UBS | Global Research | 14 April 2016

Dynegy, Inc.
Painting the Path Forward

Preparing for an active year: Finding value through the cycle
We met with management Wednesday in Houston to discuss their 2016 agenda following the Engie deal earlier this year. One of management's key priorities is deleveraging and optimizing the portfolio. Despite near-term headwinds associated with the MISO auction, we see the potential for DYN to reduce leverage at the IPH subsidiary at a meaningful discount to par and prospects for a successful capital raise without employing the ECP bridge loan as key potential positive catalysts in the story. Further, retirements of FCF neg assets (IL, TX, CA) could be a positive.

IPH Portfolio Prime to Restructure; significant deleveraging event
Mgmt. is keenly focused on addressing the IPH portfolio ahead of any maturities. Following what is expected to be a negative MISO capacity print, we suspect mgmt is likely to not only elaborate on further retirements (presumably Newton gives its higher cost structure among the Illinois coal portfolio) but also prospects for the segment more broadly. Given managements emphasis on restructuring, an exchange or tender for the $825 Mn in outstanding debt at this subsidiary (trading at ~30c of late, or ~$290 Mn in market value) appears possible. Seeing limited prospects for the two likely remaining coal plants at IPH, one potential option is for management to offer lenders a deal to exchange their parent obligations at a discount to their existing value. We note the debt has few alternatives on a stand-alone basis, with remaining assets operating at seemingly break even FCF levels (or worse); we believe asset viability is limited w/o consumer facing business (marketing desk) in an opaque MISO market.

Parting of the Credit Clouds: see execution of financing plans as positive
Further, with the entire IPP sector trading around concerns for accessing credit, we see the prospects for DYN to tap secured debt and more importantly, unsecured bonds in lieu of the ECP bridge loan as a material de-risking factor. Further, we see asset sales as poised to down leverage overall too (both in New York and PJM). Lastly, a further swing factor comes from pending PG&E GT&S case – and prospects for Western sale to raise cash to effectively buy back in the ECP portion of Engie deal if possible.

Valuation: Maintain $21 Target: MISO headwind today, w/ opportunities ahead
We continue to see substantial upside on a reversion to a 'normal' environment for power market multiples. MISO capacity results today should prove a near-term low.

Equities

Americas
Electric Utilities

12-month rating	**Buy**
12m price target	**US$21.00**
Price	**US$14.97**

RIC: DYN.N **BBG:** DYN US

Trading data and key metrics

52-wk range	US$34.16-7.43
Market cap.	US$1.50bn
Shares o/s	100m (COM)
Free float	100%
Avg. daily volume ('000)	918
Avg. daily value (m)	US$10.5
Common s/h equity (12/15E)	US$3.96bn
P/BV (12/15E)	0.5x
Net debt / EBITDA (12/15E)	7.0x

EPS (UBS, diluted) (US$)

	12/15E	
	UBS	Cons.
Q1	(0.69)	(1.49)
Q2	2.73	2.73
Q3	0.36	(0.23)
Q4E	(2.91)	(1.09)
12/15E	(0.16)	0.22
12/16E	0.91	(0.97)
12/17E	0.66	(0.89)

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Highlights (US$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	1,293	1,466	2,497	3,839	5,167	5,130	5,347	5,239
EBIT (UBS)	(97)	(309)	(51)	436	694	710	984	1,037
Net earnings (UBS)	(224)	(359)	(278)	(20)	114	82	288	319
EPS (UBS, diluted) (US$)	(2.24)	(3.59)	(2.78)	(0.16)	0.91	0.66	2.31	2.57
DPS (US$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	(1,067)	(1,149)	(6,226)	(6,038)	(5,674)	(5,308)	(4,954)	(4,551)

Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	-7.5	-21.1	-2.0	11.4	13.4	13.8	18.4	19.8
ROIC (EBIT) %	(2.8)	(8.9)	(0.7)	4.2	6.8	7.1	10.1	10.7
EV/EBITDA (core) x	27.7	14.9	12.6	9.3	7.1	7.1	5.7	5.5
P/E (UBS, diluted) x	(2.3)	(5.9)	(10.2)	(95.4)	16.4	22.7	6.5	5.8
Equity FCF (UBS) yield %	(62.8)	6.9	6.0	(21.6)	28.5	24.5	23.6	26.9
Net dividend yield %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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$14.97 on 13 Apr 2016 19:36 EDT

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UBS Research THESIS MAP a guide to our thinking and what's where in this report

PIVOTAL QUESTIONS

Q: How can the IPH subsidiary be addressed?

