

Exelon Corp.

Washington DC Puts Up A Stop Sign

DC Commission denies POM merger

In an unexpected decision, the Washington DC Public Service Commission (PSC) voted against Exelon's pending acquisition request. PSC concerns continue to revolve around whether Pepco's flexibility would be impaired as part of Exelon given the size and generation focus. The PSC states that "Pepco will become a second tier company in a much larger corporation whose primary interest is not in distribution, but in generation". The transaction has been approved by MD, NJ, VA, DE, and the FERC.

Door not yet closed: 30 days to ask PSC to reconsider

Chairman Kane and Commissioner Fort opposed the merger with Commissioner Phillips partially dissenting stated that "I agree with my colleagues that the merger application as filed is a bad deal for the District. However, I am disappointed in the loss of the many opportunities that could have achieved benefits for our local communities and across the region." **We do not believe the deal is officially off yet** with management still having until September 24th to request that the PSC reconsider the ruling. Given the nature of the PSC's ideological concerns, we do see a real risk that Washington may not relent. In its initial statement following the PSC decision Exelon expressed disappointment and will review what possible next steps are.

Worst case for Exelon? Loss of accretion and forced to unwind equity deal

Most immediately there is now doubt about the value uplift for the deal as the probability of closing declines. Assuming that the deal does not close Exelon faces dilution from the deal financing, notably from the equity financing. In July Exelon settled the 57.5Mn shares as part of the forward equity financing for the deal. ~\$2.8Bn of the debt has a mandatory redemption feature if the deal does not close. Exelon has also been pursuing non-core asset sales to raise capital (\$0.12/sh 2015 dilution drag). If all of the necessary regulatory approvals are not secured Exelon has a reverse breakup fee to cover price paid for non-voting preferred stock up to \$180Mn plus up \$40Mn expense reimbursement.

Valuation: PT \$32 (from \$33) adjusted for Pepco transaction

Our 2018 SOTP valuation still embeds ~\$2.5/sh for accretion from the POM deal. We believe it is premature to assume the deal is dead with Exelon still having options.

Equities

Americas
Electric Utilities

12-month rating **Neutral**

12m price target **US\$32.00**
Prior: **US\$33.00**

Price **US\$30.40**

RIC: EXC.N BBG: EXC US

Trading data and key metrics

52-wk range	US\$38.63-30.40
Market cap.	US\$26.4bn
Shares o/s	867m (COM)
Free float	100%
Avg. daily volume ('000)	2,352
Avg. daily value (m)	US\$76.7
Common s/h equity (12/15E)	US\$25.1bn
P/BV (12/15E)	1.1x
Net debt / EBITDA (12/15E)	3.8x

EPS (UBS, diluted) (US\$)

	12/15E	
	UBS	Cons.
Q1	0.71	0.71
Q2	0.59	0.59
Q3E	0.80	0.73
Q4E	0.34	0.48
12/15E	2.43	2.47
12/16E	2.38	2.40
12/17E	2.50	2.53

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Highlights (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	24,674.00	25,442.00	27,889.00	24,137.31	20,302.39	20,650.98	20,967.24	21,505.36
EBIT (UBS)	4,539.00	4,179.47	4,198.00	4,132.54	4,050.47	4,268.82	4,244.75	4,455.03
Net earnings (UBS)	2,326.00	2,149.47	2,068.00	2,113.67	2,068.93	2,179.66	2,154.37	2,285.33
EPS (UBS, diluted) (US\$)	2.84	2.50	2.39	2.43	2.38	2.50	2.47	2.62
DPS (US\$)	2.10	1.46	1.24	1.24	1.24	1.24	1.24	1.24
Net (debt) / cash	(18,134.00)	(18,495.00)	(20,273.00)	(21,336.03)	(23,257.16)	(23,535.55)	(23,822.93)	(23,876.77)
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	18.4	16.4	15.1	17.1	20.0	20.7	20.2	20.7
ROIC (EBIT) %	11.8	9.1	8.7	8.2	7.6	7.7	7.5	7.6
EV/EBITDA (core) x	7.4	8.4	8.8	8.6	8.8	8.6	8.5	8.1
P/E (UBS, diluted) x	12.9	12.4	14.0	12.5	12.8	12.2	12.3	11.6
Equity FCF (UBS) yield %	1.3	3.6	(5.6)	0.6	(3.6)	2.6	2.6	3.5
Net dividend yield %	5.7	4.7	3.7	4.1	4.1	4.1	4.1	4.1

