



UGI Corporation (UGI)

Updated February 14th, 2022 by Samuel Smith

Key Metrics

Current Price:	\$39	5 Year CAGR Estimate:	13.6%	Market Cap:	\$8 B
Fair Value Price:	\$47	5 Year Growth Estimate:	6.8%	Ex-Dividend Date:	03/13/22
% Fair Value:	82%	5 Year Valuation Multiple Estimate:	4.1%	Dividend Payment Date:	03/31/22
Dividend Yield:	3.5%	5 Year Price Target	\$66	Years Of Dividend Growth:	34
Dividend Risk Score:	A	Retirement Suitability Score:	A	Last Dividend Increase:	3.8%

Overview & Current Events

UGI Corporation is a gas and electric utility that operates in Pennsylvania, in addition to a large energy distribution business that serves the entire US and other parts of the world. It was founded in 1882 and has paid consecutive dividends since 1885. Its market capitalization is \$8 billion, and it should generate about \$8.3 billion in revenue this year. The company operates in four reporting segments: AmeriGas, UGI International, Midstream & Marketing, and UGI Utilities.

UGI reported FQ1 results on 02/02/22. Adjusted earnings-per-diluted share for the quarter came in at \$0.93, up from \$1.18 per diluted share in the year-ago quarter. GAAP diluted EPS came in at \$(0.46), down from \$1.44 in the year-ago period while revenue increased by 38.3% year-over-year to \$2.67 billion. UGI filed a gas base rate case for an overall distribution rate increase of approximately \$83 million. Cash and cash equivalents stood at \$334 million. Meanwhile, UGI acquired regulatory approval for the intended joint venture with SHV Energy and announced a 15-year agreement with Vertimass to produce renewable fuels.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$1.17	\$1.59	\$1.92	\$2.01	\$2.05	\$2.29	\$2.74	\$2.28	\$2.67	\$2.96	\$3.06	\$4.25
DPS	\$0.71	\$0.74	\$0.79	\$0.89	\$0.93	\$0.96	\$1.03	\$1.21	\$1.31	\$1.37	\$1.38	\$1.77
Shares¹	169.1	171.7	172.4	172.4	173.0	173.2	173.8	209.0	208.4	209.8	209.8	212

We see 6.8% annualized growth over the next half decade, below historical norms. UGI completes acquisitions periodically, further bolstering future growth. It does not buy back stock, but these initiatives should be enough to drive earnings-per-share growth over the long-term. Keep in mind that results are non-linear thanks to the weather, so UGI will almost certainly not achieve steady growth, but will go through stops and starts. Long-term, however, the growth story remains intact.

Management is dedicated to continuing the 130+ year streak of paying dividends and the 34 years of consecutive increases.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	15.0	16.4	15.4	15.8	17.7	19.3	20.8	20.2	12.9	13.2	12.7	15.5
Avg. Yld.	4.0%	2.8%	2.7%	2.8%	2.6%	2.2%	1.8%	2.6%	4.0%	3.5%	3.6%	2.7%

Today's price-to-earnings multiple stands at 12.7 times our expected 2022 earnings-per-share. However, we are forecasting a reversion to the mean at 15.5 as the stock remains undervalued. Dividend stocks, and utilities in particular, have been assigned rising valuations in recent years due to persistently low interest rates, but UGI is currently trading

¹ In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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below its historical price-to-earnings levels, giving it additional upside potential from valuation multiple expansion. We note the current valuation is near the lowest point of the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	61%	47%	41%	44%	45%	42%	38%	53%	52%	46%	45%	42%

