



**American Gas Association  
Financial Forum**

**John Walsh  
President &  
Chief Executive Officer**

**May 16, 2016**



## About This Presentation

This presentation contains certain forward-looking statements that management believes to be reasonable as of today's date only. Actual results may differ significantly because of risks and uncertainties that are difficult to predict and many of which are beyond management's control. You should read UGI's Annual Report on Form 10-K and quarterly reports on Form 10-Q for a more extensive list of factors that could affect results. Among them are adverse weather conditions, cost volatility and availability of all energy products, including propane, natural gas, electricity and fuel oil, increased customer conservation measures, the impact of pending and future legal proceedings, domestic and international political, regulatory and economic conditions in the United States and in foreign countries, including the conflicts in the Middle East, currency exchange rate fluctuations (particularly the euro), the timing of development of Marcellus Shale gas production, the timing and success of our acquisitions, commercial initiatives and investments to grow our business, and our ability to successfully integrate acquired businesses and achieve anticipated synergies. UGI undertakes no obligation to release revisions to its forward-looking statements to reflect events or circumstances occurring after today.

# UGI Attendees

## **John L. Walsh**

President & Chief Executive Officer  
UGI Corporation

## **Robert F. Beard**

President & Chief Executive Officer  
UGI Utilities, Inc.

## **Daniel J. Platt**

Vice President and Chief Financial Officer  
UGI Utilities, Inc.

## **William B. Ruthrauff**

Director, Investor Relations  
UGI Corporation

## **Kirk R. Oliver**

Chief Financial Officer  
UGI Corporation

## **Bradley C. Hall**

President  
UGI Enterprises, LLC

## **Ann P. Kelly**

Assistant Treasurer  
UGI Corporation

# Company Overview

UGI Corporation is a distributor and marketer of energy products and services including natural gas, propane, butane, and electricity.



~55%  
of net income<sup>1</sup>



- **Natural Gas & Electric Utilities in Pennsylvania and Maryland**



- **Energy marketing, midstream, and power generation**

~45%  
of net income<sup>1</sup>



- **Premier LPG distributor in Europe**



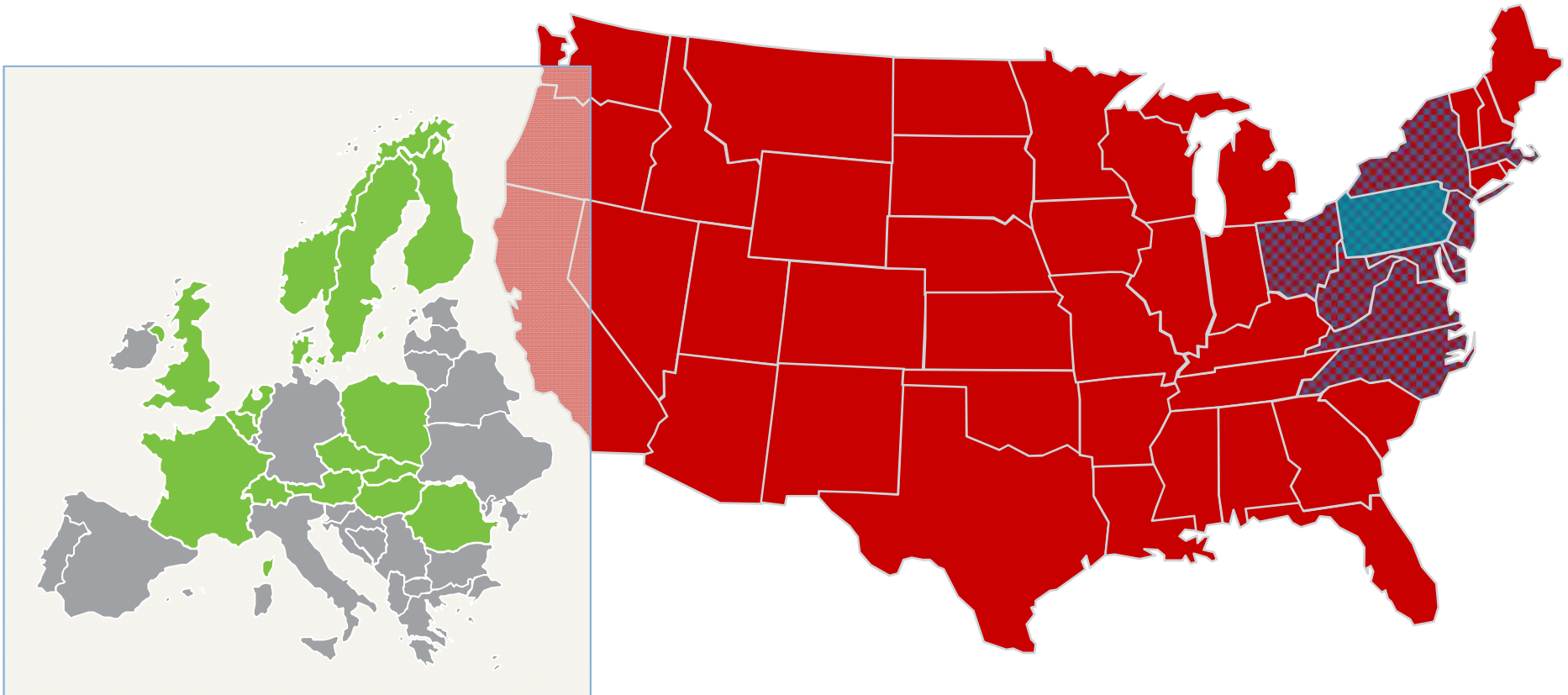
- **#1 LPG distributor in U.S.**

\* 100% GP interest and 26% of outstanding LP units. Largest retail propane distributor in U.S. based on volume

<sup>1</sup> Trailing Twelve Months ended March 31, 2016. Excludes Corporate & Other.

# Where We Are

UGI operates in 50 states and 16 European countries



**UGI Utilities**

(PA, MD)

**Energy Services**

(PA, NJ, DE, NY, MA, OH, MD, VA, NC, SC, DC)

**UGI International**

(16 European countries)

**AmeriGas**

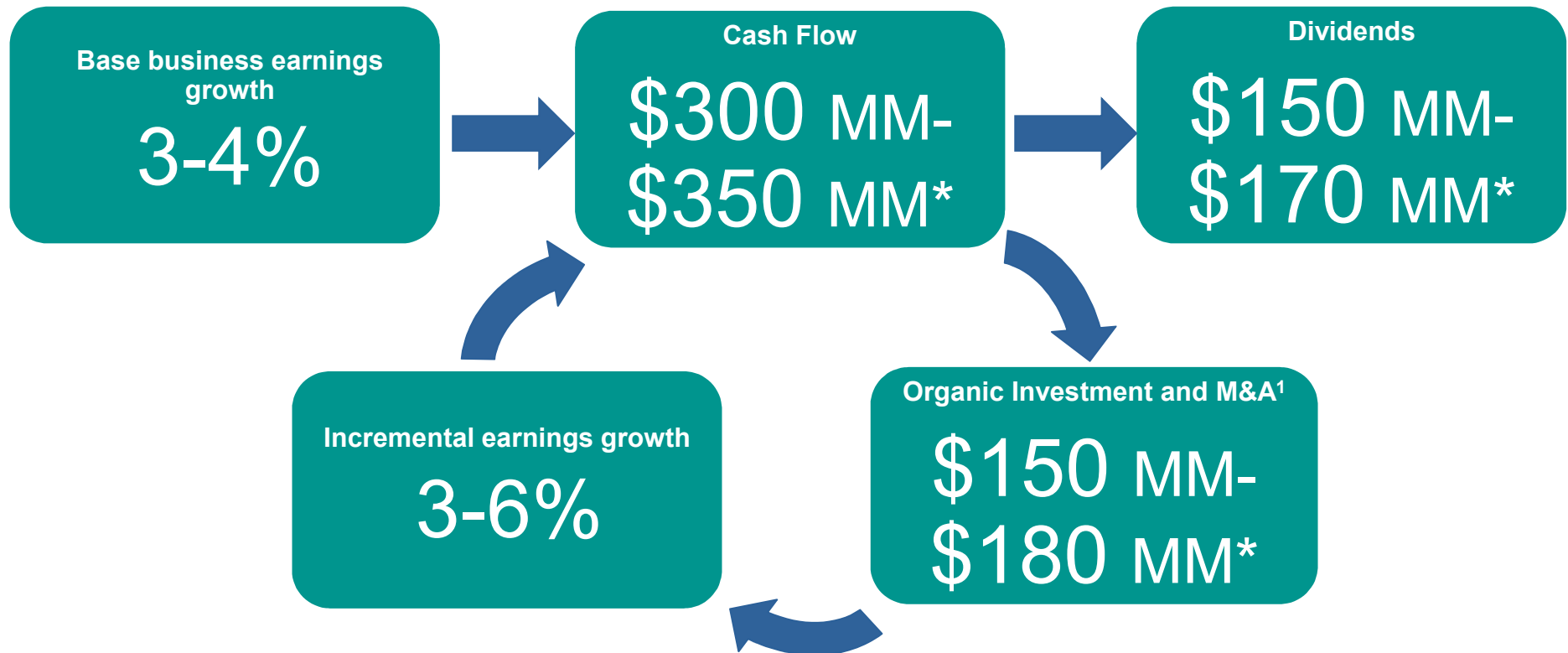
(all 50 states)