Source: Company accounts, Thomson Reuters, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Valuations: based on an average share price that year, (E): based on a share price of US\$30.40 on 25 Aug 2015 18:41 EDT

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Further details are available in the [PSC Executive Summary](#) and [PSC Press Release](#).

What about Exelon now?

We see yesterday's share price reaction as removing the bulk of the value attributed to the POM deal; don't expect any real further negativity on this point with the final order on Wednesday/Thursday. More to the point, we suspect EXC will still pursue other regulated deals where possible to expand its regulated portfolio. While clearly disappointing, we suspect mgmt is likely to move expeditiously to address future cash deployment given financing decisions already pursued if a renewed petition is ultimately not pursued. Following on the heels of the successful capacity auction results, we wouldn't be surprised to see shares recover off their current lows but only once a plan to move forward is addressed.

What is the next timeline?

- **Tomorrow:** The final (written) order is released; potentially after market close.
- **September 24th:** 30 day window for EXC/POM to request reconsideration
- **September 29th:** 5-day window for other parties to reply
- **October 30th:** 30-day window for PSC to rule on reconsideration
- **Late 2015/1st Half 2016:** If the PSC does not rule in favor of EXC/POM, Exelon could file an appeal with the District of Columbia Court of Appeals with a six-twelve month possible time frame

Can a deal be struck? Yes but would extend timeline

In theory Exelon *can* offer further concessions but this would seemingly necessitate refiling the merger application and 'resetting the clock' on approval. Given regulator concerns that the utility would be disadvantaged relative to the generation business, Exelon could offer further commitments to investing in the service territory as well as the typical increase in customer credits. With Exelon keenly focused on enhancing regulatory growth, we see a commitment to utility growth as palatable to management. We see the fact that Exelon has already divested its generation in the region (effectively to Talen) as a positive in helping alleviate arguments about misaligned incentives between the GenCo and the utilities. The question appears to be what structural incentives can EXC offer the commission to aligning perceived disincentives. Specifically mentioned by the commission were the following key issues in our view:

- "Few elements" of the Proposed Merger that produce a clear direct and tangible benefit, despite offer of \$33.75 Mn Customer Investment Fund (~\$128 per ratepayer) to beneficial purpose of the commission's choosing
- Not including Pepco region president in the executive committee.
- Inherent conflict of interest that might inhibit out local distribution company from moving forward to embrace a cleaner and greener environment.

Exelon could still find creative solutions to making a deal work but would seemingly extend the timeline.

What does this say on the state of M&A in PJM?

While we see corporate separation as a key issue for stakeholders alike, we don't necessarily see deals with PJM-based regulated utilities (such as POM) as structurally off the table; rather, rejection would place a bias for more regulated—on-regulated efforts, rather than allowing for diversified utilities (such as EXC's previous acquisition of CEG) from continuing their diversification efforts, ironically away from their generation portfolios. We flag that this would also potentially disqualify PSEG (the other bidder in the process per proxy disclosures). The question is to what extent a more systematic pushback would encourage diversified utilities to 'split' apart rather than pursuing a regulated-heavy investment strategy to pursue strategic shift in earning orientation towards more stable, regulated earnings. Ultimately, we see other regulated utilities as still willing to engage in M&A- potentially enabling a more palatable suitor for POM should DC regulators give the green light.

Who else is exposed? NEE/HE, SO/GAS, UIL/IBE, HIFR, TE

Following the challenging regulatory process for Exelon, we see risks for other companies involved in M&A.

