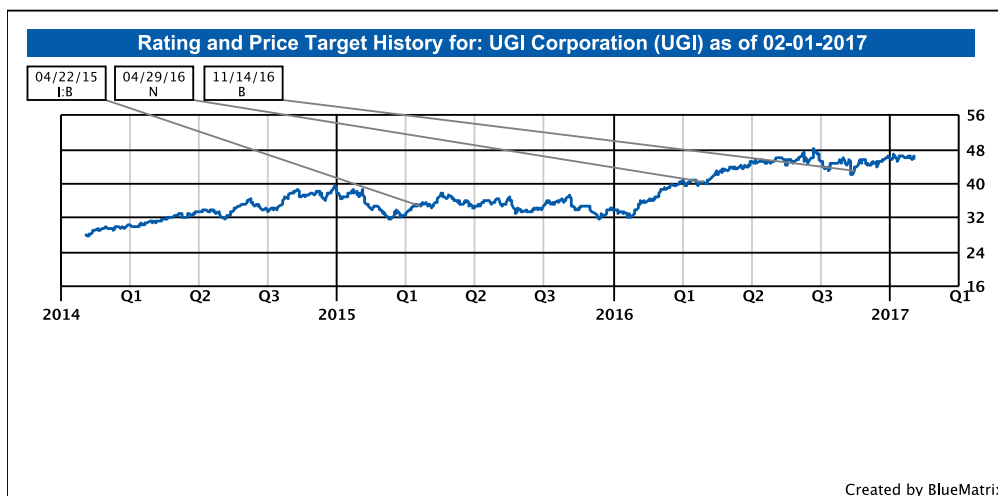
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### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 12/31/16

Rating	IB Serv./Past 12 Mos.*			
	Count	Percent	Count	Percent
<b>BUY [B]</b>	109	48.66	27	24.77
<b>NEUTRAL [N]</b>	111	49.55	18	16.22
<b>SELL [S]</b>	4	1.79	0	0.00

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

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## INDUSTRY NOTE

Target | Estimate Change

USA | Energy | Natural Gas

May 15, 2017

Jefferies

EQUITY RESEARCH AMERICAS

# Natural Gas

## Bits n' Bobs from Travels with UGI

### Key Takeaway

**We hosted UGI in Europe last week & emerge constructive on its intermediate-term prospects. Along with a review of business strategy, investors focused on Midstream investments, Utility system upgrades & regulatory filings, APU's weather leverage & IDR structure, and European LPG acquisition opportunities. With >\$600mm in 3.31 cash & robust annual cash generation, mgmt constantly evaluates new investments; however, it remains disciplined in its approach.**

**AmeriGas.** APU's F2Q results underscore its exposure to warm winter conditions. While mgmt has diversified its revenue via growth in National Accounts & ACE, the lion's share of its annual cash flow is still generated by serving winter heating demand. Accordingly, if APU achieves its new \$550-\$580mm F17 Adj. EBITDA range, it will have fallen short of its initial Adj. EBITDA guidance mid-point by >10% each of the last three fiscal years due to warm winter temps. Meanwhile, APU crested into the 50% IDR splits in F15, presenting incremental cash flow drag; while LP distributions have risen at a ~4.7% CAGR over the last 5 years, with the Heritage acquisition & 50% IDR split attainment, UGI's distributions from APU have risen at a ~10.3% CAGR over the same period. Though mgmt believes weather-normalized cash flows are sufficient to deliver ongoing growth & tech investments are trimming costs, it is aware of the challenges posed by warm temps & elevated IDRs, particularly as many MLPs have embraced simplification transactions. If F18 repeats F17's weather dynamic, we believe mgmt will re-evaluate the relevance of 30-year NOAA data & its current IDR structure.

**Utilities & Midstream represent largest organic investments.** As Utility & Midstream capex represents ~70% of UGI's total F16-F18 deployment, it remains a key investor focus. Low-cost PA gas supplies continue to fuel growth in Utility customers & local electric power generation, creating opportunities for rate base investments supporting new demand & enhanced system reliability; mgmt expects 5-7% annual Utility net income growth driven by these investments & a more frequent rate case cadence. The Marcellus also presents deep midstream investment opportunities & UGI remains engaged in two principal areas: natural gas transportation & LNG peaking. Mgmt sees related Midstream investments enhancing its fee-based income & underpinning 8-10% annual Midstream net income growth.

**UGI International.** Mgmt expects to conclude Finagaz's integration this year & remains focused on additional European LPG acquisitions; it has historically identified Germany & the Iberian peninsula as potential points of entry. With cost discipline & margin mgmt, UGI believes organic growth & acquisitions can drive 5-8% annual International earnings growth; we see the Euro & GBP hedge erosion (vs. USD) as an intermediate-term headwind.

**CFO search underway, may have broader implications.** On April 10, UGI announced that Kirk Oliver will leave his position as CFO in early 2018. The company has commenced a search for Mr. Oliver's replacement and, with CEO John Walsh in his early 60s, we believe the new CFO could be looked to as a potential CEO successor. However, as UGI has a culture built around cash generation & disciplined reallocation, we do not expect major changes.

**Valuation/Risks.** We have long admired UGI's disciplined approach to capital allocation, a corporate ethos which has yielded impressive long-term shareholder returns; however, we believe APU & UGI are fairly valued at current levels & maintain Hold ratings on both. Reflecting F2Q results & a muted rate of distribution growth, we have trimmed our Target Yield & DDM-derived APU PT to \$46, from \$48; we maintain our \$46 PT for UGI, derived via a combination of DDM, DCF, SOP, and Target Yield approaches. Risks included non-normal weather, severe & rapid LPG price fluctuations, project execution, and interest rates.

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Company Name	Ticker	Mkt. Cap (MM)	Rating	Price <sup>^</sup>	Price Target	Cons. Next FY	Current EPS Estimates			Previous Est.	
							2016	2017	2018	2017	2018
AmeriGas Partners	APU	\$4,080.8	HOLD	\$43.88	\$46.00 ▼	--	\$1.91	\$2.00	\$2.97	\$2.49	\$3.17
UGI Corporation	UGI	\$8,502.7	HOLD	\$49.12	\$46.00	--	\$2.09	\$2.35	\$2.55	\$2.39	\$2.55

## Exhibit 1: APU Consolidated Income Statement

Consolidated Income Statement ('000s)	2012	2013	2014	2015	Dec-1Q	Mar-2Q	Jun-3Q	Sep-4Q	2016	Dec-1Q	Mar-2Q	Jun-3QE	Sep-4QE	2017E	2018E	2019E	2020E	2021E
Mt. Belvieu Propane Price (\$/gallon)	\$1.14	\$0.92	\$1.15	\$0.54	\$0.42	\$0.39	\$0.49	\$0.47	\$0.44	\$0.58	\$0.70	\$0.64	\$0.63	\$0.64	\$0.72	\$0.76	\$0.89	\$0.93
Propane Revenue / Gallon	\$2.38	\$2.14	\$2.51	\$2.11	\$1.85	\$1.89	\$1.82	\$1.75	\$1.84	\$1.89	\$2.10	\$1.97	\$1.91	\$1.98	\$2.05	\$2.10	\$2.22	\$2.27
Propane Cost / Gallon	\$1.46	\$1.17	\$1.48	\$1.01	\$0.72	\$0.70	\$0.71	\$0.69	\$0.70	\$0.75	\$0.89	\$0.85	\$0.85	\$0.84	\$0.90	\$0.94	\$1.05	\$1.09
Propane Margin / Gallon	\$0.92	\$0.975	\$1.034	\$1.098	\$1.134	\$1.189	\$1.115	\$1.052	\$1.136	\$1.140	\$1.208	\$1.115	\$1.058	\$1.144	\$1.150	\$1.162	\$1.173	\$1.185
Y/Y Gross Margin Growth	13.2%	5.6%	6.1%	6.1%	7.9%	2.0%	5.1%	-0.7%	3.6%	0.5%	1.6%	-0.1%	0.6%	0.6%	0.6%	1.0%	1.0%	1.0%
<b>VOLUMES (gallons in 000's)</b>	<b>12.4%</b>	<b>19.9%</b>	<b>1.6%</b>	<b>-9.5%</b>	-12.5%	-13.4%	-0.9%	-7.1%	-10.0%	3.0%	-5.9%	1.0%	5.2%	-0.2%	6.01%	0.40%	0.24%	0.19%
Retail	1,017,500	1,245,200	1,275,600	1,184,300	295,100	385,800	202,800	181,800	1,065,500	305,700	362,700	204,800	191,800	1,065,000	1,129,800	1,134,319	1,137,155	1,139,429
Wholesale	105,600	101,800	93,400	54,400	14,900	16,400	8,700	9,700	49,700	13,600	15,900	8,800	9,700	48,000	50,100	50,351	50,351	50,351
Total Gallons Sold (000's)	1,123,100	1,347,000	1,369,000	1,238,700	310,000	402,200	211,500	191,500	1,115,200	319,300	378,600	213,600	201,500	1,113,000	1,179,900	1,184,670	1,187,505	1,189,780
<b>REVENUES</b>																		
Retail Propane	2,536,300	2,775,800	3,307,600	2,570,700	\$565,100	\$750,000	\$380,200	\$328,500	2,023,800	\$593,600	\$781,800	\$403,352	\$366,191	2,144,943	2,318,097	2,387,004	2,526,419	2,586,704
Wholesale Propane	141,300	108,966	133,268	41,701	8,804	9,278	5,366	5,912	29,360	10,500	14,006	17,332	18,520	60,357	102,812	105,893	111,908	114,241
Total Propane Revenues	2,677,631	2,884,766	3,440,868	2,612,401	573,904	759,278	385,566	334,412	2,053,160	604,100	795,806	420,683	384,711	2,205,300	2,420,909	2,492,897	2,638,327	2,700,945
Other	243,985	281,777	272,067	272,921	70,194	68,209	61,118	59,136	258,657	73,110	67,854	62,035	59,624	262,623	266,562	270,560	274,619	278,738
Total Revenues	2,921,616	3,166,543	3,712,935	2,885,322	\$644,098	\$827,487	\$446,684	\$393,548	2,311,817	\$677,210	\$863,660	\$482,718	\$444,335	2,467,923	2,687,471	2,763,458	2,912,946	2,979,683
<b>COSTS &amp; EXPENSES</b>																		
Propane Costs	1,642,658	1,571,574	2,025,097	1,253,326	222,289	281,075	149,662	132,895	785,921	240,136	338,459	182,568	171,505	932,668	1,064,019	1,116,898	1,245,079	1,290,983
Propane Gross Profit	1,034,973	1,313,192	1,415,771	1,359,075	351,615	478,203	235,904	201,517	1,267,239	363,964	457,347	238,115	213,206	1,272,633	1,356,890	1,375,999	1,393,248	1,409,963
Cost of Other Sales	77,071	88,479	81,982	86,638	20,867	17,161	21,145	19,684	82,110	20,582	17,327	21,469	23,991	83,369	84,619	85,889	87,177	88,485
Depreciation & Amortization Expenses	169,123	202,871	197,215	194,880	49,206	47,419	46,410	46,945	189,980	44,611	45,012	44,742	45,363	179,728	178,672	177,755	176,901	176,101
Operating & Administrative Expenses	846,223	917,389	963,963	953,283	230,889	238,535	217,154	212,208	898,786	226,802	240,006	218,240	213,269	898,317	898,317	900,697	905,201	910,949
Other Income, net	(26,521)	(32,503)	(27,450)	(31,355)	(8,907)	(7,131)	(6,041)	(6,173)	(28,252)	(5,665)	(5,628)	(6,050)	(6,182)	(23,525)	(24,055)	(24,656)	(25,284)	(25,337)
Total Costs & Expenses	2,708,554	2,747,810	3,240,807	2,456,772	514,344	577,059	428,330	405,559	1,928,545	526,466	635,176	460,969	447,945	2,070,556	2,201,572	2,256,583	2,389,074	2,440,980
Total Operating Income / (Loss)	213,062	418,733	472,128	428,550	129,754	250,428	18,354	(12,011)	383,272	150,744	228,484	21,749	(3,610)	397,367	485,899	506,874	523,872	538,704
<b>EBITDA</b>	<b>\$380,539</b>	<b>\$617,735</b>	<b>\$664,795</b>	<b>\$619,190</b>	<b>\$177,690</b>	<b>\$295,368</b>	<b>\$64,603</b>	<b>\$35,602</b>	<b>\$570,010</b>	<b>\$193,954</b>	<b>\$271,212</b>	<b>\$66,463</b>	<b>\$42,011</b>	<b>\$573,640</b>	<b>\$660,025</b>	<b>\$679,990</b>	<b>\$695,974</b>	<b>\$709,909</b>
Interest Expense	14%	62%	8%	-7%	(142,641)	(165,432)	(165,581)	(162,842)	(41,025)	(40,806)	(40,838)	(41,426)	(164,095)	(40,028)	(39,991)	(38,586)	(37,458)	(156,034)
Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pretax Earnings	70,421	253,301	306,547	265,708	88,729	209,622	(22,484)	(53,437)	219,177	110,716	188,493	(16,836)	(41,068)	241,333	334,634	350,872	363,838	374,288
Income Tax (Expense) / Benefit	(1,931)	(1,671)	(2,611)	(2,898)	(910)	(290)	(907)	3,680	1,573	(1,937)	(646)	(465)	(750)	(3,797)	(1,718)	(2,982)	(2,407)	(2,738)
Net Income before Minority Interest	68,490	251,630	303,936	262,810	87,819	209,332	(23,391)	(49,757)	220,750	108,779	187,847	(17,301)	(41,817)	237,536	332,917	347,890	361,431	371,550
Less: Minority Interest	(1,646)	(3,869)	(4,548)	(4,240)	(1,270)	(2,479)	(161)	668	(3,242)	(1,401)	(2,284)	(28)	258	(3,455)	(4,546)	(4,640)	(4,799)	(4,896)
Net Income before Accounting Changes	66,844	247,761	299,388	258,570	86,549	206,853	(23,552)	(49,089)	217,508	107,378	185,563	(17,329)	(41,559)	234,081	328,371	343,250	356,631	366,654
Less: Cumulative Effect of Acctg Changes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net Income</b>	<b>66,844</b>	<b>247,761</b>	<b>299,388</b>	<b>258,570</b>	<b>86,549</b>	<b>206,853</b>	<b>(23,552)</b>	<b>(49,089)</b>	<b>217,508</b>	<b>107,378</b>	<b>185,563</b>	<b>(17,329)</b>	<b>(41,559)</b>	<b>234,081</b>	<b>328,371</b>	<b>343,250</b>	<b>356,631</b>	<b>366,654</b>
Less: General Partner's Interest	(13,119)	(21,498)	(26,749)	(32,469)	(9,455)	(11,107)	(10,101)	(9,564)	(40,227)	(11,352)	(11,786)	(12,366)	(12,366)	(47,871)	(51,682)	(56,690)	(62,163)	(68,102)
Net Income Available to Limited Partners	53,725	226,263	272,639	226,101	77,094	195,746	(33,653)	(58,653)	177,281	96,026	173,777	(29,695)	(53,925)	186,210	276,688	286,560	294,468	298,552
<b>Net Income per Limited Partner Unit</b>	<b>\$0.66</b>	<b>\$2.44</b>	<b>\$2.93</b>	<b>\$2.43</b>	<b>\$0.83</b>	<b>\$2.10</b>	<b>(\$0.36)</b>	<b>(\$0.63)</b>	<b>\$1.91</b>	<b>\$1.03</b>	<b>\$1.87</b>	<b>(\$0.32)</b>	<b>(\$0.58)</b>	<b>\$2.00</b>	<b>\$2.97</b>	<b>\$3.08</b>	<b>\$3.16</b>	<b>\$3.21</b>
% Change from Prior Comparable Period	-78%	269%	20%	-17%	-15%	-19%	-31%	0%	-22%	25%	-11%	-12%	-8%	5%	49%	4%	3%	1%
LP Units owned by UGI	23,992	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757	23,757
Average # of Units Outstanding	81,459	92,869	92,913	92,923	93,004	93,020	92,960	92,962	92,986	93,019	93,045	93,045	93,045	93,038	93,045	93,045	93,045	93,045

