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Investment Thesis

Misplaced Market Sentiment and Resilient Product Portfolio

UGI Corporation

➢ Deflated share price driven by large expenditures on acquisitions
➢ Unique combination of traditional utility services and LPG distribution
➢ Incredibly resilient offerings that will be in high demand, regardless of economic situation
Company Overview

International Energy and Services Distribution

Natural Gas
- UGI Utilities, Inc. operates a natural gas distribution and electric utility
- UGI Energy Services, LLC supplies and markets natural gas, electricity, and liquid fuels

Global LPG
- UGI International distributes LPG in 17 countries in western and central Europe under 7 brands
- AmeriGas Partners, L.P. is the largest retail propane marketer in the U.S.
Company Overview

UGI Utilities, Inc.
- Consolidation of CPG and PNG
- Gas utility is serving 642,000 customers in 45 eastern and central PA counties
- Electric utility serves 62,000 customers in Luzerne and Wyoming counties in northeastern PA
- $998.5m 2018 Revenue (13%)

Company Overview

UGI Energy Services, LLC

➢ Natural gas, electricity, liquid fuels, and midstream services
➢ 40,000 residential, commercial, and industrial customer locations across the mid-Atlantic and northeastern US
➢ Underground natural gas storage, gas peaking plants, and pipeline assets in PA
➢ $1.1B 2018 Revenue (14%)

Source: https://ugies.com/service-area-map/
Company Overview

UGI International

➢ Distributes liquefied petroleum gas in 17 European countries
➢ Sold approximately 1 billion gallons in Europe in 2018
➢ LPG used for space heating, cooking, water heating, motor fuel, crop drying, irrigation, construction, power generation, and manufacturing
➢ $2.7B 2018 Revenue (36%)

Company Overview

AmeriGas Partners, L.P.

➢ Largest retail propane marketer
➢ Serving 1.7 million customers across 1,900 locations
➢ Residential heating & cooking, commercial & industrial, motor fuel, and agriculture & transport
➢ $2.8B 2018 Revenue (37%)

Source: http://www.amerigas.com
Leadership

➢ John L. Walsh
  ○ President and CEO
  ○ of UGI
  ○ Corporation

➢ Ted J. Jastrzebski
  ○ CFO of UGI
  ○ Corporation

➢ Robert F. Beard
  ○ CEO of UGI
  ○ Utilities, INC.
Competitors

- **New Jersey Resources**
  - Provides safe and reliable natural gas and clean energy services, including transportation, distribution, asset management and home services.

- **ATMOS Energy**
  - Natural gas distributor based out of Texas. They work to provide safe, clean, and reliable natural gas through regulated sales and transportation arrangements.

- **NW Natural**
  - NW Natural is a natural gas distributor, the company services residential, commercial, and industrial customers within the Pacific Northwest.
## Competitive Landscape

<table>
<thead>
<tr>
<th>Metric</th>
<th>Current Price</th>
<th>Market Cap</th>
<th>P/E</th>
<th>EPS</th>
<th>Div. Yield</th>
<th>Debt/Equity</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>UGI</td>
<td>$50.45</td>
<td>$10,542</td>
<td>21.63</td>
<td>$2.33</td>
<td>2.60%</td>
<td>101.1</td>
<td>21.00%</td>
</tr>
<tr>
<td>ATO</td>
<td>$114.05</td>
<td>$13,481</td>
<td>26.61</td>
<td>$4.34</td>
<td>2.07%</td>
<td>52.3</td>
<td>13.91%</td>
</tr>
<tr>
<td>NWN</td>
<td>$71.33</td>
<td>$2,170</td>
<td>26.63</td>
<td>$2.39</td>
<td>3.13%</td>
<td>125.1</td>
<td>8.58%</td>
</tr>
<tr>
<td>NJR</td>
<td>$45.01</td>
<td>$4,050</td>
<td>34.96</td>
<td>$1.96</td>
<td>2.41%</td>
<td>102.6</td>
<td>17.58%</td>
</tr>
</tbody>
</table>
SWOT Analysis

Strengths:
- Excellent distribution network that enables efficient natural gas marketing and servicing
- Diverse domestic and international customer base for LPG
- Highest customer satisfaction with residential natural gas service in the Eastern US

Weaknesses:
- Dependence on limited number of suppliers
- Volatile top-line revenue, seasonality, and warm weather can be detrimental to earnings
- Greater regulation allows less flexibility when prices fluctuate
- ESG Score

Opportunities:
- Auburn IV expansion project and relevant new system infrastructure
- Broadened reach and increased scale of midstream network through Columbia Mid.
- Enhanced FCF facilitated by AmeriGas being a wholly-owned UGI entity

Threats:
- Joint settlement petition with Pennsylvania PUC for $30 million utilities rate increase
- Changes in overall regulation
- Dependency on principal propane suppliers introduces risk of interruption in supply and transportation
Segment Revenue

➢ Revenue in each segment peaked in 2014, before declining for 2 years
➢ Recent acquisitions have led to 42.95% Y/Y increase in UGI International Revenue
➢ 2014 saw record natural gas prices, yet 2015 was marked by lower energy commodity prices overall
Petroleum & Other Liquids

➢ UGI nominal revenue logically fell in 2015, when the spot prices on crude oil, gasoline, and propane fell dramatically
➢ The spot price on Propane fell 56% in 2015
➢ Notably, UGI’s Gross Margin increased from 37.5% to 44.2%, EBITDA Margin climbed from 16.2% to 18.4%, and Net Margin rose from 3.8% to 5.3%.