Management has recently raised the profile of restructuring at IPH, and we see a path to deleveraging via the restructuring of its non-recourse $825 Mn at a significant discount to par, as a way to create real equity value. While many investors already adjust for this portfolio, it addresses another...

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UBS VIEW

Dynegy shares are likely to be driven by moves in gas and power prices as well as by announcements with respect to financial restructuring/M&A considerations, as peer coal and gas generators weigh selling their coal portfolios. Equity valuation is driven in part by option value to either a power recovery and credit markets. We think the shares will outperform as the strategy is executed by the new management at the helm, led by Bob Flexon, who previously served as NRG Energy's CFO/COO.

EVIDENCE

IPH subsidiary is substantially out of the money, and offers an ability to de-lever through exchanges or tenders below face value.

WHAT'S PRICED IN?

Shares continue to trade below their historic levels, reflecting wider credit concerns. We value shares using the current market forwards for gas and power, as do many peer buysiders. Prospects of a meaningful restructuring of the IPH subsidiary have only recently been raised by management and hence we see this as not fully appreciated by the market. Forthcoming coal retirements and financing without the need of the ECP PIK Bridge Loan at 11% are both under-estimated by Street. While shares will likely continue trade principally as a function of both the high-yield energy sector and commodity strip, we see mgmt execution on portfolio transition towards gas as reducing its aggregate sensitivity to future shifts in commodities.

UPSIDE / DOWNSIDE SPECTRUM

Value drivers	EV/EBITDA
$44 upside	7.6x
$21 base	6.5x
$10 downside	5.3x

Source: UBS

more→

COMPANY DESCRIPTION

Dynegy, Inc. provides wholesale power, capacity, and ancillary services to utilities, cooperatives, municipalities, and other energy companies in six states in key US regions of...

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PIVOTAL QUESTIONS

return ↑

Q: How can the IPH subsidiary be addressed?

UBS VIEW

Management has recently raised the profile of restructuring at IPH, and we see a path to deleveraging via the restructuring of its non-recourse $825 Mn at a significant discount to par, as a way to create real equity value. While many investors already adjust for this portfolio, it addresses another subsidiary headwind to simplify the story. We continue to include the subsidiary on a consolidated SOP basis, leaving ~$4/sh+ upside to our target upon restructuring.

EVIDENCE

Debt is trading meaningfully below par and provides an opportunity to reduce leverage without employing dollar for dollar cash. This should accrue meaningfully to equity value.

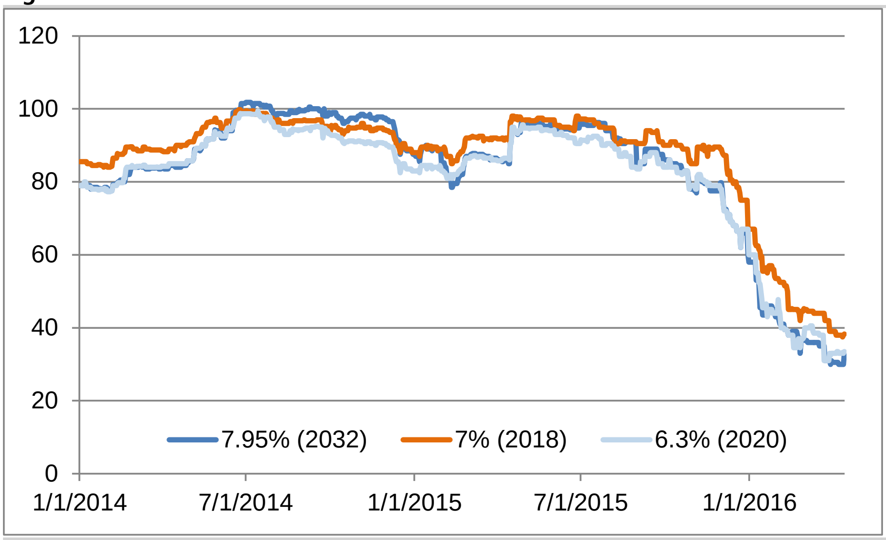
WHAT'S PRICED IN?

