



# ACQUISITION OF MOUNTAINEER GAS COMPANY

January 5, 2021

# Presenters



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President & CEO



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CFO



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# About This Presentation



This presentation contains statements, estimates and projections that are forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended). Management believes that these are 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 for a more extensive list of factors that could affect results. Among them are adverse weather conditions (including increasingly uncertain weather patterns due to climate change) and the seasonal nature of our business; 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, liability for uninsured claims and for claims in excess of insurance coverage; domestic and international political, regulatory and economic conditions in the United States and in foreign countries, including the current conflicts in the Middle East and the withdrawal of the United Kingdom from the European Union, and foreign currency exchange rate fluctuations (particularly the euro); the timing of development of Marcellus Shale gas production; the availability, timing and success of our acquisitions, commercial initiatives and investments to grow our business; our ability to successfully integrate acquired businesses and achieve anticipated synergies; the interruption, disruption, failure, malfunction, or breach of our information technology systems, including due to cyber-attack; the inability to complete pending or future energy infrastructure projects; our ability to achieve the operational benefits and cost efficiencies expected from the completion of pending and future transformation initiatives at our business units; uncertainties related to the global pandemics, including the duration and/or impact of the COVID-19 pandemic; and the extent to which we are able to utilize certain tax benefits currently available under the CARES Act and similar tax legislation and whether such benefits will remain available in the future.

Information presented herein is as of September 30, 2020 unless otherwise stated.

# Mountaineer Acquisition Highlights



## Aligns with UGI Corp Strategy

- Be the preferred provider in all markets
- Leverage strengths and expertise
- Grow earnings through acquisitions, capital projects and organic growth

## Investment Opportunities Benefit Customers

- Opportunity to make investments to support customer growth, ensure safe operations, and reduce carbon emissions
- Expect to grow rate base by approximately 10% - 12% CAGR over the long term
- Similar investment approach to our PA utility

## Increases Regulatory Diversity

- Adds new state, WV, to regulated footprint
- Increases customer base by ~30% and utility rate base by ~14% at time of closing

## Enhances Financial Profile

- Accretive to adjusted EPS in first full year of combined operations
- Accretion grows significantly over the next few decades as we execute on investment opportunities
- Supports UGI's financial commitments to increase adjusted EPS by 6% - 10% and dividend by 4% annually

# A Strategic Fit



## Rebalancing UGI's Business Mix

- Growth investment in natural gas and renewable solutions opportunities
- Gas LDCs provide stable, long term investment platform
- Sustainable and growing cash flows
- Less weather sensitivity



## Platform for Renewable Energy Future

- Infrastructure replacement program will lower methane and other GHG emissions
- Assess other opportunities currently being used or explored at UGI Utilities such as increasing CNG vehicles in the company fleet and RNG

## Regulated Growth

- Large pipeline replacement program driving investment and growth
  - Majority of projected capex is rate recoverable with minimal regulatory lag through WV's Infrastructure Replacement and Expansion Program (IREP)
- Accelerate customer growth by expanding distribution systems into unserved and underserved areas of service territory

# Transaction Summary

## Transaction and Purchase Price

- On December 29, 2020, UGI entered into a definitive agreement to acquire Mountaineer Gas Company (“Mountaineer”)
- Enterprise Value of \$540 million including the assumption of Mountaineer’s long-term debt (\$140 million)
- Enterprise value represents a 1.4x projected 2021 rate base (\$378 million)



## Financing Plan

- Expect to finance the transaction through debt and / or equity linked securities and existing liquidity
- Do not expect to issue common equity