## Why Invest in UGI?

- ✓ **We are a balanced Growth and Income investment**
  - **6-10% EPS Growth**
  - **4% Dividend Growth**
- ✓ **Excellent Cash Generation**
- ✓ **Disciplined deployment of capital supported by track record**
- ✓ **Our portfolio of growth opportunities has never been stronger**

# The UGI “Growth Engine”

Income-producing businesses generate cash for growth opportunities and dividends



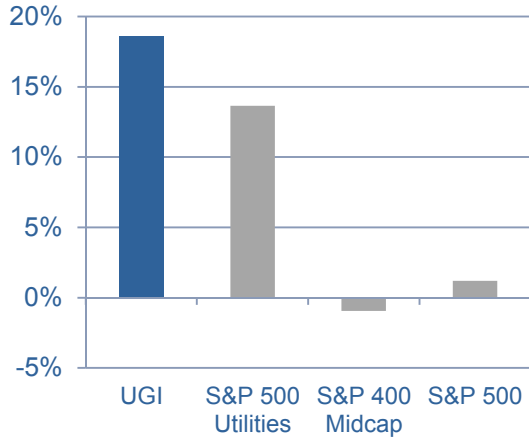
\*multi-year average forecast  
<sup>1</sup> after business unit CAPEX

6-10% EPS Growth and 4% Dividend Growth

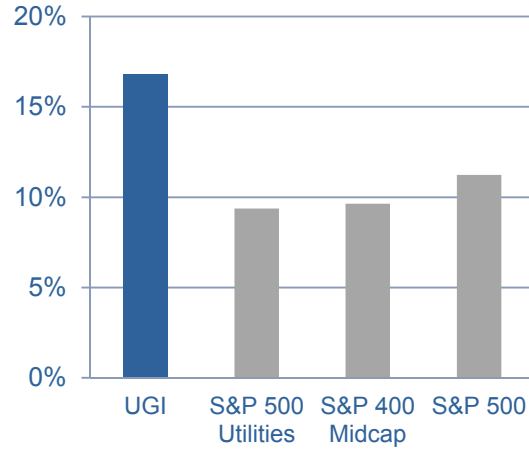
# Total Shareholder Return as of 4/30/16

