

Exelon Corp.

Gimme a Number For Ginna

We project the NY deal makes Ginna largely cash flow breakeven

Reflecting the latest 'Reliability Support Services Agreement' (RSSA), we find the plant as able to largely make up its projected ~\$30-40 Mn/yr FCF deficit from New York market prices. We include a full delineation of our updated economics on the subsequent page. The deal signed between RG&E and EXC is still pending before both the NYPSC and FERC, but is highly likely to be approved seeing the PSC's historic support for nuclear generation (particularly through the transition to a carbon scheme and given its regional reliability needs prior to a transmission fix anticipated in 2019).

Deal mitigates EXC's exposure to declining NYISO market prices

The payments also minimize EXC's exposure to declining capacity prices in NY, which could decline to ~\$3/kW-mo or lower by 2018 (from a high in 2014 of \$3.92/kW-mo). In our view the NYISO power market was the first market to reach its 'peak' in 2014 – we expect others to do so in 2015-17 (New England in '15, MISO in '16, and PJM as late as '17 pending CP implementation up to 100% and DR Supreme Court ruling).

Plant costs are ~\$50/MWh suggesting the plant really needs carbon support

We are unsure if the plant is long for this world without support from future 111(d) regulations. We suspect even if RGGI were to be on track to hit its ceiling price (\$8/t in '16, \$10/t in '17, and +2.5% thereafter). Even a ~\$5/MWh equivalent RGGI premium is also unlikely be enough to support the units FCF deficit. If connected to a property tax abatement scheme as well, this *could* enable a few more years in a best case.

Valuation: Maintain \$33 target: NY deal establishes positive nuclear trajectory

Since we had previously netted out the negative FCF generated by the plant in our prior SOP, the uptick in cash flow doesn't impact our estimates. We see the RSSA agreement as roughly equal to +\$40 Mn/yr vs. our New York projections. Structurally, we see deals to support nuclear as positive precedent for the IL fleet and elsewhere. We continue to expect a deal to implement a 'Clean Energy Standard' (out of its existing RPS) is the mostly likely solution in IL in mid-to-late '15 assuming capacity prices aren't 'too' high in ComEd zone for May auction (>\$200/MW-day). Clinton remains the next at risk unit.

Equities

Americas
Electric Utilities

12-month rating **Neutral**

12m price target **US\$33.00**

Price **US\$33.42**

RIC: EXC.N BBG: EXC US

Trading data and key metrics

52-wk range	US\$38.63-29.81
Market cap.	US\$28.9bn
Shares o/s	864m (COM)
Free float	100%
Avg. daily volume ('000)	1,496
Avg. daily value (m)	US\$54.2
Common s/h equity (12/14E)	US\$23.8bn
P/BV (12/14E)	1.2x
Net debt / EBITDA (12/14E)	3.4x

EPS (UBS, diluted) (US\$)

	12/14E	
	UBS	Cons.
Q1	0.62	0.62
Q2	0.51	0.51
Q3	0.78	0.78
Q4E	0.48	0.48
12/14E	2.39	2.39
12/15E	2.46	2.44
12/16E	2.34	2.46

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Highlights (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenues	19,118.00	24,674.00	25,442.00	27,889.00	19,901.69	20,084.59	20,697.41	20,931.22
EBIT (UBS)	5,095.00	4,539.00	4,179.47	4,198.00	4,211.84	4,026.95	4,415.93	4,250.58
Net earnings (UBS)	2,763.00	2,326.00	2,149.47	2,068.00	2,140.33	2,041.14	2,200.71	2,087.96
EPS (UBS, diluted) (US\$)	4.16	2.84	2.50	2.39	2.46	2.34	2.52	2.39
DPS (US\$)	2.10	2.10	1.46	1.24	1.24	1.24	1.24	1.24
Net (debt) / cash	(12,489.00)	(18,134.00)	(18,495.00)	(19,404.81)	(19,711.97)	(21,623.37)	(21,895.39)	(22,262.88)
Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
EBIT margin %	26.7	18.4	16.4	15.1	21.2	20.0	21.3	20.3
ROIC (EBIT) %	16.4	11.8	9.1	8.9	8.6	7.8	8.2	7.7
EV/EBITDA (core) x	6.6	7.4	8.4	8.8	8.7	9.0	8.5	8.7
P/E (UBS, diluted) x	10.2	12.9	12.4	14.0	13.6	14.3	13.3	14.0
Equity FCF (UBS) yield %	2.9	1.3	3.6	(1.3)	2.2	(3.3)	2.3	2.0
Net dividend yield %	5.0	5.7	4.7	3.7	3.7	3.7	3.7	3.7