Shareholders have begun to discuss this as an overhang. More broadly, investors have sought to have DYN delever. This would appear the most accretive form of reducing nominal debt off the balance sheet rather than using cash.

Addressing IPH remains the top priority for this year

Given its recent statements, we see mgmt. as keenly focused on addressing the IPH portfolio ahead of any maturities. Following what is expected to be a negative MISO capacity print, we suspect mgmt is likely to not only elaborate on further retirements (presumably Newton gives its higher cost structure among the Illinois coal portfolio) but also prospects for the segment more broadly. We expect mgmt. to discuss an exchange or tender for the $825 Mn in outstanding debt at this subsidiary (trading at ~30-40c of late, or ~$250-$300 Mn in market value).

Figure 1: Historic IPH Bond Levels



Source: Factset

While we don't see much value in the segment even at its $250 Mn valuation of late, management may consider offering lenders a deal to exchange their debt for either parent obligations or tender for cash at a discount to their existing value. We note the debt has few alternatives on a stand-alone basis, with both remaining assets operating at seemingly break even FCF levels (or worse).

Figure 2: IPH Debt Summary

As of 9/30/15 (Except Current Yield)	Maturity (yr)	Book Yield	Current Yield	2015	2016	2017	2018	2019	2020+
Illinois Power Generating Company (GenCo)									
Senior Notes F	2032	7.95%	24.09%						275
Senior Notes H	2018	7.00%	18.30%				300		
Senior Notes I	2020	6.30%	18.81%						250
Total GenCo		**825**		**-**	**-**	**-**	**300**	**-**	**525**

Source: FactSet

What's the market value today?

The IPH bonds imply a very pricey ~$125/kW for the remaining (2) coal plants assuming the Newton plant is retired. We do not expect management to offer to take in the structure at the current valuation seeing limited value, particularly without the marketing enterprise behind DYN.

Figure 3: Looking at the Market Value of the IPH Bonds Today ($ Mn)

Market Cap of IPH Bonds	
Notes	**Value**
2032	**90.8**
2018	**114.8**
2020	**83.8**
	289.3

Source: FactSet

An IPH deal could require rewrite of existing Illinois emissions requirements

We emphasize retirement and subsequent folding of the remaining IPH assets into the Dynegy portfolio could well trigger a review of the existing Illinois Multi-Pollutant Standards (MPS) impacting IPH portfolio. Notably, without plans to complete the scrubber at Newton, we see risk around compliance at other plants which were intended to be covered under a 'portfolio' approach. The question remains whether other plants recently acquired including the Kincaid plant, scrubbed already, would be allowed to enter the compliance bubble for SO2 targets across the entire Illinois fleet. Expect some discussion before the Illinois EPA in coming months. One possible avenue could include unit de-rates amidst efforts to limit output from higher SO2 plants. As a reminder, the company already employs lower-sulfur PRB coal to achieve its targets.

How about the allocated costs to IPH?

With substantial focus on NRG's allocated costs to GenOn, allocated costs to the overall IPH portfolio is presently ~$40 Mn, and poised to go lower upon close of the Engie deal. With ~3GW, this implies north of $10/kW-yr of SG&A; this is similar to the GenOn Portoflio with $193 Mn across the full 17.8GW portfolio. We look for retirements at both subsidiaries to reduce the allocated costs. We note many in the sector continue to point to these costs as potentially too high, but the question remains whether management can extract comparable value under a more streamlined 'loan-to-own' scenario for private equity. With limited market transparency in MISO, this argument would appear particularly challenged for this segment. We suspect a much stronger case for the GenOn portfolio will be made.

Figure 4: Dynegy's IPH Assets

Asset	Capacity	Fuel	RTO	Interconnected
Illinois Power Holdings (IPH)				
Coffeen	915	Coal	MISO	Ameren IL
Joppa	802	Coal	MISO	Ameren IL
Joppa CT	221	Gas	MISO	Ameren IL
Newton	1,230	Coal	MISO	Ameren IL
Total IPH ex. GenCo	**3,168**			
Illinois Power Generation Company (GenCo)				
Duck Creek	425	Coal	MISO	Ameren IL
E.D. Edwards	585	Coal	MISO	Ameren IL
Total GenCo	**1,010**			
Total IPH including GenCo	**4,178**			

Source: Company Filings

Other Key Portfolio Issues

Looking hard at California still to divest.