**UGI has consistently outperformed**

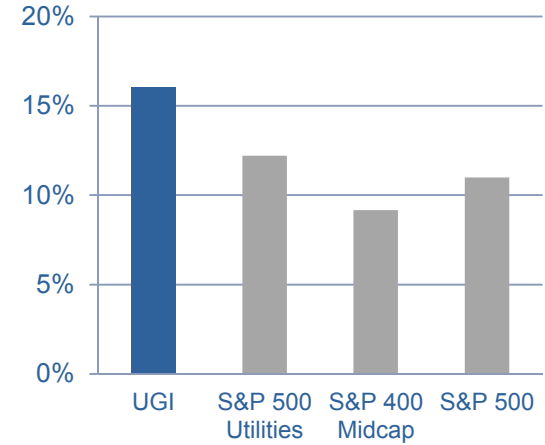
**1 Year Total Return**



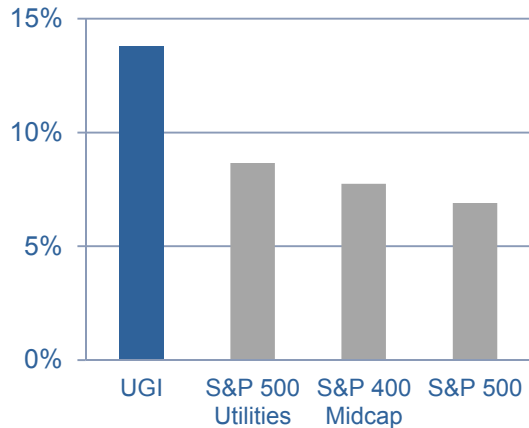
**3 Year Total Return**



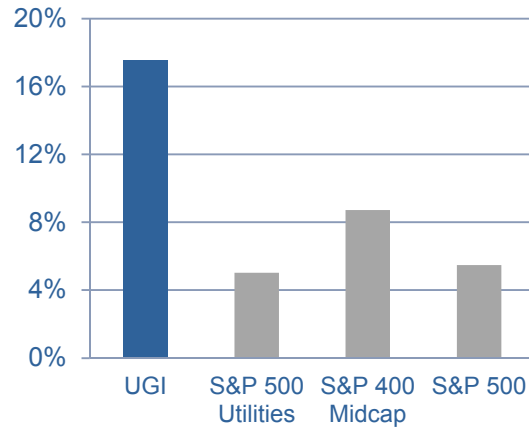
**5 Year Total Return**



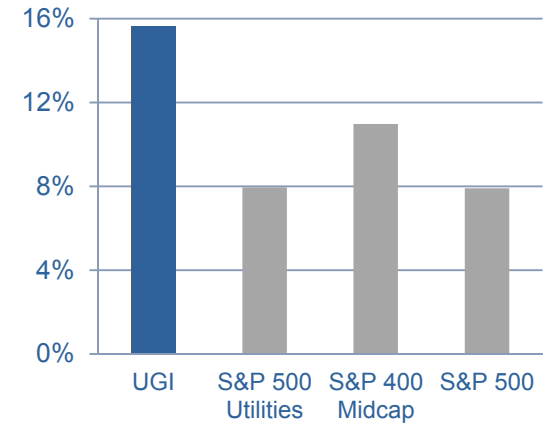
**10 Year Total Return**



**15 Year Total Return**



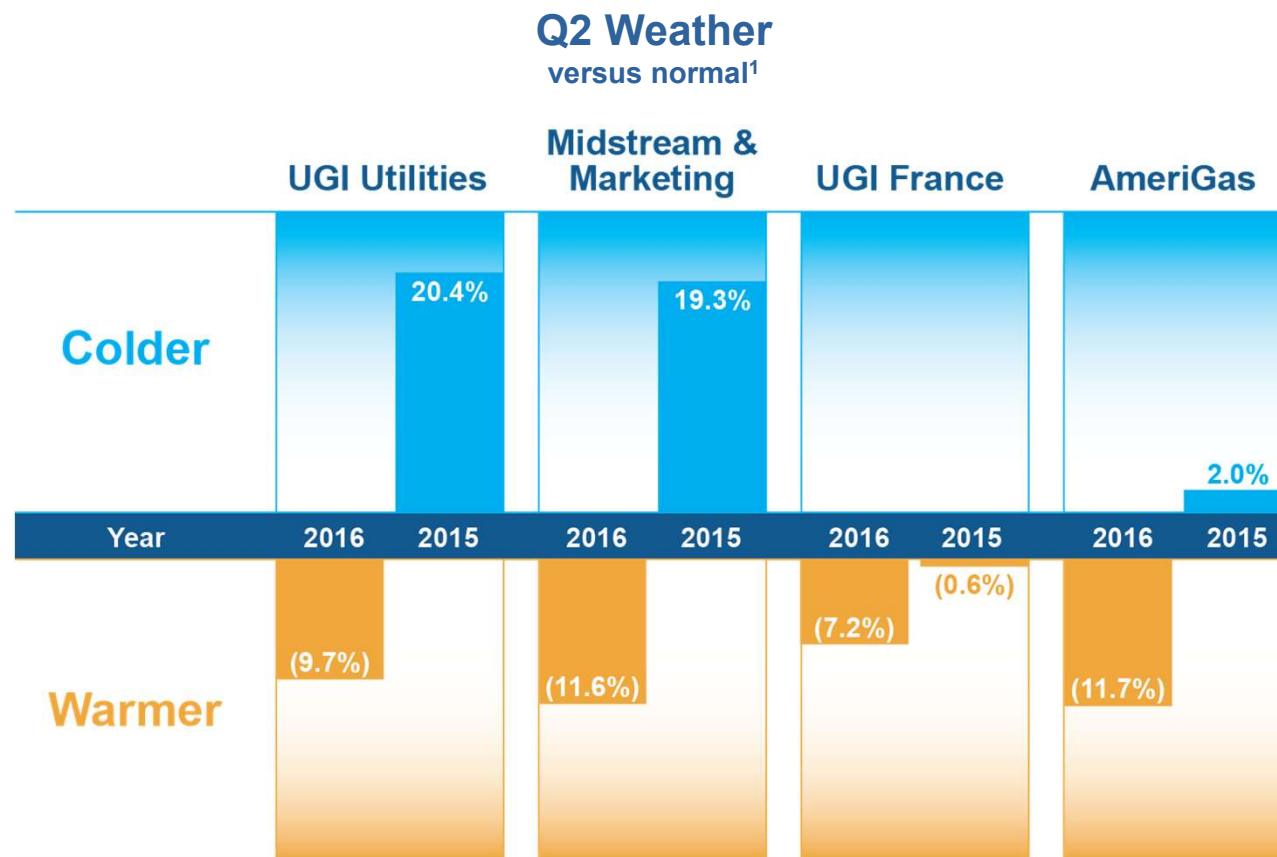
**20 Year Total Return**





# Second Quarter Update

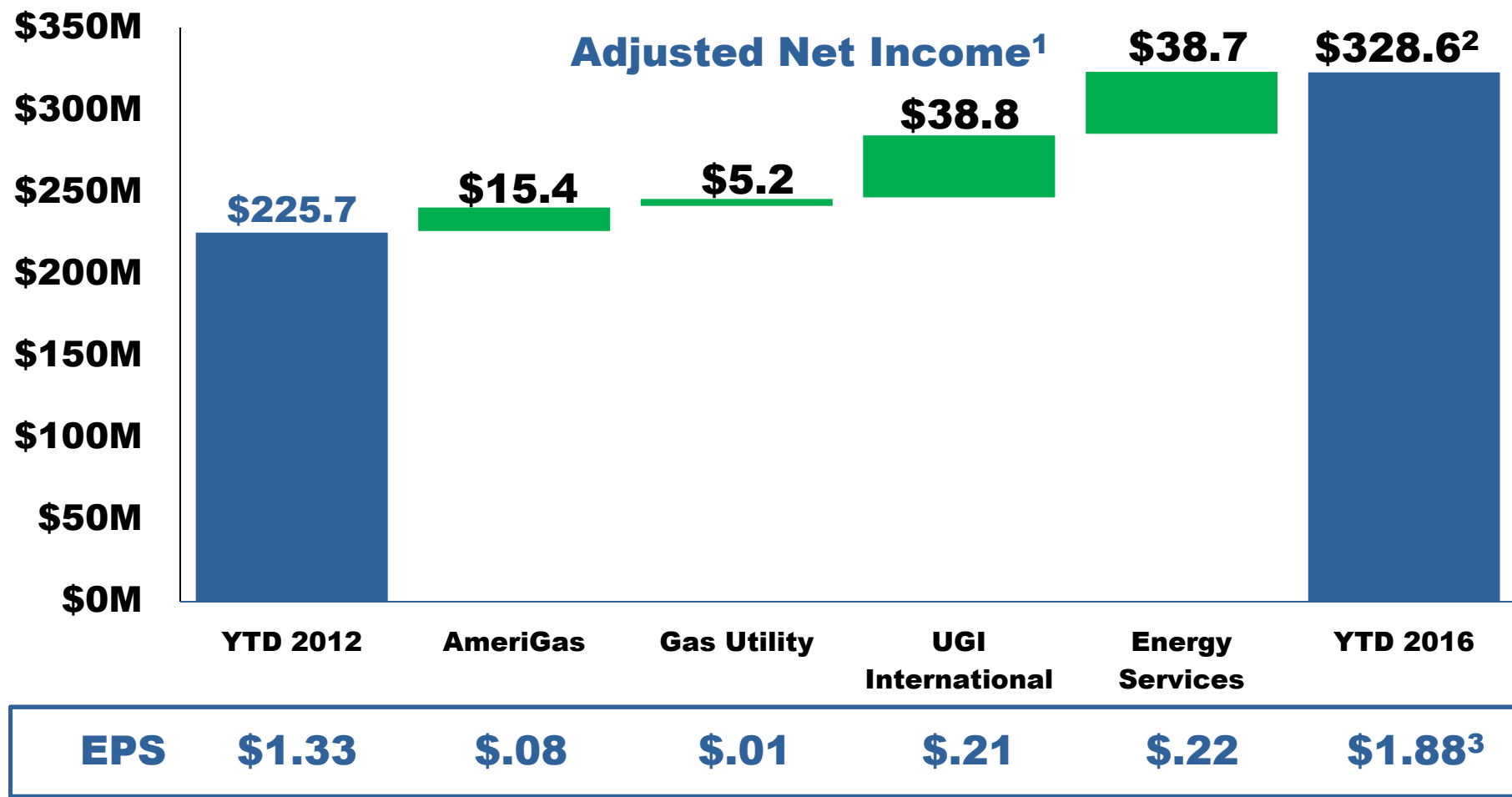
- **Comparable adjusted earnings to prior year despite significantly warmer weather highlight benefits of diversification**
- **Results reflect impact of accretive investments over the past few years, cost controls, and solid unit margin management**
- **Weather-adjusted demand remains very strong**
- **Revising guidance to \$1.95-\$2.05 due to warm weather experienced in Q1 and Q2**



<sup>1</sup> Percent change in heating degree days

# Comparison of YTD FY16 vs. YTD FY12

The October – March YTD periods in 2012 and 2016 had comparable weather



<sup>1</sup> See appendix for reconciliation of adjusted net income to GAAP net income.  
<sup>2</sup> Includes \$4.7 million in Corporate & Other.  
<sup>3</sup> Includes \$0.03 in Corporate & Other.

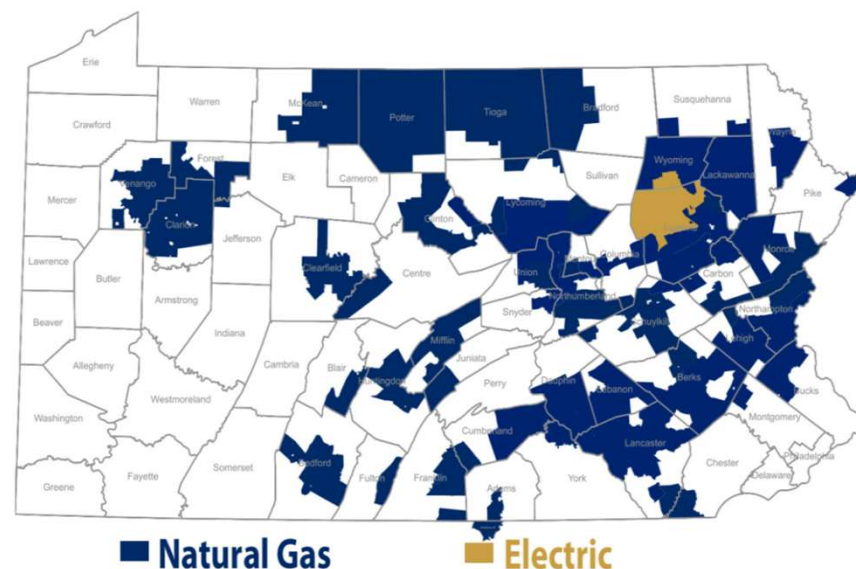
**UGI**  
CORPORATION

**UGI Utilities**



# UGI Utilities Overview

- ✓ Three Gas Utilities – UGI Gas, CPG, and PNG and one electric utility
- ✓ Serve nearly 617,000 gas customers and approximately 62,000 electric customers
- ✓ Pennsylvania's 2<sup>nd</sup> largest gas utility<sup>1</sup>
- ✓ Strong outlook for continued customer growth
- ✓ Major infrastructure program underway



**Five Year Customer Growth CAGR of ~2%**

<sup>1</sup> Based on total customers

# Key Points – UGI Utilities



- **Record of strong customer growth and opportunities to grow through conversions and new housing**
- **Infrastructure upgrades are on track**
  - **Cast iron: replaced by March 2027**
  - **Bare steel: replaced by September 2041**
- **Deploying record levels of capital**
- **Constructive regulatory environment**
- **Investment grade credit ratings**

# Constructive Regulatory Environment

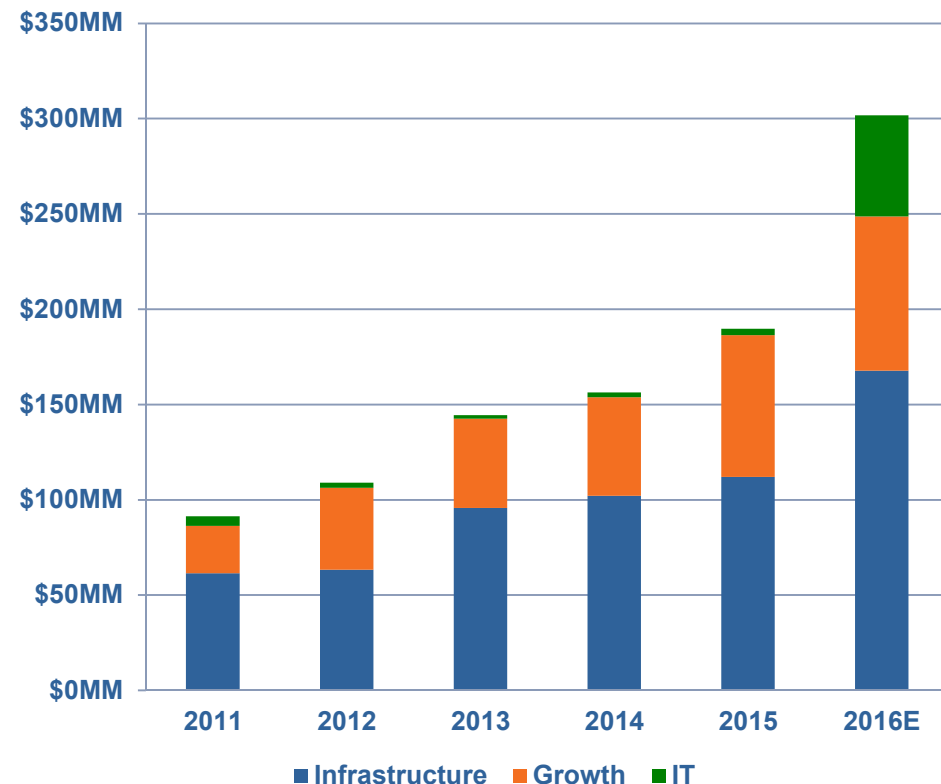
- **Committed Long Term Infrastructure Improvement Plan (LTIIP) to replace cast iron and bare steel pipe covered by DSIC**
- **Majority of gas is low-cost – sourced from the Marcellus**
- **Commitment to low income customer assistance programs**
- **Distribution integrity, third party damages and workplace safety initiatives**
- **In January, UGI Gas filed \$58.6 million base rate case**
  - **First rate case in 21 years**
  - **UGI Gas currently has lowest residential distribution rates in PA**
  - **UGI Gas has made over \$1 billion in system investments since 1995**
- **New customer programs (as proposed)**
  - **Energy Efficiency and Conservation plan**
  - **Technology and Economic Development rider to provide the needed rate flexibility to expand availability and use of natural gas**

# Infrastructure Management

Making smart investments today, for tomorrow...