Source: APU reports, Jefferies estimates

### Exhibit 2: APU Consolidated Balance Sheet

Consolidated Balance Sheet ('000s)	2012	2013	2014	2015	Dec-1Q	Mar-2Q	Jun-3Q	Sep-4Q	2016	Dec-1Q	Mar-2Q	Jun-3QE	Sep-4QE	2017E	2018E	2019E	2020E	2021E
Cash & equivalents	60,102	12,635	13,480	14,757	17,251	15,740	307,657	15,827	15,827	9,253	94,535	13,670	10,292	10,292	11,300	11,844	12,648	12,929
Accounts receivable	267,647	292,210	280,920	201,427	271,541	260,585	190,659	185,308	185,308	314,328	303,286	207,569	199,951	199,951	208,279	221,077	237,405	242,844
Inventory	163,746	158,928	181,946	93,934	99,006	94,959	81,571	78,823	78,823	98,931	104,549	80,670	89,589	89,589	110,079	112,829	119,454	122,049
Other current assets	31,873	36,919	29,562	56,243	60,110	60,444	59,804	64,490	64,490	83,063	53,514	53,514	53,514	53,514	53,514	53,514	53,514	53,514
<b>Total current assets</b>	<b>523,368</b>	<b>500,692</b>	<b>505,908</b>	<b>366,361</b>	<b>447,908</b>	<b>431,728</b>	<b>639,691</b>	<b>344,448</b>	<b>344,448</b>	<b>505,575</b>	<b>555,884</b>	<b>355,422</b>	<b>353,345</b>	<b>353,345</b>	<b>383,172</b>	<b>399,264</b>	<b>423,021</b>	<b>431,336</b>
<b>Tangible fixed assets</b>	<b>1,499,225</b>	<b>1,437,514</b>	<b>1,386,910</b>	<b>1,324,327</b>	<b>1,315,500</b>	<b>1,303,281</b>	<b>1,285,518</b>	<b>1,274,557</b>	<b>1,274,557</b>	<b>1,256,291</b>	<b>1,245,390</b>	<b>1,234,847</b>	<b>1,259,073</b>	<b>1,259,073</b>	<b>1,217,902</b>	<b>1,182,147</b>	<b>1,148,845</b>	<b>1,117,625</b>
Goodwill	1,914,808	1,936,608	1,945,748	1,956,688	1,971,999	1,971,999	1,978,894	1,978,981	1,978,981	1,979,146	1,981,842	1,981,842	1,981,842	1,981,842	1,981,842	1,981,842	1,981,842	1,981,842
Other intangible fixed assets	535,996	493,649	464,338	433,713	433,755	424,062	420,473	411,319	411,319	402,188	395,010	395,010	395,010	395,010	395,010	395,010	395,010	395,010
Investment in affiliates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other investments	43,934	41,383	61,154	60,623	57,818	56,651	72,663	48,465	48,465	56,580	50,133	50,133	50,133	50,133	50,133	50,133	50,133	50,133
<b>Non-Current Assets</b>	<b>2,494,738</b>	<b>2,471,640</b>	<b>2,471,240</b>	<b>2,451,024</b>	<b>2,463,572</b>	<b>2,452,712</b>	<b>2,472,030</b>	<b>2,438,765</b>	<b>2,438,765</b>	<b>2,437,914</b>	<b>2,426,985</b>	<b>2,426,985</b>	<b>2,426,985</b>	<b>2,426,985</b>	<b>2,426,985</b>	<b>2,426,985</b>	<b>2,426,985</b>	<b>2,426,985</b>
<b>Total assets</b>	<b>4,517,331</b>	<b>4,409,846</b>	<b>4,364,058</b>	<b>4,141,712</b>	<b>4,226,980</b>	<b>4,187,721</b>	<b>4,397,239</b>	<b>4,057,770</b>	<b>4,057,770</b>	<b>4,199,780</b>	<b>4,228,259</b>	<b>4,017,254</b>	<b>4,039,404</b>	<b>4,039,404</b>	<b>4,028,059</b>	<b>4,008,396</b>	<b>3,998,851</b>	<b>3,975,946</b>
Trade payables and other ST liabilities	590,239	488,060	496,925	468,515	446,621	385,682	343,951	426,780	426,780	457,330	382,215	414,872	454,664	454,664	481,044	496,448	519,624	526,031
Short term debt	80,606	128,914	120,589	77,779	192,901	72,741	372,577	161,675	161,675	85,070	109,512	0	0	0	0	0	0	0
<b>Total current liabilities</b>	<b>670,845</b>	<b>616,974</b>	<b>617,514</b>	<b>546,294</b>	<b>639,522</b>	<b>458,423</b>	<b>716,528</b>	<b>588,455</b>	<b>588,455</b>	<b>542,400</b>	<b>491,727</b>	<b>414,872</b>	<b>454,664</b>	<b>454,664</b>	<b>481,044</b>	<b>496,448</b>	<b>519,624</b>	<b>526,031</b>
Long term debt	2,297,363	2,288,097	2,280,145	2,273,817	2,275,035	2,274,788	2,356,908	2,325,334	2,325,334	2,519,950	2,562,376	2,560,068	2,697,139	2,697,139	2,754,413	2,817,704	2,873,045	2,947,624
Debt deemed provisions (e.g. pensions)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority Interests	39,452	39,034	38,376	36,157	35,771	37,534	36,340	34,988	34,988	36,841	37,626	37,626	37,626	37,626	37,626	37,626	37,626	37,626
Other long term liabilities	80,563	80,638	105,509	121,228	126,252	115,737	117,818	124,772	124,772	123,319	122,821	123,070	124,069	124,069	163,643	200,112	250,025	292,011
<b>Long Term Liabilities</b>	<b>3,088,223</b>	<b>3,024,743</b>	<b>3,041,544</b>	<b>2,977,496</b>	<b>3,076,580</b>	<b>2,886,482</b>	<b>3,227,594</b>	<b>3,073,549</b>	<b>3,073,549</b>	<b>3,222,510</b>	<b>3,214,550</b>	<b>3,135,636</b>	<b>3,313,498</b>	<b>3,313,498</b>	<b>3,436,726</b>	<b>3,551,890</b>	<b>3,680,320</b>	<b>3,803,291</b>
Subordinated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Unitholders	1,455,702	1,354,187	1,299,260	1,145,291	1,131,597	1,280,915	1,150,641	967,073	967,073	960,510	996,264	0	0	0	0	0	0	0
General Partner	16,975	15,930	20,460	18,925	18,803	20,324	19,004	17,148	17,148	16,760	17,445	0	0	0	0	0	0	0
Accumulated Other Comprehensive Income	(43,569)	14,986	2,794	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Shareholders' Equity</b>	<b>1,429,108</b>	<b>1,385,103</b>	<b>1,322,514</b>	<b>1,164,216</b>	<b>1,150,400</b>	<b>1,301,239</b>	<b>1,169,645</b>	<b>984,221</b>	<b>984,221</b>	<b>977,270</b>	<b>1,013,709</b>	<b>881,618</b>	<b>725,906</b>	<b>725,906</b>	<b>591,333</b>	<b>456,506</b>	<b>318,531</b>	<b>172,655</b>
<b>Total liabilities and equity</b>	<b>4,517,331</b>	<b>4,409,846</b>	<b>4,364,058</b>	<b>4,141,712</b>	<b>4,226,980</b>	<b>4,187,721</b>	<b>4,397,239</b>	<b>4,057,770</b>	<b>4,057,770</b>	<b>4,199,780</b>	<b>4,228,259</b>	<b>4,017,254</b>	<b>4,039,404</b>	<b>4,039,404</b>	<b>4,028,059</b>	<b>4,008,396</b>	<b>3,998,851</b>	<b>3,975,946</b>
Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Balance sheet assumptions</b>	133,179	(83,736)	(41,219)	65,122	(103,572)	(22,246)	61,422	90,029	25,633	(121,186)	(69,396)	152,253	38,491	162	(2,439)	(143)	222	(1,627)
Revenue	2,921,616	3,166,543	3,712,935	2,885,322	644,098	827,487	446,684	393,548	2,311,817	677,210	863,660	482,718	444,335	2,467,923	2,687,471	2,763,458	2,912,946	2,979,683
Operating Expenses	2,708,554	2,747,810	3,240,807	2,456,772	514,344	577,059	428,330	405,559	1,928,545	526,466	635,176	460,969	447,945	2,070,556	2,201,572	2,256,583	2,389,074	2,440,980
Accounts receivable (as % of sales)	9%	9%	8%	7%	42%	31%	43%	47%	8%	46%	35%	43%	45%	8%	8%	8%	8%	8%
Inventory (as % of operating expenses)	6%	6%	6%	4%	19%	16%	19%	19%	4%	19%	16%	18%	20%	4%	5%	5%	5%	5%
Trade payable & other S.T. liabilities	22%	18%	15%	19%	87%	67%	80%	105%	22%	87%	60%	90%	102%	22%	22%	22%	22%	22%
Cash	60,102	12,635	13,480	14,757	17,251	15,740	307,657	15,827	15,827	9,253	94,535	13,670	10,292	10,292	11,300	11,844	12,648	12,929
Total Debt	2,377,969	2,417,011	2,400,734	2,351,596	2,467,936	2,347,529	2,729,485	2,487,009	2,487,009	2,605,020	2,671,888	2,560,068	2,697,139	2,697,139	2,754,413	2,817,704	2,873,045	2,947,624
Total Net Debt	2,317,867	2,404,376	2,387,254	2,336,839	2,450,685	2,331,789	2,421,828	2,471,182	2,471,182	2,595,767	2,577,353	2,546,398	2,686,847	2,686,847	2,743,113	2,805,859	2,860,397	2,934,695
Common Securities	1,455,702	1,354,187	1,299,260	1,145,291	1,131,597	1,280,915	1,150,641	967,073	967,073	960,510	996,264	0	0	0	0	0	0	0
Shareholders' Equity	1,429,108	1,385,103	1,322,514	1,164,216	1,150,400	1,301,239	1,169,645	984,221	984,221	977,270	1,013,709	881,618	725,906	725,906	591,333	456,506	318,531	172,655
<b>Net Debt/Capital</b>	<b>61.9%</b>	<b>63.4%</b>	<b>64.4%</b>	<b>66.7%</b>	<b>68.1%</b>	<b>64.2%</b>	<b>67.4%</b>	<b>71.5%</b>	<b>71.5%</b>	<b>72.6%</b>	<b>71.8%</b>	<b>74.3%</b>	<b>78.7%</b>	<b>78.7%</b>	<b>82.3%</b>	<b>86.0%</b>	<b>90.0%</b>	<b>94.4%</b>
<b>Net Debt / TTM EBITDA</b>	<b>5.2x</b>	<b>3.8x</b>	<b>3.6x</b>	<b>3.8x</b>	<b>4.0x</b>	<b>4.2x</b>	<b>4.2x</b>	<b>4.3x</b>	<b>4.2x</b>	<b>4.4x</b>	<b>4.6x</b>	<b>4.5x</b>	<b>4.7x</b>	<b>4.5x</b>	<b>4.1x</b>	<b>4.1x</b>	<b>4.1x</b>	<b>4.1x</b>
<b>EBITDA / Interest</b>	<b>2.7x</b>	<b>3.7x</b>	<b>4.0x</b>	<b>3.8x</b>	<b>3.7x</b>	<b>3.5x</b>	<b>3.5x</b>	<b>3.5x</b>	<b>3.5x</b>	<b>3.6x</b>	<b>3.5x</b>	<b>3.5x</b>	<b>3.7x</b>	<b>3.7x</b>	<b>4.4x</b>	<b>4.4x</b>	<b>4.3x</b>	<b>4.3x</b>

Source: APU reports, Jefferies estimates

## Exhibit 3: APU Consolidated Statement of Cash Flows

Consolidated Cash Flow Statement ('000s)	2012	2013	2014	2015	Dec-1Q	Mar-2Q	Jun-3Q	Sep-4Q	2016	Dec-1Q	Mar-2Q	Jun-3QE	Sep-4QE	2017E	2018E	2019E	2020E	2021E
<b>Operating activities</b>																		
Net income	12,671	225,091	294,441	214,969	82,186	248,786	(32,627)	(87,152)	211,193	93,615	137,083	(29,695)	(53,925)	147,077	276,688	286,560	294,468	298,552
Depreciation & Conservation Amortization	169,123	202,871	197,215	194,880	49,206	47,419	46,410	46,945	189,980	44,611	45,012	44,742	45,363	179,728	178,672	177,755	176,901	176,101
Deferred taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net change in working capital	133,179	(83,736)	(41,219)	65,122	(103,572)	(22,246)	61,422	90,029	25,633	(121,186)	(69,396)	152,253	38,491	162	(2,439)	(143)	222	(1,627)
Other, including changes in provisions and other liabilities	29456	11,377	29,633	48,887	8,161	(35,853)	13,110	10,719	(3,863)	16,003	56,446	249	999	73,697	39,574	36,469	49,913	41,985
Cash from operating activities	<b>344,429</b>	<b>355,603</b>	<b>480,070</b>	<b>523,858</b>	<b>35,981</b>	<b>238,106</b>	<b>88,315</b>	<b>60,541</b>	<b>422,943</b>	<b>33,043</b>	<b>169,145</b>	<b>167,549</b>	<b>30,928</b>	<b>400,664</b>	<b>492,495</b>	<b>500,641</b>	<b>521,505</b>	<b>515,012</b>
<b>Investing activities</b>																		
Capital expenditure - tangible fixed assets	(103,140)	(111,058)	(113,934)	(102,009)	(27,974)	(27,813)	(18,685)	(27,221)	(101,693)	(26,380)	(27,236)	(22,049)	(44,335)	(120,000)	(117,500)	(120,000)	(120,000)	(120,000)
Acquisitions	(1,425,002)	(19,946)	(15,746)	(20,840)	(25,761)	0	(10,917)	(882)	(37,560)	(835)	(6,422)	(14,242)	(27,501)	(49,000)	(30,000)	(30,000)	(30,000)	(30,000)
Net disposals	8,082	22,113	19,931	23,816	5,179	3,601	2,450	3,406	14,636	2,826	5,335	2,092	2,247	12,500	10,000	8,000	6,400	5,120
Other investment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash from investing activities	<b>(1,520,060)</b>	<b>(108,891)</b>	<b>(109,749)</b>	<b>(99,033)</b>	<b>(48,556)</b>	<b>(24,212)</b>	<b>(27,152)</b>	<b>(24,697)</b>	<b>(124,617)</b>	<b>(24,389)</b>	<b>(28,323)</b>	<b>(34,198)</b>	<b>(69,590)</b>	<b>(156,500)</b>	<b>(137,500)</b>	<b>(142,000)</b>	<b>(143,600)</b>	<b>(144,880)</b>
<b>Financing activities</b>																		
Inc./(dec.) in short term debt	(45,600)	67,000	(7,900)	(40,900)	113,900	(116,700)	(53,900)	141,800	85,100	(75,700)	(77,500)	(109,512)	0	(262,712)	0	0	0	0
Inc./(dec.) in long term debt	1,267,182	(30,531)	(12,272)	(5,949)	(2,194)	(3,643)	385,058	(369,678)	9,543	159,371	120,173	(2,308)	137,071	414,307	57,275	63,290	55,341	74,579
Inc./(dec.) in equity	280,337	0	2,524	3,535	0	1138	0	0	1,138	0	1,493	0	0	1,493	0	0	0	0
Common stock dividends paid	(271,839)	(327,000)	(346,744)	(368,426)	(95,038)	(95,085)	(98,768)	(98,768)	(387,659)	(99,091)	(98,496)	(100,759)	(100,759)	(399,105)	(407,579)	(417,705)	(428,761)	(440,747)
Other cash from financing	(2,979)	(3,648)	(5,084)	(11,808)	(1,599)	(1,115)	(1,636)	(1,028)	(5,378)	192	(1,210)	(1,636)	(1,028)	(3,682)	(3,682)	(3,682)	(3,682)	(3,682)
Cash from financing activities	<b>1,227,101</b>	<b>(294,179)</b>	<b>(369,476)</b>	<b>(423,548)</b>	<b>15,069</b>	<b>(215,405)</b>	<b>230,754</b>	<b>(327,674)</b>	<b>(297,256)</b>	<b>(15,228)</b>	<b>(55,540)</b>	<b>(214,215)</b>	<b>35,284</b>	<b>(249,700)</b>	<b>(353,987)</b>	<b>(358,097)</b>	<b>(377,101)</b>	<b>(369,850)</b>
Cash flow increase/(decrease) in cash	51,470	(47,467)	845	1,277	2,494	(1,511)	291,917	(291,830)	1,070	(6,574)	85,282	(80,865)	(3,378)	(5,535)	1,009	544	803	281
Non-cash movements in cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forex Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net change in cash</b>	<b>51,470</b>	<b>(47,467)</b>	<b>845</b>	<b>1,277</b>	<b>2,494</b>	<b>(1,511)</b>	<b>291,917</b>	<b>(291,830)</b>	<b>1,070</b>	<b>(6,574)</b>	<b>85,282</b>	<b>(80,865)</b>	<b>(3,378)</b>	<b>(5,535)</b>	<b>1,009</b>	<b>544</b>	<b>803</b>	<b>281</b>
<b>Cash at the beginning of the year</b>	<b>8,632</b>	<b>60,102</b>	<b>12,635</b>	<b>13,480</b>	<b>14,757</b>	<b>17,251</b>	<b>15,740</b>	<b>307,657</b>	<b>14,757</b>	<b>15,827</b>	<b>9,253</b>	<b>94,535</b>	<b>13,670</b>	<b>15,827</b>	<b>10,292</b>	<b>11,300</b>	<b>11,844</b>	<b>12,648</b>
<b>Cash at the end of the year</b>	<b>60,102</b>	<b>12,635</b>	<b>13,480</b>	<b>14,757</b>	<b>17,251</b>	<b>15,740</b>	<b>307,657</b>	<b>15,827</b>	<b>15,827</b>	<b>9,253</b>	<b>94,535</b>	<b>13,670</b>	<b>10,292</b>	<b>10,292</b>	<b>11,300</b>	<b>11,844</b>	<b>12,648</b>	<b>12,929</b>
Cash paid for income taxes																		
Cash Interest paid, net of amount capitalized	104,248	161,562	161,518	158,837					167,460									
Free Cash Flow after distributions	(1,447,470)	(80,288)	23,577	56,399	(107,613)	118,809	(37,605)	(62,924)	(89,333)	(90,437)	42,326	32,591	(139,421)	(154,941)	(52,584)	(59,064)	(50,856)	(70,616)

Source: APU reports, Jefferies estimates

## Exhibit 4: UGI Consolidated Income Statement (\$MM)

Consolidated Income Statement	2012	2013	2014	2015	1Q	2Q	3Q	4Q	2016	1Q	2Q	3QE	4QE	2017E	2018E	2019E	2020E	2021E
Revenues	\$6,519.2	\$7,191.6	\$8,277.3	\$6,691.1	\$1,606.6	\$1,972.1	\$1,130.8	\$976.2	\$5,685.7	\$1,679.5	\$2,173.8	\$1,193.0	\$1,084.6	\$6,131.0	\$6,384.3	\$6,459.6	\$6,638.9	\$6,751.8
(Cost of Sales)	(\$4,111.2)	(\$4,332.7)	(\$5,175.7)	(\$3,647.6)	(\$740.0)	(\$814.3)	(\$480.6)	(\$494.2)	(\$2,529.1)	(\$732.9)	(\$1,066.3)	(\$534.2)	(\$527.2)	(\$2,860.7)	(\$3,028.3)	(\$3,074.9)	(\$3,226.3)	(\$3,295.9)
Gross Margin	\$2,408.0	\$2,859.0	\$3,101.7	\$3,043.5	\$866.6	\$1,157.8	\$650.2	\$482.0	\$3,156.6	\$946.6	\$1,107.5	\$658.8	\$557.4	\$3,270.3	\$3,356.0	\$3,384.7	\$3,412.6	\$3,455.9
(Operating & Administrative)	(\$1,591.7)	(\$1,693.5)	(\$1,752.6)	(\$1,751.3)	(\$461.8)	(\$472.4)	(\$441.0)	(\$432.8)	(\$1,808.0)	(\$456.7)	(\$479.5)	(\$455.0)	(\$443.6)	(\$1,834.8)	(\$1,794.4)	(\$1,781.2)	(\$1,771.5)	(\$1,769.3)
(Depreciation & Amortization)	(\$316.0)	(\$360.3)	(\$362.9)	(\$374.1)	(\$100.6)	(\$100.7)	(\$98.1)	(\$101.4)	(\$400.9)	(\$98.1)	(\$99.3)	(\$99.9)	(\$101.6)	(\$398.9)	(\$403.5)	(\$410.8)	(\$417.7)	(\$426.5)
Other Income (Loss)	\$16.4	\$17.9	\$19.5	\$28.3	(\$2.4)	\$2.0	\$1.5	\$5.5	\$6.6	\$5.9	(\$3.9)	(\$3.2)	(\$3.0)	(\$4.3)	(\$1.3)	(\$0.2)	(\$1.0)	\$0.2
Operating Income	\$516.7	\$823.1	\$1,005.6	\$946.4	\$301.8	\$586.7	\$112.6	(\$46.7)	\$954.4	\$397.7	\$524.8	\$100.7	\$9.1	\$1,032.3	\$1,156.8	\$1,192.5	\$1,222.4	\$1,260.2
(Income from Equity Investees)	(\$0.3)	(\$0.4)	(\$0.1)	(\$1.2)	(\$0.1)	\$0.0	\$0.0	(\$0.1)	(\$0.2)	(\$0.2)	\$2.3	(\$0.1)	(\$0.1)	\$1.9	(\$0.4)	\$7.2	\$7.8	\$8.4
(Extraordinary Items)	\$11.9	\$10.1	\$11.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$1.2)	\$0.0	\$0.0	(\$1.2)	\$0.0	\$0.0	\$0.0	\$0.0
(Interest Expense)	(\$221.5)	(\$239.1)	(\$237.7)	(\$231.6)	(\$57.9)	(\$57.3)	(\$56.4)	(\$57.3)	(\$228.9)	(\$55.4)	(\$55.8)	(\$55.3)	(\$54.9)	(\$221.4)	(\$229.4)	(\$239.7)	(\$245.0)	(\$249.5)
Income before Taxes	\$306.8	\$593.7	\$779.7	\$713.6	\$243.8	\$529.4	\$56.2	(\$104.1)	\$725.3	\$342.1	\$470.1	\$45.3	(\$45.9)	\$811.6	\$927.0	\$960.0	\$985.1	\$1,019.1
(Income Tax Expense)	(\$105.5)	(\$163.9)	(\$235.2)	(\$226.7)	(\$78.1)	(\$138.4)	(\$21.2)	\$59.1	(\$178.6)	(\$106.4)	(\$130.2)	(\$18.1)	\$11.6	(\$243.1)	(\$270.0)	(\$288.9)	(\$299.6)	(\$315.9)
(Preferred Dividends)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Income before Other Items	\$201.3	\$429.8	\$544.5	\$486.9	\$165.7	\$391.0	\$35.0	(\$45.1)	\$546.7	\$235.7	\$339.9	\$27.2	(\$34.3)	\$568.5	\$657.0	\$671.1	\$685.6	\$703.2
(Minority Interest, prnc. in AmeriGas)	\$13.2	(\$147.7)	(\$195.4)	(\$133.0)	(\$53.3)	(\$174.8)	\$5.0	\$41.4	(\$181.7)	(\$73.1)	(\$108.1)	\$4.8	\$21.3	(\$155.0)	(\$209.1)	(\$209.0)	(\$200.1)	(\$204.6)
Net Income - Recurring	\$214.5	\$282.1	\$349.1	\$353.9	\$112.4	\$216.2	\$40.0	(\$3.7)	\$365.0	\$162.6	\$231.8	\$32.0	(\$12.9)	\$413.5	\$447.9	\$462.2	\$485.4	\$498.6
<b>EPS (Adjusted Diluted)</b>	<b>\$1.27</b>	<b>\$1.63</b>	<b>\$2.00</b>	<b>\$2.01</b>	\$0.64	\$1.24	\$0.23	(\$0.02)	<b>\$2.09</b>	\$0.92	\$1.31	\$0.18	(\$0.07)	<b>\$2.35</b>	<b>\$2.55</b>	<b>\$2.62</b>	<b>\$2.74</b>	<b>\$2.81</b>
Shares Outstanding - Basic	168.9	170.9	172.7	173.1	172.9	172.6	173.4	173.7	173.2	173.5	173.6	172.6	172.9	173.2	173.3	173.8	174.3	174.8
Shares Outstanding - Diluted	169.5	172.7	174.6	175.7	175.2	174.8	176.0	173.7	174.9	177.0	177.1	176.1	172.9	175.8	175.9	176.4	176.9	177.4
EBIT	\$516.7	\$823.1	\$1,005.6	\$946.4	\$301.8	\$586.7	\$112.6	(\$46.7)	\$954.4	\$397.7	\$524.8	\$100.7	\$9.1	\$1,032.3	\$1,156.8	\$1,192.5	\$1,222.4	\$1,260.2
EBITDA	\$832.7	\$1,183.4	\$1,368.6	\$1,320.5	\$402.4	\$687.4	\$210.7	\$54.7	\$1,355.2	\$495.8	\$624.1	\$200.6	\$110.7	\$1,431.2	\$1,560.3	\$1,603.3	\$1,640.1	\$1,686.7