Mgmt continues to evaluate options around a contemplated divestment of its West coast portfolio. We see the bulk of the value as accruing to the portfolio via its Moss Landing CCGT, with its remaining assets (Morro, Oakland, and Moss 6&7 as all site value). We expect Moss 6&7 to be retired at year-end at the conclusion of its existing capacity contract (with just 1-year left on its operating life due to Once-through-cooling limitations anyways).

It is unclear given the substantial additional cost from PG&E's pending GT&S rate case (adding nearly ~$1/MMBtu up to $1.35/MMBtu for delivery on the PG&E gas LDC to the plant). The uptick in rates could practically eliminate all value of the plant as we perceive relatively limited dispatch should the proposed rate structure be adopted (with the ~$200 Mn NPV swing in value potentially equal to the plant overall value when applying value of $100-200/kW to the operating business and marginal value for the three legacy peakers). We continue to see the massive rate increase proposed on customers as a key risk to PG&E. Status quo, we see California as worth ~$1/sh to the overall value of DYN's EV value.

Figure 5: California Portfolio Potential Value

Dynegy California Portfolio Potential Transaction Value						
Asset	**Location**	**Fuel**	**Dispatch**	**MW**	**$/kW**	**Value ($Mn)**
Moss Landing						
Units 1-2	Monterey County, CA	Gas CCGT	Intermediate	1,020	150	$153
Units 6-7	Monterey County, CA	Gas	Peaking	1,509	-	-
Oakland	Oakland, CA	Oil	Peaking	165	30	5
Morro Bay*	Morrow Bay, CA	N/A	N/A	650	8	5
* Transmission Capacity		**Total**		**2,694**		**$163**
		Total per Sh				**$1.08**
Estimated Rate of Delivered Gas Increase Potential Under GTS Case: $1/Mmbtu					***NPV***	***~$200Mn***

Source: UBSe

Extracting more value: asset sales possible

DYN appears poised to divest additional assets in effort to continue to deleverage and re-allocate away from markets that appear robust.

- **New York Selldown?** Notably, mgmt. sees opportunity around its Independence 1.2GW CCGT; with the plant benefitting from abnormally high spark spreads in this market given the access to cheap gas, we perceive risk to these in the future from cheaper gas flowing elsewhere into the state and pushing down prices. Further, with the longer-term outlook poised to see implementation of a 50% RPS in the state – and the bulk of renewables anticipated upstate – management appears to be navigating itself early out of this market. Lastly, with just one single asset in the state, we're not surprised to continue to 'simplify' the story, particularly amidst the strong capacity and energy prospects in the medium term with threatened nuclear retirements. We expect proceeds from this asset could exceed $600 Mn.
- **What else? PJM peakers.** Several could be on the block too given as mgmt. appears keen to capitalize on more robust capacity and spark spreads of late. While unclear precisely which units, we generally believe the PJM market is approaching a 'top' of its respective cycle. While it would appear strategically challenging to sell-down gas assets amidst its efforts to reposition the portfolio, it would appear more consistent that it is resulting in additional gas purchases, effectively replacing its portfolio at better value elsewhere.

What to do with cash? Buy down the Engie stake

Mgmt would likely ideally to own the full Engie portfolio. While ECP only has a put on its 35% of the portfolio 4-years down the line, we already perceive the company as keen to collapse the entire structure. That said, other options remain on the table as well for cash deployment; we suspect any deployment would evaluate the state of the market in ~2017 once any sales are executed.

Peaker Permits: Getting More Runtime.

Among the other emerging trends we perceive in the northeast amidst cheap gas prices are peakers running as mid-merit units given their advantaged dispatch economics vs. coal plants. In particular, we understand at least two of the acquired plants under the Engie portfolio located adjacent to pipes with access to cheaper Marcellus-sourced gas. We emphasize these units are operating at maximum

outputs (~40%) limited principally by their environmental permits. We suspect this may prompt DYN among others to petition to expand these permits to enable their peaking facilities to operate more. Given the meaningful retirement of coal plants anticipated, we believe the added dispatch will not prove too problematic to maintain local air quality, particularly with the plants likely displacing coal output.

Will DYN be able to finance its Engie deal? Yes, on its own.