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\$33.42 on 19 Feb 2015 18:42 EST

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Looking at the Economics of the Ginna Arrangement

We include our latest bottoms up assessment of the Ginna plant, including the RSSA payment. The revenue is structured as \$17.5 Mn/month from April 1st, 2015 through 2018. We flag the plant retains ~15% exposure to market capacity and energy revenues. We estimate economics result in FCF breakeven from '15-'18.

Figure 1: Ginna Updated Economics under RSSA.

Ginna w/ RSSA Deal	2014	2015	2016	2017
Capacity (MW)	581	581	581	581
Capacity Price (\$/kW-yr)	<u>40.9</u>	<u>37.9</u>	<u>37.1</u>	<u>37.5</u>
Capacity Payments	10	19	19	19
PPA Price (\$/MWh)	44	<i>Ends in June, 2014</i>		
Market Power Prices (\$/MWh) w/ 10% Pi	37	38	34	35
Generation (TWh)	4.52	4.70	4.70	4.70
Energy Revenue (\$ Mn)	184	178	162	162
Under new Subsidy Scheme				
RSSA (Fixed for 85% of Output)		140	210	210
RSSA (+15% on Market)		86	24	24
Total Revenues	194	226	234	234
Implied Revenue (\$/MWh)		48		
Nuclear Fuel Capex (\$/MWh)	6.91	7.00	7.12	7.12
Nuclear Fuel (\$ Mn)	(31)	(33)	(33)	(33)
Gross Margin	163	193	201	201
Direct O&M (w/ Premium to CENG)	(133.15)	(130.13)	(135.23)	(135.23)
Other O&M (w/ Premium to CENG)	<u>(19.64)</u>	<u>(19.83)</u>	<u>(26.25)</u>	<u>(26.25)</u>
Total Costs	(153)	(150)	(161)	(161)
Implied \$/kW-yr	263	258	278	278
EBITDA	10	43	39	39
Maintenance Capex (30% Prem)	(41)	(41)	(39)	(39)
FCF	(31)	2	0	0
All-in Costs / MWh (including Fuel)	(50)	(48)	(50)	(50)
\$/kW on Maintenance capex	(71)	(71)	(68)	(68)
Premium vs. CENG Avg Cost Structure (x)	1.25			

Source: Company reports, NY PSC Filing, and UBS Estimates

Increasing estimates on back of RSSA deal reflection

We increase our estimates by less than a nickel to reflect the latest deal as well as 10K tweaks.

Figure 2: EXC Updated EPS Estimates

Exelon Consolidated EPS	2014	2015	2016	2017	2018
PECO	0.41	0.43	0.46	0.50	0.55
ComEd	0.47	0.51	0.55	0.60	0.66
BGE	0.23	0.24	0.26	0.27	0.29
Exelon Generation	1.34	1.33	1.11	1.23	0.99
Other	(0.06)	(0.00)	0.00	(0.00)	(0.00)
Total EPS	2.39	2.50	2.38	2.60	2.48
Guidance	\$2.30-\$2.50	\$2.25-\$2.55			
Consensus	2.40	2.47	2.52	2.77	2.50
<i>Prior UBS estimates</i>	2.39	2.46	2.34	2.52	2.39
<i>Regulated EPS</i>	1.11	1.17	1.27	1.37	1.49
<i>Regulated Guidance</i>	0.95-1.25	1.10-1.40	1.20-1.50	1.25-1.55	

Source: Company reports and UBS estimates

Sum of the Parts valuation unchanged

We include our latest SOP valuation to reflect the Ginna deal. As mentioned, we had stripped out the negative FCF of the plants already. We continue to strip out the negative FCF from the remaining loss-making nuclear units, which total to a ~\$1.50/sh of value. We suspect the nuclear deal this summer will reduce these deficits a further ~\$70 Mn/yr potentially if 'Clean Energy Standard' is adopted.