Source: UGI reports, Jefferies estimates



## Exhibit 5: UGI Consolidated Balance Sheet (\$MM)

Consolidated Balance Sheet (MM)	2012	2013	2014	2015	1Q	2Q	3Q	4Q	2016	1Q	2Q	3QE	4QE	2017E	2018E	2019E	2020E	2021E
Cash & Equivalents	\$320	\$389	\$420	\$370	\$403	\$466	\$909	\$503	\$503	\$515	\$638	\$567	\$423	\$423	\$455	\$429	\$428	\$412
Accounts Receivable	\$633	\$746	\$685	\$620	\$803	\$858	\$607	\$552	\$552	\$917	\$920	\$648	\$648	\$648	\$700	\$708	\$728	\$740
Inventory	\$357	\$366	\$423	\$240	\$247	\$177	\$184	\$210	\$210	\$228	\$203	\$232	\$229	\$229	\$249	\$253	\$265	\$271
Other Current Assets	\$195	\$127	\$136	\$231	\$221	\$206	\$182	\$159	\$159	\$249	\$179	\$179	\$179	\$179	\$179	\$179	\$179	\$179
<b>Total Current Assets</b>	<b>\$1,505</b>	<b>\$1,627</b>	<b>\$1,663</b>	<b>\$1,460</b>	<b>\$1,674</b>	<b>\$1,707</b>	<b>\$1,882</b>	<b>\$1,424</b>	<b>\$1,424</b>	<b>\$1,910</b>	<b>\$1,940</b>	<b>\$1,627</b>	<b>\$1,479</b>	<b>\$1,479</b>	<b>\$1,582</b>	<b>\$1,569</b>	<b>\$1,600</b>	<b>\$1,601</b>
<b>Tangible Fixed Assets - Net</b>	<b>\$4,233</b>	<b>\$4,480</b>	<b>\$4,544</b>	<b>\$4,994</b>	<b>\$5,013</b>	<b>\$5,083</b>	<b>\$5,108</b>	<b>\$5,238</b>	<b>\$5,238</b>	<b>\$5,244</b>	<b>\$5,299</b>	<b>\$5,354</b>	<b>\$5,489</b>	<b>\$5,489</b>	<b>\$5,788</b>	<b>\$5,977</b>	<b>\$6,110</b>	<b>\$6,202</b>
Goodwill	\$2,818	\$2,874	\$2,833	\$2,953	\$2,965	\$2,999	\$2,981	\$2,989	\$2,989	\$2,936	\$2,948	\$2,948	\$2,948	\$2,948	\$2,948	\$2,948	\$2,948	\$2,948
Other intangible fixed assets (e.g. Deferred Income Taxes)	\$658	\$608	\$576	\$610	\$602	\$598	\$588	\$580	\$580	\$559	\$551	\$551	\$551	\$551	\$551	\$551	\$551	\$551
Investment in affiliates	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other investments	\$496	\$420	\$477	\$529	\$526	\$569	\$585	\$616	\$616	\$652	\$647	\$647	\$647	\$647	\$647	\$647	\$647	\$647
<b>Non-Current Assets</b>	<b>\$3,972</b>	<b>\$3,901</b>	<b>\$3,886</b>	<b>\$4,093</b>	<b>\$4,094</b>	<b>\$4,165</b>	<b>\$4,154</b>	<b>\$4,185</b>	<b>\$4,185</b>	<b>\$4,146</b>	<b>\$4,147</b>	<b>\$4,147</b>	<b>\$4,147</b>	<b>\$4,147</b>	<b>\$4,147</b>	<b>\$4,147</b>	<b>\$4,147</b>	<b>\$4,147</b>
<b>Total assets</b>	<b>\$9,710</b>	<b>\$10,009</b>	<b>\$10,093</b>	<b>\$10,547</b>	<b>\$10,780</b>	<b>\$10,955</b>	<b>\$11,144</b>	<b>\$10,847</b>	<b>\$10,847</b>	<b>\$11,301</b>	<b>\$11,386</b>	<b>\$11,128</b>	<b>\$11,115</b>	<b>\$11,115</b>	<b>\$11,517</b>	<b>\$11,693</b>	<b>\$11,856</b>	<b>\$11,950</b>
Trade payables and other ST liabilities	\$1,155	\$1,130	\$1,143	\$1,231	\$1,268	\$1,240	\$1,063	\$1,121	\$1,121	\$1,292	\$1,147	\$1,074	\$1,117	\$1,117	\$1,182	\$1,200	\$1,237	\$1,255
Short term debt	\$332	\$295	\$288	\$448	\$644	\$227	\$526	\$321	\$321	\$283	\$221	\$125	\$126	\$126	\$134	\$136	\$138	\$139
<b>Total current liabilities</b>	<b>\$1,487</b>	<b>\$1,425</b>	<b>\$1,431</b>	<b>\$1,679</b>	<b>\$1,912</b>	<b>\$1,467</b>	<b>\$1,589</b>	<b>\$1,442</b>	<b>\$1,442</b>	<b>\$1,575</b>	<b>\$1,368</b>	<b>\$1,199</b>	<b>\$1,243</b>	<b>\$1,243</b>	<b>\$1,316</b>	<b>\$1,337</b>	<b>\$1,376</b>	<b>\$1,394</b>
Long term debt	\$3,348	\$3,542	\$3,434	\$3,442	\$3,422	\$3,631	\$3,775	\$3,766	\$3,766	\$3,994	\$4,026	\$4,047	\$4,069	\$4,069	\$4,325	\$4,409	\$4,474	\$4,489
Debt deemed provisions (e.g. pensions)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deferred taxes (Revenue)	\$940	\$962	\$1,005	\$1,138	\$1,140	\$1,187	\$1,210	\$1,216	\$1,216	\$1,205	\$1,268	\$1,274	\$1,293	\$1,293	\$1,331	\$1,356	\$1,370	\$1,380
Other long term liabilities	\$617	\$532	\$560	\$716	\$713	\$747	\$733	\$821	\$821	\$794	\$787	\$752	\$727	\$727	\$731	\$748	\$759	\$773
<b>Total liabilities</b>	<b>\$6,391</b>	<b>\$6,461</b>	<b>\$6,430</b>	<b>\$6,974</b>	<b>\$7,188</b>	<b>\$7,030</b>	<b>\$7,308</b>	<b>\$7,245</b>	<b>\$7,245</b>	<b>\$7,567</b>	<b>\$7,448</b>	<b>\$7,273</b>	<b>\$7,332</b>	<b>\$7,332</b>	<b>\$7,702</b>	<b>\$7,850</b>	<b>\$7,978</b>	<b>\$8,036</b>
Common equity	\$2,233	\$2,493	\$2,659	\$2,692	\$2,719	\$2,940	\$2,949	\$2,851	\$2,851	\$2,988	\$3,165	\$3,083	\$3,011	\$3,011	\$3,042	\$3,071	\$3,106	\$3,143
Preferred equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Minority interests	\$1,086	\$1,055	\$1,004	\$880	\$873	\$985	\$888	\$751	\$751	\$745	\$772	\$772	\$772	\$772	\$772	\$772	\$772	\$772
<b>Shareholders' Equity</b>	<b>\$3,319</b>	<b>\$3,548</b>	<b>\$3,663</b>	<b>\$3,572</b>	<b>\$3,593</b>	<b>\$3,925</b>	<b>\$3,837</b>	<b>\$3,602</b>	<b>\$3,602</b>	<b>\$3,733</b>	<b>\$3,937</b>	<b>\$3,855</b>	<b>\$3,783</b>	<b>\$3,783</b>	<b>\$3,814</b>	<b>\$3,843</b>	<b>\$3,878</b>	<b>\$3,915</b>
<b>Total liabilities and equity</b>	<b>\$9,710</b>	<b>\$10,009</b>	<b>\$10,093</b>	<b>\$10,547</b>	<b>\$10,780</b>	<b>\$10,955</b>	<b>\$11,144</b>	<b>\$10,847</b>	<b>\$10,847</b>	<b>\$11,301</b>	<b>\$11,386</b>	<b>\$11,128</b>	<b>\$11,115</b>	<b>\$11,115</b>	<b>\$11,517</b>	<b>\$11,693</b>	<b>\$11,856</b>	<b>\$11,950</b>
Check	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Balance Sheet Assumptions	2012	2013	2014	2015	1Q	2Q	3Q	4Q	2016	1Q	2Q	3QE	4QE	2017E	2018E	2019E	2020E	2021E
Working Capital	29	108	101	(141)	3	1	(90)	(200)	(200)	103	155	(15)	(61)	(61)	(55)	(61)	(66)	(65)
Changes in Working Capital	85	(44)	(6)	192	(131)	(28)	143	60	43	(207)	(70)	170	46	(61)	(6)	6	5	(0)
Average Collection Period	35	38	30	34	46	39	48	52	35	50	38	50	55	39	40	40	40	40
Inventory Days	32	31	30	24	31	20	34	39	30	29	17	40	40	29	30	30	30	30
Average Payable Period	103	95	81	123	158	137	199	209	162	162	97	185	195	143	143	143	140	139
Cash	\$320	\$389	\$420	\$370	\$403	\$466	\$909	\$503	\$503	\$515	\$638	\$567	\$423	\$423	\$455	\$429	\$428	\$412
Total Debt	\$3,679	\$3,837	\$3,722	\$3,890	\$4,066	\$3,858	\$4,301	\$4,087	\$4,087	\$4,277	\$4,246	\$4,173	\$4,195	\$4,195	\$4,458	\$4,545	\$4,612	\$4,628
<b>Total Net Debt</b>	<b>\$3,360</b>	<b>\$3,448</b>	<b>\$3,302</b>	<b>\$3,520</b>	<b>\$3,663</b>	<b>\$3,391</b>	<b>\$3,392</b>	<b>\$3,584</b>	<b>\$3,584</b>	<b>\$3,762</b>	<b>\$3,608</b>	<b>\$3,605</b>	<b>\$3,773</b>	<b>\$3,773</b>	<b>\$4,003</b>	<b>\$4,116</b>	<b>\$4,184</b>	<b>\$4,216</b>
Preferred Securities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Shareholders' Equity	\$2,233	\$2,493	\$2,659	\$2,692	\$2,719	\$2,940	\$2,949	\$2,851	\$2,851	\$2,988	\$3,165	\$3,083	\$3,011	\$3,011	\$3,042	\$3,071	\$3,106	\$3,143
<b>Net Debt/Capital</b>	<b>60%</b>	<b>58%</b>	<b>55%</b>	<b>57%</b>	57%	54%	53%	56%	<b>56%</b>	56%	53%	54%	56%	<b>56%</b>	<b>57%</b>	<b>57%</b>	<b>57%</b>	<b>57%</b>
EBIT(1-T)	\$411	\$659	\$770	\$720	\$224	\$448	\$91	\$12	\$776	\$291	\$395	\$83	\$21	\$789	\$887	\$904	\$923	\$944
Invested capital	\$5,593	\$5,941	\$5,961	\$6,212	\$6,383	\$6,332	\$6,341	\$6,435	\$6,435	\$6,750	\$6,774	\$6,688	\$6,784	\$6,784	\$7,045	\$7,187	\$7,290	\$7,359
ROIC	8%	11%	13%	12%	16%	12%	12%	12%	12%	18%	12%	12%	12%	12%	13%	13%	13%	13%
ROE	7%	8%	10%	10%	13%	9%	10%	10%	10%	15%	11%	11%	11%	11%	\$0	\$0	\$0	\$0
EBITDA	\$819	\$1,331	\$1,564	\$1,453	\$456	\$862	\$206	\$13	\$1,537	\$569	\$732	\$196	\$89	\$1,586	\$1,769	\$1,812	\$1,840	\$1,891
<b>Net Debt/EBITDA</b>	<b>3.8x</b>	<b>2.5x</b>	<b>2.2x</b>	<b>2.3x</b>	2.2x	2.2x	2.1x	2.3x	<b>2.3x</b>	2.3x	2.4x	2.4x	2.4x	<b>2.3x</b>	<b>2.2x</b>	<b>2.2x</b>	<b>2.3x</b>	<b>2.2x</b>

Source: UGI reports, Jefferies estimates

**Exhibit 6: UGI Consolidated Statement of Cash Flows (\$MM)**

Consolidated Cash Flow Statement (MM)	2012	2013	2014	2015	1Q	2Q	3Q	4Q	2016	1Q	2Q	3QE	4QE	2017E	2018E	2019E	2020E	2021E
<b>Operating activities</b>																		
Net income	\$187	\$428	\$533	\$414	\$168	\$408	\$29	(\$116)	\$489	\$291	\$312	\$32	(\$13)	\$622	\$448	\$462	\$485	\$499
Depreciation, amortization	\$316	\$363	\$363	\$374	\$101	\$101	\$98	\$102	\$401	\$98	\$99	\$100	\$102	\$399	\$404	\$411	\$418	\$426
Deferred taxes	\$83	\$49	\$67	\$14	(\$21)	\$70	\$27	\$1	\$77	(\$6)	\$55	\$7	\$18	\$74	\$38	\$25	\$14	\$10
Net change in working capital	\$85	(\$44)	(\$6)	\$192	(\$131)	(\$28)	\$143	\$60	\$43	(\$207)	(\$70)	\$170	\$46	(\$61)	(\$6)	\$6	\$5	(\$0)
Other, including changes in provisions and other liabilities	\$37	\$6	\$49	\$170	\$11	(\$60)	(\$52)	\$61	(\$41)	(\$49)	\$62	\$7	\$10	\$30	\$4	\$17	\$11	\$14
<b>Cash from operating activities</b>	<b>\$708</b>	<b>\$802</b>	<b>\$1,005</b>	<b>\$1,164</b>	<b>\$128</b>	<b>\$491</b>	<b>\$245</b>	<b>\$107</b>	<b>\$970</b>	<b>\$127</b>	<b>\$458</b>	<b>\$315</b>	<b>\$164</b>	<b>\$1,064</b>	<b>\$888</b>	<b>\$921</b>	<b>\$933</b>	<b>\$949</b>
<b>Investing activities</b>																		
Capital expenditure - tangible fixed assets	(\$339)	(\$486)	(\$457)	(\$491)	(\$132)	(\$123)	(\$116)	(\$193)	(\$564)	(\$197)	(\$145)	(\$143)	(\$211)	(\$697)	(\$695)	(\$593)	(\$543)	(\$519)
Investment in affiliates	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net disposals/(acquisitions)	(\$1,581)	(\$79)	(\$37)	(\$448)	(\$42)	(\$8)	(\$11)	(\$1)	(\$61)	(\$1)	(\$7)	(\$12)	(\$25)	(\$45)	(\$7)	(\$8)	(\$8)	\$0
Other investment	\$15	\$12	\$6	(\$38)	\$18	\$17	\$28	\$3	\$66	\$6	\$6	\$0	\$0	\$11	\$0	\$0	\$0	\$0
<b>Cash from investing activities</b>	<b>(\$1,905)</b>	<b>(\$553)</b>	<b>(\$488)</b>	<b>(\$976)</b>	<b>(\$155)</b>	<b>(\$113)</b>	<b>(\$99)</b>	<b>(\$192)</b>	<b>(\$559)</b>	<b>(\$192)</b>	<b>(\$146)</b>	<b>(\$155)</b>	<b>(\$237)</b>	<b>(\$730)</b>	<b>(\$702)</b>	<b>(\$600)</b>	<b>(\$551)</b>	<b>(\$519)</b>
<b>Financing activities</b>																		
Inc./((dec.) in short term debt	\$27	\$62	(\$17)	(\$20)	\$260	(\$208)	(\$79)	\$122	\$96	(\$67)	(\$149)	(\$95)	\$1	(\$311)	\$8	\$3	\$2	\$0
Inc./((dec.) in long term debt	\$1,250	\$58	(\$68)	\$231	(\$75)	(\$4)	\$484	(\$340)	\$66	\$259	\$94	\$22	\$22	\$397	\$255	\$84	\$65	\$15
Inc./((dec.) in equity	\$300	\$36	(\$29)	(\$22)	(\$22)	\$2	\$8	(\$22)	(\$34)	\$3	(\$23)	(\$6)	\$50	\$25	\$25	\$25	\$25	\$25
Common stock dividends paid	(\$301)	(\$352)	(\$374)	(\$402)	(\$103)	(\$103)	(\$106)	(\$106)	(\$418)	(\$106)	(\$106)	(\$109)	(\$109)	(\$430)	(\$442)	(\$458)	(\$475)	(\$487)
Other cash from financing	\$2	\$9	\$12	(\$4)	\$7	(\$16)	\$2	\$23	\$16	\$10	(\$10)	(\$42)	(\$36)	(\$78)	\$0	\$0	\$0	\$0
Inc./((dec.) in preferred equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Cash from financing activities</b>	<b>\$1,279</b>	<b>(\$186)</b>	<b>(\$476)</b>	<b>(\$217)</b>	<b>\$68</b>	<b>(\$328)</b>	<b>\$308</b>	<b>(\$324)</b>	<b>(\$275)</b>	<b>\$99</b>	<b>(\$195)</b>	<b>(\$230)</b>	<b>(\$72)</b>	<b>(\$398)</b>	<b>(\$154)</b>	<b>(\$346)</b>	<b>(\$383)</b>	<b>(\$447)</b>
Cash flow increase/(decrease) in cash	\$82	\$62	\$42	(\$30)	\$41	\$50	\$454	(\$409)	\$136	\$33	\$118	(\$70)	(\$145)	(\$64)	\$32	(\$26)	(\$2)	(\$16)
Non-cash movements in cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Forex Adjustments	(\$0)	\$7	(\$12)	(\$20)	(\$7)	\$13	(\$11)	\$2	(\$3)	(\$20)	\$4	\$0	\$0	(\$16)	\$0	\$0	\$0	\$0
<b>Net change in cash</b>	<b>\$81</b>	<b>\$69</b>	<b>\$30</b>	<b>(\$50)</b>	<b>\$33</b>	<b>\$63</b>	<b>\$443</b>	<b>(\$406)</b>	<b>\$133</b>	<b>\$12</b>	<b>\$123</b>	<b>(\$70)</b>	<b>(\$145)</b>	<b>(\$80)</b>	<b>\$32</b>	<b>(\$26)</b>	<b>(\$2)</b>	<b>(\$16)</b>
<b>Cash at the beginning of the year</b>	<b>\$239</b>	<b>\$320</b>	<b>\$389</b>	<b>\$420</b>	<b>\$370</b>	<b>\$403</b>	<b>\$466.2</b>	<b>\$909</b>	<b>\$370</b>	<b>\$503</b>	<b>\$515</b>	<b>\$638</b>	<b>\$567</b>	<b>\$503</b>	<b>\$423</b>	<b>\$455</b>	<b>\$429</b>	<b>\$428</b>
<b>Cash at the end of the year</b>	<b>\$320</b>	<b>\$389</b>	<b>\$420</b>	<b>\$370</b>	<b>\$403</b>	<b>\$466</b>	<b>\$909</b>	<b>\$503</b>	<b>\$503</b>	<b>\$515</b>	<b>\$638</b>	<b>\$567</b>	<b>\$423</b>	<b>\$423</b>	<b>\$455</b>	<b>\$429</b>	<b>\$428</b>	<b>\$412</b>
Cash Paid for Income Taxes	\$33	\$60	\$142	\$173	\$99	\$68	(\$6)	(\$26)	\$135	\$112	\$75	\$11	(\$30)	\$169	\$232	\$264	\$286	\$306
Cash Paid for Interest	\$169	\$244	\$228	\$227					\$229					\$217	\$229	\$240	\$245	\$249
Cash Tax Rate	10.9%	10.1%	18.2%	24.3%	40.6%	12.8%	-11.0%	25.2%	18.5%	32.8%	15.9%	25.0%	65.0%	20.8%	25.0%	27.5%	29.0%	30.0%
Cash Interest Rate	4.9%	6.5%	6.0%	6.0%					5.6%					5.2%	5.3%	5.3%	5.4%	5.4%

Source: UGI reports, Jefferies estimates

## Company Description

AmeriGas Partners, L.P. (NYSE: APU) is the nation's largest retail propane marketer, serving more than 2.3 million customers in all 50 states from roughly 2,100 distribution locations. AmeriGas is a master limited partnership (MLP) and UGI Corporation (NYSE: UGI) is its sole General Partner and owns an approximate 26% Limited Partner interest. AmeriGas is organized under the laws of the state of Delaware and headquartered in King of Prussia, PA.