Latest shows challenges of getting deals done

- **NEE:** NextEra Energy's pending acquisition of Hawaiian Electric has faced significant local pushback and we see a challenging path for NEE to navigate to secure the deal. This remains the clearest readthrough from the POM dealing pushback yesterday.
- **SO-AGL:** The Southern-AGL Resources deal requires approval from GA, IL, NJ, MD, and VA but with SO being primarily regulated and having deep ties to GA we initially do not anticipate significant hurdles to closing the deal.
- **Iberdrola** withdrew its application to acquire UIL Holdings in Connecticut after the regulator indicated that it planned to deny the acquisition, again showing state regulator's hesitance towards integrated firms acquiring regulated utilities (Iberdrola sequentially reapplied).
- **HIFR:** Hunt Consolidated's potential acquisition of Oncor could also face scrutiny with PUCT Commissioner Ken Anderson already having pre-emptively written a memo detailing "REIT related issues" addressing any potential deal.
- **TE:** Lastly TECO Energy has announced that it is pursuing a strategic review . Notably Florida does not require an approval process and do *not* see any real readthrough here.

Updated Price Target

We're tweaking down our target to \$32 from \$33, removing the potential accretion from the Pepco transaction in our 12-month target seeing either reduced economics from the deal on account of more customer contributions as well as reduced probability of any eventual deal. Offsetting this reduction, we're modestly raising our relative utility P/E multiples on both ComEd and PECO as well as the group regulated P/E multiple.

As a reminder, our SOP is *not* impacted by the latest 2018/19 auction, seeing it as reflecting a multiple off 2017 EBITDA for ExGen.

We also include for full disclosure, our prior Pepco value contribution.

Figure 1: Updated Exelon Price Target – Reducing Target to \$32 from \$33

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	1,770	7.0x	8.0x	9.0x	12,389	14,159	15,929				
DOE Nuclear Fuel Disposal Fee Uplift	150	5.0x	6.0x	7.0x	750	900	1,050				
Hedge Value	(446)	7.0x	8.0x	9.0x	(3,122)	(3,567)	(4,013)				
Other/Equity Investments	288	7.0x	8.0x	9.0x	2,016	2,304	2,592				
Retail Margin (Power+Non-Power)	583	4.0x	5.0x	6.0x	2,334	2,917	3,501				
Total / Implied	2,345	6.1x	7.1x	8.1x	14,367	16,713	19,058				
less ExGen net debt (incl PTC/ITC benefits)						(6,822)					
less HoldCo debt						(1,300)					
add Hedge Value						446					
Adding back the FCF drag from Potential Retirements (Clinton, Byron, Ginna, Quad Cities)					155	7.0x	8.0x	9.0x	1,088	1,243	1,399
Equity Value						7,779	10,280	12,781			
Mn. Shares Outstanding (2017E)						871	871	871			
Merchant Generation Value Per Share						\$ 8.93	\$ 11.80	\$ 14.67			
Regulated Utilities		P/E Multiple				Equity Value					
	2017 Net Income	Low	Peer	Prem/Discount	Base	High	Low	Base	High		
BGE Net Income	235	12.7x	14.7x	-1.0x	13.7x	14.7x	2,991	3,226	3,462		
PECO Net Income	435	14.7x	14.7x	1.0x	15.7x	16.7x	6,400	6,835	7,271		
ComEd Net Income	525	13.7x	14.7x	0.0x	14.7x	15.7x	7,197	7,722	8,248		
Total / Implied	1,196	13.9x			14.9x	15.9x	16,588	17,784	18,980		
Implied EPS	1.37										
Mn. Shares Outstanding (2017E)						871	871	871			
Regulated Utility Value per Share						\$ 19.04	\$ 20.41	\$ 21.78			
Total Equity Value per Share						\$ 28.00	\$ 32.00	\$ 36.00			
Potential Accretion on POM Deal		EPS	Low	Peer	Prem/Discount	Base	High	Low	Base	High	
EPS Accretion (2017 UBSe)		\$0.17	14.7x	14.7x	1.0x	15.7x	16.7x	\$ 2.57	\$ 2.57	\$ 2.92	

