



Bloomsburg Investment Group

Equity Analysis
General Electric Company (GE)

Analyst:

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Bloomsburg Investment Group Opinion:

Based off our analysis of PPL Corporation, we believe it should be considered a hold. PPL Corporation is a very stable stock that provides us with an above average dividend. PPL offers stable growth with intentions of expanding their business in next five years. We believe it's in the groups best interest to stay on top of PPL and follow the pending Brexit outcome. Brexit raises some uncertainties, but unpredictable Brexit ramifications suggest to hold as of now. With Trump becoming the presidential elect, we expect natural gas and coal prices cheap keeping electric and power prices low with is a postivitive for PPL .The unexpexted events following the US election and Brexit decision maintain our thoughts on PPL as a hold. We recommond to anazlye the sector for possible replacements should Brexit have extremely negative ramifications.

Corporate Summary:

PPL Corporation is a fully regulated energy and utility holding company founded in 1920 headquartered in Allentown, Pennsylvania. PPL transmits and distributes electricity in Pennsylvania, Kentucky, Virginia, Tennessee, and the United Kingdom. They operate in 3 segments: Kentucky Regulated, U.K. Regulated, and Pennsylvania Regulated. While the company employs over 13,000 employees and has annual business revenues near \$11.5 Billion, PPL strives to develop renewable energy projects; and provides energy-related products and services to commercial and industrial customers around the globe. PPL currently services 10.5 million customers and has \$39.2 Billion in total assets.

Corporate Details:

Name	PPL Corp
Ticker	PPL
Domicile	United States
Sector	Utilities
Industry	Utilities - Regulated Electric
Exchange	NEW YORK STOCK EXCHANGE, INC.
Last Close	32.83
Price 52 Wk High	39.92
Price 52 Wk Low	32.08
Latest Dividend	0.38
Dividend Yield % TTM	4.62
Beta 5 Yr (Mo-End)	0.41
Avg Daily Volume (3 Mo)	4,854,067.42
Shares Outstanding (mil)	679.63
Number of Analysts	5



PPL Corp

PPL

Financial Summary, Year End 2013 (in millions)

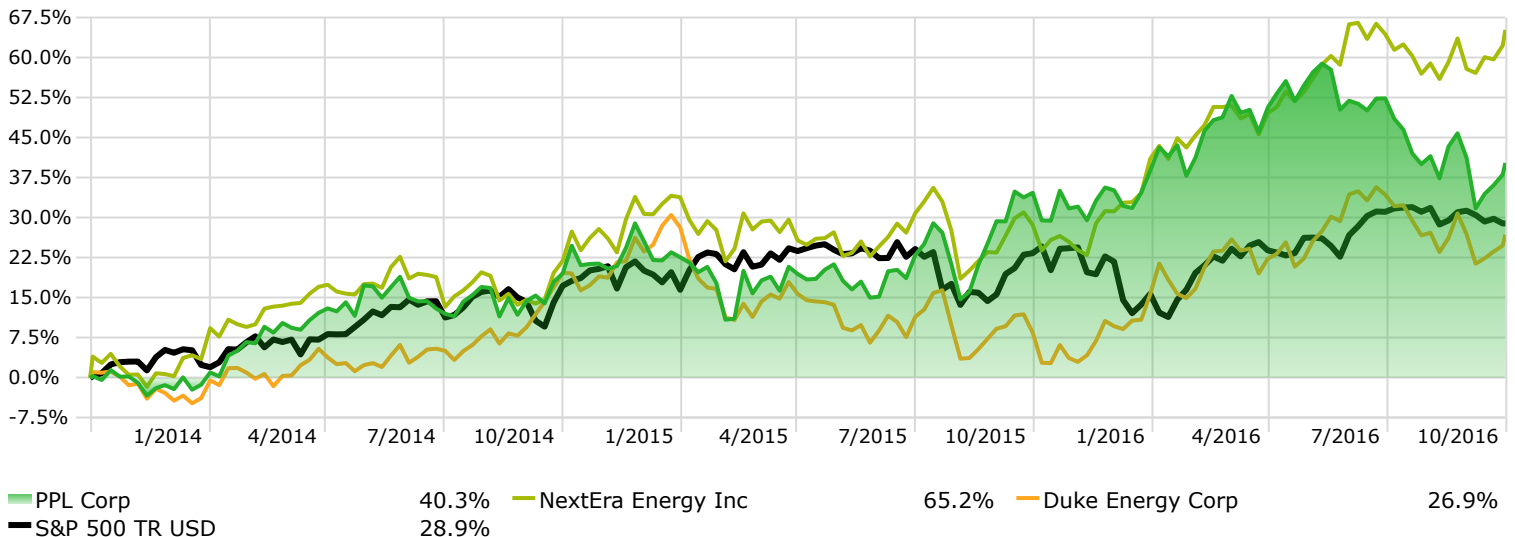
Market Capitalization	22,312.17
Total Revenue	7,669.00
Gross Profit	5,951.00
Operating Income	2,831.00
Net Income Cont Ops	1,603.00
Net Income	682.00
Current Assets	2,646.00
Cash	836.00
Total Assets	39,301.00
Current Liabilities	3,876.00
Long-term Liabilities	25,506.00
Total Liabilities	29,382.00
Total Equity	9,919.00
Operating Cash Flow	2,615.00
Investing Cash Flow	-3,588.00
Financing Cash Flow	68.00
Change In Cash	-563.00
EBITDA	3,881.00
Enterprise Value	41,044.17
Capital Expenditure	-3,570.00
P/E Ratio Forward	15.22
PEG Ratio	0.75
Dividend Yield % TTM	4.62