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

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### (Article 3(1)e and Article 7 of MAR)

Recommendation Published , 20:46 ET. May 14, 2017

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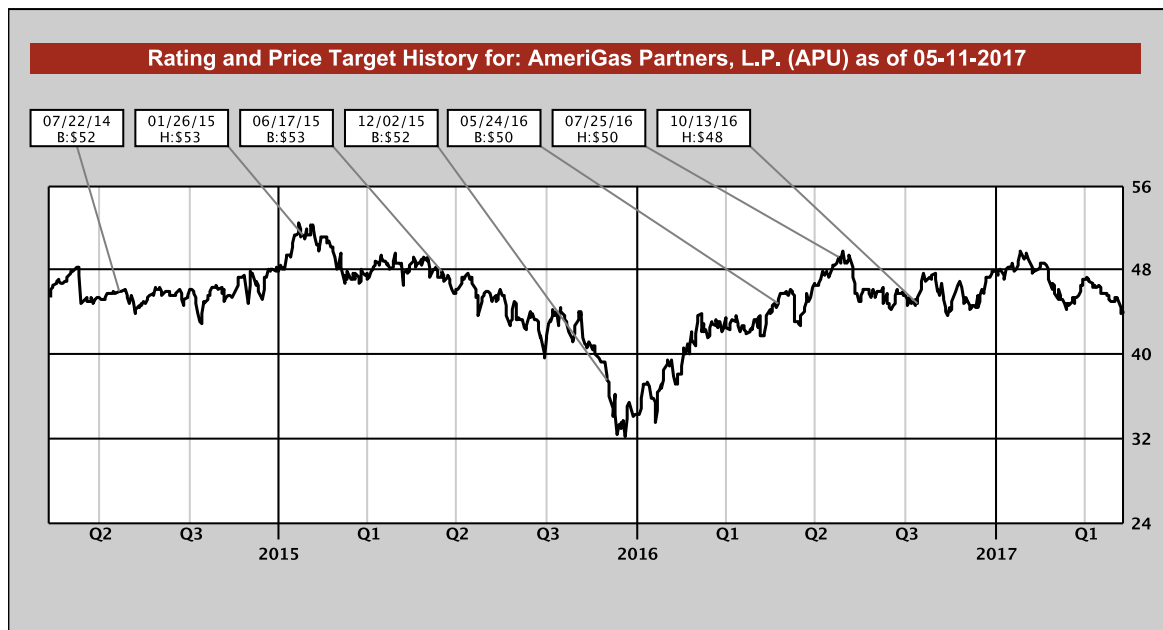
P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

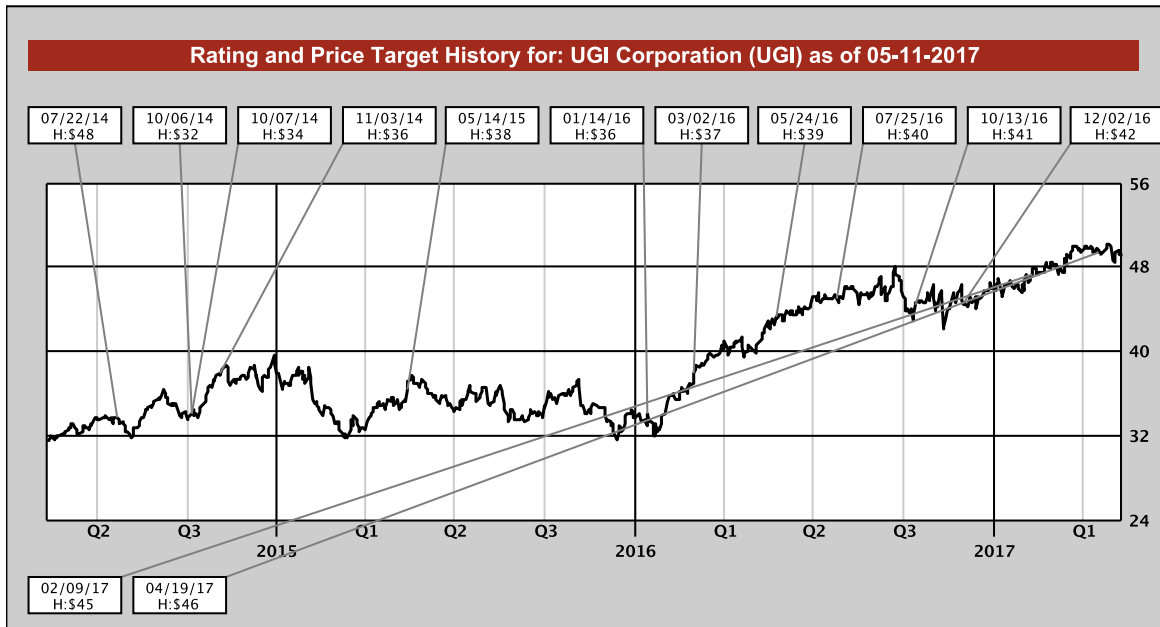
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			Count	Percent
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FLASH NOTE

Company Update

USA | Energy | Natural Gas

May 1, 2017

# UGI Corporation (UGI)

## It's Gonna be Meh

**HOLD**

Bloomberg NYSE: UGI  
Price target \$46.00  
Price \$49.94^

^Prior trading day's closing price unless otherwise noted.

EQUITY RESEARCH

### Key Takeaway

**UGI realized recurring F1Q EPS of \$1.31 (ex items), in-line with our \$1.30 EPS forecast & the \$1.32 Street EPS mean est. Significant weather-related y/y headwinds were eclipsed by infrastructure investments, rate case impacts, and disciplined cost containment to deliver ~6% y/y EPS growth. However, given sharply warmer-than-normal F1H conditions, mgmt noted it expects to be 'at the low-end or slightly below' its \$2.30-\$2.45 F17 EPS range.**

**Weather hits APU & Utilities, but net results in-line.** For the second consecutive year, APU & UGI Utilities experienced materially warmer than normal winter temps, dramatically crimping customer demand & profitability. However, the benefits of recent investments, acquisitions, rate case decisions, and a continued focus on operational efficiency offset these headwinds to deliver net results that were up ~6% y/y and in-line with our forecasts. Though APU materially lowered its F17 Adj. EBITDA guidance to \$550-\$580mm, from \$660-\$700mm, due to severely weaker F1H weather conditions, UGI noted an expectation for its F17 EPS to fall 'at the low-end or slightly below' its previously guided \$2.30-\$2.45 range.

**Management changes.** On Feb. 15th, UGI announced Brad Hall's retirement as President of UGI Energy Services, effective March 6th; Joseph Hartz was appointed as his replacement. On April 10th, CFO Kirk Oliver announced his intention to retire early next year; a CFO search has commenced & we look forward to the call for any detail on the selection process.

**30th consecutive dividend increase.** On April 25th, UGI announced a dividend raise to 25¢/quarter (\$1.00 annualized), up ~5.3% q/q. UGI has paid dividends continually since 1885 and this year's increase marks its 30th consecutive annual increase. We continue to expect long-term increases at a rate of ~5% per year, and note that UGI typically increases its quarterly dividend at the mid-point of its fiscal year.

**Conference call.** Tomorrow @ 9AM EDT. Dial-in: 866-393-4306. Key issues include 1) update on midstream initiatives & rate case proceedings; 2) operational update and QTD trends; 3) mgmt's M&A appetite & views of its APU IDR position.

### UGI F2Q17 Results Review:

Recurring Operating Income	JEF <sup>e</sup> F2Q17A	JEF Expectations F2Q17E		Year-over-Year F2Q16A	
<b>Operating Income (\$MM)</b>					
AmeriGas Propane	\$228.5	\$255.1	-10.4%	\$250.4	-8.8%
Utilities	\$116.4	\$128.1	-9.1%	\$114.5	1.6%
Midstream & Marketing	\$82.1	\$82.1	0.0%	\$77.8	5.6%
International Propane	\$127.7	\$123.3	3.5%	\$120.1	6.3%
Corporate & Other	(\$31.1)	\$25.8	NM	\$23.9	-230.3%
<b>Total Operating Income</b>	<b>\$523.6</b>	<b>\$614.5</b>	<b>-14.8%</b>	<b>\$589.3</b>	<b>-11.1%</b>
Income (Loss) from Equity Investees	\$2.3	(\$0.2)	NM	\$0.0	NM
Interest Expense	(\$55.8)	(\$56.3)	-0.9%	(\$57.3)	-2.6%
Other Items	\$0.0	\$0.0	NM	\$0.0	NM
Minority Interests	(\$104.9)	(\$187.2)	-44.0%	(\$174.8)	-40.0%
Income Tax Benefit (Expense)	(\$133.4)	(\$142.3)	-6.2%	(\$138.4)	-3.6%
<b>Recurring Net Income</b>	<b>\$231.8</b>	<b>\$228.5</b>	<b>1.4%</b>	<b>\$218.8</b>	<b>5.9%</b>
Diluted Shares Outstanding	177.1	176.1	0.6%	174.8	1.3%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$1.31</b>	<b>\$1.30</b>	<b>0.8%</b>	<b>\$1.24</b>	<b>5.8%</b>
<b>Capital Expenditures</b>	<b>\$126.0</b>	<b>\$151.5</b>	<b>-16.8%</b>	<b>\$122.6</b>	<b>2.8%</b>
<b>Dividend Per Share</b>	<b>\$0.24</b>	<b>\$0.24</b>	<b>0.0%</b>	<b>\$0.23</b>	<b>4.4%</b>

Source: UGI reports and Jefferies estimates

Note: Recurring results exclude the impact of one-time items; some figures in the reported column remain JEF<sup>e</sup> as we will not have full information until the 10-Q is filed.

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## Company Description

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

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Recommendation Published , 21:09 ET. May 1, 2017  
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Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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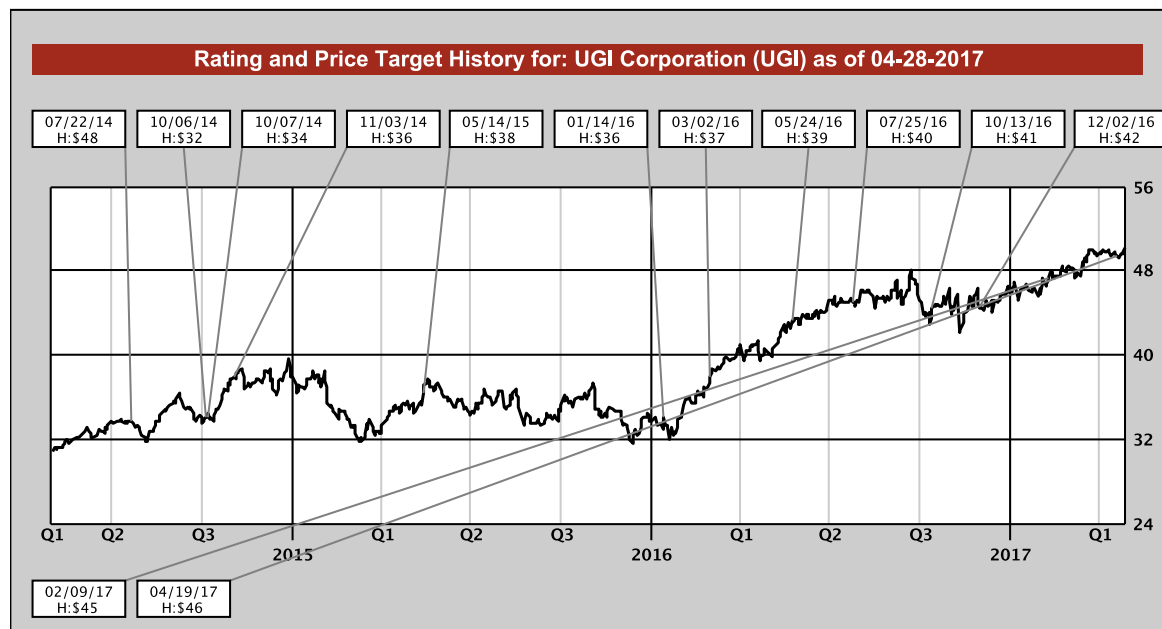
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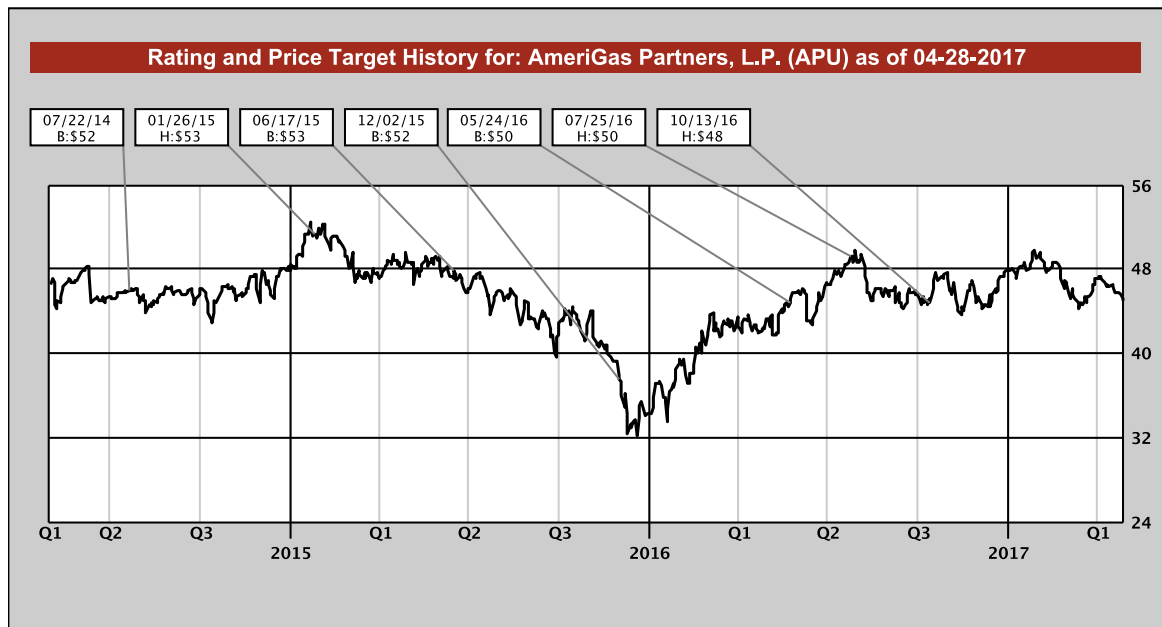
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Legend:

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D: Dropped Coverage

B: Buy

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## Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	1101	50.76%	335	30.43%
HOLD	894	41.22%	178	19.91%
UNDERPERFORM	174	8.02%	13	7.47%

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Gas and Electric Utilities

December 7, 2018

UGI Corporation (UGI) - BUY

UGI: Business Model Ready for the Next Stage of Growth; Maintaining BUY Rating, Raising F.V. to \$66

Price:	\$58.56
Fair Value Estimate:	\$66.00
52-Week Range:	\$42.51 - \$58.60
Market Cap (MM):	10,178
Shr.O/S-Diluted (mm):	173.8
Average Daily Volume:	881,406
Dividend:	\$1.04
Yield:	1.8%

FYE: Sept	2018A	2019E	2020E
EPS:	\$2.74A	\$2.94E	\$3.15E
Prior EPS:		NC	NC
P/E Ratio:	21.4x	19.9x	18.6x

Quarterly EPS:

Q1	\$1.01A	\$1.26E	\$1.24E
Q2	\$1.69A	\$1.63E	\$1.73E
Q3	\$0.09A	\$0.14E	\$0.30E
Q4	\$(0.04)A	\$(0.08)E	\$(0.11)E

EPS: Adjusted

PORTFOLIO MANAGER BRIEF

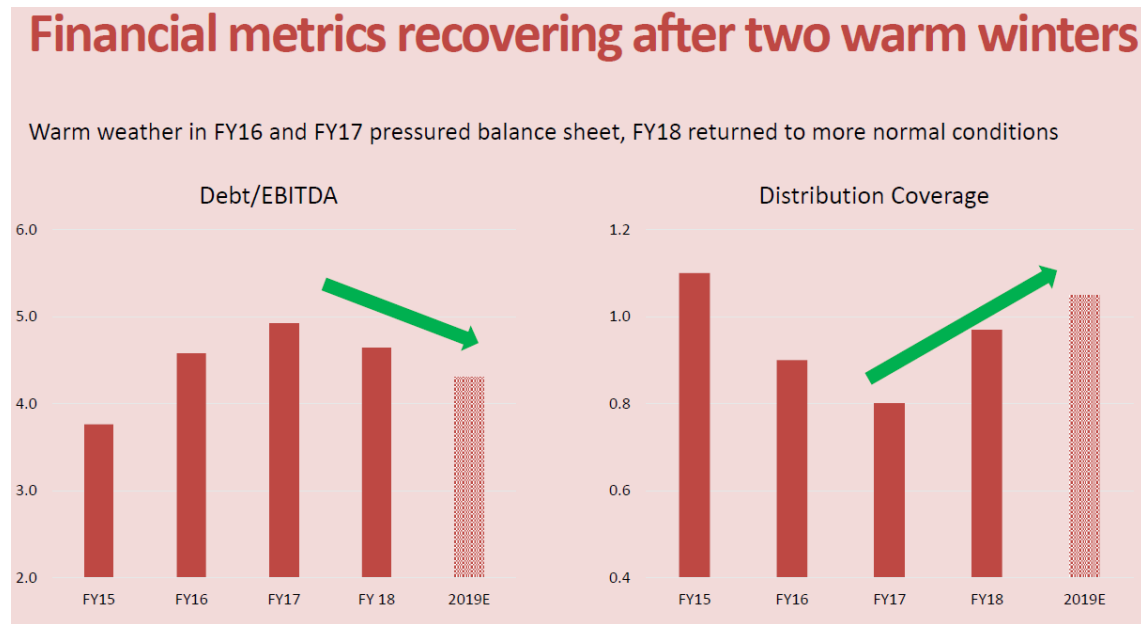
UGI's investor day presentation framed the company's past performance as exemplary and its future outlook as exceptionally strong in terms of earnings growth and cash flow generation. Perhaps the most substantial key takeaway was the continuing focus on the AmeriGas operations, where unit prices have suffered due to below normal weather for the past few years. Normalizing weather, in-house reviews surrounding the IDR structure and a backstop (Standby Equity Commitment Agreement) should allow for improvement in unit performance on a go-forward basis. We've made no adjustments to our forward estimates, maintain our BUY rating but raise our Fair Value on UGI shares from \$60 to \$66.

ANALYST NOTES

- AmeriGas - Substantial Focus on Improvement Across Key Metrics. It's certainly been a tough two years for AmeriGas from an adjusted EBITDA perspective, as unfavorable weather patterns below historic norms have led to downward guidance revisions, a weakened unit price and concerns surrounding distribution coverage. APU CEO Hugh Gallagher addressed these issues at length during the AmeriGas part of the presentation, highlighting that the internal review underway between UGI & APU is looking to strengthen the balance sheet further, and a variety of items are on the table, including a review of the IDR structure. To be clear, balance sheet strengthening actions have already been taken; over the last two years, \$981MM of senior notes has been refinanced to lower interest rates (>100 bps) and lengthen maturities, while OPEX reduction initiatives continue to reduce costs and improve margins. Looking forward, the company has no debt maturities due until 2024, and during the review process, the SECA (Standby Equity Commitment Agreement) between UGI and APU will remain in place as a backstop in the event APU needs additional liquidity. We note that while its still early in the FY19 heating season, temperatures have been unseasonably low in several markets, which bodes well for achieving EBITDA guidance and coverage of the distribution if current trends carry into FY2Q19. Exhibit #1 highlights the impacts (and improvements) across APU's business model; Exhibit #2 shows the company's ability to maintain propane unit margins despite volatile pricing across the last several years.



**Exhibit #1**



Source: UGI

**Exhibit #2**



Source: UGI

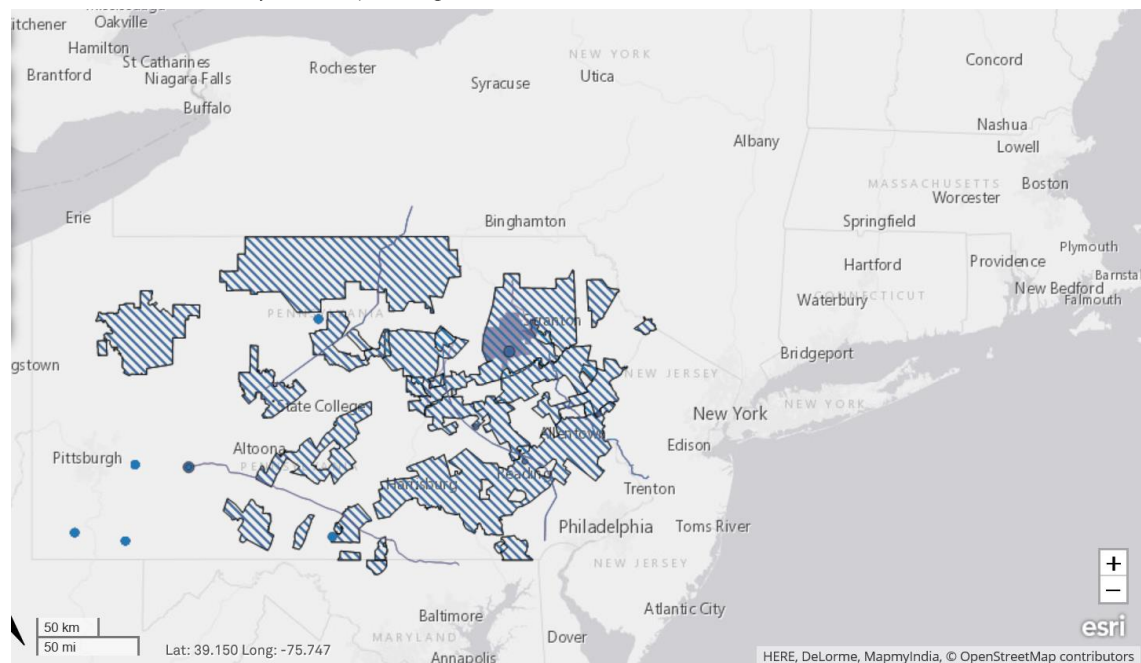
**Strategic Realignment Setting the Framework for Future Earnings Growth.** UGI has added a new title (and responsibilities) to UGI Utilities CEO & President Robert Beard – Executive Vice President of Natural Gas. It also did the same to UGI International CEO Roger Perrault – he is now Executive Vice President of Global LPG. Given the growth opportunities across both platforms and UGI’s current market capitalization, bringing the decision-making processes across both of those businesses to a single head should help streamline operational and investment

decisions. In the NG operations, the synergies between the utilities and midstream make for a natural fit, and in the LPG operations, the ever-expanding nature of the services offered across multiple business units should benefit from a holistic approach to maximizing opportunities.