Source: Company reports and UBS estimates

Exelon Corp. (EXC.N)

Income statement (US\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Revenues	24,674.00	25,442.00	27,889.00	24,137.31	-13.5	20,302.39	-15.9	20,650.98	20,967.24	21,505.36
Gross profit	13,910.00	14,142.00	15,137.00	14,811.19	-2.2	14,947.82	0.9	15,280.17	15,362.48	15,733.36
EBITDA (UBS)	5,849.40	5,555.39	5,642.72	5,649.50	0.1	5,643.27	-0.1	5,941.25	6,000.81	6,298.90
Depreciation & amortization	(1,310.40)	(1,375.92)	(1,444.72)	(1,516.95)	5.0	(1,592.80)	5.0	(1,672.44)	(1,756.06)	(1,843.86)
EBIT (UBS)	4,539.00	4,179.47	4,198.00	4,132.54	-1.6	4,050.47	-2.0	4,268.82	4,244.75	4,455.03
Associates & investment income	59.00	102.00	(8.00)	49.00	-	49.00	0.0	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	(945.00)	(986.00)	(931.00)	(1,014.87)	-9.0	(1,011.09)	0.4	(1,147.29)	(1,159.88)	(1,180.36)
Exceptionals (incl goodwill)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Profit before tax	3,653.00	3,295.47	3,259.00	3,166.67	-2.8	3,088.38	-2.5	3,170.52	3,133.88	3,323.67
Tax	(1,316.00)	(1,132.00)	(1,057.00)	(1,045.00)	1.1	(1,011.44)	3.2	(982.86)	(971.50)	(1,030.34)
Profit after tax	2,337.00	2,163.47	2,202.00	2,121.67	-3.6	2,076.93	-2.1	2,187.66	2,162.37	2,293.33
Preference dividends	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Minorities	(11.00)	(14.00)	(134.00)	(8.00)	94.0	(8.00)	0.0	(8.00)	(8.00)	(8.00)
Extraordinary items	(1,159.00)	0.00	(365.72)	0.00	-	0.00	-	0.00	0.00	0.00
Net earnings (local GAAP)	1,167.00	2,149.47	1,702.28	2,113.67	24.2	2,068.93	-2.1	2,179.66	2,154.37	2,285.33
Net earnings (UBS)	2,326.00	2,149.47	2,068.00	2,113.67	2.2	2,068.93	-2.1	2,179.66	2,154.37	2,285.33
Tax rate (%)	36.0	34.4	32.4	33.0	1.7	32.8	-0.8	31.0	31.0	31.0
Per share (US\$)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EPS (UBS, diluted)	2.84	2.50	2.39	2.43	1.6	2.38	-2.2	2.50	2.47	2.62
EPS (local GAAP, diluted)	1.43	2.50	1.97	2.43	23.4	2.38	-2.2	2.50	2.47	2.62
EPS (UBS, basic)	2.84	2.50	2.39	2.43	1.6	2.38	-2.2	2.50	2.47	2.62
Net DPS (US\$)	2.10	1.46	1.24	1.24	0.0	1.24	0.0	1.24	1.24	1.24
Cash EPS (UBS, diluted)*	4.44	4.10	4.07	4.18	2.7	4.21	0.7	4.42	4.48	4.73
Book value per share	25.31	26.77	27.93	28.87	3.3	30.19	4.6	31.63	33.01	34.53
Average shares (diluted)	818.60	860.00	864.00	869.13	0.6	870.26	0.1	871.39	872.52	873.65
Balance sheet (US\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Cash and equivalents	1,619.00	1,776.00	2,149.00	843.14	-60.8	549.47	-34.8	601.22	577.11	558.59
Other current assets	8,495.00	8,361.00	9,948.00	9,069.88	-8.8	9,137.38	0.7	9,205.48	9,281.63	9,394.41
Total current assets	10,114.00	10,137.00	12,097.00	9,913.02	-18.1	9,686.85	-2.3	9,806.70	9,858.74	9,952.99
Net tangible fixed assets	45,149.00	47,330.00	52,087.00	54,269.27	4.2	57,226.05	5.4	58,627.54	59,995.98	61,228.61
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	21,217.00	19,832.00	20,005.00	20,398.15	2.0	20,697.75	1.5	20,961.04	21,157.04	21,343.04