Financial Highlights

PPL Corporation has very solid financial statements that do not pose significant risks or threats to investors. Revenues are quite stable, and although they are losing a fraction of revenues due to the spinoff of competitive generation, they are still predictable within U.S. markets. The company has positive operating income, and decent operating margins when compared with their competitors. PPL's balance sheet is dominated heavily in fixed assets. In a large utility company such as PPL this is expected because of the equipment that is necessary to run the business. Capital expenditures play a large role for PPL, as improvements to the system are what allow PPL to make a return off of the base rate they are charging their customers. As a steady business that is regulated, PPL has the ability to pay a high dividend each year with good stability. PPL has one of the best dividends in the industry. However pending Brexit implacations still loom around the companies UK earnings which make up 60% of PPL revenues in 2016. After the vote for Brexit, the stock price dropped 3.5 points.

Investment Growth

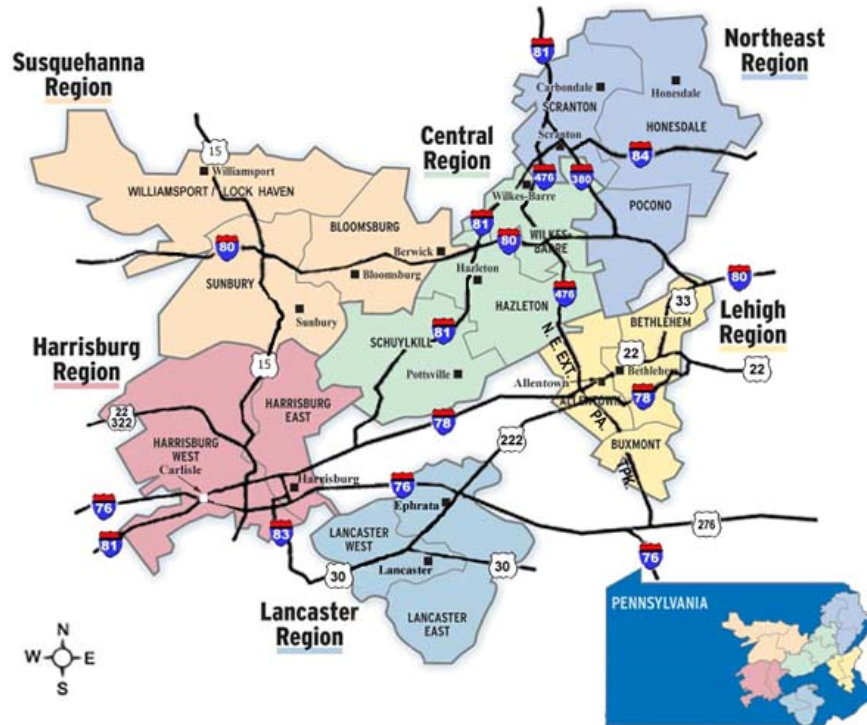
Time Period: 11/1/2013 to 10/31/2016





PPL Corp PPL

PPL ELECTRIC UTILITIES SERVICE TERRITORY



Quarter 3 Earnings

- Estimated \$.59, Actual \$.63 with a difference of 6.8% in earnings
- Revenue lagged in Q3 having an estimated earnings of \$2 billion when actual earnings of \$1.889 Billion
- Earnings increased 23.5% on a year over year basis.
- Domestic retail delivery increased 3.6% and domestic wholesale delivery was flat year over year.