We look for management to finance the deal without the use of ECP's 11% PIK Bridge facility. The $400 Mn note had been a core risk to deal execution as it could automatically convert to equity, structurally making the transaction dilutive to Dynegy. We see the improvement in credit markets of late as disproportionately constructive to the company, seeing its meaningful forthcoming financing on the $1.85 Bn of secured debt and ~$400 Mn of likely unsecured notes will be issued (the exact mix is still up in the air). We see execution of the financing plan under today's market conditions as a constructive datapoint.

How to handle out-of-the-money coal? Simply don't.

We see little palatability for management to continue to operate assets that generate negative FCF; specifically, this includes its coal portfolio. Following years of distress in the power markets, we perceive an accelerated retirement portfolio. Further, we think this mantra would leave little latitude to maintain the Coleto Coal plant in Texas; thus DYN may prove among the first coal operators to shut coal in the state. Should this happen, we think it would likely be the start of a trend.

The MISO Auction View from Dynegy

While Dynegy still sees a path towards potentially clearing a limited amount of capacity at higher prices that would presumably require the Zone 4 region of MISO (Illinois) to 'separate' at higher prices from the balance of the market (say just ~200 MWs), it remains 'close to the edge' and could yet clear at negligible levels with the wider market. We note DYN has about 2GWs of eligible capacity available to bid into the auction (1.2GW at DI and 800MWs at IPH). While the MISO auction may well set a negative tone in an immediate sense, we caution from taking the print too negatively. Other companies impacted included EXC via its Clinton nuclear unit (~1GW) and CMS via its DIG asset in Zone 7. We note regulated utilities in MISO are largely unaffected by the auction, seeing it as a pass through to consumers.

How much will the MISO auction matter? Bilaterals may still set the tone

The question remains just how much will the RA auction matter should it clear at negligible levels; by how much will the current predominantly bilateral auctions for capacity shift for both munis and retailers? While DYN remains quite confident, we remain concerned based on the import potential into the region. Commentary in coming months on bilaterals will be closely watched by the sector; pricing remains reasonably robust in the latest IPA auction (240 MWs cleared by DYN) and as part of the latest Good Energy procurement (1GW deal at $4.50/kW-mo). With the impact of the MATS retirements largely 'flowed' through the footprint by this point, we see the MISO market as largely topping out; rather, more supply reductions will be necessary to maintain pricing amidst more incoming capacity.

Valuation: Maintaining PT of $21

Our valuation is based on 2018E sum-of-the-parts analysis. While the continued weakness in underlying commodities hits Dynegy hard, we still believe shares are undervalued when considering that substantially all of the pro-forma free cash flow generated is from gas assets.

Figure 6: Dynegy Valuation

		EV / EBITDA Multiples					
Dynegy Inc - 2018E	**EBITDA**	**Low**	**Base**	**High**	**Low**	**Base**	**High**
Base IPP Multiple =			7.0x				
Legacy Dynegy	347	4.0x	6.0x	7.0x	$1,389	$2,083	$2,430
Illinois Power Holdings (IPH)	109	4.0x	5.0x	6.0x	$438	$547	$657
Duke Midwest	321	6.0x	7.0x	8.0x	$1,925	$2,245	$2,566
EquiPower (~ISO-NE Portfolio)	473	6.0x	7.0x	8.0x	$2,839	$3,312	$3,785
Less: West Peaking	(18)	5.0x	6.0x	7.0x	($91)	($109)	($127)
Synergies, Corp. Overhead, & Other	160	5.0x	6.0x	7.0x	$800	$960	$1,120
Engie	547	5.6x	6.6x	7.6x	$3,062	$3,609	$4,156
Total Unregulated EV	**1,957**	**5.3x**	**6.5x**	**7.6x**	**$10,362**	**$12,648**	**$14,823**
Net Debt (12/31/15)							
Dynegy Inc.					$6,380	$6,380	$6,380
Illinois Power Holdings (IPH)					$825	$825	$825
Engie-Related Financing					$1,850	$2,870	$1,850
Plus: NPV of West Peaking					($25)	($45)	($50)
Cash and Equivalents					($253)	($505)	($880)
Total Net Debt					**$8,778**	**$9,525**	**$8,125**
Net Debt / Adjusted EBITDA					*4.7x*	*5.07x*	*4.3x*
Total Equity Value					**$1,584**	**$3,123**	**$6,698**
Implied FCF Yield					*21%*	*11%*	*5%*
Shares Outstanding					151	151	151
Dynegy Valuation					**$10.00**	**$21.00**	**$44.00**
Upside/(Downside)					**5%**	**121%**	**364%**
Price Target Gross EV/EBITDA Multiple					*5.3x*	*6.5x*	*7.6x*
Current Price Implied Gross EV/EBITDA Multiple					*5.1x*	*5.5x*	*4.7x*
Dilution Implied from Consolidating IPH					*-$2.56*	*-$1.84*	*-$1.11*