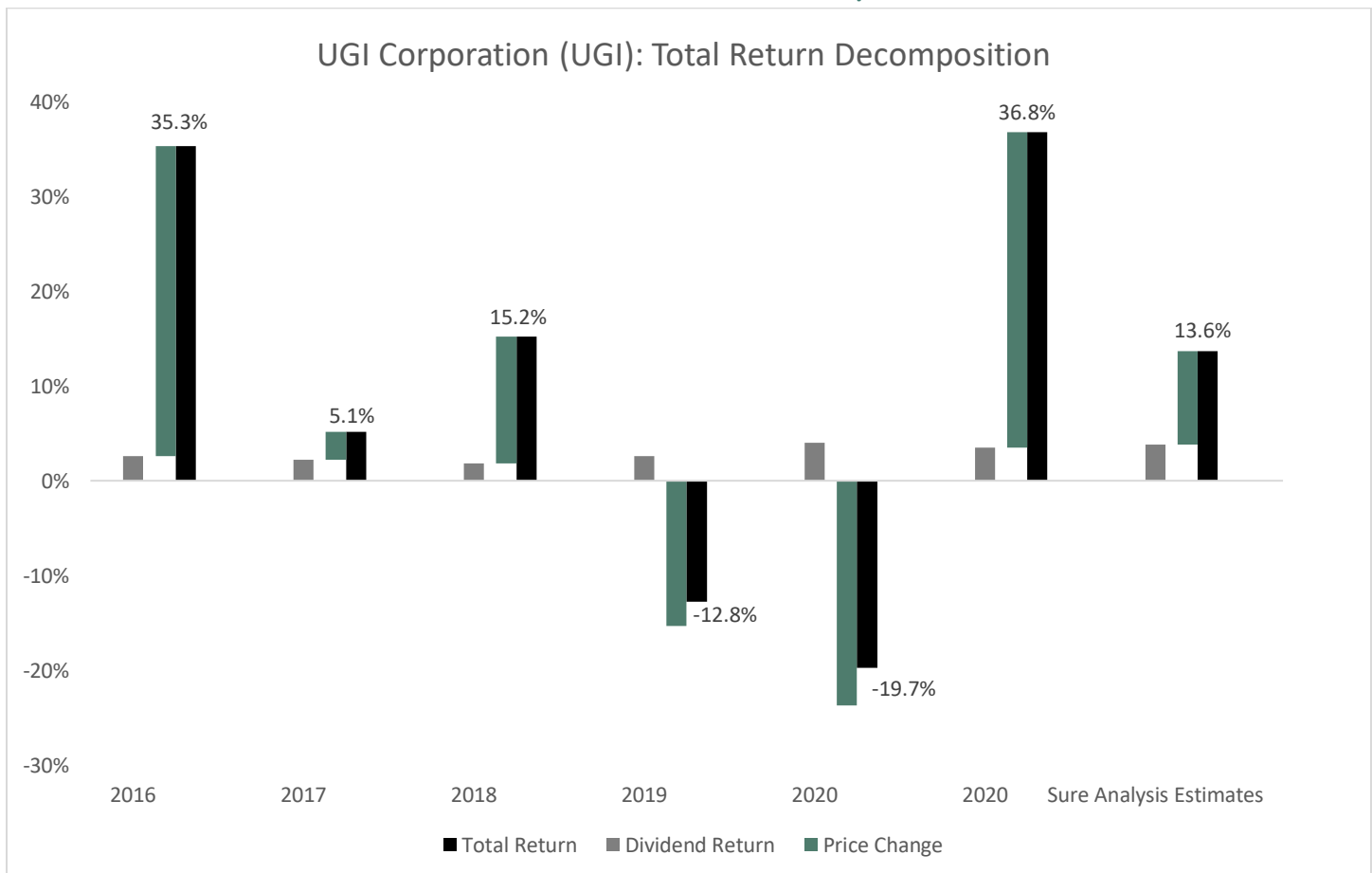
UGI's main competitive advantage is in its highly diversified business model. It has electric and gas utilities, propane distribution that covers a wide geographic area and diverse customer base, as well as a variety of other energy generation and distribution activities. This allows it to not only weather downturns in any particular business, but provides several avenues for growth as well. UGI's strong performance during the Great Recession illustrates this.

The payout ratio is quite reasonable today given the company weathered the COVID-19 recession well. We expect a sub-50% payout ratio for the foreseeable future, indicating excellent dividend safety.

Final Thoughts & Recommendation

UGI is a Dividend Aristocrat that offers strong future annualized total return potential of 13.6% due to the combination of decent growth, an attractive dividend yield, and some multiple expansion. As a utility, it should be well-positioned to weather a recession and its well-covered and growing dividend yield is attractive for dividend growth investors. As a result, we rate it a Buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	6,521	7,195	8,277	6,691	5,686	6,121	7,651	7,320	6,559	7,447
Gross Profit	2,422	2,870	3,102	2,955	3,248	3,283	3,576	2,997	3,410	4,833
Gross Margin	37.1%	39.9%	37.5%	44.2%	57.1%	53.6%	46.7%	40.9%	52.0%	64.9%
SG&A Exp.	1,591	1,692	1,753	1,774	1,882	1,868	2,013	1,963	1,911	2,014
D&A Exp.	315	363	363	374	401	416	455	448	484	502
Operating Profit	516	812	979	810	969	1,011	1,116	591	1,020	2,317
Operating Margin	7.9%	11.3%	11.8%	12.1%	17.0%	16.5%	14.6%	8.1%	15.6%	31.1%
Net Profit	210	278	337	281	365	437	719	256	532	1,467
Net Margin	3.2%	3.9%	4.1%	4.2%	6.4%	7.1%	9.4%	3.5%	8.1%	19.7%
Free Cash Flow	368	316	549	673	406	326	511	373	447	791
Income Tax	107	163	235	178	221	178	33	93	135	522

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	9677	10009	10093	10514	10847	11582	11981	13347	13985	16723
Cash & Equivalents	320	389	420	370	503	558	453	447	336	855
Accounts Receivable	628	746	685	620	552	627	752	641	652	880
Inventories	354	366	423	240	210	279	318	230	241	469
Goodwill & Int. Ass.	3,477	3,482	3,410	3,564	3,569	3,719	3,674	4,165	4,195	4,353
Total Liabilities	6,362	6,461	6,430	6,942	7,252	7,841	7,881	9,520	9,848	11,192
Accounts Payable	410	472	460	393	391	440	562	439	475	837
Long-Term Debt	3,679	3,837	3,722	3,857	4,087	4,539	4,590	6,600	6,381	6,816
Shareholder's Equity	2,230	2,493	2,659	2,692	2,844	3,163	3,681	3,817	4,128	5,309
LTD/E Ratio	1.65	1.54	1.40	1.43	1.44	1.43	1.25	1.73	1.55	1.23

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	2.6%	2.8%	3.4%	2.7%	3.4%	3.9%	6.1%	2.0%	3.9%	9.6%
Return on Equity	10.0%	11.8%	13.1%	10.5%	13.2%	14.5%	21.0%	6.8%	13.4%	31.1%
ROIC	3.7%	3.9%	4.6%	3.8%	4.8%	5.5%	8.5%	2.7%	5.1%	12.8%
Shares Out.	169.1	171.7	172.4	172.4	173.0	173.2	173.8	209.0	208.4	209.1
Revenue/Share	38.33	41.52	47.24	38.09	32.38	34.55	43.25	40.42	31.25	35.11
FCF/Share	2.16	1.82	3.13	3.83	2.31	1.84	2.89	2.06	2.13	3.73

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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