- **Accelerated capital replacement plan**
  - Highest percentage of contemporary pipe in Pennsylvania among major LDCs
- UGI will replace all **cast iron main by 2027** and all **bare steel by 2041**
- Supports the continued development of our **service territory**

## Capital Expenditures

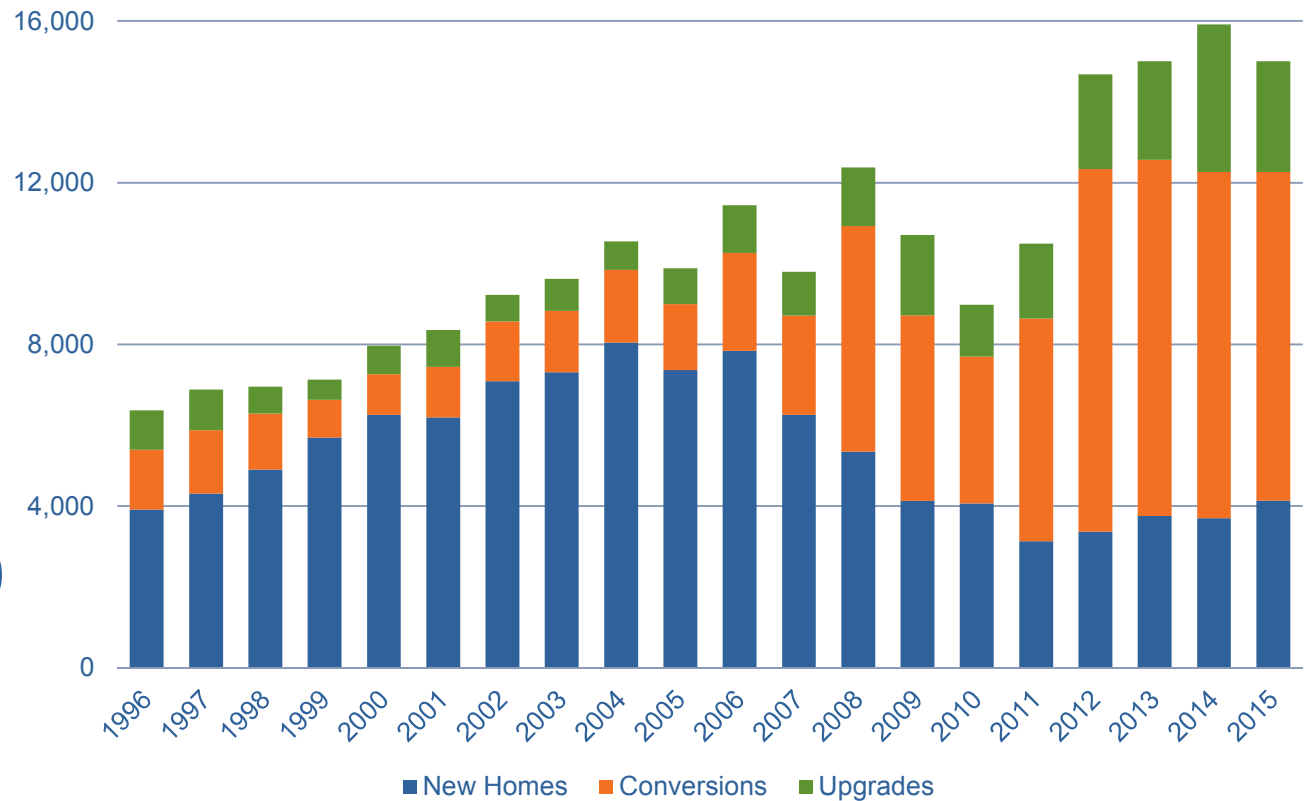


# Growth in the Residential Business

Focus on customer conversions has yielded strong results

## Total Residential Customer Additions

- Added ~15,000 residential natural gas heating customers in FY15
- Added ~134,000 residential customers since 2005



~380,000 potential customers within 80 feet of UGI gas mains



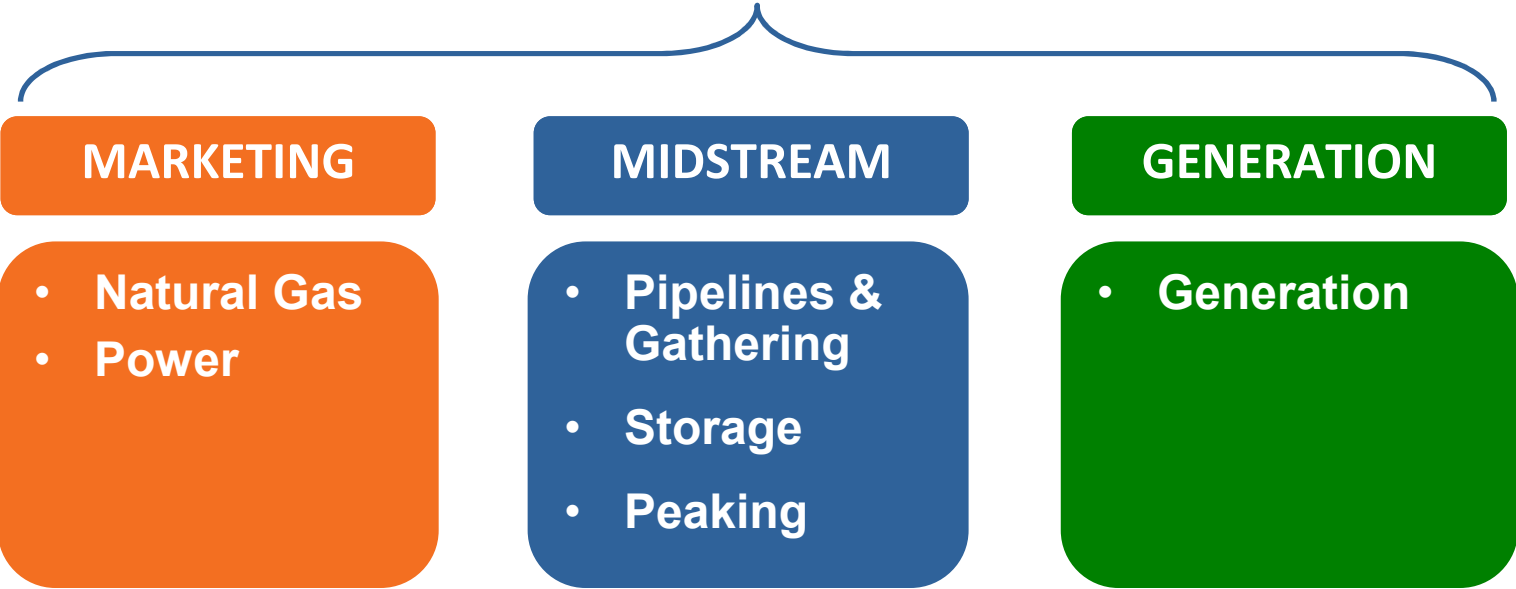
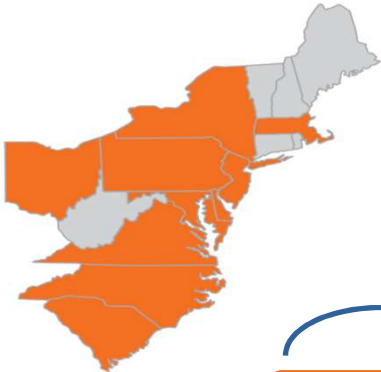


# Energy Services



# Business Lines

Grew out of Gas Utility following deregulation; started in 1995



Data for Fiscal Year 2015.