Figure 3: Updated SOP Valuation for EXC

All figures in US \$ million except per share data		EV/EBITDA & P/E Multiple				Enterprise Value					
	2017 EBITDA	Low	Base	High	Low	Base	High				
Generation	1,988	7.0x	8.0x	9.0x	13,916	15,904	17,892				
DOE Nuclear Fuel Disposal Fee Uplift	150	3.0x	4.0x	5.0x	450	600	750				
Hedge Value	(498)	7.0x	8.0x	9.0x	(3,485)	(3,983)	(4,481)				
Other/Equity Investments	288	7.0x	8.0x	9.0x	2,016	2,304	2,592				
Retail Margin (Power+Non-Power)	536	4.0x	5.0x	6.0x	2,143	2,678	3,214				
Total / Implied	2,464	6.1x	7.1x	8.1x	15,040	17,503	19,967				
less ExGen net debt (incl PTC/ITC benefits)					(6,696)						
less HoldCo debt					(1,300)						
add Hedge Value					498						
Adding back the FCF drag from Potential Retirements (Clinton, Byron, Ginna, Quad Cities)					162	7.0x	8.0x	9.0x	1,132	1,293	1,455
NPV of Equity					8,673			11,299	13,924		
Current Number of Shares outstanding					871			871	871		
Merchant Generation value per share					\$ 9.95			\$ 12.97	\$ 15.98		
Regulated Utilities		P/E Multiple				Equity Value					
	2017 Net Income	Low	Peer	Prem/Discount	Base	High	Low	Base	High		
BGE Net Income	235	13.5x	15.5x	-1.0x	14.5x	15.5x	3,179	3,415	3,650		
PECO Net Income	435	13.5x	15.5x	-1.0x	14.5x	15.5x	5,877	6,313	6,748		
ComEd Net Income	525	13.5x	15.5x	-1.0x	14.5x	15.5x	7,092	7,617	8,142		
Total / Implied	1,196	13.5x			14.5x	15.5x	16,148	17,345	18,541		
Implied EPS	1.37										
Current Number of Shares outstanding					871			871	871		
Regulated Utility value per share					\$ 18.53			\$ 19.90	\$ 21.28		
Total Equity Value per Share					\$ 28.49			\$ 32.87	\$ 37.26		
	EPS	Low	Peer	Prem/Discount	Base	High	Low	Base	High		
Potential Accretion on POM Deal											
EPS Accretion (2017 UBSe)	\$0.17	14.5x	15.5x	0.0x	15.5x	16.5x	\$ 2.43	\$ 2.60	\$ 2.77		

Source: Company reports and UBS estimates

Exelon Corp. (EXC.N)