Source: UBS estimates

UPSIDE / DOWNSIDE SPECTRUM

return ↑

DYN is trading as among the cheapest IPPs in the sector still

Value drivers	EV/EBITDA
$44 upside	7.6x
$21 base	6.5x
$10 downside	5.3x

Source: UBS

Upside (US$44): We see substantial leverage to natural gas prices still, even after the recent CCGT acquisitions, seeing the underlying coal business as still quite operationally leveraged. Further, improvement in credit markets bodes well for borrowing costs at its latest acquisition, Engie.

Base (US$21): We ascribe a peer multiple of 7x EBITDA across the core businesses, reflecting a largely comparable multiple to peers. We emphasize we continue to embed the IPH portfolio which could well be restructured to a further $4/sh benefit. We see deleveraging potential as the best positioned here.

Downside (US$10): Shares are quite volatile and risk to the downside is predominantly driven by both future penetration of additional renewables, continued distress in credit markets which will pressure multiples, and prospects of a re-entrenchment in gas prices after the latest rally.

COMPANY DESCRIPTION

return ↑

Market Cap	US$2bn
Shares Outstanding	151Mn UBSe (COM)
Industry	Utilities & IPPs
Region	Americas
Website	www.dynegy.com

Dynegy, Inc. provides wholesale power, capacity, and ancillary services to utilities, cooperatives, municipalities, and other energy companies in six states in key US regions of the Midwest, the Northeast, and the West Coast. The company's power generation portfolio consists of over 13,100 megawatts of base-load, intermediate, and peaking power plants fueled by a mix of coal, fuel oil, and natural gas. Dynegy completed the acquisition of Illinois Power Holdings in 2013. Dynegy is in the process of acquiring assets from Duke Energy and Energy Capital Partners for $6.25bn.

Industry outlook

IPP sector prospects remain quite volatile and tied to not just the gas cycle, but also distinct properties in each power market around further supply additions and retirements. We continue to see a wider trend of fossil retirements balanced against renewable additions.

The Illinois Fleet: The Core Coal Exposure

Dynegy Illinois Assets				
Asset	**Capacity**	**Fuel**	**RTO**	**Interconnected**
Coal Segment				
Baldwin	1,815	Coal	MISO	Ameren IL
Havana	434	Coal	MISO	Ameren IL
Hennepin	294	Coal	MISO	Ameren IL
Wood River	465	Coal	MISO	Ameren IL
Kincaid	1,108	Coal	PJM	ComEd (EXC)
Total Coal Segment	**4,116**			
Asset	**Capacity**	**Fuel**	**RTO**	**Interconnected**
Illinois Power Holdings (IPH)				
Coffeen	915	Coal	MISO	Ameren IL
Joppa	802	Coal	MISO	Ameren IL
Joppa CT	221	Gas	MISO	Ameren IL
Newton	1,230	Coal	MISO	Ameren IL
Total IPH ex. GenCo	**3,168**			
Illinois Power Generation Company (GenCo)				
Duck Creek	425	Coal	MISO	Ameren IL
E.D. Edwards	585	Coal	MISO	Ameren IL
Total GenCo	**1,010**			
Total IPH including GenCo	**4,178**			
Gas Segment				
Kendall	1,236	Gas	PJM	ComEd (EXC)
Lee	757	Gas	PJM	ComEd (EXC)
Elwood	788	Gas	PJM	ComEd (EXC)
Total Gas Segment	**2,781**			
Total Illinois	**11,075**			
Total DYN Coal in AEE IL	**6,965**			

Source: Company reports and UBS estimates

Forecast returns

Forecast price appreciation	+40.3%
Forecast dividend yield	0.0%
Forecast stock return	+40.3%
Market return assumption	5.8%
Forecast excess return	+34.5%

Valuation Method and Risk Statement

Risks to our investment thesis, valuation, and estimates include but are not limited to: 1) actual commodity prices differing significantly from our assumptions; 2) adverse political, legislative, and/or regulatory changes; 3) reduction in end-user electric demand; and 4) inability to realize stated synergy or cost-savings targets. Other investment risks include abrupt changes in weather pattern, sharp slowdown in economic demand, interest rate risks, and disruption of trading activity in power markets. Valuation of stocks mentioned are based on sum-of-the-parts analysis, PE multiple analysis, and blend of SOP, DDM, DY and PE.