PPL addresses Brexit effects

- Even with the pound decreasing the CEO is still confident in hitting their targets it has set through 2020
- They are still expected to meet earnings forecast and dividend growth.
- To protect its future earnings against fluctuating exchange rates, PPL is expanding its currency hedging program into 2018 at an average hedge rate of \$1.38 to the pound.

Brexit fallout may be more about fear than fundamentals

- According to the Chief Executive William Spence may require some reassess our earnings growth rate.
- PPL Has the third highest revenue exposure to the U.K. among S&P 500 components, according to FactSet.

PPL Corporation, After Brexit

- PPL's 2016 guidance has 60% of earnings coming from the UK.
- PPL could be an attractive investment right now, especially for people who expect the British pound to recover
- PPL has increased their exposure to the UK. Provided over 65% of PPL 2015 earnings



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Industry Environment:

S&P 500 Utility sector has been relatively stable over the past ten years, with the 10-year return being 3.59%. The S&P 500 has had a higher return rate over the past 10 years (74.79% vs. 39.90%), but this can be attributed to the utility sector being stable and more focused on paying dividends than growth. Due to its stability, the sector is going to be around for a long time. The growth will be slow and steady with potential to grow even higher with renewable energy. The utility sector is comprised of companies that are considered electric, water, or gas utilities and that operate as independent distributors/producers of power.

Compared to competitors, PPL has a low revenue. This is due to the smaller service area that PPL services in relation to its customers. However, PPL's gross profit margin is on the upper side of the industry. The current ratio and receivable turnover fall within the industry average. PPL offers the largest dividend yield when compared to the industry average.

Competitor Comparison

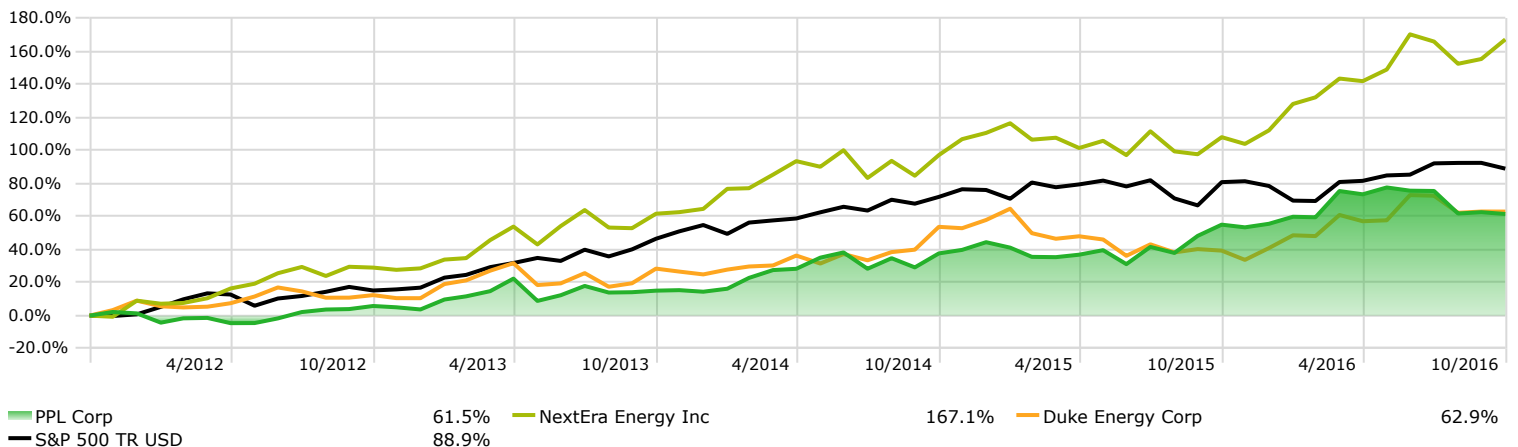
	Revenue (mil)	Revenue % Chg	Gross Profit (mil)	Gross Margin %	Net Income (mil)	Net Income % Chg	Net Margin %	Market Cap (mil) (Daily)	Current Ratio	Receivable Turnover
PPL Corp	7,669.00	-2.33	5,951.00	77.60	682.00	-60.74	8.89	22,312.17	0.68	9.96
NextEra Energy Inc	17,486.00	2.73	12,159.00	69.54	2,752.00	11.64	15.74	53,633.02	0.67	9.74
Duke Energy Corp	23,459.00	-1.95	15,602.00	66.51	2,816.00	49.55	12.00	50,892.10	0.73	8.76