Income statement (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Revenues	19,118.00	24,674.00	25,442.00	27,889.00	9.6	19,901.69	-28.6	20,084.59	20,697.41	20,931.22
Gross profit	12,022.00	13,910.00	14,142.00	15,137.00	7.0	14,654.95	-3.2	14,709.62	15,261.33	15,243.77
EBITDA (UBS)	6,343.00	5,849.40	5,555.39	5,642.72	1.6	5,728.79	1.5	5,619.74	6,088.37	6,006.64
Depreciation & amortisation	(1,248.00)	(1,310.40)	(1,375.92)	(1,444.72)	5.0	(1,516.95)	5.0	(1,592.80)	(1,672.44)	(1,756.06)
EBIT (UBS)	5,095.00	4,539.00	4,179.47	4,198.00	0.4	4,211.84	0.3	4,026.95	4,415.93	4,250.58
Associates & investment income	0.00	59.00	102.00	(8.00)	-	49.00	-	49.00	49.00	49.00
Other non-operating income	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Net interest	(726.00)	(945.00)	(986.00)	(931.00)	5.6	(1,101.54)	-18.3	(1,062.51)	(1,216.83)	(1,217.29)
Exceptionals (incl goodwill)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Profit before tax	4,369.00	3,653.00	3,295.47	3,259.00	-1.1	3,159.30	-3.1	3,013.44	3,248.10	3,082.29
Tax	(1,606.00)	(1,316.00)	(1,132.00)	(1,057.00)	6.6	(1,010.98)	4.4	(964.30)	(1,039.39)	(986.33)
Profit after tax	2,763.00	2,337.00	2,163.47	2,202.00	1.8	2,148.33	-2.4	2,049.14	2,208.71	2,095.96
Preference dividends	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Minorities	0.00	(11.00)	(14.00)	(134.00)	NM	(8.00)	94.0	(8.00)	(8.00)	(8.00)
Extraordinary items	0.00	(1,159.00)	0.00	(365.72)	-	0.00	-	0.00	0.00	0.00
Net earnings (local GAAP)	2,763.00	1,167.00	2,149.47	1,702.28	-20.8	2,140.33	25.7	2,041.14	2,200.71	2,087.96
Net earnings (UBS)	2,763.00	2,326.00	2,149.47	2,068.00	-3.8	2,140.33	3.5	2,041.14	2,200.71	2,087.96
Tax rate (%)	36.8	36.0	34.4	32.4	-5.6	32.0	-1.3	32.0	32.0	32.0
Per share (US\$)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (UBS, diluted)	4.16	2.84	2.50	2.39	-4.2	2.46	2.8	2.34	2.52	2.39
EPS (local GAAP, diluted)	4.16	1.43	2.50	1.97	-21.2	2.46	24.9	2.34	2.52	2.39
EPS (UBS, basic)	4.16	2.84	2.50	2.39	-4.2	2.46	2.8	2.34	2.52	2.39
Net DPS (US\$)	2.10	2.10	1.46	1.24	-14.8	1.24	0.0	1.24	1.24	1.24
Cash EPS (UBS, diluted)*	6.03	4.44	4.10	4.07	-0.8	4.21	3.5	4.17	4.44	4.40
Book value per share	21.70	25.31	26.77	27.60	3.1	28.88	4.6	30.17	31.63	32.93
Average shares (diluted)	664.75	818.60	860.00	864.00	0.5	869.52	0.6	871.03	872.55	874.06
Balance sheet (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Cash and equivalents	1,016.00	1,619.00	1,776.00	2,042.20	15.0	1,976.44	-3.2	1,715.31	1,872.04	1,720.73
Other current assets	4,473.40	8,495.00	8,361.00	8,888.07	6.3	8,048.29	-9.4	8,097.48	8,209.09	8,267.80
Total current assets	5,489.40	10,114.00	10,137.00	10,930.28	7.8	10,024.74	-8.3	9,812.80	10,081.13	9,988.52
Net tangible fixed assets	32,570.00	45,149.00	47,330.00	48,950.00	3.4	51,193.70	4.6	54,205.28	55,658.80	57,076.52
Net intangible fixed assets	2,625.00	2,625.00	2,625.00	2,625.00	0.0	2,625.00	0.0	2,625.00	2,625.00	2,625.00
Investments / other assets	14,408.00	21,217.00	19,832.00	19,919.03	0.4	19,792.78	-0.6	20,001.37	20,173.67	20,369.67
Total assets	55,092.40	79,105.00	79,924.00	82,424.31	3.1	83,636.22	1.5	86,644.45	88,538.60	90,059.71
Trade payables & other ST liabilities	3,773.00	6,520.00	5,878.00	6,177.65	5.1	5,917.25	-4.2	6,027.97	6,099.37	6,154.06
Short term debt	1,216.00	1,257.00	1,850.00	1,958.13	5.84	1,980.32	1.13	2,132.05	2,171.47	2,191.35
Total current liabilities	4,989.00	7,777.00	7,728.00	8,135.78	5.3	7,897.58	-2.9	8,160.02	8,270.85	8,345.41
Long term debt	12,189.00	18,346.00	18,271.00	19,338.89	5.8	19,558.09	1.1	21,056.63	21,445.95	21,642.25
Other long term liabilities	23,526.00	31,289.00	30,985.00	31,104.00	0.4	31,069.00	-0.1	31,151.25	31,221.25	31,289.85
Preferred shares	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Total liabilities (incl pref shares)	40,704.00	57,412.00	56,984.00	58,578.66	2.8	58,524.67	-0.1	60,367.90	60,938.05	61,277.51
Common s/h equity	14,388.40	21,693.00	22,940.00	23,845.64	3.9	25,111.55	5.3	26,276.55	27,600.54	28,782.20
Minority interests	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Total liabilities & equity	55,092.40	79,105.00	79,924.00	82,424.31	3.1	83,636.22	1.5	86,644.45	88,538.60	90,059.71
Cash flow (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Net income (before pref divs)	2,763.00	1,167.00	2,149.47	1,702.28	-20.8	2,140.33	25.7	2,041.14	2,200.71	2,087.96
Depreciation & amortisation	1,248.00	1,310.40	1,375.92	1,444.72	5.0	1,516.95	5.0	1,592.80	1,672.44	1,756.06
Net change in working capital	(2,490.00)	(559.00)	455.00	(227.42)	-	579.39	-	61.53	(40.20)	(4.02)
Other operating	3,332.00	4,213.60	2,362.61	2,260.38	-4.3	1,977.37	-12.5	1,891.23	1,919.99	1,894.35
Operating cash flow	4,853.00	6,132.00	6,343.00	5,179.95	-18.3	6,214.04	20.0	5,586.69	5,752.94	5,734.35
Tangible capital expenditure	(4,042.00)	(5,789.00)	(5,395.00)	(5,550.00)	-2.9	(5,575.00)	-0.5	(6,550.00)	(5,075.00)	(5,150.00)
Intangible capital expenditure	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Net (acquisitions) / disposals	2.00	1,329.00	7.00	975.00	NM	0.00	-	0.00	0.00	0.00
Other investing	(563.00)	(115.00)	(6.00)	(408.00)	-	0.00	-	0.00	0.00	0.00
Investing cash flow	(4,603.00)	(4,575.00)	(5,394.00)	(4,983.00)	7.6	(5,575.00)	-11.9	(6,550.00)	(5,075.00)	(5,150.00)
Equity dividends paid	(1,393.00)	(1,716.00)	(1,249.00)	(1,071.36)	14.2	(1,078.20)	-0.6	(1,080.08)	(1,081.96)	(1,083.84)
Share issues / (buybacks)	38.00	72.00	47.00	47.00	0.0	47.00	0.0	47.00	47.00	47.00
Other financing	(62.00)	(128.00)	(329.00)	85.00	-	85.00	0.00	85.00	85.00	85.00
Change in debt & pref shares	571.00	685.00	705.00	1,176.01	66.81	241.40	-79.47	1,650.26	428.75	216.17
Financing cash flow	(846.00)	(1,087.00)	(826.00)	236.65	-	(704.80)	-	702.18	(521.21)	(735.67)
Cash flow inc/(dec) in cash	(596.00)	470.00	123.00	433.60	252.5	(65.76)	-	(261.13)	156.73	(151.32)
FX / non cash items	(30.00)	133.00	34.00	(167.40)	-	0.00	-	0.00	0.00	0.00
Balance sheet inc/(dec) in cash	(626.00)	603.00	157.00	266.20	69.6	(65.76)	-	(261.13)	156.73	(151.32)