Required Disclosures

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UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	49%	32%
Neutral	FSR is between -6% and 6% of the MRA.	38%	26%
Sell	FSR is > 6% below the MRA.	14%	19%
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.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2016.
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.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term 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.

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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Dynegy, Inc.[4, 6, 7, 16]	DYN.N	Buy	N/A	US$14.97	13 Apr 2016
Engie[5, 7]	ENGIE.PA	Buy	N/A	€13.81	13 Apr 2016
NRG Energy Inc.[7, 16]	NRG.N	Buy	N/A	US$13.43	13 Apr 2016
PG&E Corporation[16]	PCG.N	Neutral	N/A	US$58.83	13 Apr 2016

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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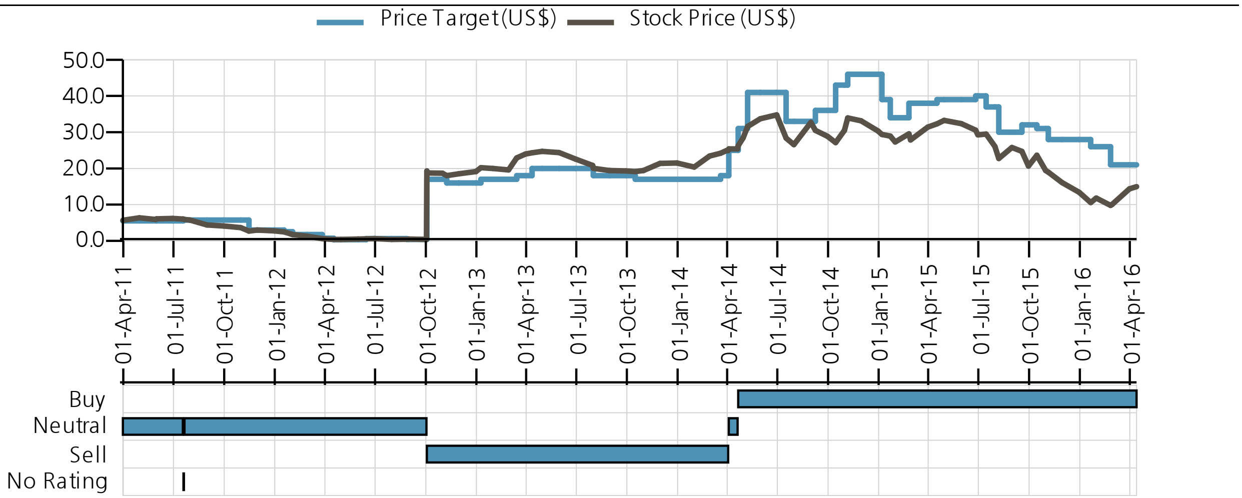
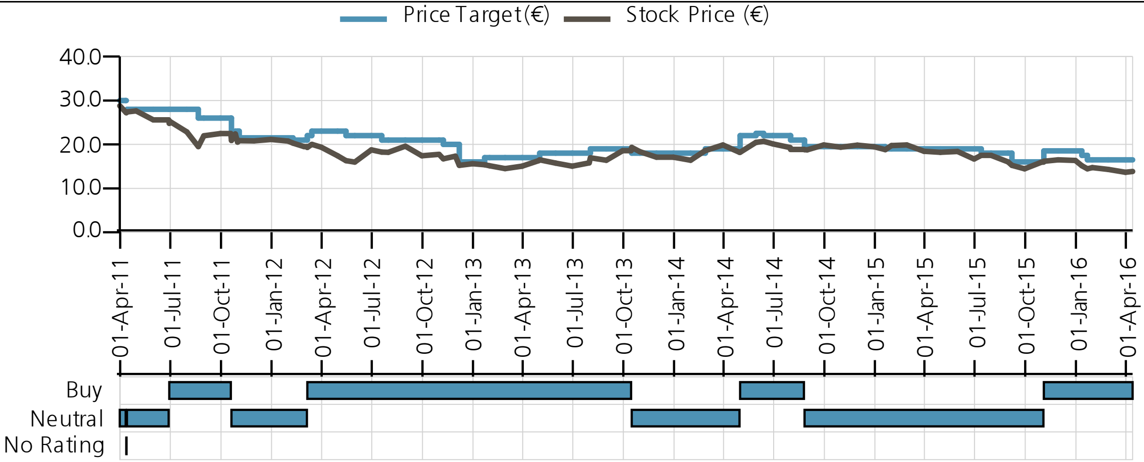
Dynegy, Inc. (US$)



