

First Read

SCANA Corp.

Early Summer Heat; Await 3Q Nuke Schedule Reset

Posts strong quarter on warm weather

SCG posted 2Q \$0.68 vs UBSe \$0.64 and consensus \$0.61, the strong beat largely driven strong electric results and favourably warm weather as well as the annual BLRA increase for the VC Summer nuclear project. PSNC gas results also increased a penny, mostly from customer growth. Non-regulated retail gas marketing at SCANA Energy reported the same -\$0.02 as last year.

Guidance and long-term growth projection unchanged

SCG reiterated 2014 guidance of \$3.45-\$3.65 vs UBSe and consensus \$3.60. Strong 1H results now leave TTM at \$3.72. The 3-5 year growth rate target remains 3%-6%.

Call at 3pm ET (877) 870-4263

Topics include: (1) Update on VC Summer milestone completions and the upcoming schedule reset; (2) Thoughts on gas midstream development; (3) Economic conditions

Valuation: Reiterate Neutral and \$54 PT – Focus remains on timeline update

Our \$54 PT is based on a 2016 SOTP, with the utilities at a discount to the average P/E multiple and SCANA Energy at a 5x EV/EBITDA. We remain on the sidelines until greater clarity on the early-stage execution risk for new nuclear construction.

Equities

Americas
Electric Utilities

12-month rating **Neutral**

12m price target **US\$54.00**

Price **US\$52.10**

RIC: SCG.N BBG: SCG US

Trading data and key metrics

52-wk range	US\$53.81-44.86
Market cap.	US\$7.35bn
Shares o/s	141m (COM)
Free float	90%
Avg. daily volume ('000)	187
Avg. daily value (m)	US\$9.8
Common s/h equity (12/14E)	US\$5.09bn
P/BV (12/14E)	1.5x
Net debt / EBITDA (12/14E)	4.4x

EPS (UBS, diluted) (US\$)

	12/14E	
	UBS	Cons.
Q1E	1.37	1.37
Q2E	0.64	0.63
Q3E	1.03	1.01
Q4E	0.58	0.65
12/14E	3.60	3.60
12/15E	3.75	3.69
12/16E	3.97	3.89

Julien Dumoulin-Smith

Analyst
julien.dumoulin-smith@ubs.com
+1-212-713 9848

Michael Weinstein

Associate Analyst
michael.weinstein@ubs.com
+1-212-713 3182

Paul Zimbardo

Associate Analyst
paul.zimbardo@ubs.com
+1-212-713 1033

Highlights (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenues	4,409	4,176	4,495	4,654	4,846	5,047	5,255	5,369
EBIT (UBS)	840	898	991	1,087	1,194	1,306	1,424	1,459
Net earnings (UBS)	387	420	471	517	561	611	672	683
EPS (UBS, diluted) (US\$)	2.98	3.15	3.39	3.60	3.75	3.97	4.26	4.33
DPS (US\$)	1.94	1.98	2.03	2.05	2.09	2.15	2.21	0.00
Net (debt) / cash	(5,277)	(5,672)	(5,688)	(6,592)	(7,176)	(7,643)	(7,797)	(7,566)
Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
EBIT margin %	19.0	21.5	22.0	23.4	24.6	25.9	27.1	27.2
ROIC (EBIT) %	11.5	11.6	12.0	11.9	11.6	11.5	11.7	11.6
EV/EBITDA (core) x	8.9	9.5	9.1	9.3	7.7	7.4	8.6	8.4
P/E (UBS, diluted) x	13.6	14.8	14.4	14.5	13.9	13.1	12.2	12.0
Equity FCF (UBS) yield %	2.4	(0.5)	2.3	(8.0)	(3.3)	(0.8)	3.7	9.3
Net dividend yield %	4.8	4.2	4.2	3.9	4.0	4.1	4.2	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$52.10 on 30 Jul 2014 19:41 EDT

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Forecast returns

Forecast price appreciation	+3.6%
Forecast dividend yield	4.0%
Forecast stock return	+7.6%
Market return assumption	5.6%
Forecast excess return	+2.0%

Statement of Risk

Factors that could prevent SCANA from achieving our earnings, cash flow, and price target objectives include: adverse weather conditions; changes in the regional power regulatory environment; adverse regulatory decisions in its various states jurisdictions (primarily SC, NC, and GA) as well as from the federal regulator, FERC; interest rate & capital market risks; slowdown in regional economy; risks associated with operating nuclear units; more stringent environment regulation; and the impact that changes in commodity prices could have on the unhedged portion of its competitive gas business, SCANA Energy. An added risk is the corresponding construction and financial risk associated with its proposed new nuclear units at the V.C. Summer facility.

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Buy	FSR is > 6% above the MRA.	48%	33%
Neutral	FSR is between -6% and 6% of the MRA.	41%	30%
Sell	FSR is > 6% below the MRA.	11%	23%
UBS Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 June 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS Securities LLC: Julien Dumoulin-Smith; Michael Weinstein; Paul Zimbardo.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
SCANA Corp. ^{4, 6, 16}	SCG.N	Neutral	N/A	US\$52.10	30 Jul 2014

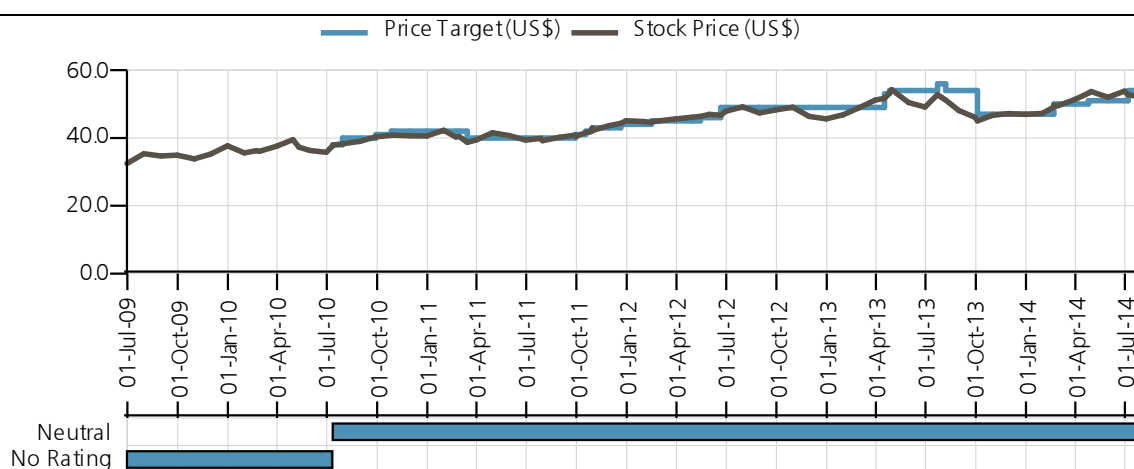
Source: UBS. All prices as of local market close.

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SCANA Corp. (US\$)



Source: UBS; as of 30 Jul 2014

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