In natural gas, Mr. Beard is likely to have a full plate for many years to come. Beyond continuing to develop the PENNEAST pipeline project, UGI is looking at additional midstream opportunities to get NG to where it's needed. UGI's premier positioning sitting atop the Marcellus Shale and pre-existing success in midstream are significant advantages in these endeavors. And nowhere is NG needed more than in the Northeast; earlier this week, U.S. Department of Energy Secretary Rick Perry highlighted the absurdity of utilizing Russian LNG during the last winter heating season in the Northeast when domestic supplies were but a few hundred miles away. The challenge of course is getting any new infrastructure built north (or east) of Pennsylvania's borders; we don't see that situation changing near term given the political climates in many Northeast U.S. states. Providing lower-priced NG from PENNEAST to New Jersey-based gas utilities could free up supply and allow additional NG flows on pre-existing infrastructure to move into the Northeast, but that premise is dependent upon whether or not that supply would be utilized by others in the Mid-Atlantic region. It happens rather frequently; we note another energy company in the region, **Chesapeake Utilities (CPK, \$87.77, BUY)**, ups the capacity on its Eastern Shore Natural Gas pipeline frequently given capacity gets soaked up every time it becomes available, and that's for the Mid-Atlantic region, which doesn't have nearly the demands of the Northeast.

One opportunity that may exist for UGI would be to build peak-shaving assets in the New England, or perhaps find alternate methods of getting LNG into the region. Other areas that look attractive include potential NG flows from west-to-east across Pennsylvania; that could unlock supplies not just in western PA, but also from Ohio. If we look at the UGI Pennsylvania map (Exhibit #3), we can see the company covers much of the state, with the exception of the Pittsburgh area. If we think about **Aqua America's (WTR, \$35.02 BUY)** upcoming purchase of Peoples Gas (which does cover the Pittsburgh area and encompasses 250 miles of intrastate pipeline), it could provide an opportunity for the 2 companies to work together to increase midstream coverage across the state and beyond its borders. We note that UGI's Valley Forge, PA headquarters and Aqua America's Bryn Mawr, PA headquarters are 8.6 miles apart; we suspect they know one another fairly well.

Exhibit #3 – UGI Pennsylvania Operating Assets

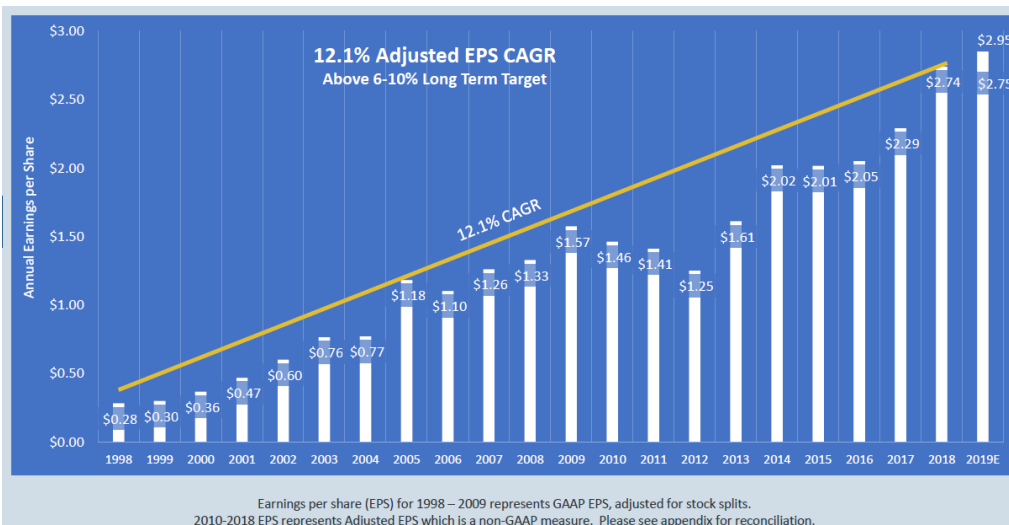


Source: SNL



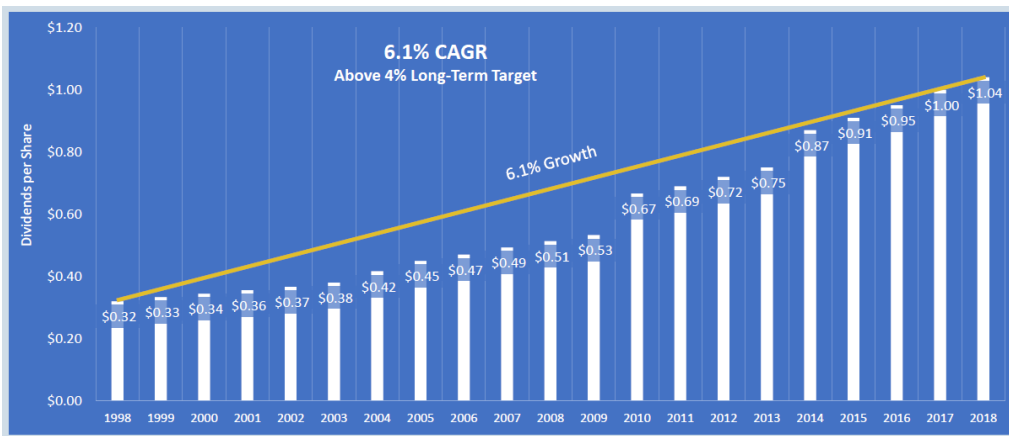
**Summary/Valuation:** As we look to boil down the tenor and tone of UGI’s Investor Day and Presentation (the presentation deck was a massive 129 slides), our key takeaways are 1) AmeriGas is a top priority, and the issues surrounding two warm winters and distribution coverage will be addressed and remedied in short order; 2) the strategic direction going forward has been simplified into two basic core operations (NG and LPG) with two very experienced CEO’s at the helm of both to unlock as much earnings potential as possible, and 3) UGI’s historical performance is impressive and the trend is likely to continue. As we look first at AmeriGas, unit performance has been abysmal, and in our view not reflective of UGI’s commitment to the business or the underlying improvements to its operations and outlook. We believe AmeriGas units represent a substantial investment opportunity, and with a current yield of approximately 11.25%, investors are being generously compensated for holding, especially with UGI backstopping the business through the aforementioned SECA. Turning next to the streamlined focus (NG and LPG), investors should substantially benefit from that holistic approach to the two key business lines. Then finally looking at UGI’s historical performance, we note that its earnings CAGR of 12.1% and dividend growth of 6.1% have both exceeded long-term guidance ranges of 6-10% and 4%, respectively, which we display in Exhibits #4 and #5.

Exhibit #4



Source: UGI

Exhibit #5



Source: UGI

Beyond the outperformance in earnings and dividends, UGI (unlike other energy companies with large regulated utility profiles) is largely self-funding; its Free Cash Flow generating ability (\$2.7B over the last 5 years) aided by its non-regulated operations allows it to essentially self-fund its growth initiatives. As we look across the major business lines, they're all growing, and the outlook points to those trends continuing for many years. Additionally, the earnings profile is less weather sensitive, and currency and commodity exposure have been dampened. It's a unique business model, worthy of a higher utility multiple for the reasons outlined previously, and we've increased our P/E multiple assumption (on 2020 EPS of \$3.15) on UGI shares from 19x to 21x, and raised our Fair Value from \$60 to \$66.

As for AmeriGas, we consider them an extraordinary value at current price levels given the 11.25% yield. The units trade as if a distribution cut is imminent; based on the metrics outlined in Exhibits #1 & #2, the ongoing review in terms of IDR's, the SECA agreement, the cost reductions from operational improvements, recent refinancings to lower interest expense and maturities, no debt refinancings needed until 2024 and continued ability to make tuck-in acquisitions to add volume to its stable propane unit margin profile, the distribution appears sustainable. So while we're not changing estimates, ratings or our Fair Value target, we are reiterating our BUY rating on APU units, particularly given the 11.25% yield.

## 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

AmeriGas Partners, L.P. currently is, or during the past 12 months was, a Janney Montgomery Scott LLC client. Janney Montgomery Scott LLC, provided investment banking related services.

Janney Montgomery Scott LLC currently acts as a market-maker in the securities of Aqua America, Inc..

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from UGI Corporation, AmeriGas Partners, L.P., Chesapeake Utilities Corporation and Aqua America, Inc. 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.

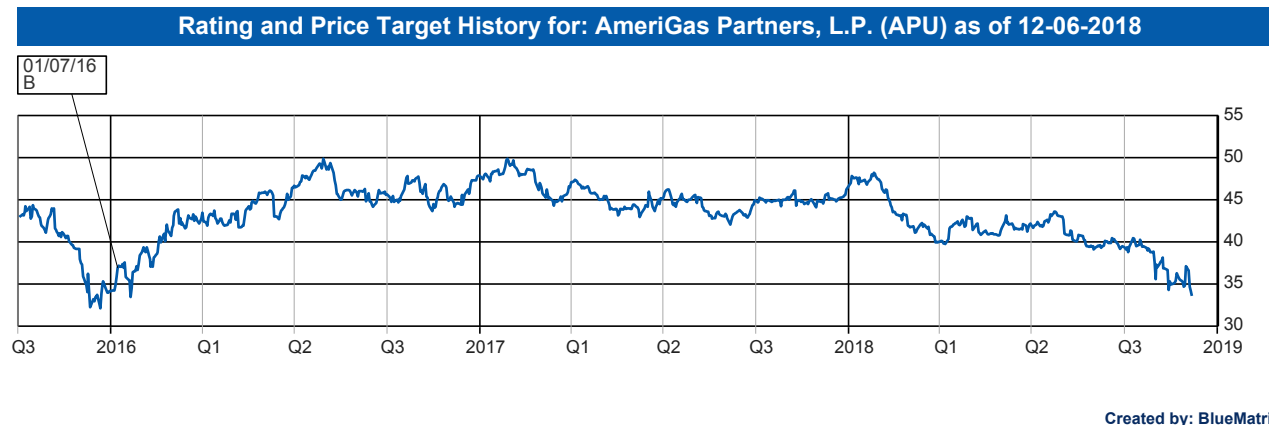
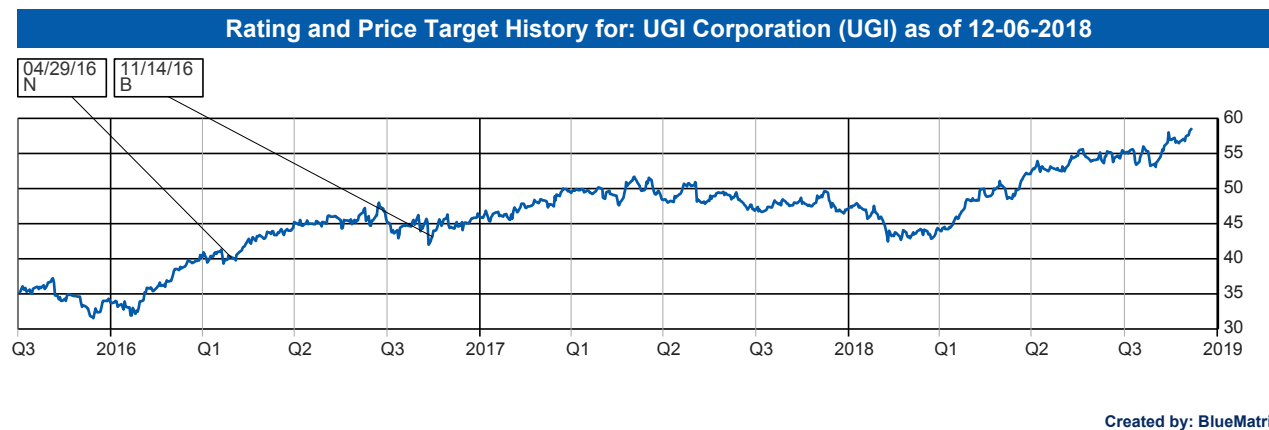
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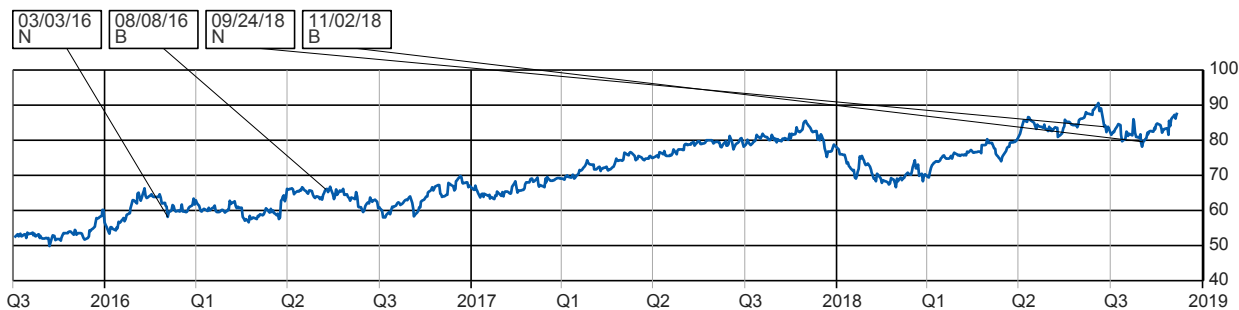
**NEUTRAL:** Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

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

### Price Charts

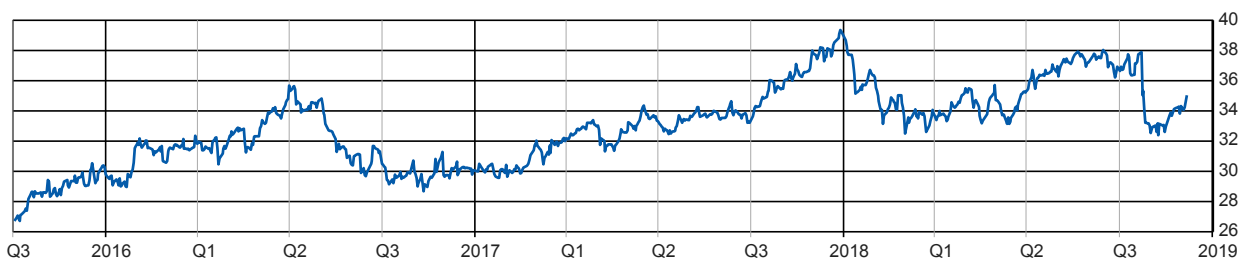


**Rating and Price Target History for: Chesapeake Utilities Corporation (CPK) as of 12-06-2018**



Created by: BlueMatrix

**Rating and Price Target History for: Aqua America, Inc. (WTR) as of 12-06-2018**



Created by: BlueMatrix

Janney Montgomery Scott Ratings Distribution as of 09/30/2018

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	124	49.60	26	20.97
<b>NEUTRAL [N]</b>	124	49.60	23	18.55
<b>SELL [S]</b>	2	0.80	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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Michael Gaugler

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## Gas and Electric Utilities

Price:	\$56.52
Fair Value Estimate:	\$60.00
52-Week Range:	\$42.51 - \$57.18
Market Cap (MM):	9,827
Shr.O/S-Diluted (mm):	173.9
Average Daily Volume:	842,464
Dividend:	\$1.04
Yield:	1.8%

FYE: Sept	2018A	2019E	2020E
EPS:	\$2.74A	\$2.94E	\$3.15E
Prior EPS:		NC	NC
P/E Ratio:	20.6x	19.2x	17.9x

## Quarterly EPS:

Q1	\$1.01A	\$1.26E	\$1.24E
Q2	\$1.69A	\$1.63E	\$1.73E
Q3	\$0.09A	\$0.14E	\$0.30E
Q4	\$(0.04)A	\$(0.08)E	\$(0.11)E
EPS: Adjusted			



November 13, 2018

## UGI Corporation

(UGI) - BUY

## UGI: First Look; Reports FY2018 Results, Maintain BUY Rating, \$60 Fair Value

## PORTFOLIO MANAGER BRIEF

UGI's FY18 results met expectations, with no surprises across the various operating segments. The Company offered FY19 EPS guidance that was inclusive of the consensus forecast, and we've made no adjustments to our forward estimates ahead of this morning's conference call. We maintain our BUY rating and \$60 Fair Value on UGI shares, based on a P/E of 19x our FY20 EPS estimate of \$3.15.

## ANALYST NOTES

- FY4Q18 Results Met Expectations. Revenues of \$1.273B were above our \$1.197B forecast (consensus was \$1.224B) while adjusted loss per share of \$(0.04) matched our estimate and consensus. Weather was normal domestically, warmer-than-normal internationally.
- Full Year Results Showed Solid Improvement. By the segments, AmeriGas partnership adjusted EBITDA increased 9.8% YOY on a 3.3% improvement in retail gallons sold; UGI International operating income increased 14% despite warmer than normal weather (LPG retail gallons increased 7.1%). The Midstream & Marketing segment saw its operating income increase 24.9%, benefitting from higher natural gas gathering, capacity management, peaking total margin and higher electricity generation total margin. UGI Utilities operating income increased a modest 4.0%, as throughput increased 14% on colder temperatures versus the prior year.
- FY19 EPS Guidance Within Consensus. UGI offered an adjusted EPS guidance range for FY2019 of \$2.75 to \$2.95. Going into the quarter, our estimate was \$2.94; consensus \$2.88. The guidance range assumes normal weather over a 15-year average.
- Summary/Valuation. UGI's year-end results turned out as expected, and FY19 guidance was where we expected it to be. We've made no changes to our FY19 or FY20 estimates heading into this morning's conference call; if changes are warranted after the call, we'll do so in a follow-up note after the 10K is filed. In terms of the forward outlook, it remains strong across the various operating segments, and our positive investment thesis remains unchanged. We maintain our BUY rating and \$60 Fair Value on UGI shares, based on a P/E of 19x our FY20 EPS estimate of \$3.15.

## IMPORTANT DISCLOSURES

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### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 09/30/2018

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	124	49.60	26	20.97
<b>NEUTRAL [N]</b>	124	49.60	23	18.55
<b>SELL [S]</b>	2	0.80	0	0.00

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

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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.





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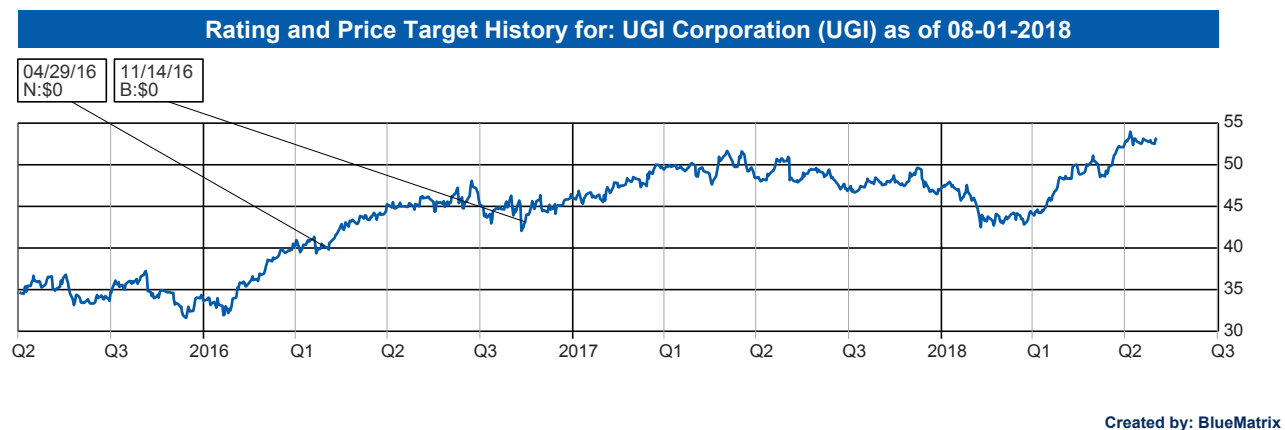
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### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 06/30/18

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

Quarter	2017A	2018E	2019E
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.



