Discussion of Trends within LPG: Beyond UGI’s tradition gas and electric utility operations, the holding company has significant exposure to the Liquefied Petroleum Gas industry. LPG is a portable, clean, and efficient energy source which is made readily available by UGI’s expansive distribution network. It has numerous applications, and can be obtained from natural gas and oil production as well as increasingly from renewable sources. LPG produces less CO2 than coal, heating oil, or petrol, emits virtually no black carbon and is as clean as natural gas. Given UGI’s geographic diversification, the company’s end consumers’ demand of LPG will continue to grow in order for them to heat their homes, water, cook, and perform other necessary activities. This indicates sustained reliable cash flows from LPG operations.

Historical Data (Millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>5686</td>
<td>6121</td>
<td>7651</td>
</tr>
<tr>
<td>Operating Exp</td>
<td>2438</td>
<td>2837</td>
<td>4075</td>
</tr>
<tr>
<td>Interest</td>
<td>229</td>
<td>224</td>
<td>230</td>
</tr>
<tr>
<td>Dep &amp; Amort</td>
<td>401</td>
<td>416</td>
<td>455</td>
</tr>
<tr>
<td>Taxes</td>
<td>221</td>
<td>178</td>
<td>32</td>
</tr>
<tr>
<td>Net Income</td>
<td>365</td>
<td>437</td>
<td>719</td>
</tr>
<tr>
<td>Total Assets</td>
<td>10,847</td>
<td>11,582</td>
<td>11,981</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>7,252</td>
<td>7,841</td>
<td>7,881</td>
</tr>
<tr>
<td>Long Term Debt</td>
<td>3,766</td>
<td>3,995</td>
<td>4,147</td>
</tr>
<tr>
<td>Retained Earn.</td>
<td>1,643</td>
<td>1,975</td>
<td>2,481</td>
</tr>
<tr>
<td>Cap Ex</td>
<td>-230</td>
<td>-452</td>
<td>-51</td>
</tr>
</tbody>
</table>

Our Valuation Models indicate that UGI may be significantly undervalued at its current price of $50.45 due to extended selling throughout the year. Selling has been galvanized by large expenditures related to acquisitions. UGI Corporation is a holding company with both traditional utility operations as well as profitable midstream services and a propane distribution network. Therefore, the valuation tool we used was a discounted cash flow model. Our DCF sensitivity analysis yielded target prices between $56.80 and $65.10. Given our macroeconomic outlook, we expected long term growth rates to be just above 2%. The company’s current WACC is 4.5%. We pulled the exit multiple by using the industry EV/EBITDA historical average. We believe other investors have overlooked UGI, leading to an undervalued share price.

<table>
<thead>
<tr>
<th>Key Stats Comparison</th>
<th>UGI</th>
<th>ATO</th>
<th>NWN</th>
<th>NJR</th>
<th>SPY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price/Earnings</td>
<td>21.63</td>
<td>26.61</td>
<td>26.63</td>
<td>34.96</td>
<td>22.04</td>
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<tr>
<td>Price/Book</td>
<td>2.3</td>
<td>2.39</td>
<td>2.48</td>
<td>2.57</td>
<td>3.45</td>
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<tr>
<td>Price/Sales</td>
<td>1.2</td>
<td>4.5</td>
<td>2.8</td>
<td>1.4</td>
<td>2.20</td>
</tr>
<tr>
<td>Rev Growth (3 Yr Avg)</td>
<td>4.3</td>
<td>(9.06)</td>
<td>(0.82)</td>
<td>2.16</td>
<td>-</td>
</tr>
<tr>
<td>Operating Margin % TTM</td>
<td>15.21</td>
<td>23.21</td>
<td>18.72</td>
<td>6.87</td>
<td>-</td>
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<tr>
<td>Net Margin % TTM</td>
<td>6.35</td>
<td>14.26</td>
<td>9.53</td>
<td>8.25</td>
<td>-</td>
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<tr>
<td>ROA %</td>
<td>6.1</td>
<td>5.33</td>
<td>2.06</td>
<td>5.78</td>
<td>-</td>
</tr>
<tr>
<td>ROE %</td>
<td>21.00</td>
<td>13.91</td>
<td>8.58</td>
<td>17.58</td>
<td>-</td>
</tr>
<tr>
<td>Debt/Equity %</td>
<td>101.1</td>
<td>52.3</td>
<td>125.1</td>
<td>102.6</td>
<td>-</td>
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</tbody>
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