



UGI Corporation (UGI)

Updated December 3rd, 2024 by Samuel Smith

Key Metrics

Current Price:	\$28.8	5 Year CAGR Estimate:	8.2%	Market Cap:	\$6.2 B
Fair Value Price:	\$29.0	5 Year Growth Estimate:	3.8%	Ex-Dividend Date:	12/16/24
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.1%	Dividend Payment Date:	01/01/25
Dividend Yield:	5.2%	5 Year Price Target	\$35	Years Of Dividend Growth:	36
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Hold

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 \$6.2 billion. The company operates in four reporting segments: AmeriGas, UGI International, Midstream & Marketing, and UGI Utilities.

On November 22, 2024, UGI Corporation reported record results for fiscal 2024, achieving an all-time high adjusted diluted EPS of \$3.06, driven by strong execution of strategic priorities and efficiency improvements. The company realized a \$75 million reduction in operating expenses ahead of schedule, achieving permanent cost savings targeted for fiscal 2025. UGI also returned \$320 million to shareholders through dividends, continuing a 140-year streak of consecutive dividend payments and demonstrating a five-year EPS CAGR of 6%.

Key accomplishments included significant investments in infrastructure, with \$500 million allocated to utility improvements and the completion of the Moody RNG project, expected to produce 300 MMCF annually. Additionally, UGI began constructing the Carlyle LNG storage facility and doubled the liquefaction capacity at its Manning facility. On the balance sheet, the company reduced AmeriGas debt by \$460 million and executed over \$2.5 billion in debt financing, enhancing liquidity to \$1.5 billion. Segment performance was mixed. Utilities and midstream achieved record EBIT levels, with the utility segment benefiting from rate increases and customer growth, while midstream leveraged fee-based revenue and capacity optimization. UGI International posted record results due to higher LPG margins and cost reductions. However, AmeriGas faced a 10% volume decline from customer attrition and warmer weather, prompting management to emphasize stabilization and operational improvement.

Looking ahead to fiscal 2025, UGI provided EPS guidance of \$2.75 to \$3.05, incorporating normal weather assumptions and ongoing cost controls. Strategic priorities include stabilizing AmeriGas, optimizing the LPG portfolio, and growing the natural gas business. On the earnings call, CEO Bob Flexon highlighted opportunities for improvement, including leveraging synergies in midstream and capitalizing on increasing natural gas demand. UGI remains committed to operational excellence and stakeholder value creation as it positions itself for long-term growth.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.01	\$2.05	\$2.29	\$2.74	\$2.28	\$2.67	\$2.96	\$2.90	\$2.84	\$3.06	\$2.90	\$3.50
DPS	\$0.89	\$0.93	\$0.96	\$1.03	\$1.21	\$1.31	\$1.37	\$1.43	\$1.47	\$1.50	\$1.50	\$1.60
Shares¹	172.4	173.0	173.2	173.8	209.0	208.4	209.8	209.7	210.9	214.7	214.7	212

We see 3.8% annualized growth over the next half-decade. UGI completes acquisitions periodically, further bolstering future growth. It does not buy back stock, but these initiatives along with investing in its existing businesses 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. Management has

¹ In millions

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decided to keep the dividend flat for the next few years while it focuses on strengthening its business segments and balance sheet and then hopes to resume growth at a mid-single-digit CAGR after that.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.4	15.8	17.7	19.3	20.8	20.2	12.9	13.2	8.2	8.7	9.9	10.0
Avg. Yld.	2.9%	2.9%	2.4%	2.0%	2.6%	2.4%	3.6%	3.7%	6.5%	5.6%	5.2%	4.6%

Today's price-to-earnings multiple stands at 9.9 times our expected 2025 earnings-per-share. This means that UGI is trading roughly in-line with our estimated fair value multiple of 10 times earnings. Additionally, we expect its dividend yield to decline over the next half-decade as UGI management expects its earnings per share growth to outpace its dividend growth due to the fact that it is trying to reduce its payout ratio and invest in strengthening its business segments.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	44.3%	45.4%	41.9%	37.6%	53.1%	49.1%	46.3%	49.3%	51.8%	49.0%	51.7%	45.7%