Total assets	79,105.00	79,924.00	86,814.00	87,205.44	0.5	90,235.65	3.5	92,020.27	93,636.76	95,149.64
Trade payables & other ST liabilities	6,520.00	5,878.00	6,500.00	6,126.14	-5.8	6,233.02	1.7	6,293.28	6,339.90	6,384.82
Short term debt	1,257.00	1,850.00	2,262.00	2,237.34	-1.09	2,402.63	7.39	2,436.16	2,462.90	2,466.48
Total current liabilities	7,777.00	7,728.00	8,762.00	8,363.48	-4.5	8,635.65	3.3	8,729.44	8,802.80	8,851.30
Long term debt	18,346.00	18,271.00	20,010.00	19,791.83	-1.1	21,254.01	7.4	21,550.61	21,787.15	21,818.88
Other long term liabilities	31,289.00	30,985.00	33,909.00	33,960.80	0.2	34,074.90	0.3	34,176.75	34,245.35	34,310.45
Preferred shares	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Total liabilities (incl pref shares)	57,412.00	56,984.00	62,681.00	62,116.11	-0.9	63,964.56	3.0	64,456.80	64,835.30	64,980.63
Common s/h equity	21,693.00	22,940.00	24,133.00	25,089.33	4.0	26,271.09	4.7	27,563.47	28,801.46	30,169.01
Minority interests	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Total liabilities & equity	79,105.00	79,924.00	86,814.00	87,205.44	0.5	90,235.65	3.5	92,020.27	93,636.76	95,149.64
Cash flow (US\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Net income (before pref divs)	1,167.00	2,149.47	1,702.28	2,113.67	24.2	2,068.93	-2.1	2,179.66	2,154.37	2,285.33
Depreciation & amortization	1,310.40	1,375.92	1,444.72	1,516.95	5.0	1,592.80	5.0	1,672.44	1,756.06	1,843.86
Net change in working capital	(559.00)	455.00	(3,247.00)	504.26	-	39.38	-92.2	(7.84)	(29.53)	(67.86)
Other operating	4,213.60	2,362.61	4,557.00	1,606.21	-64.8	1,886.87	17.5	1,912.87	1,943.63	2,023.15
Operating cash flow	6,132.00	6,343.00	4,457.00	5,741.09	28.8	5,587.99	-2.7	5,757.13	5,824.54	6,084.48
Tangible capital expenditure	(5,789.00)	(5,395.00)	(6,077.00)	(5,575.00)	8.3	(6,550.00)	-17.5	(5,075.00)	(5,150.00)	(5,175.00)
Intangible capital expenditure	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Net (acquisitions) / disposals	1,329.00	7.00	1,619.00	0.00	-	0.00	-	0.00	0.00	0.00
Other investing	(115.00)	(6.00)	(141.00)	0.00	-	0.00	-	0.00	0.00	0.00
Investing cash flow	(4,575.00)	(5,394.00)	(4,599.00)	(5,575.00)	-21.2	(6,550.00)	-17.5	(5,075.00)	(5,150.00)	(5,175.00)
Equity dividends paid	(1,716.00)	(1,249.00)	(1,065.00)	(1,077.72)	-1.2	(1,079.12)	-0.1	(1,080.52)	(1,081.92)	(1,083.32)
Share issues / (buybacks)	72.00	47.00	35.00	35.00	0.0	35.00	0.0	35.00	35.00	35.00
Other financing	(128.00)	(329.00)	(599.00)	85.00	-	85.00	0.00	85.00	85.00	85.00
Change in debt & pref shares	685.00	705.00	2,040.00	(242.83)	-	1,627.47	-	330.13	263.28	35.31
Financing cash flow	(1,087.00)	(826.00)	411.00	(1,200.55)	-	668.35	-	(630.39)	(698.64)	(928.01)
Cash flow inc/(dec) in cash	470.00	123.00	269.00	(1,034.46)	-	(293.67)	71.6	51.74	(24.10)	(18.53)
FX / non cash items	133.00	34.00	104.00	(271.40)	-	0.00	-	0.00	0.00	0.00
Balance sheet inc/(dec) in cash	603.00	157.00	373.00	(1,305.86)	-	(293.67)	77.5	51.74	(24.10)	(18.53)