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.*Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Exelon Corp. (EXC.N)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	10.2	25.7	12.4	17.0	13.6	14.3	13.3	14.0
P/E (UBS, diluted)	10.2	12.9	12.4	14.0	13.6	14.3	13.3	14.0
P/CEPS	7.0	8.3	7.6	8.2	7.9	8.0	7.5	7.6
Equity FCF (UBS) yield %	2.9	1.3	3.6	(1.3)	2.2	(3.3)	2.3	2.0
Net dividend yield (%)	5.0	5.7	4.7	3.7	3.7	3.7	3.7	3.7
P/BV x	2.0	1.4	1.2	1.2	1.2	1.1	1.1	1.0
EV/revenues (core)	2.2	1.8	1.8	1.8	2.5	2.5	2.5	2.5
EV/EBITDA (core)	6.6	7.4	8.4	8.8	8.7	9.0	8.5	8.7
EV/EBIT (core)	8.2	9.5	11.1	11.8	11.8	12.6	11.7	12.3
EV/OpFCF (core)	23.9	15.7	15.9	19.2	16.3	19.7	17.9	19.0
EV/op. invested capital	1.3	1.1	1.0	1.0	1.0	1.0	1.0	0.9
Enterprise value (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	28,093.41	26,261.40	26,598.29	28,874.88	28,874.88	28,874.88	28,874.88	28,874.88
Net debt (cash)	11,931.00	15,311.50	18,314.50	18,949.90	19,558.39	20,667.67	21,759.38	22,079.13
Buy out of minorities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pension provisions/other	1,915.65	1,915.65	1,915.65	1,915.65	1,915.65	1,915.65	1,915.65	1,915.65
Total enterprise value	41,940.06	43,488.55	46,828.44	49,740.43	50,348.92	51,458.20	52,549.91	52,869.66
Non core assets	(300.00)	(300.00)	(300.00)	(315.00)	(715.00)	(715.00)	(715.00)	(715.00)
Core enterprise value	41,640.06	43,188.55	46,528.44	49,425.43	49,633.92	50,743.20	51,834.91	52,154.66
Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	-2.2	29.1	3.1	9.6	-28.6	0.9	3.1	1.1
EBITDA (UBS)	-10.1	-7.8	-5.0	1.6	1.5	-1.9	8.3	-1.3
EBIT (UBS)	1.1	-10.9	-7.9	0.4	0.3	-4.4	9.7	-3.7
EPS (UBS, diluted)	2.6	-31.6	-12.0	-4.2	2.8	-4.8	7.6	-5.3
Net DPS	0.0	0.0	-30.7	-14.8	0.0	0.0	0.0	0.0
Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	62.9	56.4	55.6	54.3	73.6	73.2	73.7	72.8
EBITDA margin	33.2	23.7	21.8	20.2	28.8	28.0	29.4	28.7
EBIT margin	26.7	18.4	16.4	15.1	21.2	20.0	21.3	20.3
Net earnings (UBS) margin	14.5	9.4	8.4	7.4	10.8	10.2	10.6	10.0
ROIC (EBIT)	16.4	11.8	9.1	8.9	8.6	7.8	8.2	7.7
ROIC post tax	10.4	7.5	5.9	6.0	5.8	5.3	5.5	5.2
ROE (UBS)	19.8	12.9	9.6	8.8	8.7	7.9	8.2	7.4
Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	2.0	3.1	3.3	3.4	3.4	3.8	3.6	3.7
Net debt / total equity %	86.8	83.6	80.6	81.4	78.5	82.3	79.3	77.3
Net debt / (net debt + total equity) %	46.5	45.5	44.6	44.9	44.0	45.1	44.2	43.6
Net debt/EV	30.0	42.0	39.7	39.3	39.7	42.6	42.2	42.7
Capex / depreciation %	NM	NM	NM	NM	NM	NM	NM	NM
Capex / revenue %	21.1	23.5	21.2	19.9	28.0	NM	24.5	24.6
EBIT / net interest	7.0	4.8	4.2	4.5	3.8	3.8	3.6	3.5
Dividend cover (UBS)	2.0	1.4	1.7	1.9	2.0	1.9	2.0	1.9
Div. payout ratio (UBS) %	50.5	73.9	58.2	51.8	50.4	52.9	49.2	51.9
Revenues by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	19,118.00	24,674.00	25,442.00	27,889.00	19,901.69	20,084.59	20,697.41	20,931.22
Total	19,118.00	24,674.00	25,442.00	27,889.00	19,901.69	20,084.59	20,697.41	20,931.22
EBIT (UBS) by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	5,095.00	4,539.00	4,179.47	4,198.00	4,211.84	4,026.95	4,415.93	4,250.58
Total	5,095.00	4,539.00	4,179.47	4,198.00	4,211.84	4,026.95	4,415.93	4,250.58