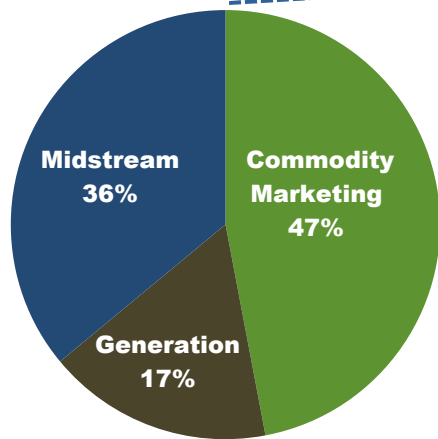
## Key Points – Energy Services



- **Well positioned for long-term leadership in Marcellus midstream**
  - **Strong track record of project execution**
  - **Sunbury FERC certificate and Notice of Schedule for PennEast are positive developments**
- **Increased fee-based income provides reliable earnings base and reduces weather volatility**
- **Asset network is well positioned to deliver additional value during periods of volatility**
- **Track record of earnings growth in marketing business**
- **Business mix evolving rapidly as midstream grows**

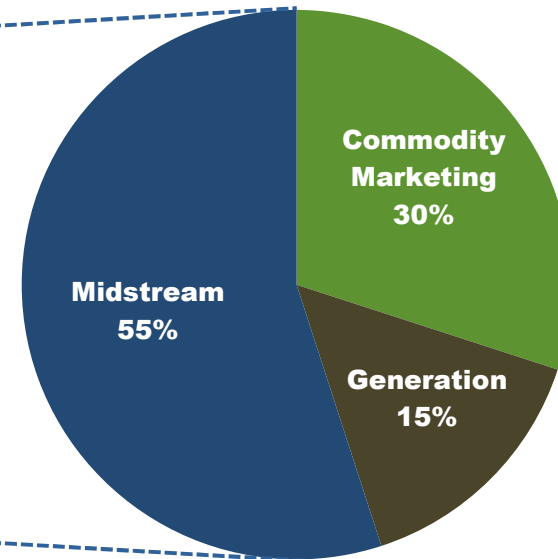
# Increasing Midstream Margin Contribution

## Historical Margin



Represents multi-year historical average

## Future Margin



Represents multi-year forward average

**Fee-based income contribution increasing as proportion of Midstream segment grows**

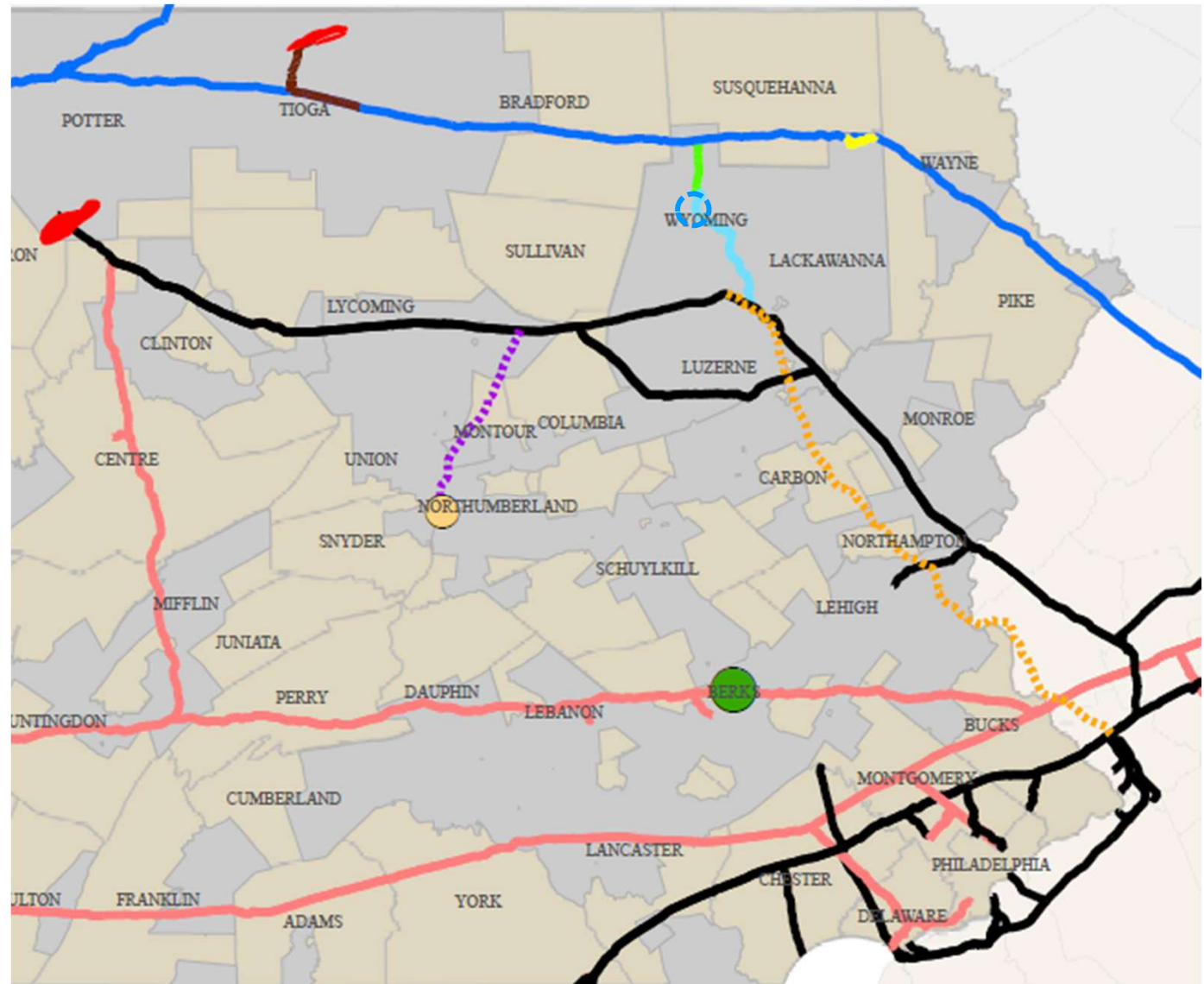
# Building Our Marcellus Midstream Asset Network

## UGI Legend

- Temple LNG
- Manning LNG
- 15 BCF Storage
- UGI Service Area
- Storage Transmission
- Auburn I
- Auburn II
- Union Dale
- PennEast
- Sunbury

## Other Legend

- Hummel Station  
(expected to be operational in second half of 2017)
- Transco
- Tennessee
- Texas Eastern



# Current Growth Projects

## Manning LNG

~\$60mm

- Located in at the site of UGIES' Manning Compressor Station
- 10,000 Dth/day of LNG capacity
- 280,000 gallons of storage and trucking-loading capability
- Natural gas supplied by the Auburn Gathering System
- Expected completion early 2017

## Sunbury Pipeline

~\$160mm

- 35 mile, 20" pipeline will supply low cost gas to 1000MW Hummel Station
- Announced February 2015; Partner with Panda Power Funds
- Received FERC approval in April 2016
- Construction of pipeline and Hummel Station expected to create ~850 jobs
- Expected completion late 2016

## PennEast Pipeline

~\$200 million

- ~118 mile, 36" pipeline will bring low cost Marcellus gas to Pennsylvania and New Jersey
- FERC scheduled to complete environmental review by Dec 2016
- Estimated \$1.62 billion positive economic impact; ~12,000 jobs
- Expected completion 2h 2018

**Over \$400 million in active projects**

# Completed Projects

## Auburn System

~\$230mm

- **Auburn I:** 9-mile 12" pipeline
- **Auburn II:** 28-mile 20" pipeline
- **Auburn III:** 9-mile pipeline loop and compression
- Auburn gathering system capacity expanded by 150,000 Dth/d to 470,000 Dth/d in Fall 2015
- Supported by long-term agreements

## Temple LNG

~\$10 million

- Completed expansion in 2015
- 1.25 BCF Storage; 15 million gallons LNG
- 205,000 Dth/day peaking capacity
- Liquefaction Capacity of 10,000 Dth and 120,000 gallons per day
- LNG liquids trucking business is growing
- Peak Utility demand increasing

## Union Dale Lateral

~\$22mm

- 6-mile, 12" pipeline serving UGI PNG service territory
- 100,000 dth/d
- Completed 2014
- Capital ~ \$22MM