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)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	25.7	12.4	17.0	12.5	12.8	12.2	12.3	11.6
P/E (UBS, diluted)	12.9	12.4	14.0	12.5	12.8	12.2	12.3	11.6
P/CEPS	8.3	7.6	8.3	7.3	7.2	6.9	6.8	6.4
Equity FCF (UBS) yield %	1.3	3.6	(5.6)	0.6	(3.6)	2.6	2.6	3.5
Net dividend yield (%)	5.7	4.7	3.7	4.1	4.1	4.1	4.1	4.1
P/BV x	1.4	1.2	1.2	1.1	1.0	1.0	0.9	0.9
EV/revenues (core)	1.8	1.8	1.8	2.0	2.5	2.5	2.4	2.4
EV/EBITDA (core)	7.4	8.4	8.8	8.6	8.8	8.6	8.5	8.1
EV/EBIT (core)	9.5	11.1	11.9	11.7	12.3	11.9	12.1	11.5
EV/OpFCF (core)	15.7	15.9	NM	16.5	19.3	18.4	18.8	17.6
EV/op. invested capital	1.1	1.0	1.0	1.0	0.9	0.9	0.9	0.9
Enterprise value (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	26,261.40	26,598.29	28,881.87	26,356.80	26,356.80	26,356.80	26,356.80	26,356.80
Net debt (cash)	15,311.50	18,314.50	19,384.00	20,804.51	22,296.60	23,396.36	23,679.24	23,679.24
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	43,488.55	46,828.44	50,181.52	49,076.96	50,569.05	51,668.81	51,951.69	51,951.69
Non core assets	(300.00)	(300.00)	(315.00)	(715.00)	(715.00)	(715.00)	(715.00)	(715.00)
Core enterprise value	43,188.55	46,528.44	49,866.52	48,361.96	49,854.05	50,953.81	51,236.69	51,236.69
Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenue	29.1	3.1	9.6	-13.5	-15.9	1.7	1.5	2.6
EBITDA (UBS)	-7.8	-5.0	1.6	0.1	-0.1	5.3	1.0	5.0
EBIT (UBS)	-10.9	-7.9	0.4	-1.6	-2.0	5.4	-0.6	5.0
EPS (UBS, diluted)	-31.6	-12.0	-4.2	1.6	-2.2	5.2	-1.3	5.9
Net DPS	0.0	-30.7	-14.8	0.0	0.0	0.0	0.0	0.0
Margins & Profitability (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Gross profit margin	56.4	55.6	54.3	61.4	73.6	74.0	73.3	73.2
EBITDA margin	23.7	21.8	20.2	23.4	27.8	28.8	28.6	29.3
EBIT margin	18.4	16.4	15.1	17.1	20.0	20.7	20.2	20.7
Net earnings (UBS) margin	9.4	8.4	7.4	8.8	10.2	10.6	10.3	10.6
ROIC (EBIT)	11.8	9.1	8.7	8.2	7.6	7.7	7.5	7.6
ROIC post tax	7.5	5.9	5.9	5.4	5.1	5.3	5.1	5.2
ROE (UBS)	12.9	9.6	8.8	8.6	8.1	8.1	7.6	7.8
Capital structure & Coverage (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net debt / EBITDA	3.1	3.3	3.6	3.8	4.1	4.0	4.0	3.8
Net debt / total equity %	83.6	80.6	84.0	85.0	88.5	85.4	82.7	79.1
Net debt / (net debt + total equity) %	45.5	44.6	45.7	46.0	47.0	46.1	45.3	44.2
Net debt/EV %	42.0	39.7	40.7	44.1	46.7	46.2	46.5	46.6
Capex / depreciation %	NM	NM	NM	NM	NM	NM	NM	NM
Capex / revenue %	23.5	21.2	21.8	23.1	NM	24.6	24.6	24.1
EBIT / net interest	4.8	4.2	4.5	4.1	4.0	3.7	3.7	3.8
Dividend cover (UBS)	1.4	1.7	1.9	2.0	1.9	2.0	2.0	2.1
Div. payout ratio (UBS) %	73.9	58.2	51.8	51.0	52.2	49.6	50.2	47.4
Revenues by division (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	24,674.00	25,442.00	27,889.00	24,137.31	20,302.39	20,650.98	20,967.24	21,505.36
Total	24,674.00	25,442.00	27,889.00	24,137.31	20,302.39	20,650.98	20,967.24	21,505.36
EBIT (UBS) by division (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	4,539.00	4,179.47	4,198.00	4,132.54	4,050.47	4,268.82	4,244.75	4,455.03
Total	4,539.00	4,179.47	4,198.00	4,132.54	4,050.47	4,268.82	4,244.75	4,455.03