Source: Independent Statistics & Analysis from U.S. Energy Information Administration
## Valuation

### Assumptions

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Sales (% growth)</td>
<td>NA</td>
<td>(15.0%)</td>
<td>7.7%</td>
<td>25.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>COGS (% sales)</td>
<td>55.8%</td>
<td>42.9%</td>
<td>46.4%</td>
<td>53.3%</td>
<td>60.5%</td>
<td>60.5%</td>
<td>60.7%</td>
<td>60.8%</td>
<td>60.8%</td>
</tr>
<tr>
<td>SG&amp;A (% sales)</td>
<td>25.8%</td>
<td>32.2%</td>
<td>29.6%</td>
<td>25.8%</td>
<td>32.0%</td>
<td>32.0%</td>
<td>32.0%</td>
<td>32.0%</td>
<td>32.0%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization (% sales)</td>
<td>5.6%</td>
<td>7.1%</td>
<td>6.8%</td>
<td>5.9%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Capital Expenditures (% sales)</td>
<td>6.7%</td>
<td>4.3%</td>
<td>4.9%</td>
<td>3.5%</td>
<td>7.5%</td>
<td>7.5%</td>
<td>7.5%</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>30.0%</td>
<td>31.2%</td>
<td>25.3%</td>
<td>3.8%</td>
<td>26.0%</td>
<td>26.0%</td>
<td>25.0%</td>
<td>25.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Working Capital (% sales)</td>
<td>N/A</td>
<td>-3.5%</td>
<td>-0.4%</td>
<td>-1.9%</td>
<td>(5.0%)</td>
<td>(5.0%)</td>
<td>(5.0%)</td>
<td>(5.0%)</td>
<td>(5.0%)</td>
</tr>
</tbody>
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### Enterprise Value

**Cumulative Present Value of FCF**: $413.7

### Terminal Value

**Terminal Year EBITDA (2023E) [end 2019]**: $674.8

**Exit Multiple**: 12.4x

**Terminal Value**: $8,367.1

**Discount Factor**: 0.80

**Present Value of Terminal Value**: $6,705.6

**% of Enterprise Value**: 94.2%

**Enterprise Value**: $7,119.3

### Implied Equity Value and Share Price

**Enterprise Value**: $7,119.3

Less: Total Debt

Less: Preferred Securities

Less: Noncontrolling Interest

Plus: Cash and Cash Equivalents

**Implied Equity Value**: $12,590.3

Diluted Shares Outstanding

**Implied Share Price**: $60.71
### Valuation

#### Sensitivity Analysis

<table>
<thead>
<tr>
<th>WACC</th>
<th>Exit Multiple</th>
<th>Enterprise Value</th>
<th>Implied Share Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11.4x</td>
<td>11.9x</td>
<td>12.4x</td>
</tr>
<tr>
<td>3.5%</td>
<td>6.990</td>
<td>7.174</td>
<td>7.458</td>
</tr>
<tr>
<td>4.0%</td>
<td>5.736</td>
<td>7.013</td>
<td>7.291</td>
</tr>
<tr>
<td>4.5%</td>
<td>5.586</td>
<td>6.857</td>
<td>7.128</td>
</tr>
<tr>
<td>5.0%</td>
<td>5.441</td>
<td>6.705</td>
<td>6.970</td>
</tr>
<tr>
<td>5.5%</td>
<td>5.300</td>
<td>6.558</td>
<td>6.816</td>
</tr>
</tbody>
</table>

#### Monte Carlo Simulation

[Graph showing distribution of implied share price]
We propose buying 410 shares at an approximate share price of $49.41
Portfolio Configuration

CURRENT PORTFOLIO ALLOCATION

- Cash: 26%
- IGSB US: 24%
- HD US: 2%
- LADR US: 9%
- IYH US: 2%
- NEE US: 12%
- V US: 11%
- FDX US: 6%
- BRK/B US: 6%

PROPOSED PORTFOLIO ALLOCATION

- Cash: 16%
- IGSB US: 24%
- HD US: 2%
- LADR US: 9%
- IYH US: 2%
- NEE US: 12%
- V US: 11%
- BRK/B US: 6%
- COP US: 6%
- FDX US: 6%
- UGI US: 10%
- HD US: 2%
- IYH US: 2%
Thank You! Any Questions?