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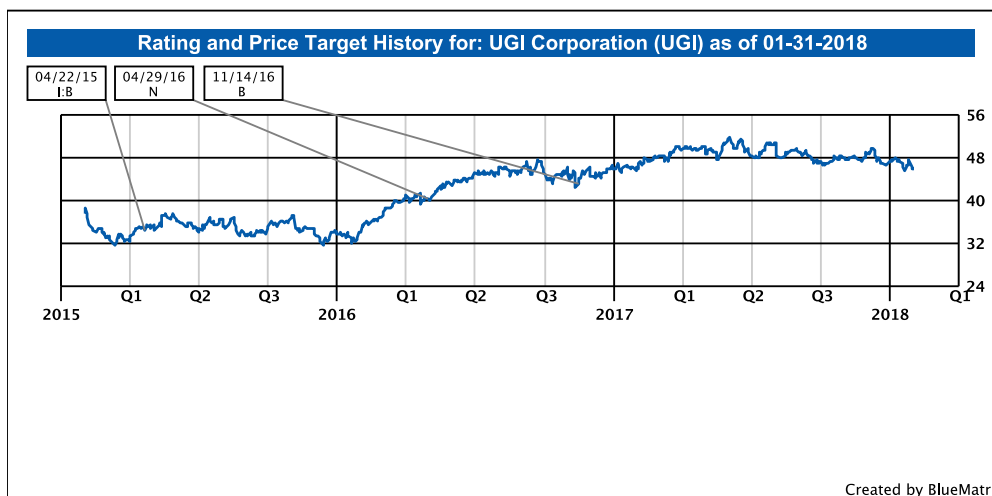
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**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts



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

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

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

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## Gas and Electric Utilities

Price:	\$48.03
Fair Value Estimate:	\$56.00
52-Week Range:	\$41.79 - \$52.00
Market Cap (MM):	\$8,328
Shr.O/S-Diluted (mm):	173.4
Average Daily Volume:	628,967
Dividend:	\$1.00
Yield:	2.1%

FYE: Sept	2017A	2018E	2019E
EPS:	\$2.29A	\$2.57E	\$2.79E
Prior EPS:	\$2.33	NC	NC
P/E Ratio:	21.0x	18.7x	17.2x

## Quarterly EPS:

Q1	\$0.91A	\$0.88E	\$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



November 9, 2017

## UGI Corporation

(UGI) - BUY

## UGI: FY18 Guidance Better Than Expected, Maintain BUY Rating, \$56 Fair Value

## PORTFOLIO MANAGER BRIEF

UGI's FY17 results met expectations, as the adjusted EPS of \$2.29 matched the consensus forecast. That aside, we expect FY18 guidance caught the Street by surprise, with an offered range of \$2.45 to \$2.65 (consensus was \$2.48 going into the results; JMS was Street-high at \$2.57). We'd expect FY18 consensus forecasts to come to at least the middle of the range, and Fair Value assumptions to follow along for the ride as well. We've made minor adjustments to our forward estimates, and maintain our BUY rating and \$56 Fair Value target on UGI shares, based on a P/E of 20x our FY19 EPS estimate of \$2.79.

## ANALYST NOTES

- FY17 Results In-line with Expectations. As we mentioned previously, the adjusted EPS of \$2.29 in FY17 matched the consensus forecast, and on a full year basis, was a record for the company despite unfavorable weather patterns in all service territories. In terms of the fourth quarter, from a seasonality perspective, we note FY4Q is typically the weakest in terms of financial results, and we didn't see anything that would lead us to make material changes to our FY18 or FY19 forecasts.
- Adjusted FY18 EPS Guidance of \$2.45 to \$2.65; Happy Holidays from Valley Forge. Going into the quarterly results, the consensus forecast for FY18 was \$2.48; the guidance range offered was \$2.45 to \$2.65. We're pleased to see that UGI based its guidance on normalized weather assumptions; after 2 straight years of unfavorable weather patterns, taking a more conservative bent would have been the easier path. Our view is that the current guidance range is more representative of what the business can generate, and the upper end was above even our Street-high estimate of \$2.57 going into the quarterly results. Longer term, the company sees EPS growth of 6-10%, with a range of \$3.05 - \$3.40 in 2021, using the midpoint of FY18 guidance.
- Summary/Valuation. Pending 10K review, we're making no changes to our forward estimates or our Fair Value target of \$56. Given the strong upward earnings trajectory and ability to self-fund from prodigious free cash flow generation, we believe UGI shares are very attractive for investors seeking both growth and income. We continue to recommend accumulation at current price levels, as we believe the company's ability to continue executing on strategic growth initiatives will garner more interest with each passing quarter.

## 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.

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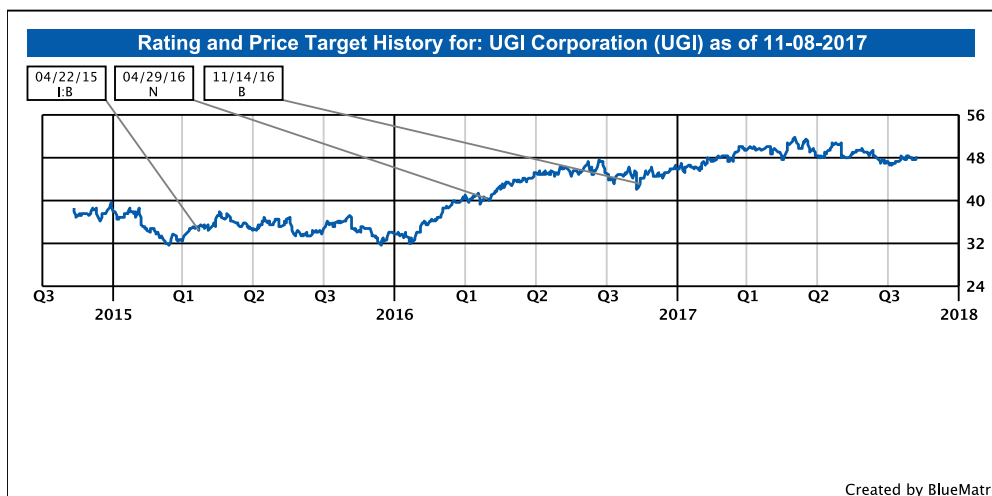
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**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 9/30/17

Rating	IB Serv./Past 12 Mos.*			
	Count	Percent	Count	Percent
<b>BUY [B]</b>	115	49.57	32	27.83
<b>NEUTRAL [N]</b>	114	49.14	20	17.54
<b>SELL [S]</b>	3	1.29	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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Gas and Electric Utilities

Price:	\$48.17
Fair Value Estimate:	\$56.00
52-Week Range:	\$41.79 - \$52.00
Market Cap (MM):	\$8,338
Shr.O/S-Diluted (mm):	173.1
Average Daily Volume:	708,888
Dividend:	\$1.00
Yield:	2.1%

FYE: Sept	2017E	2018E	2019E
EPS:	\$2.33E	\$2.57E	\$2.79E
Prior EPS:	\$2.32	NC	NC
P/E Ratio:	20.7x	18.7x	17.3x

Quarterly EPS:

	Q1	Q2	Q3	Q4
EPS:	\$0.91A	\$0.88E	\$0.84E	\$0.91A
Q2	\$1.31A	\$1.43E	\$1.60E	\$1.31A
Q3	\$0.09A	\$0.16E	\$0.19E	\$0.09A
Q4	\$0.02E	\$0.11E	\$0.16E	\$0.02E
EPS: Adjusted				

August 4, 2017

## UGI Corporation (UGI) - BUY

### UGI: Unfavorable Weather Impacts FY3Q17 Results; Maintain BUY Rating, \$56 Fair Value

PORTFOLIO MANAGER BRIEF

UGI's FY3Q17 adjusted EPS of \$0.09 was \$0.01 above our forecast, but below consensus of \$0.16. The company experienced unfavorable weather patterns across all of its operations, and as a result, has indicated that its previous 2017 adjusted EPS guidance range of \$2.30 to \$2.45 is achievable, but final results may be slightly below. The shares sold off yesterday, either as a result of the "miss" or the uncertainty surrounding the guidance (or both). We consider the sell-off nonsensical; abnormal weather patterns are a regular occurrence with utility/utility-like companies, and we use normalized earnings forecasts 3 years forward to set share Fair Values. We recommend investors buy the weakness, and we maintain our BUY rating and \$56 Fair Value.

ANALYST NOTES

- **FY3Q17 Results; "Met Our Expectations".** UGI's adjusted EPS of \$0.09 was actually \$0.01 above our estimate; the unfavorable weather in the all-important April shoulder season was already in the rearview mirror when the company reported FY2Q17 results in May. In the release, UGI indicated that all its business segments were negatively impacted by weather, and that lower LPG margins in the International segment provided further pressure on quarterly results. As we look across the reporting segments, the quarter unfolded as expected, and given FY3Q is not typically a strong period from an earnings perspective, we see little read-through on a go forward basis.
- **Regulatory Update.** Unfortunately, the Federal Energy Regulatory Commission still is absent a quorum to take a vote to issue a final FERC Certificate for UGI's PennEast pipeline. The company expects to update the project timeline once that certificate is obtained. At the utility, UGI filed a Joint Petition for Settlement with the Pennsylvania Public Utility Commission for an \$11.3MM base rate increase at its PNG utility, with new rates anticipated to go into effect on October 20th.
- **Acquisitions Continue.** UGI International closed the acquisition of Preem Gas in Sweden, a distributor of over 20MM gallons of LPG annually. On the call, the company noted the strategic fit is excellent, as is the timing of the closing of the transaction, which will allow for integration ahead of the next winter heating season. At AmeriGas, 3 more tuck-in acquisitions were consummated; that brings the total to 5 for the year. AmeriGas expects to continue making small tuck-in acquisitions on a go forward basis, indicating the pipeline of opportunities was strong.
- **Summary/Valuation.** UGI has certainly had its challenges over the last several quarters, particularly with unfavorable weather and delays associated with



permitting for the PennEast pipeline. After two successive years of warmer than normal winters, the company has still managed to turn in very respectable results. We point this out because when more normalized weather returns, we'd expect UGI's margins to expand materially given the results achieved recently. Looking forward, we are making no adjustments to our FY18 and FY19 forecasts, pending reviews of the 10Q's. We maintain our BUY rating and \$56 Fair Value estimate on UGI shares, based on a P/E of 20x our FY19 EPS estimate of \$2.79.

## IMPORTANT DISCLOSURES

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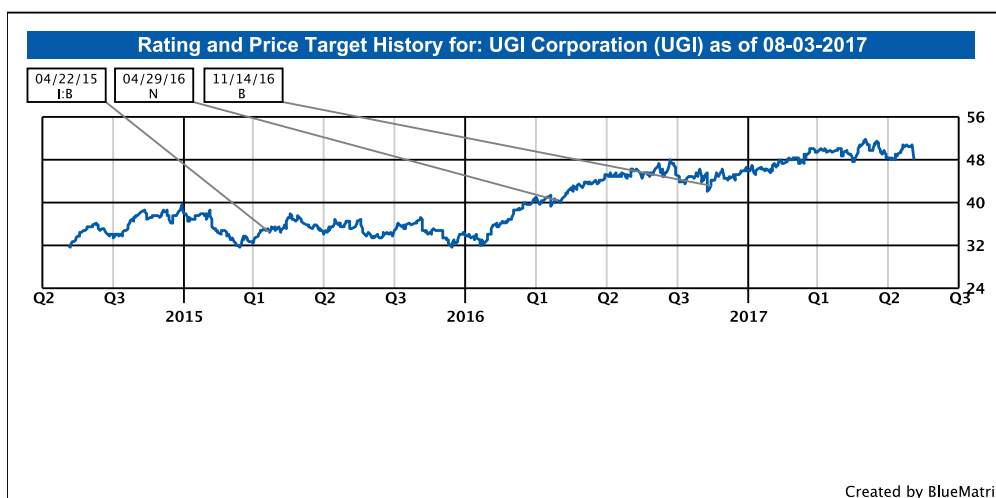
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**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 6/30/17

Rating	IB Serv./Past 12 Mos.*			
	Count	Percent	Count	Percent
<b>BUY [B]</b>	117	48.55	28	23.93
<b>NEUTRAL [N]</b>	120	49.79	21	17.50
<b>SELL [S]</b>	4	1.66	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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Gas and Electric Utilities

Price:	\$48.73
Fair Value Estimate:	\$56.00
52-Week Range:	\$39.44 - \$50.55
Market Cap (MM):	\$8,427
Shr.O/S-Diluted (mm):	172.9
Average Daily Volume:	748,515
Dividend:	\$1.00
Yield:	2.1%

FYE: Sept	2017E	2018E	2019E
EPS:	\$2.32E	\$2.57E	\$2.79E
Prior EPS:	\$2.52	NC	\$2.78
P/E Ratio:	21.0x	19.0x	17.5x

Quarterly EPS:

	2017	2018	2019
Q1	\$0.91A	\$0.88E	\$0.84E
Q2	\$1.31A	\$1.43E	\$1.60E
Q3	\$0.08E	\$0.16E	\$0.19E
Q4	\$0.02E	\$0.11E	\$0.16E

EPS: Adjusted

May 3, 2017

UGI Corporation (UGI) - BUY

UGI: Superior Results Against Unfavorable Headwinds; Raising Fair Value from \$50 to \$56

PORTFOLIO MANAGER BRIEF

UGI's FY2Q17 adjusted results were just short of expectations, as warmer weather negatively impacted multiple segments. That said, the company's ability to turn in what we consider to be very respectable results against the aforementioned backdrop of unfavorable weather is notable, and the changes to our forward estimates are minimal. We have raised our forward P/E multiple assumption (from 18x to 20x) and our Fair Value from \$50 to \$56. We reiterate our BUY rating on UGI shares.

ANALYST NOTES

- FY2Q17 results not bad, considering.... Adjusted EPS of \$1.31 was just below consensus of \$1.32, but higher than the \$1.24 in the year-ago period, despite one of the warmest winter quarters on record. Better performance from the UGI International and Midstream & Marketing segments helped offset the headwind created by warmer weather.
- Guidance range maintained, but expected at the low end. UGI updated its FY17 adjusted EPS guidance expectations, maintaining the \$2.30 to \$2.45 range previously offered, with the caveat that it expects it to be at or slightly below the bottom of the range. Warmer FY1H17 weather is the primary driver of the commentary indicating the lower end of the range is expected.
- Regulatory update, UGI Corp. received its favorable Environmental Impact Statement (EIS) from the Federal Energy Regulatory Commission (FERC) last month, and is in the process of ramping up more localized efforts to receive state approvals needed in Pennsylvania and New Jersey. The target in-service date for PennEast remains the end of calendar year 2018; one potential delay could be a later than originally anticipated final FERC certificate given the lack of commissioners (and a quorum) which is required for major orders to be released.
- At the Gas utility, UGI is awaiting the final order confirming the Pennsylvania PUC's approval to lift the infrastructure surcharge (DSIC) from 5% to 7.5% to reduce regulatory lag on over \$1.1B in CAPEX over the next 4 years. UGI also filed a rate case in Pennsylvania in January for its Penn Natural Gas (PNG) utility seeking \$21.7MM, with an expected completion of the process by the end of September with new rates effective in October.
- Summary/valuation. UGI's FY1H17 financial performance was impressive. Despite extremely unfavorable weather conditions, the company still expects to come in at or near the bottom of its previously communicated guidance range. If the business can perform this well under adverse conditions, we look forward to a



return of normalized conditions. We've left our FY18 and FY19 estimates static, and they assume normal weather patterns in both years.

- From a valuation perspective, we're revisiting our P/E multiple assumption, and raising it from 18x to 20x, which lifts our Fair Value from \$50 to \$56. We're doing so to reflect the premium currently being afforded to companies with utility/midstream operations, which we believe is sustainable due to 1) continued M&A activity, which shows no signs of abating, 2) the underlying earnings leverage we see in UGI's business model, which we believe will show itself when normalized weather patterns return, and 3) the continued positive investment outlook across all the company's reporting segments. We reiterate our BUY rating on UGI shares.

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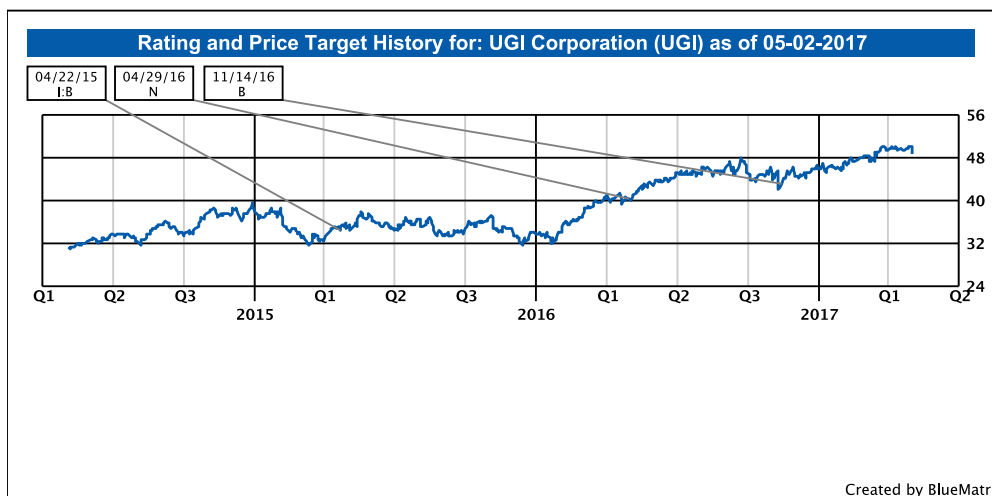
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### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 3/31/17

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	114	48.93	28	24.56
<b>NEUTRAL [N]</b>	114	48.93	18	15.79
<b>SELL [S]</b>	5	2.15	0	0.00

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## FY1Q17 beat on gas utility

Last week, UGI reported FY1Q17 adjusted EPS of \$0.91, which compared to the BofAML/consensus estimates of \$0.73/0.76. The beat was primarily due to greater than expected contributions from UGI's utility segment (operating income of \$82mn versus BofAML estimate of \$66mn and FY1Q16 actual of \$48mn). The segment benefitted from the favorable UGI Gas rate case outcome last year. However, the bulk of the beat may be attributable to relatively favorable weather, in our view. During the quarter, the utility experienced weather that was 25% colder YoY (compared to 7/21% colder for APU/UGI International). Note all segments still experienced weather that was warmer than normal (6/14/1% warmer for Utility/APU/UGI International).

## Eyes on utility capex to drive growth

With the Sunbury and Manning LNG projects now complete and the PennEast pipeline a few years out from coming online, UGI will likely primarily rely on capex associated with its utilities for growth in the medium-term, in our view. Management expects growth capex to total \$1.1bn in the Utilities segment over the next four years, a 40% increase versus the last four years. We view this positively particularly as UGI's utilities benefit from capital rider programs, enabling relatively expedited incorporation of growth capex into rates. During the quarter, UGI filed a rate case for UGI PNG, which we view positively though the impact may be modest (\$22mn rate case request).

## Reiterate Buy; PO to \$51

We view UGI's FY1Q17 results favorably though much of the beat may be attributable to weather, in our view. The company continues to trade at a meaningful discount to LDC peers (2018 P/E 18.6x versus LDC average of 20.3x), which we think may be overdone given UGI's strong midstream footprint in the U.S. Northeast. We increase our PO to \$51 (from \$49) due to higher LDC valuation based on a target 2018 P/E of 20x. We recently [downgraded APU](#), of which the UGI owns the general partner (GP) and 26% of LP units. However, the downgrade was based primarily on APU's valuation and our thesis on UGI remains unchanged given UGI's persistent valuation discount versus peers.

### Estimates (Sep)

(US\$)	2015A	2016A	2017E	2018E	2019E
EPS	2.01	2.08	2.72	2.50	2.72
GAAP EPS	1.60	2.08	2.72	2.50	2.72
EPS Change (YoY)	0.5%	3.5%	30.8%	-8.1%	8.8%
Consensus EPS (Bloomberg)			2.39	2.48	2.58
DPS	0.90	0.94	0.98	1.02	1.06

### Valuation (Sep)

	2015A	2016A	2017E	2018E	2019E
P/E	23.2x	22.4x	17.1x	18.6x	17.1x
GAAP P/E	29.1x	22.4x	17.1x	18.6x	17.1x
Dividend Yield	1.9%	2.0%	2.1%	2.2%	2.3%
EV / EBITDA*	10.5x	9.5x	9.0x	8.5x	8.2x
Free Cash Flow Yield*	8.3%	5.0%	6.4%	8.2%	8.8%

\* For full definitions of *Qmethod*<sup>SM</sup> measures, see page 6.

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**Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.**

11708574

Timestamp: 06 February 2017 07:30PM EST

Provided for the exclusive use of Daniel Ford at UGI Corporation on 02-Jan-2019 09:15 AM.