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

Forecast returns

Forecast price appreciation	+5.3%
Forecast dividend yield	4.1%
Forecast stock return	+9.4%
Market return assumption	5.6%
Forecast excess return	+3.8%

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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Buy	FSR is > 6% above the MRA.	45%	36%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	13%	20%
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 2015.

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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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Exelon Corp. ^{4, 6, 16}	EXC.N	Neutral	N/A	US\$30.40	25 Aug 2015

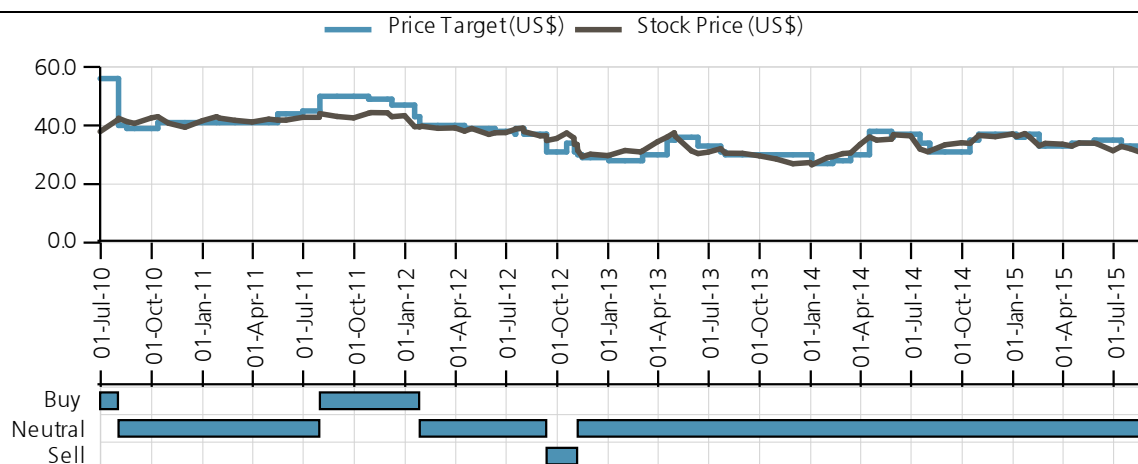
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Exelon Corp. (US\$)



Source: UBS; as of 25 Aug 2015

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