## Required Approvals

- Public Service Commission of West Virginia
- Hart-Scott-Rodino



## Timing

- Expected to close in the second half of calendar year 2021

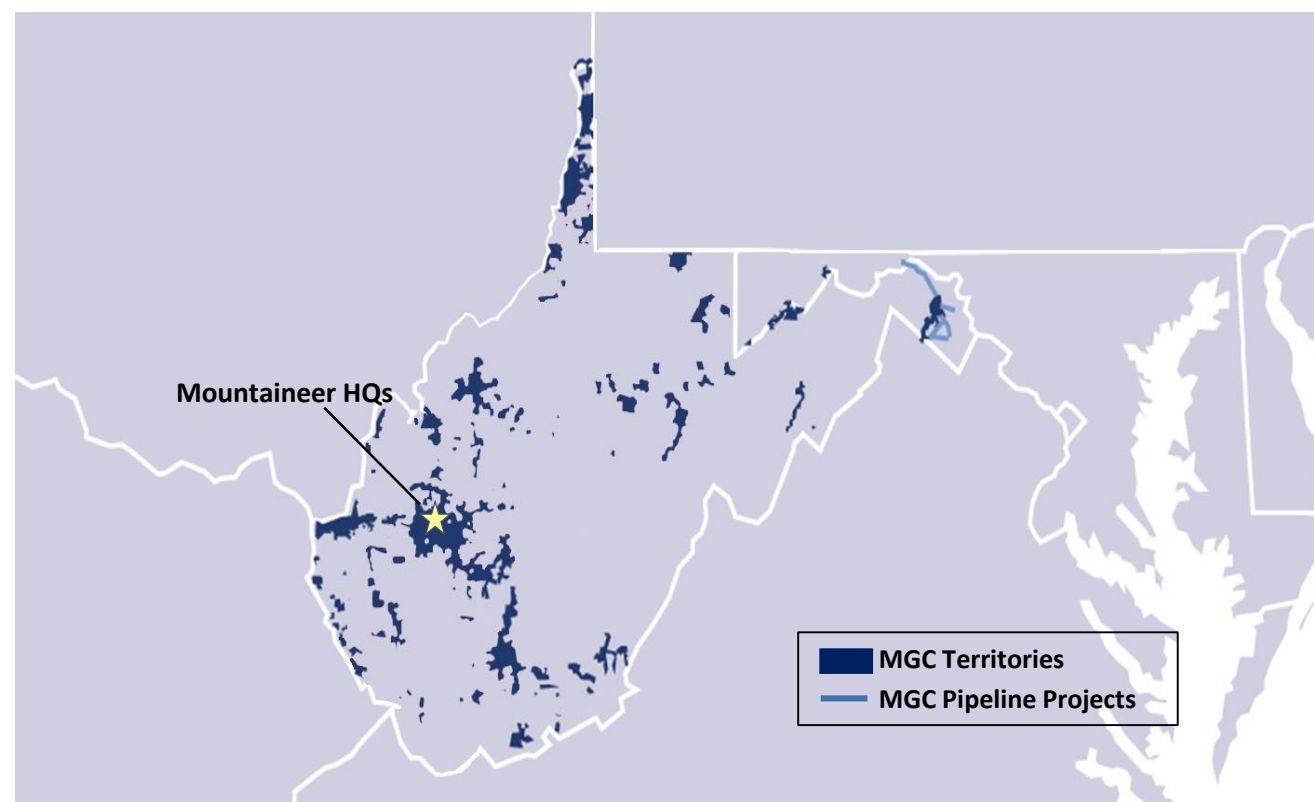


# Overview of Mountaineer Gas Company



*Largest LDC in West Virginia, serving ~215,000 customers (90% residential) across 50 of WV's 55 counties*

- Fully rate-regulated business with \$378 million rate base<sup>1</sup>
- ~6,000 miles of pipe (25% bare steel)
- West Virginia has a **constructive regulatory and political landscape**
- Customer base is ~90% residential, with the remaining comprised of commercial and industrial customers
- Well-managed company with history of **excellent customer service**
- ~470 full-time employees