### Key Changes

(US\$)	Previous	Current
Price Obj.	49.00	51.00
2017E EPS	2.37	2.72
2018E EPS	2.51	2.50
2019E EPS	2.74	2.72
2017E EBITDA (m)	1,487.1	1,468.6
2018E EBITDA (m)	1,534.2	1,549.0
2019E EBITDA (m)	1,598.2	1,608.1

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### Stock Data

Price	46.61 USD
Price Objective	51.00 USD
Date Established	6-Feb-2017
Investment Opinion	B-1-7
52-Week Range	35.20 USD - 48.13 USD
Mkt Val (mn) / Shares Out (mn)	8,143 USD / 174.7
Average Daily Value (mn)	29.58 USD
BofAML Ticker / Exchange	UGI / NYS
Bloomberg / Reuters	UGI US / UGI.N
ROE (2017E)	13.9%
Net Dbt to Eqty (Sep-2016A)	99.5%

**iQprofile<sup>SM</sup>** UGI Corporation**iQmethod<sup>SM</sup>** – Bus Performance\*

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Return on Capital Employed	6.4%	7.1%	8.4%	8.0%	8.3%
Return on Equity	13.2%	13.0%	13.9%	14.2%	14.5%
Operating Margin	12.5%	17.4%	18.5%	17.8%	18.4%
Free Cash Flow	673	406	519	666	716

**iQmethod<sup>SM</sup>** – Quality of Earnings\*

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Cash Realization Ratio	3.3x	2.7x	2.6x	2.6x	2.5x
Asset Replacement Ratio	1.3x	1.4x	1.4x	1.2x	1.2x
Tax Rate	30.0%	31.2%	27.0%	30.0%	30.0%
Net Debt-to-Equity Ratio	98.5%	99.5%	93.4%	83.2%	72.4%
Interest Cover	3.5x	4.3x	4.7x	4.8x	5.3x

**Income Statement Data (Sep)**

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Sales	6,691	5,686	6,096	6,420	6,528
% Change	-19.2%	-15.0%	7.2%	5.3%	1.7%
Gross Profit	2,955	3,248	3,381	3,439	3,537
% Change	-4.7%	9.9%	4.1%	1.7%	2.8%
EBITDA	1,260	1,384	1,469	1,549	1,608
% Change	-8.7%	9.8%	6.1%	5.5%	3.8%
Net Interest & Other Income	(243)	(278)	(274)	(240)	(228)
Net Income (Adjusted)	354	360	407	439	478
% Change	1.2%	1.8%	13.1%	7.8%	8.8%

**Free Cash Flow Data (Sep)**

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Net Income from Cont Operations (GAAP)	281	365	477	439	478
Depreciation & Amortization	374	401	408	405	405
Change in Working Capital	192	43	93	100	100
Deferred Taxation Charge	14	77	(6)	0	0
Other Adjustments, Net	303	84	99	193	205
Capital Expenditure	(491)	(564)	(552)	(472)	(472)
Free Cash Flow	673	406	519	666	716
% Change	22.7%	-39.7%	27.9%	28.2%	7.5%

**Balance Sheet Data (Sep)**

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Cash & Equivalents	370	503	781	854	966
Trade Receivables	620	552	617	517	417
Other Current Assets	470	369	477	477	477
Property, Plant & Equipment	4,994	5,238	5,289	5,356	5,422
Other Non-Current Assets	4,093	4,185	4,146	4,146	4,146
<b>Total Assets</b>	<b>10,547</b>	<b>10,847</b>	<b>11,311</b>	<b>11,351</b>	<b>11,429</b>
Short-Term Debt	448	321	283	283	283
Other Current Liabilities	1,231	1,121	1,292	1,292	1,292
Long-Term Debt	3,442	3,766	3,994	3,844	3,694
Other Non-Current Liabilities	1,854	2,037	1,998	1,998	1,998
<b>Total Liabilities</b>	<b>6,974</b>	<b>7,245</b>	<b>7,567</b>	<b>7,417</b>	<b>7,267</b>
<b>Total Equity</b>	<b>3,572</b>	<b>3,602</b>	<b>3,744</b>	<b>3,934</b>	<b>4,161</b>
<b>Total Equity &amp; Liabilities</b>	<b>10,547</b>	<b>10,847</b>	<b>11,311</b>	<b>11,351</b>	<b>11,429</b>

\* For full definitions of **iQmethod<sup>SM</sup>** 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 634,616

**Quarterly Earnings Estimates**

	2016	2017
Q1	0.64A	1.30A
Q2	1.33A	1.19E
Q3	0.34A	0.24E
Q4	-0.25A	-0.03E

### PennEast timeline at risk given FERC delays

Last month, the Federal Energy Regulatory Commission (FERC) again delayed its environmental review of the PennEast pipeline (20% owned by UGI) by an additional seven weeks (to mid-April 2017) though PennEast still anticipates a 2H18 in-service date despite the FERC delay. We think there is still risk of further delays associated with PennEast's final environmental impact statement (EIS) particularly given an uptick in Northeast natural gas pipeline delays since mid-2016 (see: [The MLP Maven](#)). More notably, the recent resignation of Norman Bay means the FERC is now left without a quorum and likely cannot currently issue a final certificate for PennEast. Though the FERC may rectify its shortage of commissioners in a number of months, the backlog of pipeline projects seeking final approval presents a risk to PennEast's construction schedule, in our view. Our current estimates incorporate an in-service date of mid-2019.

### Favorable exposure to lower French taxes

During December 2016, the French parliament reduced the French corporate tax rate from 34.4% to 28.9% starting in 2020. We view this positively for UGI though the benefit may be somewhat modest and longer-dated (four years out for most of UGI international, which constitutes ~20% of UGI's consolidated operating income).

### Sunbury, Manning complete

During the quarter, UGI's \$160mn Sunbury pipeline project was placed into service. The company also completed its \$60mn Manning LNG unit which will come online shortly. The two projects will support YoY EPS growth, in our view. With these two projects now in-service, UGI's growth backlog is dominated by UGI utility-related capex and the PennEast pipeline.

### January weather a headwind for sensitive segments

During January 2017, weather was a headwind for UGI across its geographic footprint, a negative for most of the company's segments including APU, International, Utility, and Midstream. We lower our estimates accordingly for FY2Q17 but do not change our longer-term outlook for UGI.

**Table 1: January 2017 weather has been unfavorable for UGI (HDDs)**

	Change YoY	v normal
US	-19%	-12%
PA	-16%	-11%
France	-10%	-13%

Source: BofA Merrill Lynch Global Research, NOAA

Note: US and PA are population weighted and data from the NOAA; France is a BofAML estimate based on a simple average of weather stations across the country

### Adjusting estimates

We adjust our estimates for UGI's FY1Q17 results and January 2017 weather headwinds. Our FY18/19 estimates remain largely unchanged. Our FY17/18/19 EPS estimates of \$2.32/2.40/2.72 compare to consensus estimates of \$2.39/2.48/2.58, respectively.

**Table 2: BofAML LDC comp table**

Ticker	Name	BofAML rating		Current	Current	2015-18	Market		P/E*			S&P	Moody's
				Price	Dividend	DPS	Cap	EV	2016E	2017E	2018E	credit rating	credit rating
				(\$)	Rate (%)	(%)*	(\$mns)	(\$mns)					
ATO	Atmos Energy Corp	B-1-7	Buy	75.24	2.4	7.2	7,907	10,961	22.2	21.2	20.1	A	A2
SR	Spire Inc	A-1-7	Buy	62.70	3.3	6.5	2,868	5,519	18.2	17.8	17.3	A-	Baa2
NJR	New Jersey Resources Corp	B-3-7	Underperform	37.55	2.7	5.5	3,236	3,990	23.9	22.1	20.9	N/A	N/A
NWN	Northwest Natural Gas Co	A-3-7	Underperform	58.50	3.2	1.5	1,664	2,440	26.4	25.2	24.6	A+	(P)A3
OGS	ONE Gas Inc	B-2-7	Neutral	63.78	2.6	14.5	3,332	4,460	24.1	22.0	20.9	A-	A2
SRE	Sempra Energy	C-1-7	Buy	102.60	2.9	5.4	25,656	44,394	21.6	20.0	17.3	BBB+	Baa1
SWX	Southwest Gas Holdings Inc	B-1-7	Buy	81.56	2.2	10.7	3,873	4,889	25.6	23.6	22.1	BBB+	N/A
UGI	UGI Corp	B-1-7	Buy	46.61	2.0	7.6	8,060	12,468	22.7	19.7	18.6	N/A	N/A
VVC	Vectren Corp	B-3-7	Underperform	54.81	3.1	4.9	4,542	5,972	21.9	21.1	19.9	A-	N/A
WGL	WGL Holdings Inc	N/A	No rating	82.51	2.5	5.0	4,226	5,001	25.2	24.1	22.9	A+	A3

**Table 2: BofAML LDC comp table**

NI	NiSource Inc	B-2-7	Neutral	22.24	3.1	11.3	7,178	15,485	20.8	19.3	18.4	BBB+	(P)Ba1
SJI	South Jersey Industries Inc			33.21	3.3		2,639	3,569	25.0	24.9	21.0	BBB+	N/A
<b>Average</b>					<b>2.8</b>	<b>7.3</b>			<b>23.1</b>	<b>21.7</b>	<b>20.3</b>		

Source: Bloomberg, BofA Merrill Lynch Global Research

\*Data as of February 5, 2017

\*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 20x target P/E on our FY18 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.

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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.

### US - Natural Gas Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
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	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
<b>NEUTRAL</b>				
	NiSource, Inc	NI	NI US	Gabe Moreen
	ONE Gas, Inc.	OGS	OGS US	Gabe Moreen
<b>UNDERPERFORM</b>				
	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

**iQmethod<sup>SM</sup> 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
<b>Quality of Earnings</b>		
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
<b>Valuation Toolkit</b>		
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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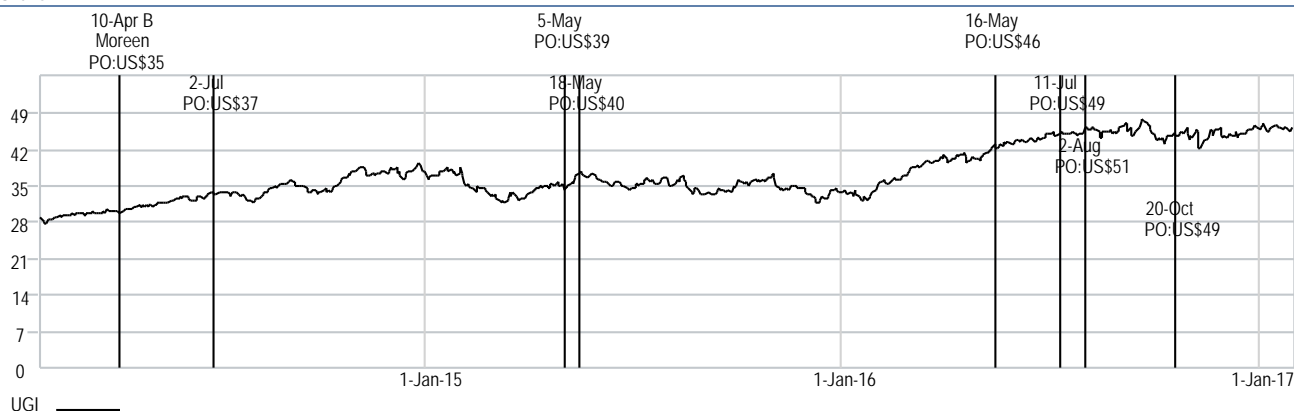
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## Important Disclosures

### 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 January 31, 2017 or such later date as indicated.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	106	48.18%	Buy	78	73.58%
Hold	52	23.64%	Hold	40	76.92%
Sell	62	28.18%	Sell	38	61.29%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1590	50.64%	Buy	989	62.20%
Hold	702	22.36%	Hold	438	62.39%
Sell	848	27.01%	Sell	406	47.88%

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Underperform	N/A	≥ 20%

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# Updating estimates post FY3Q17; bump PO to \$54

Reiterate Rating: BUY | PO: 54.00 USD | Price: 49.01 USD

Equity | 16 August 2017

## FY3Q17 miss on warm April, tighter LPG margins

Earlier this month, UGI reported FY3Q17 adjusted EPS of \$0.09, below the BofAML and consensus estimate of \$0.16. The miss was primarily due to: 1) significantly warmer than normal/YoY weather across UGI's service territories and segments – the Gas Utility segment experienced weather that was 21/30% warmer-than-normal/YoY, which negatively impacted delivery volumes along with weak FY3Q17 results at APU (see: [FY3Q17 miss: anticipating the low end of FY2017 guidance](#)); and 2) tighter LPG margins in France due to propane cost that was 22% higher YoY. UGI previously declared a FY3Q17 DPS of \$0.25 (\$1.00 annualized), a 0/5.3% increase QoQ/YoY, in-line with the BofAML estimate. Despite the FY3Q17 miss, UGI continues to expect its FY2017 adj. EPS to be at, or slightly below, its guidance range of \$2.30-2.45.

## PennEast timeline to be updated after FERC certificate

Management plans to provide a timeline update on the PennEast natural gas pipeline (UGI owns a 20% interest) upon receipt of its FERC certificate, which has been previously delayed due to a lack of quorum at the FERC. In early August, the U.S. Senate confirmed Neil Chatterjee and Robert Powelson as members of the FERC, restoring a quorum to the agency. We view this development favorably for pipeline projects pending FERC approvals such as PennEast. The expected in-service is delayed to 2019 (from 2H18) according to NJR (another owner of the pipeline), with construction expected to commence in 2018. We note modest delays at PennEast could extend heightened natural gas volatility in the NE, a tailwind for UGI's midstream segment, all else equal.

## Some propane margin volatility, but LT outlook unchanged

UGI International's FY3Q17 earnings were negatively impacted by propane costs in France that was 22% higher YoY. As a reminder, retail margins typically compress in a rising wholesale price environment due to a lag between wholesale and retail pricing. However, the impact on margin is typically transitory. Longer-term, management continues to target LPG margins at or slightly above inflation.

## Reiterate Buy on valuation discount; PO to \$54

We continue to believe UGI's valuation discount to peers overlooks the company's strong midstream and gas utility growth outlook. Given recent sector multiples, we bump our PO to \$54 (from \$53), based on a target 2019E P/E multiple of 20x.

### Estimates (Sep)

(US\$)	2015A	2016A	2017E	2018E	2019E
EPS	2.01	2.05	2.30	2.50	2.72
GAAP EPS	1.60	2.08	2.43	2.50	2.72
EPS Change (YoY)	0.5%	2.0%	12.2%	8.7%	8.8%
Consensus EPS (Bloomberg)			NA	NA	NA
DPS	0.90	0.94	0.99	1.03	1.07

### Valuation (Sep)

	2015A	2016A	2017E	2018E	2019E
P/E	24.4x	23.9x	21.3x	19.6x	18.0x
GAAP P/E	30.6x	23.6x	20.2x	19.6x	18.0x
Dividend Yield	1.8%	1.9%	2.0%	2.1%	2.2%
EV / EBITDA*	11.0x	10.0x	10.3x	9.0x	8.7x
Free Cash Flow Yield*	7.8%	4.7%	6.9%	7.6%	8.1%

\* For full definitions of *Qmethod*<sup>SM</sup> measures, see page 6.

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**Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.**

11779507

Timestamp: 16 August 2017 05:17PM EDT

Provided for the exclusive use of Daniel Ford at UGI Corporation on 02-Jan-2019 09:16 AM.

### Key Changes

(US\$)	Previous	Current
Price Obj.	53.00	54.00
2017E EBITDA (m)	1,397.1	1,343.6
2018E EBITDA (m)	1,541.4	1,537.1
2019E EBITDA (m)	1,600.1	1,595.6

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### Stock Data

Price	49.01 USD
Price Objective	54.00 USD
Date Established	16-Aug-2017
Investment Opinion	A-1-7
52-Week Range	41.79 USD - 52.00 USD
Mrkt Val (mn) / Shares Out (mn)	8,681 USD / 177.1
Average Daily Value (mn)	29.76 USD
BofAML Ticker / Exchange	UGI / NYS
Bloomberg / Reuters	UGI US / UGI.N
ROE (2017E)	14.1%
Net Dbt to Eqty (Sep-2016A)	99.5%

**iQprofile<sup>SM</sup> UGI Corporation****iQmethod<sup>SM</sup> – Bus Performance\***

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Return on Capital Employed	6.4%	7.1%	7.2%	7.9%	8.3%
Return on Equity	13.2%	13.0%	14.1%	14.8%	15.1%
Operating Margin	12.5%	17.4%	15.8%	17.6%	18.2%
Free Cash Flow	673	406	602	657	707

**iQmethod<sup>SM</sup> – Quality of Earnings\***

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Cash Realization Ratio	3.3x	2.7x	3.0x	2.6x	2.5x
Asset Replacement Ratio	1.3x	1.4x	1.5x	1.2x	1.2x
Tax Rate	30.0%	31.2%	26.1%	30.0%	30.0%
Net Debt-to-Equity Ratio	98.5%	99.5%	103.3%	92.5%	81.0%
Interest Cover	3.5x	4.3x	4.2x	4.7x	5.2x

**Income Statement Data (Sep)**

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Sales	6,691	5,686	6,052	6,422	6,531
% Change	-19.2%	-15.0%	6.4%	6.1%	1.7%
Gross Profit	2,955	3,248	3,210	3,423	3,520
% Change	-4.7%	9.9%	-1.2%	6.7%	2.8%
EBITDA	1,260	1,384	1,344	1,537	1,596
% Change	-8.7%	9.8%	-2.9%	14.4%	3.8%
Net Interest & Other Income	(243)	(278)	(303)	(242)	(229)
<b>Net Income (Adjusted)</b>	<b>354</b>	<b>360</b>	<b>405</b>	<b>442</b>	<b>481</b>
% Change	1.2%	1.8%	12.6%	9.1%	8.8%

**Free Cash Flow Data (Sep)**

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Net Income from Cont Operations (GAAP)	281	365	428	442	481
Depreciation & Amortization	374	401	408	405	405
Change in Working Capital	192	43	169	100	100
Deferred Taxation Charge	14	77	47	0	0
Other Adjustments, Net	303	84	144	181	192
Capital Expenditure	(491)	(564)	(593)	(472)	(472)
<b>Free Cash Flow</b>	<b>673</b>	<b>406</b>	<b>602</b>	<b>657</b>	<b>707</b>
% Change	22.7%	-39.7%	48.4%	9.0%	7.6%

**Balance Sheet Data (Sep)**

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Cash & Equivalents	370	503	615	680	783
Trade Receivables	620	552	328	228	128
Other Current Assets	470	369	335	335	335
Property, Plant & Equipment	4,994	5,238	5,437	5,503	5,570
Other Non-Current Assets	4,093	4,185	4,257	4,257	4,257
<b>Total Assets</b>	<b>10,547</b>	<b>10,847</b>	<b>10,972</b>	<b>11,004</b>	<b>11,073</b>
Short-Term Debt	448	321	283	283	283
Other Current Liabilities	1,231	1,121	997	997	997
Long-Term Debt	3,442	3,766	4,015	3,865	3,715
Other Non-Current Liabilities	1,854	2,037	2,111	2,111	2,111
<b>Total Liabilities</b>	<b>6,974</b>	<b>7,245</b>	<b>7,405</b>	<b>7,255</b>	<b>7,105</b>
<b>Total Equity</b>	<b>3,572</b>	<b>3,602</b>	<b>3,567</b>	<b>3,749</b>	<b>3,968</b>
<b>Total Equity &amp; Liabilities</b>	<b>10,547</b>	<b>10,847</b>	<b>10,972</b>	<b>11,004</b>	<b>11,073</b>

\* For full definitions of iQmethod<sup>SM</sup> 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 607,286

**Quarterly Earnings Estimates**

	2016	2017
Q1	0.64A	0.91A
Q2	1.24A	1.31A
Q3	0.23A	0.10A
Q4	-0.05A	-0.02E

### Gas utility regulatory update

On the gas utility regulatory front, UGI recently filed a settlement agreement with the Pennsylvania Commission with regard to the previously filed UGI PNG rate case. If approved, UGI will see annual base rate increase of \$11.25mn, with new rates effective mid-October. While the amount is below UGI's request of \$21.7mn, we note it is largely expected and in-line with historical approved vs. requested amount at UGI – UGI's 2016 rate case settlement saw base rate increase of \$27mn, versus the requested amount of \$58mn.

### Euro exposure becoming a tailwind on recent EUR exchange rates

Approximately 20% of UGI's operating income is generated in EUR with exposure to the USD/EUR exchange rate, primarily stemming from the company's propane distribution businesses in Europe. We note EUR has strengthened against the USD as of late (see Chart 1). This is a modest tailwind for UGI's earnings in FY2018/19 and beyond, in our view, as UGI typically hedges out 1/3 of its foreign currency exposure over the subsequent three years. With that said, earnings upside appears modest at the moment as Euro remains subdued relative to historical levels.

**Chart 1: EURUSD exchange rate has improved as of late, a positive for UGI's EUR earnings**



Source: Bloomberg

### Maintaining estimates; our view versus consensus

We maintain our estimate pending a finalized timeline update on PennEast. Our FY2017/18/19E adjusted EPS of \$2.30/2.50/2.72 compare to the consensus estimates of \$2.31/2.50/2.62, respectively. Our FY2018/19E EPS continues to assume largely normalized weather.