**AmeriGas**

AmeriGas





# Business Overview

**Largest Player in a Fragmented Market  
with ~15% Market Share<sup>1</sup>**

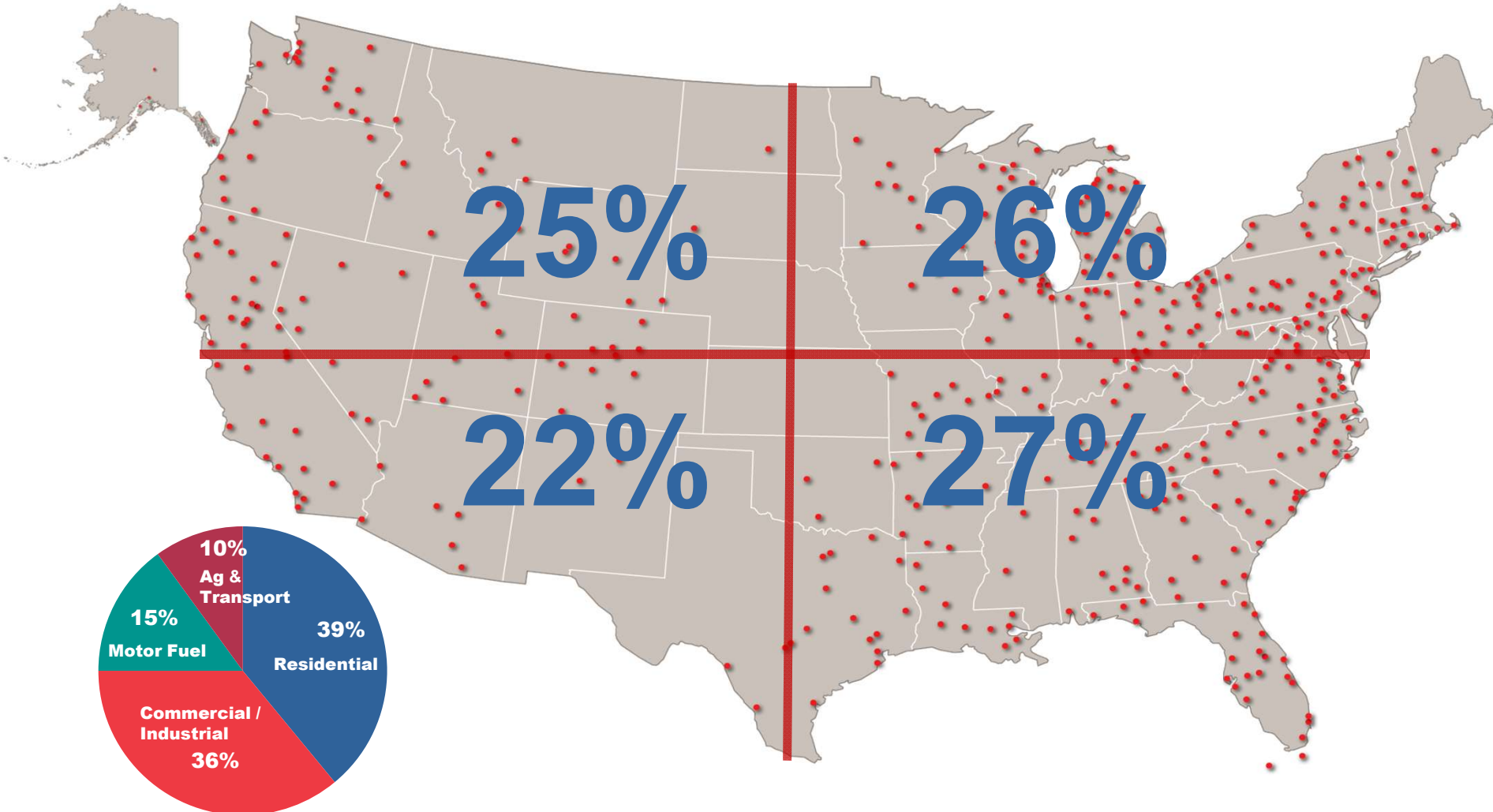


<sup>1</sup> Based on retail propane volumes sold in the United States as published by the American Petroleum Institute

## Key Points - AmeriGas

- **Geographically balanced**
- **Long track record of steady unit margin expansion**
- **Investing in technologies that will generate significant operating savings**
- **Steady growth through acquisitions, national accounts, and cylinder exchange programs**
- **No commodity price exposure**
- **No need to access the capital markets to fund planned growth**

# Geographic and Customer Diversity<sup>1</sup>

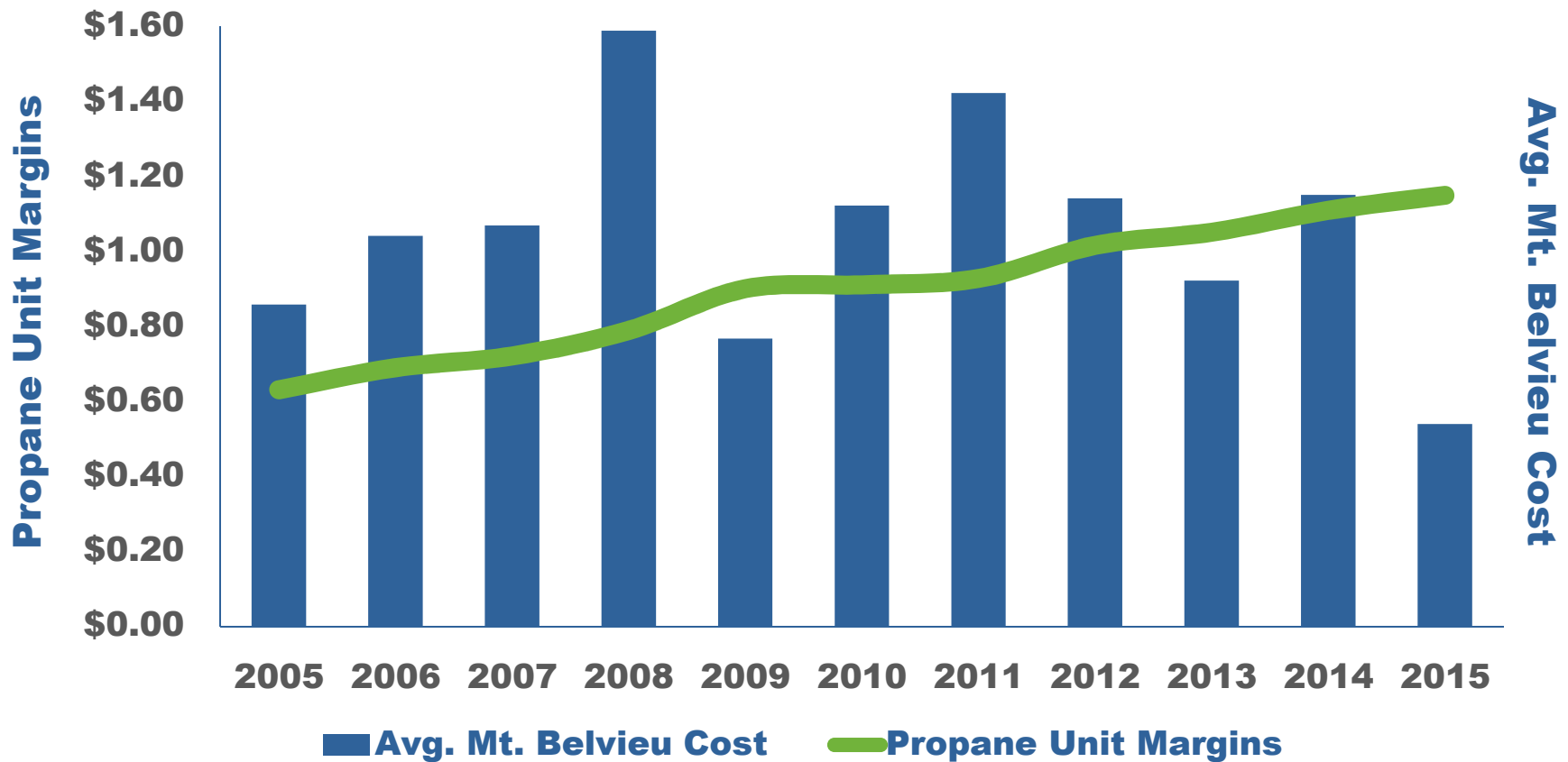


<sup>1</sup>Based upon retail gallons sold

# Unit Margin Management



A long track record of **exceptional margin management** through volatile propane cost environments



# Investing in Technology



We have invested in technology that improves our customer service and drives operational efficiency



**Route Monitoring**



**Call Center Technology**



**AmeriMobile**  
*Mobile devices for real-time field communications*



**Personnel Training**



**AccuGas**  
*Tank monitoring*



**AmeriGas.com**

# Key Growth Drivers

## Cylinder Exchange

- Counter-seasonal due to summer grilling demand
- Have added 2,500 retail locations this year
- Approximately 51,000 retail locations