1. Projected 2021 rate base.

# Strengthening Our Rate-Base Growth



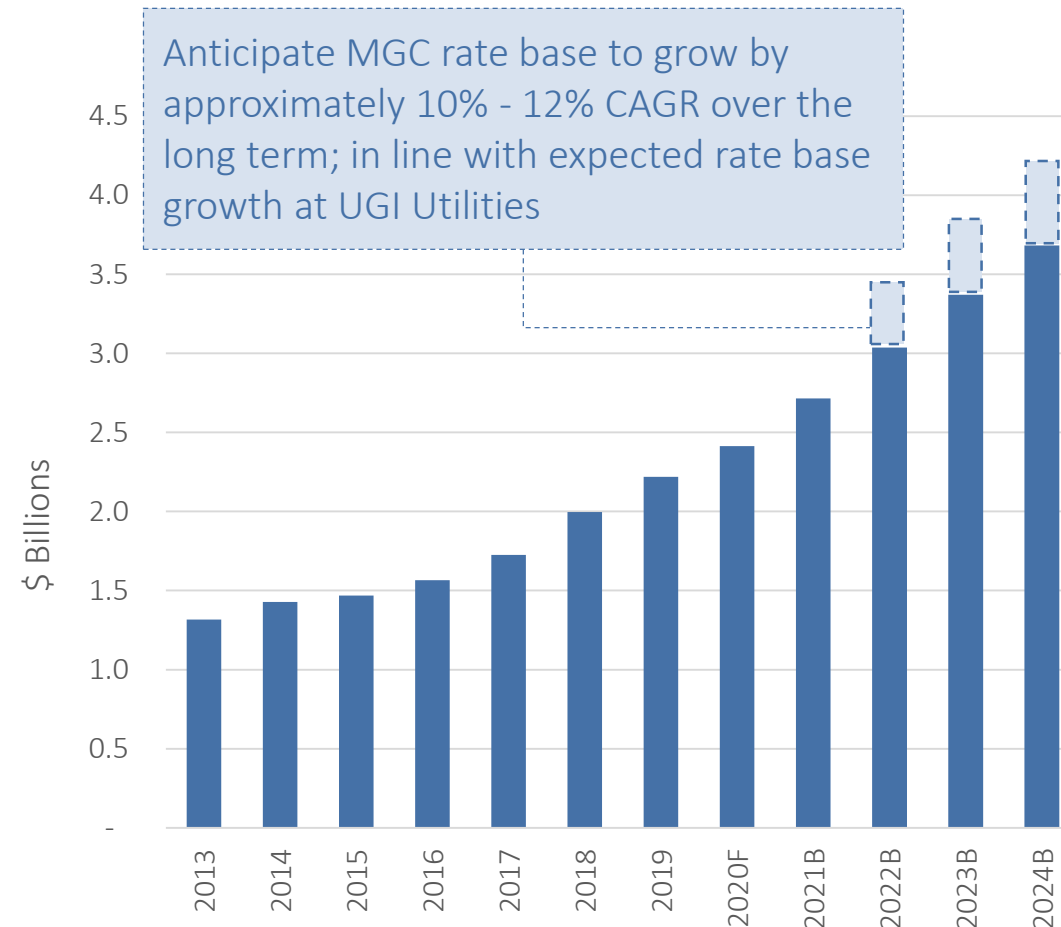
- Strong existing stand-alone rate base at UGI Utilities projected to grow at a CAGR stronger than its historical growth rate



- UGI Utilities has demonstrated the value of long-term system enhancement
  - Expect to make similar commitment in West Virginia



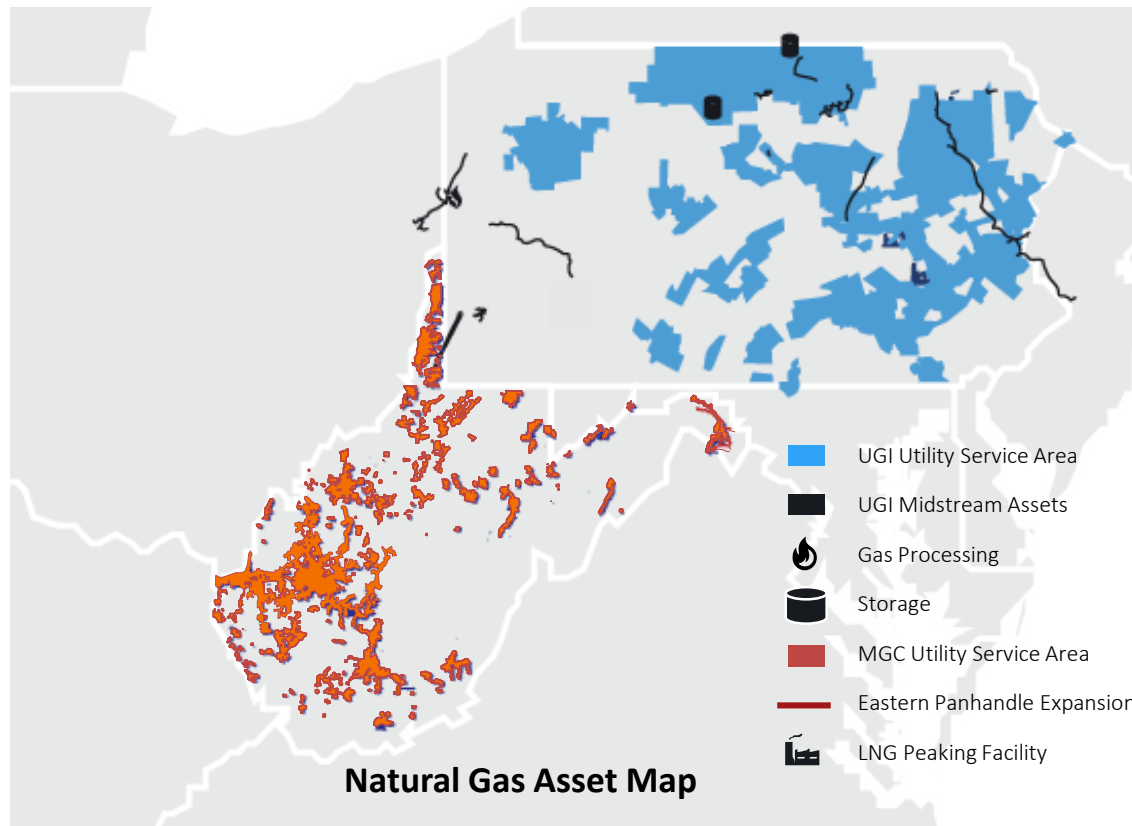
- Opportunity to increase our regulated investment and grow rate base by approximately 10%-12% CAGR over the long term
- Steadily grow rate base by investing in the safety and reliability of the distribution system