**Table 1: LDC Comp Table**

Ticker	Name	BofAML rating	Current Price (\$)	Current Dividend Rate (%)	2016-19 DPS CAGR (%)*	Market Cap (\$mns)	EV (\$mns)	P/E*			S&P credit rating	Moody's credit rating
ATO	Atmos Energy Corp	B-1-7 Buy	88.40	2.0	6.7	9,376	12,053	24.4	23.3	21.8	A	A2
SR	Spire Inc	A-1-7 Buy	76.35	2.8	6.0	3,685	5,734	21.3	21.0	20.3	A-	Baa2
NJR	New Jersey Resources Corp	B-3-7 Underperform	43.50	2.3	6.6	3,764	4,698	24.9	23.5	22.5	N/A	N/A
NWN	Northwest Natural Gas Co	A-3-7 Underperform	64.80	2.9	0.6	1,857	2,415	29.1	27.9	26.1	A+	(P)A3
OGS	ONE Gas Inc	B-2-7 Neutral	74.55	2.3	9.5	3,897	4,916	25.3	24.4	23.3	A-	A2
SRE	Sempra Energy	A-1-7 Buy	116.96	2.8	8.2	29,337	48,376	22.5	20.6	18.4	BBB+	Baa1
SWX	Southwest Gas Holdings Inc	B-2-7 Neutral	80.00	2.5	10.1	3,804	5,510	23.8	21.9	20.9	BBB+	N/A
<b>UGI</b>	<b>UGI Corp</b>	<b>A-1-7 Buy</b>	<b>49.01</b>	<b>2.0</b>	<b>4.4</b>	<b>8,497</b>	<b>12,744</b>	<b>21.3</b>	<b>19.6</b>	<b>18.0</b>	<b>N/A</b>	<b>N/A</b>
VVC	Vectren Corp	B-3-7 Underperform	61.05	2.8	5.1	5,066	6,794	23.5	22.2	21.1	A-	N/A

**Table 1: LDC Comp Table**

WGL	WGL Holdings Inc	N/A	No rating	84.00	2.4	4.7	4,302	6,322	25.8	24.1	23.0	A	A3
NI	NiSource Inc	B-2-7	Neutral	26.96	2.6	7.2	8,785	16,468	22.3	21.4	20.3	BBB+	Baa2
SJI	South Jersey Industries Inc			35.20	3.1		2,800	4,085	29.6	24.0	21.3	BBB+	N/A
<b>Average</b>					<b>2.5</b>	<b>6.3</b>			<b>24.5</b>	<b>22.8</b>	<b>21.4</b>		

Source: Bloomberg, BofA Merrill Lynch Global Research

\*Data as of Aug 16 2017

\*2015-18 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 \$54 PO is based on a 20x target P/E on our FY19 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
<b>BUY</b>				
	Atmos Energy	ATO	ATO US	Gabe Moreen
	Sempra Energy	SRE	SRE US	Gabe Moreen
	Spire	SR	SR US	Gabe Moreen
	UGI Corporation	UGI	UGI US	Gabe Moreen
<b>NEUTRAL</b>				
	NiSource, Inc	NI	NI US	Gabe Moreen
	ONE Gas, Inc.	OGS	OGS US	Gabe Moreen
	Southwest Gas	SWX	SWX US	Gabe Moreen
<b>UNDERPERFORM</b>				
	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

**iQmethod<sup>SM</sup> Measures Definitions**

<b>Business Performance</b>	<b>Numerator</b>	<b>Denominator</b>
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
<b>Quality of Earnings</b>		
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
<b>Valuation Toolkit</b>		
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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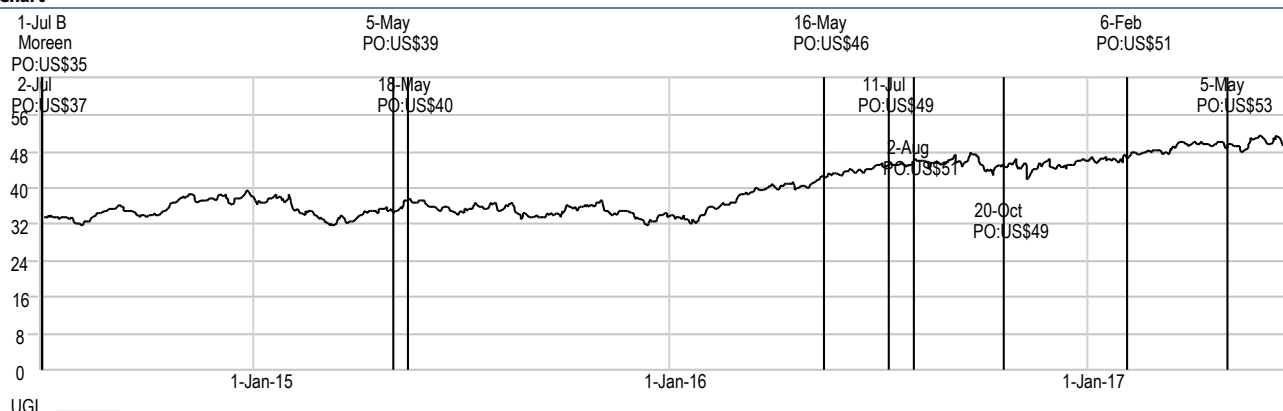
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# Disclosures

## Important Disclosures

### UGI Price Chart



B: Buy, N: Neutral, U: Underperform, 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 July 31, 2017 or such later date as indicated.

### Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2017)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	94	45.63%	Buy	73	77.66%
Hold	44	21.36%	Hold	34	77.27%
Sell	68	33.01%	Sell	45	66.18%

### Equity Investment Rating Distribution: Global Group (as of 30 Jun 2017)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1550	51.41%	Buy	980	63.23%
Hold	674	22.35%	Hold	410	60.83%
Sell	791	26.24%	Sell	388	49.05%

\* 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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# FY2Q17 beat despite weather headwinds; Midstream & Gas Utility drive growth

Reiterate Rating: BUY | PO: 53.00 USD | Price: 48.56 USD

Equity | 05 May 2017

## FY2Q17 beat despite weather; dividend increase beat

Monday after market close, UGI reported FY2Q17 adjusted EPS of \$1.31, above the BofAML/consensus estimates of \$1.19/1.25, respectively. The beat versus BofAML was due to: 1) greater-than-expected earnings from UGI's international segment on colder YoY weather (but still warmer than normal); and 2) higher-than-expected earnings from UGI's utility segment despite warmer YoY weather, benefitting from solid customer growth and a favorable rate case outcome last year. These were partially offset by weaker-than-expected results at AmeriGas due to an exceedingly warm winter heating season (see: [FY2Q17 results: EBITDA miss, guidance cut, DPU growth slows; PO to \\$44](#)). UGI previously declared a FY2Q17 dividend of \$0.25 per share (\$1.00 annualized), a 5.3% increase QoQ/YoY, slightly above the BofAML estimate of \$0.2475.

## Gas utility continues to drive solid margin growth

UGI saw solid LDC customer growth during FY2Q17. We view UGI's potential for organic and largely sustainable gas utility margin expansion favorably. UGI's gas utility regulatory activities are progressing as expected and we believe a potential reduction in regulatory lags could be a material benefit given UGI's substantial regulated capex of \$1.1bn for the next four years.

## PennEast pipeline reaches regulatory milestone in April

In early April, the PennEast natural gas pipeline (UGI owns a 20% interest) received its final Environmental Impact Statement (EIS) from the Federal Energy Regulatory Commission (FERC). The timing is in-line with management's latest guidance and we view the development as clearing a major regulatory hurdle for PennEast. Receipt of the final EIA increases our confidence in PennEast meeting its expected start-up of 2H18; however, we continue to see some moderate timing risk (more inside).

## Reiterate Buy on valuation discount; PO to \$53

UGI now expects its FY2017 adj. EPS to be at, or slightly below, its prior guidance range of \$2.30-2.45. The update is entirely driven by weather; therefore it does not materially alter UGI's longer-term growth trajectory, in our view. We continue to believe UGI's valuation overlooks the company's strong midstream and gas utility growth outlook. Based in part on recent LDC sector multiple expansion, we increase our PO to \$53 (from \$51) based on a target 2019E P/E multiple of 19.5x. We change our volatility risk rating from B (medium) to A (low).

### Estimates (Sep)

(US\$)	2015A	2016A	2017E	2018E	2019E
EPS	2.01	2.05	2.30	2.50	2.72
GAAP EPS	1.60	2.08	2.63	2.50	2.72
EPS Change (YoY)	0.5%	2.0%	12.2%	8.7%	8.8%
Consensus EPS (Bloomberg)			2.39	2.48	2.60
DPS	0.90	0.94	0.99	1.03	1.07

### Valuation (Sep)

	2015A	2016A	2017E	2018E	2019E
P/E	24.2x	23.7x	21.1x	19.4x	17.9x
GAAP P/E	30.4x	23.3x	18.5x	19.4x	17.9x
Dividend Yield	1.9%	1.9%	2.0%	2.1%	2.2%
EV / EBITDA*	10.7x	9.7x	9.6x	8.7x	8.4x
Free Cash Flow Yield*	7.8%	4.7%	9.0%	7.7%	8.3%

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Timestamp: 05 May 2017 03:16PM EDT

### Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-1-7	A-1-7
Price Obj.	51.00	53.00
2017E EBITDA (m)	1,468.6	1,397.1
2018E EBITDA (m)	1,549.0	1,541.4
2019E EBITDA (m)	1,608.1	1,600.1
2017E DPS	0.98	0.99

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### Stock Data

Price	48.56 USD
Price Objective	53.00 USD
Date Established	5-May-2017
Investment Opinion	A-1-7
52-Week Range	40.31 USD - 50.55 USD
Mkt Val (mn) / Shares Out (mn)	8,602 USD / 177.1
Average Daily Value (mn)	38.97 USD
BofAML Ticker / Exchange	UGI / NYS
Bloomberg / Reuters	UGI US / UGI.N
ROE (2017E)	14.2%
Net Dbt to Eqty (Sep-2016A)	99.5%



**iQprofile<sup>SM</sup> UGI Corporation****iQmethod<sup>SM</sup> – Bus Performance\***

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Return on Capital Employed	6.4%	7.1%	7.9%	8.0%	8.3%
Return on Equity	13.2%	13.0%	14.2%	14.7%	15.0%
Operating Margin	12.5%	17.4%	17.2%	17.9%	18.5%
Free Cash Flow	673	406	776	662	712

**iQmethod<sup>SM</sup> – Quality of Earnings\***

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Cash Realization Ratio	3.3x	2.7x	3.3x	2.6x	2.5x
Asset Replacement Ratio	1.3x	1.4x	1.4x	1.2x	1.2x
Tax Rate	30.0%	31.2%	25.8%	30.0%	30.0%
Net Debt-to-Equity Ratio	98.5%	99.5%	89.4%	79.4%	68.8%
Interest Cover	3.5x	4.3x	4.5x	4.8x	5.3x

**Income Statement Data (Sep)**

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Sales	6,691	5,686	6,088	6,362	6,469
% Change	-19.2%	-15.0%	7.1%	4.5%	1.7%
Gross Profit	2,955	3,248	3,306	3,423	3,520
% Change	-4.7%	9.9%	1.8%	3.5%	2.8%
EBITDA	1,260	1,384	1,397	1,541	1,600
% Change	-8.7%	9.8%	0.9%	10.3%	3.8%
Net Interest & Other Income	(243)	(278)	(287)	(239)	(226)
Net Income (Adjusted)	354	360	408	442	481
% Change	1.2%	1.8%	13.2%	8.5%	8.8%

**Free Cash Flow Data (Sep)**

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Net Income from Cont Operations (GAAP)	281	365	466	442	481
Depreciation & Amortization	374	401	406	405	405
Change in Working Capital	192	43	323	100	100
Deferred Taxation Charge	14	77	49	0	0
Other Adjustments, Net	303	84	113	186	197
Capital Expenditure	(491)	(564)	(580)	(472)	(472)
Free Cash Flow	673	406	776	662	712
% Change	22.7%	-39.7%	91.2%	-14.7%	7.5%

**Balance Sheet Data (Sep)**

(US\$ Millions)	2015A	2016A	2017E	2018E	2019E
Cash & Equivalents	370	503	953	1,023	1,131
Trade Receivables	620	552	320	220	120
Other Current Assets	470	369	382	382	382
Property, Plant & Equipment	4,994	5,238	5,328	5,395	5,461
Other Non-Current Assets	4,093	4,185	4,147	4,147	4,147
<b>Total Assets</b>	<b>10,547</b>	<b>10,847</b>	<b>11,131</b>	<b>11,167</b>	<b>11,242</b>
Short-Term Debt	448	321	221	221	221
Other Current Liabilities	1,231	1,121	1,147	1,147	1,147
Long-Term Debt	3,442	3,766	4,026	3,876	3,726
Other Non-Current Liabilities	1,854	2,037	2,055	2,055	2,055
<b>Total Liabilities</b>	<b>6,974</b>	<b>7,245</b>	<b>7,448</b>	<b>7,298</b>	<b>7,148</b>
<b>Total Equity</b>	<b>3,572</b>	<b>3,602</b>	<b>3,682</b>	<b>3,869</b>	<b>4,094</b>
<b>Total Equity &amp; Liabilities</b>	<b>10,547</b>	<b>10,847</b>	<b>11,131</b>	<b>11,167</b>	<b>11,242</b>

\* For full definitions of iQmethod<sup>SM</sup> 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 802,435

**Quarterly Earnings Estimates**

	2016	2017
Q1	0.64A	0.91A
Q2	1.24A	1.31A
Q3	0.23A	0.16E
Q4	-0.05A	-0.08E

**PennEast pipeline reaches regulatory milestone in April**

In early April, the PennEast natural gas pipeline (UGI owns a 20% interest) received its final Environmental Impact Statement (EIS) from the Federal Energy Regulatory Commission (FERC). The timing is in-line with management's latest guidance and we view the development as clearing a major regulatory hurdle for PennEast. Receipt of the final EIA increases our confidence in PennEast meeting its expected start-up of 2H18; however, we continue to see some moderate timing risks as: 1) the pipeline still needs a final certificate from FERC, which may see some timing uncertainty given current commissioner vacancies at the Commission; and 2) a series of state-level permits needed in PA and NJ.

**Gas utility outlook positive: customer growth, regulatory capex**

UGI's gas utility segment reported solid FY2Q17 results despite weather that was 12% warmer than normal and 3% warmer YoY as measured by heating degree days (HDDs). UGI continues to see solid LDC customer growth during the quarter. We view UGI's potential for organic and largely sustainable margin expansions favorably.

**Utility regulatory activities on track; expect a reduction in regulatory lags**

On the gas utility regulatory front, UGI continues to expect the regulatory process for the previously filed \$22mn PNG rate case to conclude by yearend FY2017, with new rates effective in October. UGI is awaiting a final approval to increase the DSIC cap to 7.5% (from 5%) for PNG and CPG units which would reduce regulatory lags. Reduced regulatory lags could benefit UGI given its substantial utility growth capex of over \$1.1bn over the next four years, a 40% increase versus the prior four-year period.

**Adjusting estimates; our view versus consensus**

We adjust our estimates to incorporate FY2Q17 results, updated guidance, and management commentary. We modestly lower our FY2017 adjusted EPS to \$2.30 (from \$2.32), in-line with management guidance. We maintain our FY2018/19E EPS as we continue to assume largely normalized weather.

**Raising DPS estimates on FY2Q17 beat**

Based on the FY2Q17 dividend increase beat, we bump our FY2017/18/19 DPS estimates to \$0.99/1.03/1.07 (from \$0.98/1.02/1.06), respectively.

**Table 1: LDC Comp Table**

Ticker	Name	BofAML rating		Current Price (\$)	Current Dividend Rate (%)	2016-19 DPS CAGR (%)	Market Cap (\$mns)	EV (\$mns)	P/E*			S&P credit rating	Moody's credit rating
									2017E	2018E	2019E		
ATO	Atmos Energy Corp	B-1-7	Buy	81.38	2.2	6.7	8,629	11,498	22.9	21.7	20.3	A	A2
SR	Spire Inc	A-1-7	Buy	68.51	3.0	6.0	3,347	5,560	19.5	18.9	18.1	A-	Baa2
NJR	New Jersey Resources Corp	B-3-7	Underperform	39.75	2.5	6.6	3,491	4,342	23.4	22.1	20.6	N/A	N/A
NWN	Northwest Natural Gas Co	A-3-7	Underperform	59.10	3.2	0.6	1,687	2,481	27.5	25.6	23.8	A+	(P)A3
OGS	ONE Gas Inc	B-2-7	Neutral	68.85	2.4	9.5	3,627	4,809	23.7	22.6	21.5	A-	A2
SRE	Sempra Energy	C-1-7	Buy	111.37	2.9	8.2	28,055	44,146	21.7	19.6	17.6	BBB+	Baa1
SWX	Southwest Gas Holdings Inc	B-2-7	Neutral	83.54	2.4	10.1	3,984	5,230	24.8	22.5	21.5	BBB+	N/A
<b>UGI</b>	<b>UGI Corp</b>	<b>B-1-7</b>	<b>Buy</b>	<b>48.56</b>	<b>2.0</b>	<b>4.1</b>	<b>8,528</b>	<b>12,468</b>	<b>21.1</b>	<b>19.4</b>	<b>17.9</b>	<b>N/A</b>	<b>N/A</b>
VVC	Vectren Corp	B-3-7	Underperform	58.99	2.8	5.1	4,952	6,163	22.7	21.5	20.3	A-	N/A
WGL	WGL Holdings Inc	N/A	No rating	82.71	2.5	4.7	4,249	5,997	23.7	22.1	20.9	A	A3
NI	NiSource Inc	B-2-7	Neutral	24.28	2.8	7.2	7,988	15,594	21.1	19.9	18.8	BBB+	Baa2
SJI	South Jersey Industries Inc			36.61	3.0		2,936	3,982	27.2	23.7	22.0	BBB+	N/A
<b>Average</b>					<b>2.6</b>	<b>6.3</b>			<b>23.3</b>	<b>21.6</b>	<b>20.3</b>		

Source: Bloomberg, BofA Merrill Lynch Global Research

\*Data as of May 04 2017

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

## Price objective basis & risk

### UGI Corporation (UGI)

Our \$53 PO is based on a 19.5x target P/E on our FY19 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.

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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.

### US - Natural Gas Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Atmos Energy	ATO	ATO US	Gabe Moreen
	Sempra Energy	SRE	SRE US	Gabe Moreen
	Spire	SR	SR US	Gabe Moreen
	UGI Corporation	UGI	UGI US	Gabe Moreen
<b>NEUTRAL</b>				
	NiSource, Inc	NI	NI US	Gabe Moreen
	ONE Gas, Inc.	OGS	OGS US	Gabe Moreen
	Southwest Gas	SWX	SWX US	Gabe Moreen
<b>UNDERPERFORM</b>				
	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

**iQ<sup>method</sup> 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
<b>Quality of Earnings</b>		
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
<b>Valuation Toolkit</b>		
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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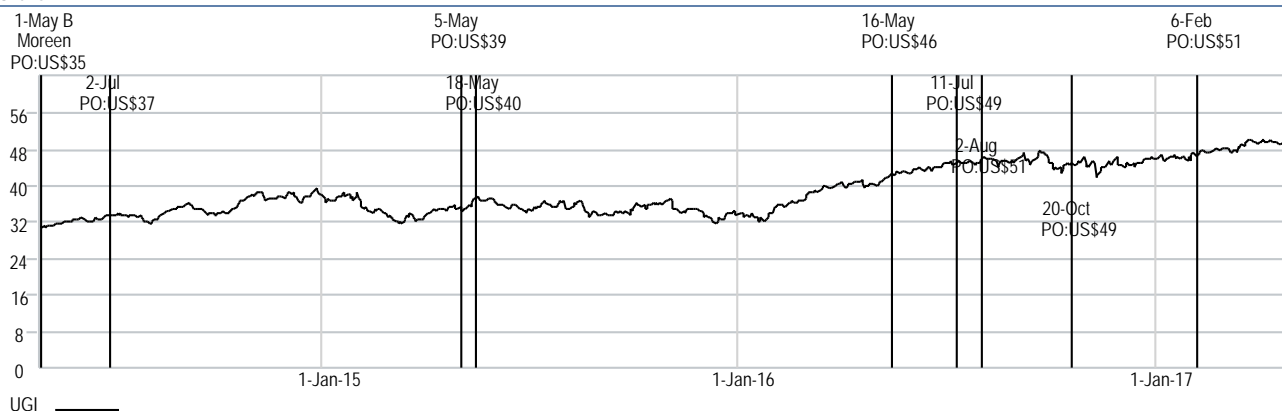
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### UGI Price Chart



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

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 March 31, 2017 or such later date as indicated.

### Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2017)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	109	49.77%	Buy	84	77.06%
Hold	52	23.74%	Hold	43	82.69%
Sell	58	26.48%	Sell	34	58.62%

### Equity Investment Rating Distribution: Global Group (as of 31 Mar 2017)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1578	51.33%	Buy	979	62.04%
Hold	690	22.45%	Hold	434	62.90%
Sell	806	26.22%	Sell	381	47.27%

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

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