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	-1.3%
Forecast dividend yield	3.7%
Forecast stock return	+2.4%
Market return assumption	5.6%
Forecast excess return	-3.2%

Statement of Risk

Exelon faces several risks that may either help or hinder its ability to achieve financial targets, including: 1) changes in regional temperature trends/weather patterns; 2) changing national energy demand patterns; 3) fuel price movements & fuel substitution for electric generation; 4) uncertainty surrounding the regulatory environment and specific state/national regulatory action that affect the company; 5) more stringent environmental standards (including potential carbon/GHG related legislation) and nuclear safety standards; 6) the potential inability to find new opportunities to expand its US generation portfolio over the longer-term. Additionally, Exelon faces operational and financial risk from its nuclear & fossil generation assets and its energy trading operations. Going forward, we believe the company is more exposed to the volatility associated with wholesale power markets (e.g. power/energy pricing; capacity markets), especially when viewed over a multi-year time horizon. EXC has hedged a substantial portion of its future power sales and fuel costs for the next few years; however, movements in wholesale prices can still impact the company's financial results. Lastly, even with the Illinois electric settlement, Exelon continues to face significant regulatory and political risk associated with its traditional utility assets, specifically surrounding the end of electric transition periods at ComEd (which expired at the end of 2006) and PECO (which is slated to expire at the end of 2010) as well as achieving equitable rate relief (and minimizing regulatory lag) on its regulated T&D investments.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	37%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	11%	21%
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 31 December 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
Exelon Corp. ^{4, 5, 6a, 6b, 7, 16}	EXC.N	Neutral	N/A	US\$33.42	19 Feb 2015
PEPCO Holdings Inc. ¹⁶	POM.N	Not Rated	N/A	US\$27.29	19 Feb 2015