## National Accounts

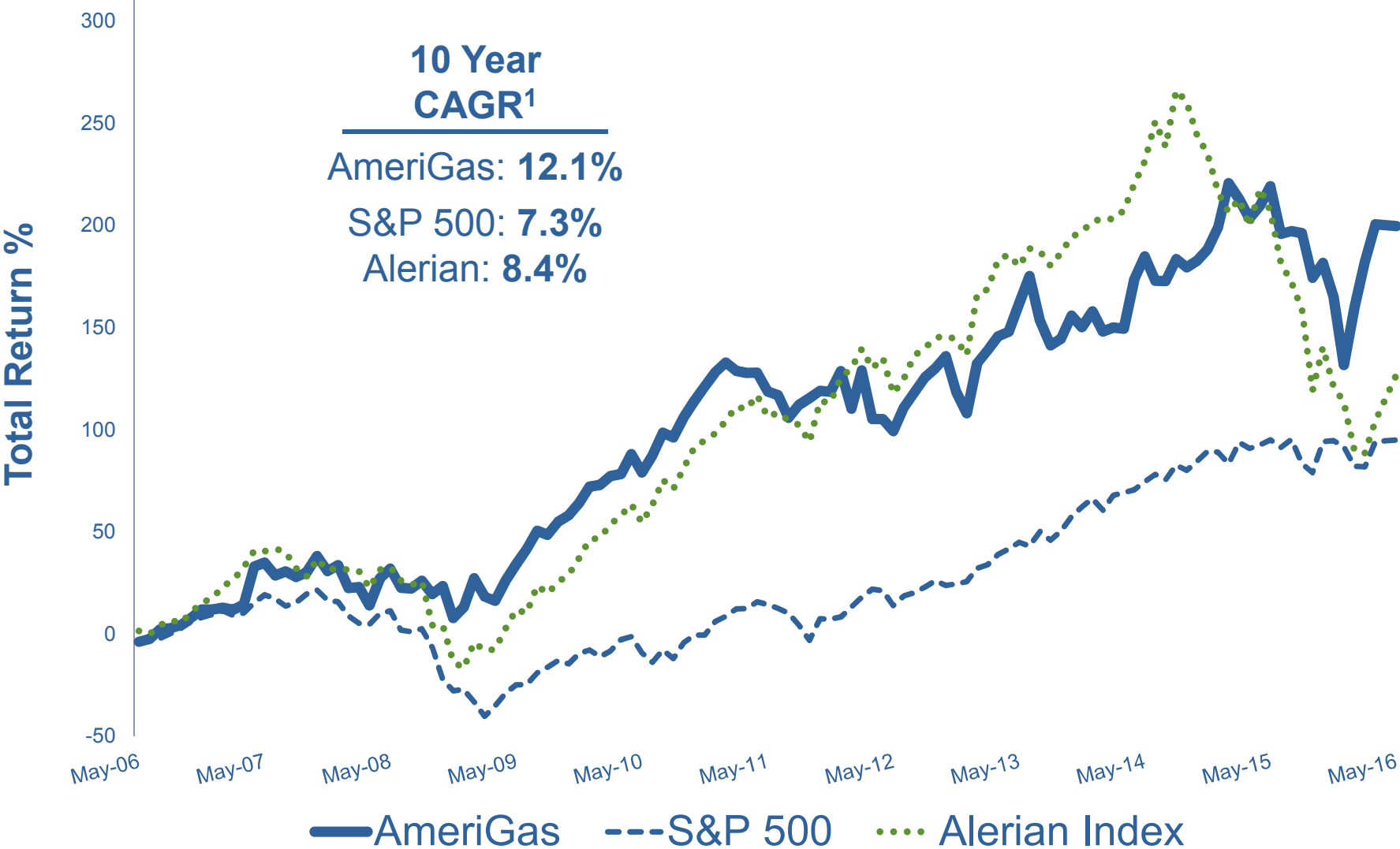
- Utilize nationwide distribution footprint to serve commercial customers with multiple locations
- One bill and one point of contact
- Less weather sensitive vs. residential
- Have added 31 new accounts this year

## Acquisitions

- Fragmented industry provides many highly synergistic and immediately accretive opportunities
- Integration is a core competency
- Over 175 deals closed since early 1980s; Have closed 3 acquisitions this year

Grow  
Adjusted  
EBITDA 3-4%  
per year

# Strong Total Return Over Long-Term



<sup>1</sup> Source: Bloomberg

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**UGI International**



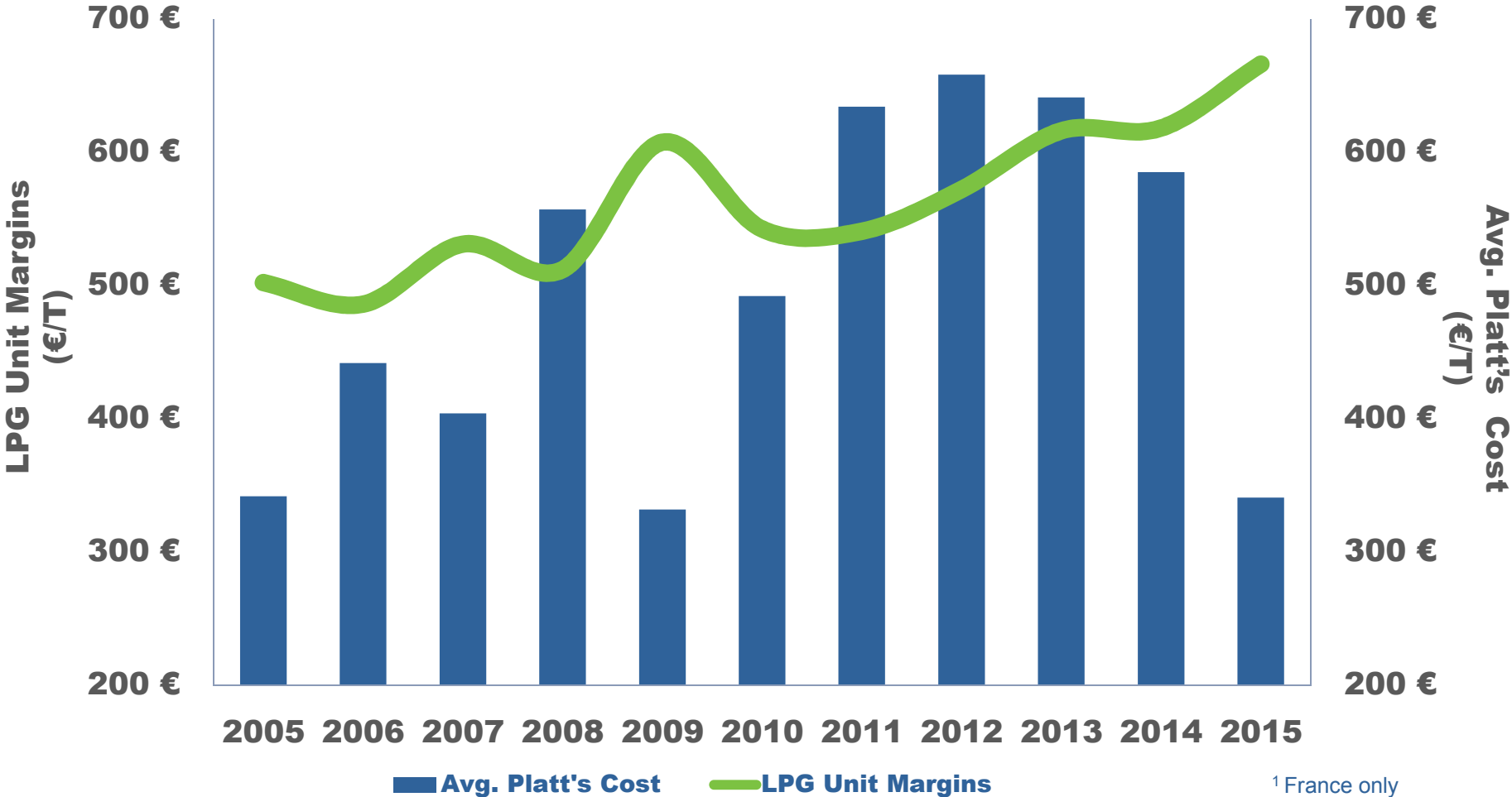


## Key Points – International

- **High quality distribution network across northern and central Europe**
  - **One company with strong local presence**
  - **Delivering a core service in a stable environment**
  - **Diverse, actively-managed supply portfolio**
- **Pursuing growth**
  - **Heating Oil to LPG conversion**
  - **Natural Gas marketing**
  - **Potential Acquisition Opportunities**
- **Finagaz acquisition integration on track to deliver investment case**

# Unit Margin Management

## Antargaz<sup>1</sup> Unit Margin History



<sup>1</sup> France only

# Finagaz Acquisition



- Acquisition from Total approximately doubled our business in France
- Closed in May 2015
- Immediately accretive in FY16
- Integration has gone extremely well
  - Synergies on track to meet or exceed expectations while enhancing service levels and broadening our product and service offering



## Why Invest in UGI?

- ✓ **We are a balanced Growth and Income investment**
  - **6-10% EPS Growth**
  - **4% Dividend Growth**
- ✓ **Excellent Cash Generation**
- ✓ **Disciplined deployment of capital supported by track record**
- ✓ **Our portfolio of growth opportunities has never been stronger**





- ❖ Management uses "adjusted net income attributable to UGI" and "adjusted diluted earnings per share," both of which are non-GAAP financial measures, when evaluating UGI's overall performance. For the periods presented, adjusted net income attributable to UGI is net income attributable to UGI Corporation after excluding net after-tax gains and losses on commodity derivative instruments not associated with current period transactions, loss on extinguishment of debt and Finagaz transition and acquisition expenses. Volatility in net income at UGI can occur as a result of gains and losses on commodity derivative instruments not associated with current period transactions but included in earnings in accordance with U.S. generally accepted accounting principles ("GAAP"). Effective October 1, 2014, UGI International determined that on a prospective basis it would not elect cash flow hedge accounting for its commodity derivative transactions and also de-designated its then-existing commodity derivative instruments accounted for as cash flow hedges. Also effective October 1, 2014, AmeriGas Propane de-designated its remaining commodity derivative instruments accounted for as cash flow hedges. Previously, AmeriGas Propane had discontinued cash flow hedge accounting for all commodity derivative instruments entered into beginning April 1, 2014.
- ❖ Non-GAAP financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measures. Management believes that these non-GAAP measures provide meaningful information to investors about UGI's performance because they eliminate the impact of (1) gains and losses on commodity derivative instruments not associated with current-period transactions and (2) other discrete items that can affect the comparison of period-over-period results.
- ❖ The following table reconciles net income attributable to UGI Corporation, the most directly comparable GAAP measure, to adjusted net income attributable to UGI Corporation, and reconciles diluted earnings per share, the most comparable GAAP measure, to adjusted diluted earnings per share, to reflect the adjustments referred to above.