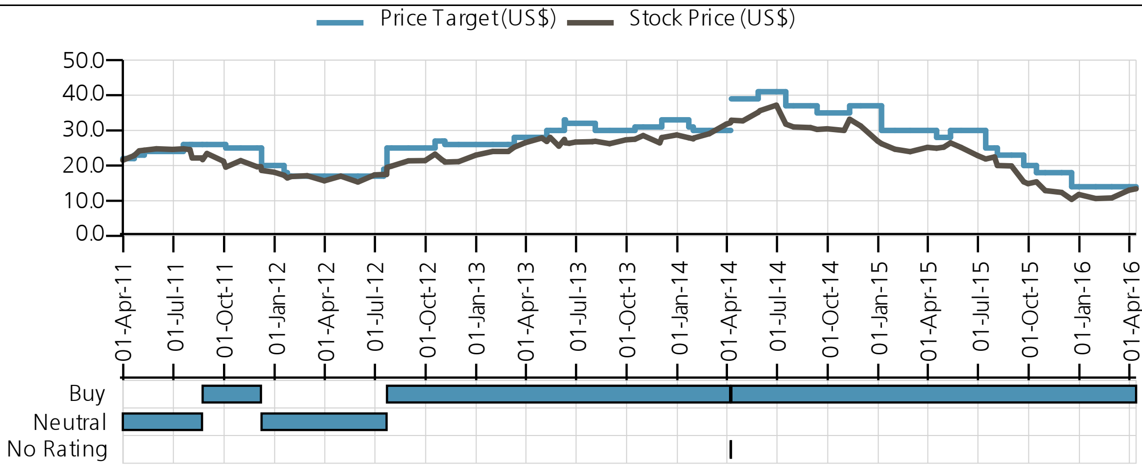
Source: UBS; as of 13 Apr 2016

Engie (€)



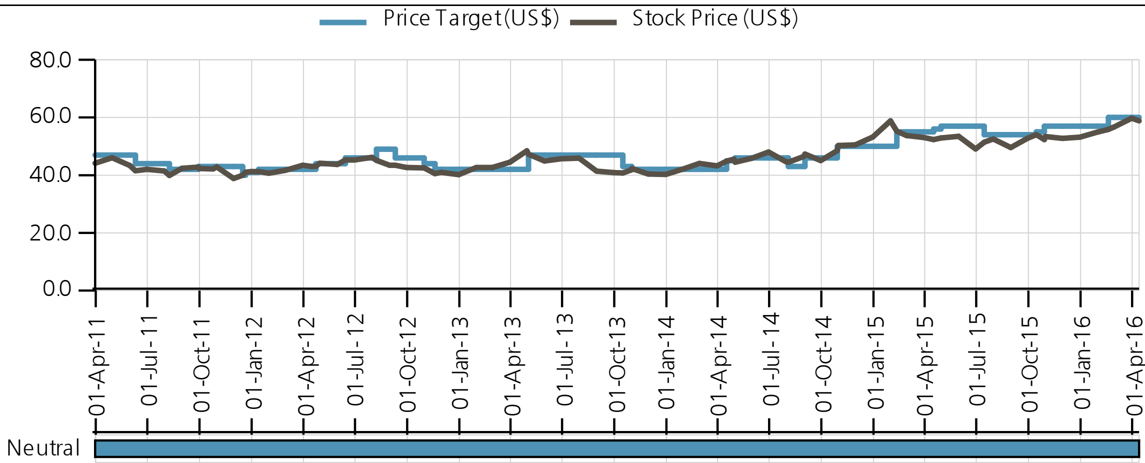
Source: UBS; as of 13 Apr 2016

NRG Energy Inc. (US$)



Source: UBS; as of 13 Apr 2016

PG&E Corporation (US$)



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