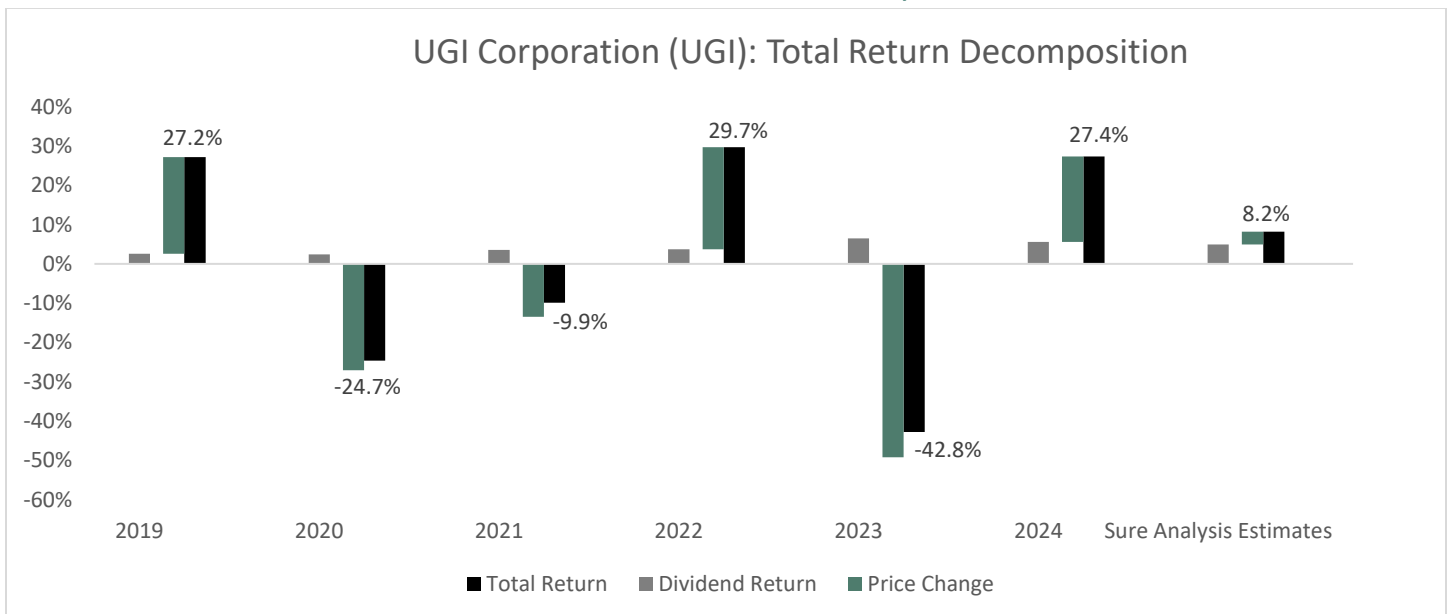
UGI's main competitive advantage is in its highly diversified business model. It has electric and gas utilities, propane distribution that covers a wide geographic area and diverse customer base, as well as a variety of other energy generation and distribution activities. This allows it to not only weather 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 ~50% payout ratio for the foreseeable future, indicating excellent dividend safety.

Final Thoughts & Recommendation

UGI offers solid future annualized total return potential of 8.2% due to the combination of decent growth and an attractive dividend yield. As a utility, it should be well-positioned to weather a recession and its well-covered dividend yield is attractive for dividend growth investors. As a result, we rate it a Hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	8,277	6,691	5,686	6,121	7,651	7,320	6,559	7,447	10,106	8,928
Gross Profit	3,102	2,955	3,248	3,283	3,576	2,997	3,410	4,833	4,133	1,991
Gross Margin	37.5%	44.2%	57.1%	53.6%	46.7%	40.9%	52.0%	64.9%	40.9%	22.3%
SG&A Exp.	1,753	1,774	1,882	1,868	2,013	1,963	1,911	2,014	2,028	2,158
D&A Exp.	363	374	401	416	455	448	484	502	518	532
Operating Profit	979	810	969	1,011	1,116	591	1,020	2,317	1,619	(658)
Operating Margin	11.8%	12.1%	17.0%	16.5%	14.6%	8.1%	15.6%	31.1%	16.0%	-7.4%
Net Profit	337	281	365	437	719	256	532	1,467	1,073	(1,502)
Net Margin	4.1%	4.2%	6.4%	7.1%	9.4%	3.5%	8.1%	19.7%	10.6%	-16.8%
Free Cash Flow	549	673	406	326	511	373	447	791	(88)	133
Income Tax	235	178	221	178	33	93	135	522	313	(335)

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	10,093	10,514	10,847	11,582	11,981	13,347	13,985	16,723	17,575	15,401
Cash & Equivalents	420	370	503	558	453	447	336	855	405	241
Accounts Receivable	685	620	552	627	752	641	652	880	1,127	878
Inventories	423	240	210	279	318	230	241	469	665	433
Goodwill & Int. Ass.	3,410	3,564	3,569	3,719	3,674	4,165	4,195	4,353	4,112	3,470
Total Liabilities	6,430	6,942	7,252	7,841	7,881	9,520	9,848	11,192	11,501	11,007
Accounts Payable	460	393	391	440	562	439	475	837	891	613
Long-Term Debt	3,722	3,857	4,087	4,539	4,590	6,600	6,381	6,816	7,000	7,249
Shareholder's Equity	2,659	2,692	2,844	3,163	3,681	3,817	4,128	5,309	5,904	4,219
LTD/E Ratio	1.40	1.43	1.44	1.43	1.25	1.73	1.55	1.23	1.15	1.65

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.4%	2.7%	3.4%	3.9%	6.1%	2.0%	3.9%	9.6%	6.3%	-9.1%
Return on Equity	13.1%	10.5%	13.2%	14.5%	21.0%	6.8%	13.4%	31.1%	19.1%	-29.7%
ROIC	4.6%	3.8%	4.8%	5.5%	8.5%	2.7%	5.1%	12.8%	8.4%	-12.2%
Shares Out.	172.4	172.4	173.0	173.2	173.8	209.0	208.4	209.8	209.7	209.5
Revenue/Share	47.24	38.09	32.38	34.55	43.25	40.42	31.25	35.11	46.83	42.55
FCF/Share	3.13	3.83	2.31	1.84	2.89	2.06	2.13	3.73	(0.41)	0.63

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

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