# UGI Adjusted Net Income and EPS



(millions)	Three Months Ended March 31		Six Months Ended March 31	
	2016	2015	2016	2015
	<b>Adjusted net income attributable to UGI Corporation:</b>			
Net income attributable to UGI Corporation	\$ 233.2	\$ 246.5	\$ 347.8	\$ 280.6
Net after-tax (gains) losses on commodity derivative instruments not associated with current period transactions (1)	(22.4)	(30.8)	(26.0)	51.1
Net after-tax acquisition and integration expenses associated with Finagaz	5.4	5.1	6.8	7.8
Adjusted net income attributable to UGI Corporation	<u>\$ 216.2</u>	<u>\$ 220.8</u>	<u>\$ 328.6</u>	<u>\$ 339.5</u>
<b>Adjusted diluted earnings per share:</b>				
UGI Corporation earnings per share - diluted	\$ 1.33	\$ 1.40	\$ 1.99	\$ 1.60
Net after-tax (gains) losses on commodity derivative instruments not associated with current period transactions (1)	(0.12)	(0.17)	(0.15)	0.29
Net after-tax acquisition and integration expenses associated with Finagaz	0.03	0.03	0.04	0.04
Adjusted diluted earnings per share	<u>\$ 1.24</u>	<u>\$ 1.26</u>	<u>\$ 1.88</u>	<u>\$ 1.93</u>



# UGI Q2 YTD FY12 Adjusted Net Income

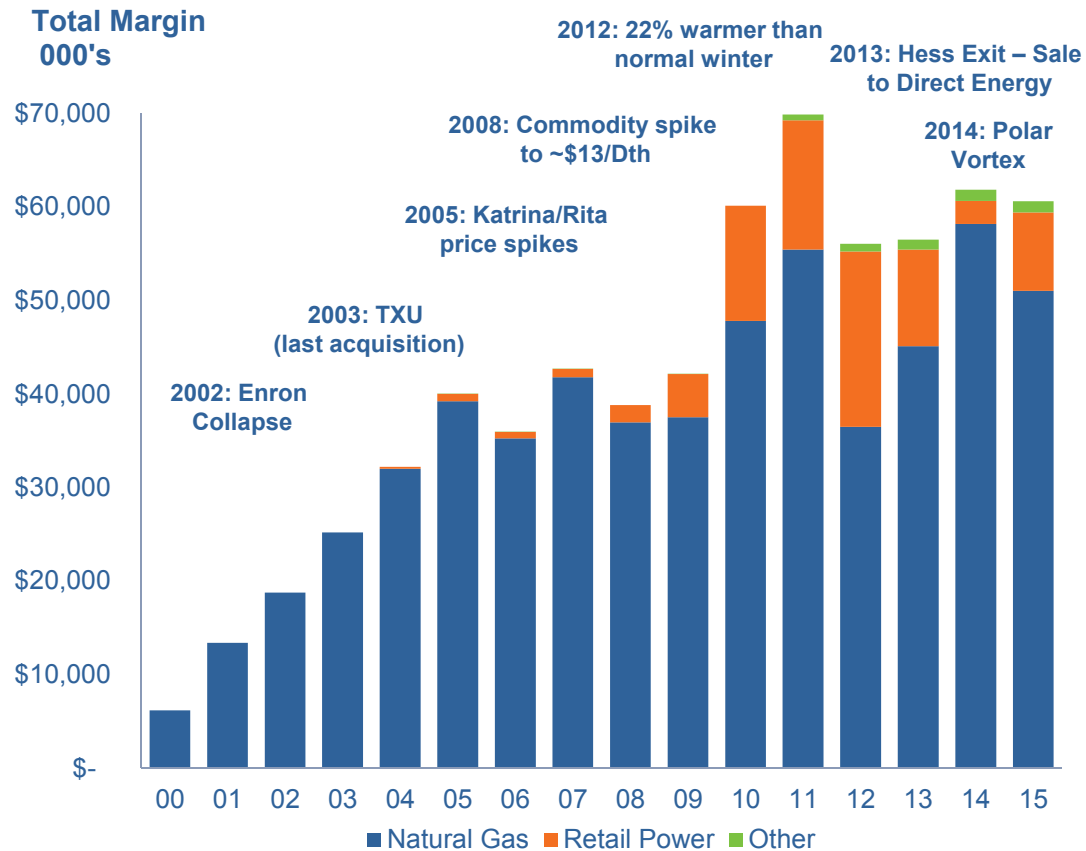


	Six Months Ended March 31, <u>2012</u>
(millions)	
<b>Adjusted net income attributable to UGI Corporation:</b>	
GAAP Net Income Attributable to UGI Corporation	\$ 211.2
Net after-tax (gains) losses on commodity derivative instruments not associated with current period transactions	9.9
Net after-tax losses on extinguishment of debt	2.2
Net after-tax acquisition and transition expenses associated with Heritage	2.4
<b>Adjusted net income attributable to UGI Corporation</b>	<b><u>\$ 225.7</u></b>

# Commodity Marketing Overview

Targeting small/medium C&I customers that value our services

## Steady Earnings Growth Through Disruptive Events



## Highlights

Supplying natural gas, liquid fuels, and electricity to ~20,000 residential, commercial, and industrial customers

- ▶ No trading/speculation – volume is back-to-back hedged
- ▶ Very high customer retention rates
- ▶ Low bad debt
- ▶ Steady growth in volume and geography
- ▶ Calculated growth results in long-term commitment to markets we serve while also entering new markets

# Natural Gas Peaking

**A customized, low-cost alternative to firm pipeline capacity designed to serve a Utility's needs on the coldest days of winter**

- ✓ Functions as an insurance contract – utilities pay for access to capacity to cover peak load
- ✓ Less expensive than pipeline capacity
- ✓ Fee-based; assets do not have to run to generate earnings
- ✓ ~15% CAGR since 2008



## **UGI's Peaking Fleet:**

- ✓ Increased Temple liquefaction capacity by 50% in 2015 to 10,000 Dth/day
- ✓ Currently constructing Manning LNG facility – 10,000 Dth/day liquefaction and storage

### ***Peaking demands growing:***

- 1) Natural gas customers increasing
- 2) More interruptible customers moving to firm commitment

# UGI International Summary



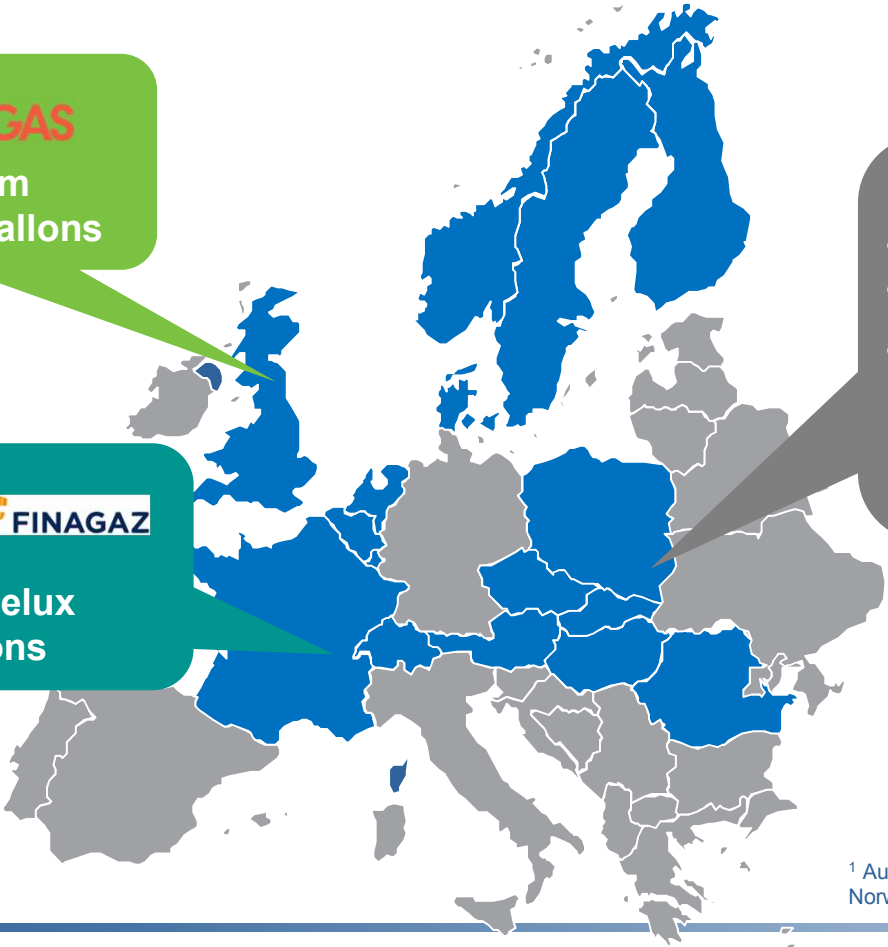
- United Kingdom
- Over 156MM gallons



- France & Benelux
- ~330MM gallons



- 11 countries<sup>1</sup>
- ~326MM gallons
- *Other Brand Names:*

<sup>1</sup> Austria, Czech Republic, Denmark, Finland, Hungary, Norway, Poland, Romania, Slovakia, Sweden, Switzerland