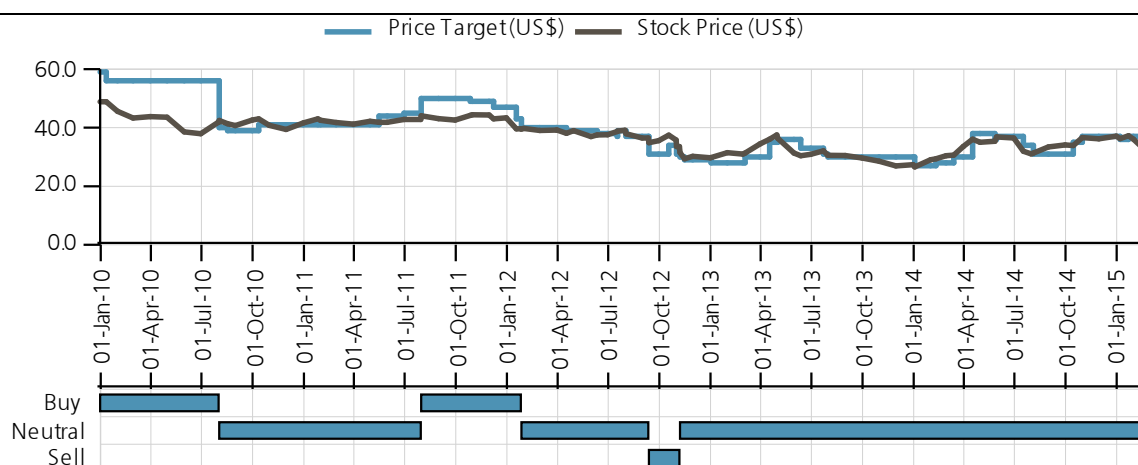
Source: UBS. All prices as of local market close.

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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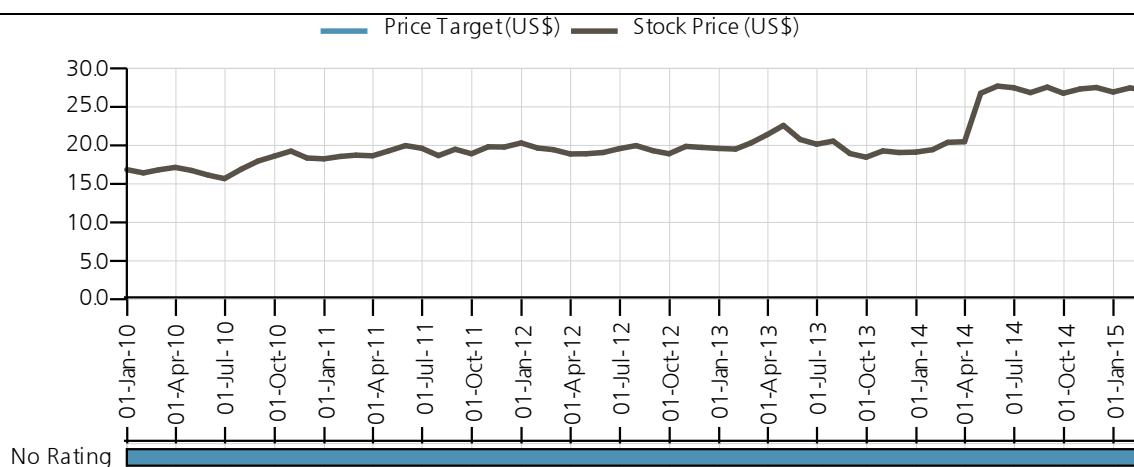
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Exelon Corp. (US\$)



Source: UBS; as of 19 Feb 2015

PEPCO Holdings Inc. (US\$)



Source: UBS; as of 19 Feb 2015

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