Competitor Comparison (Cont.)

	Asset Turnover	ROA %	Total Debt to Total Equity	ROE %	Beta 5 Yr	P/E Ratio Forward	PEG Ratio	P/B Ratio Current	Dividend Yield % TTM	Free Cash Flow / Sales % TTM
PPL Corp	0.17	1.55	2.01	5.79	0.41	15.22	0.75	2.24	4.62	
NextEra Energy Inc	0.22	3.50	1.32	12.95	0.27	17.70	2.95	2.24	2.94	15.20
Duke Energy Corp	0.19	2.33	1.09	6.99	0.15	15.90	4.93	1.26	4.55	

Investment Growth

Time Period: 11/1/2011 to 10/31/2016





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Strengths:

- PPL's predominantly regulated earnings mix provides a strong base for earnings and dividends.
- With an aggressive scheduled capital plan, rate base is forecast to increase at a 5.5% compound annual rate.
- PPL offers an above-average 4.7% dividend yield as of mid-October.
- The company has offered consistent but slow dividend growth, favoring growth investment over dividend growth.

Weaknesses:

- dividend growth in the next five years may be limited due to plans to spend \$15.6 billion in capital expenditures
- Slow energy demand growth in PPL's service territories continues to affect the company's domestic and international regulated utility segments.
- In order to support growth PPL will have to request frequent rate increases with the potential for unfavorable opinions from regulators.

Opportunities:

- The \$15.6 billion in capital expenditures PPL plans to spend will add additional transmission opportunities.
- The company's recently approved five-year forward-looking rates allow revenue to grow based on projected investment needs, including projected capital expenditures and cost inflation.

Threats:

- PPL also has a significant ongoing development program that is subject to potential cost overruns and political and regulatory risk
- Tightening environmental compliance regulations could require significant capital investment or added operating costs that may have uncertain cost recovery through traditional regulated rates



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Valuation: Discount Cash Flow Model (DCF)

The DCF model did not work correctly when applied to PPL. Since cash flows are relatively volatile for utilities companies, they are exposed to large fluctuations in the findings of the DCF. Part of the decrease in CF's of PPL is due to the spinoff to Talen, which is why we changed our growth estimates to reflect recent cash flows. We are projecting a small decrease in revenue over the short term, in part due to Brexit speculation and a bullish market. However, we know that bullish markets are not going to last, so we have a positive growth projection for the long-term. We expect capex to continue to increase and slowly decrease at an expectation of 5% long-term. The DCF model gave us a fair value of \$223.11, which we deemed not accurate, considering PPL has been trading rather stable in the \$30's.

Valuation: Discount Dividend Model (DDM)

The DDM model gave us a rather accurate projected fair value for PPL. This is in large part due to a consistent and steady growing dividend paid by PPL, valued at \$1.52 (4.5% yield). We are expecting dividends to grow at a rate near or above 1.5% in the near and long-term future, so we are very comfortable with the value of \$42.38 that our DDM model provided us. Based on the current valuation of PPL at \$34.33 by the market, we project an upside of 23.4%.

Valuation: Multiple Valuation

For the relative multiples valuation, we used the average P/E ratio for PPL over the last 6 years valued at 15.66. We then forecasted EPS for the next 5 years, having a projected EPS of \$2.53 for 2020. We found an intrinsic value of \$39.62, which provides us with an upside of 15.4% based on the current value of \$34.33.



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