UGI is committed to be the supplier of choice by continuing to provide the most affordable, reliable, and resilient solutions for our customers

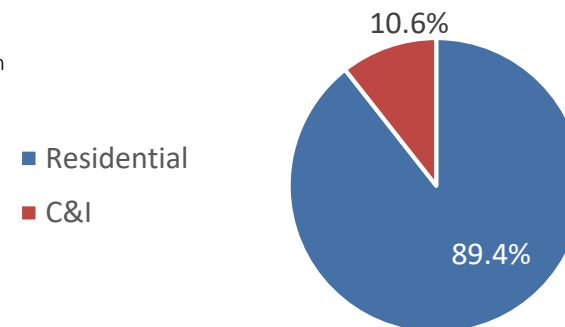


# Overview of Utilities Businesses

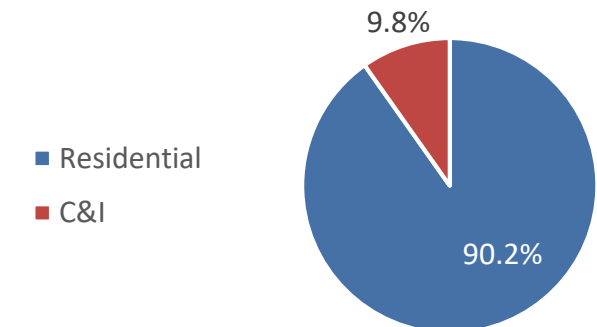


	UGI Utilities	UGI Utilities + MGC
Total Employees	1,700	2,170
Total Customers	740,000	955,000
Miles of Gas Mains	12,300	18,200
Capital Expenditures <sup>1</sup>	\$348M	\$403M
Gas Bill as % of Median Inc. <sup>2</sup>	< 2.0%	< 2.0%
Rate Base	~\$2.4B	~\$2.75B

UGI Utilities - Customers



MGC - Customers



1. UGI figures correspond to FY 20 and MGC figures correspond to budgeted CY 2020.  
 2. Based on Census data reflecting a representative selection of UGI's service territory.

# Key Takeaways

The acquisition of Mountaineer Gas Company strengthens UGI's core business and provides an additional platform to deliver on our long-term commitment to provide shareholders with 6-10% annual adjusted EPS growth and 4% dividend growth.

- ✓ Opportunity to invest and grow rate base by approximately 10% -12% CAGR over the long term
  - ✓ Replace and improve pipelines to ensure system integrity and to achieve methane reduction goals
  - ✓ Enhance customer experience by providing high-quality, safe, and reliable energy
- ✓ Accelerates the rebalancing of UGI's business mix
- ✓ Strategic fit with UGI's overall strategy to focus growth investments on natural gas and renewable solutions opportunities
- ✓ Accretive to adjusted EPS in first full year of combined operations
- ✓ Regulated utilities customer base will increase by ~30%



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