

COMPANY PROFILE

Exelon Corporation

TABLE OF CONTENTS

Company Overview 3
Key Facts 3
SWOT Analysis 4

COMPANY OVERVIEW

Exelon Corporation (Exelon or 'the company') is one of the largest electric utilities in the US. The company is primarily engaged in the generation, marketing, transmission, and distribution of electricity. It is also engaged in natural gas distribution. The company operates through five business segments: Exelon Generation Company, Commonwealth Edison Company, Pepco Holdings, Baltimore Gas and Electric Company and PECO Energy Company. Exelon primarily operates in the US. It is headquartered in Chicago, Illinois.

The company reported revenues of (US Dollars) US\$31,360 million for the fiscal year ended December 2016 (FY2016), an increase of 6.5% over FY2015. In FY2016, the company's operating margin was 9.9%, compared to an operating margin of 15% in FY2015. In FY2016, the company recorded a net margin of 3.6%, compared to a net margin of 7.7% in FY2015.

KEY FACTS

Head Office	Exelon Corporation 10 South Dearborn Street 48th Floor CHICAGO Illinois CHICAGO Illinois USA
Phone	1 312 3947399
Fax	
Web Address	www.exeloncorp.com
Revenue / turnover (USD Mn)	31,360.0
Financial Year End	December
Employees	34,396
New York Stock Exchange Ticker	EXC

SWOT ANALYSIS

Exelon Corporation (Exelon or the 'company') is one of the largest electric utilities in the US. The company is engaged in the generation, transmission, and distribution of electricity. It is also engaged in the natural gas distribution business. Large power generation capacity enables Exelon to be competitive in regional power markets and meet demand during the intermediate seasons and peak periods. However, commodity price changes, delays, and other factors may impact the operating cost, capital expenditures, and competitive positions of Exelon, thereby adversely impacting results of operations and financial condition.

<p>Strength</p> <p>Large Power Generation Capacity Long Term Licenses Extensive Reach in the US</p>	<p>Weakness</p> <p>Dependence on Subsidiaries Substantial Amount of Debt</p>
<p>Opportunity</p> <p>Increasing Demand for Electricity in the US Strategic Agreements Planned Joint Venture with JAPC</p>	<p>Threat</p> <p>Adverse Effects of Restrictions on Resources and Price Fluctuations Depressed Demand Risk Operational Risks</p>

Strength

Large Power Generation Capacity

Exelon is a major competitive power generator. It has presence all over the US with a strong foothold in the Midwest, Mid-Atlantic, New England, New York and other regions. The generation portfolio is diverse in terms of geography, markets, fuels, and technology. The owned generation output comprised maximum contribution by nuclear generation, then coal, and then hydroelectric/renewable. As of December 31, 2016, Exelon Generation owned generation assets with an aggregate net capacity of 32,720 MW, including 19,457 MW of nuclear, 9,548 MW of fossil, and 3,715 MW of renewable capacity. In addition, the subsidiary controlled another 6,879 MW of capacity through long-term contracts.

The large and diverse generation portfolio enables Exelon to be competitive in regional power markets and meet demand during the intermediate seasons and peak periods. The large operational scale makes the company a major power generator in the US and helps it in achieving strong returns.

Long Term Licenses

Exelon Generation has 40-year operating licenses from the Nuclear Regulatory Commission (NRC) for each of its nuclear units. It has also received 20-year operating license renewals for Peach Bottom Units

2 and 3, Dresden Units 2 and 3, Quad Cities Units 1 and 2, Oyster Creek Unit 1, Calvert Cliffs Units 1 and 2, Nine Mile Point Units 1 and 2, R.E. Ginna Unit 1, Three Mile Island Unit 1, Limerick Units 1 and 2, Byron Units 1 and 2 and Braidwood Units 1 and 2. Additionally, Public Service Enterprise Group Incorporated (PSEG) has 40-year operating licenses from the NRC and has received 20-year operating license renewals for Salem Units 1 and 2. Exelon currently has a license renewal application pending for LaSalle Units 1 and 2.

Long term licenses ensure long term uninterrupted power supply from the plants. The company for a very long time saves itself from the pressure of license renewal process that takes approximately four to five years from the commencement of the renewal process until completion.

Extensive Reach in the US

The company has strategic presence in the US. Through its subsidiaries, Exelon is present both in generation and transmission of energy. For instance, through Exelon Generation, the company is engaged in integrated generation, physical delivery and marketing of power across multiple geographical regions through its customer-facing business, Constellation, which sells electricity and natural gas to both wholesale and retail customers. Generation also sells renewable energy and other energy-related products and services.

Similarly, through ComEd, Exelon is present in the purchase and regulated retail sale of electricity and the provision of electricity transmission and distribution services in northern Illinois, including the City of Chicago. PECO is engaged in the purchase and regulated retail sale of electricity and the provision of electricity distribution and transmission services in southeastern Pennsylvania, including the City of Philadelphia, and the purchase and regulated retail sale of natural gas and the provision of distribution services in the Pennsylvania counties surrounding the City of Philadelphia.

Also, Exelon operates BGE, whose business consists of the purchase and regulated retail sale of electricity and natural gas and the provision of electricity distribution and transmission and gas distribution services in central Maryland, including the City of Baltimore. Its Pepco consists of the purchase and regulated retail sale of electricity and the provision of electricity distribution and transmission in the District of Columbia and major portions of Prince George's County and Montgomery County in Maryland. Further, Exelon's DPL's business consists of the purchase and regulated retail sale of electricity and the provision of electricity distribution and transmission services in portions of Maryland and Delaware, and the purchase and regulated retail sale of natural gas and the provision of natural gas distribution services in northern Delaware. Moreover, the company operates ACE which is engaged in the purchase and regulated retail sale of electricity and the provision of electricity transmission and distribution services in southern New Jersey.

Such an extensive presence in the US region helps the company to have a strong foot hold and reliability thus increasing its brand image.

Weakness

Dependence on Subsidiaries

Exelon is a holding company with no material assets other than the investment in its subsidiaries. Accordingly, all of its operations are conducted by its subsidiaries. Exelon's ability to pay dividends on its common stock depends on the payment to it of dividends by its operating subsidiaries. The payments of dividends to Exelon by its subsidiaries in turn depend on their results of operations and cash flows and other items affecting retained earnings. Its subsidiaries are separate and distinct legal entities that have no obligation (apart from loans from Exelon) to provide Exelon with funds for its payment obligations, whether by dividends, distributions, or other payments. In addition, any payment of dividends, distributions, or advances by the subsidiaries to Exelon would be subject to regulatory or contractual restrictions.

Over dependence of Exelon on its subsidiaries to meet its financial obligations would decrease the shareholder confidence in the company.

Substantial Amount of Debt

Exelon has substantial amount of debt. In FY2016, the company's total long-term debt was \$31,575 million compared to \$23,645 million in the FY2015. Substantial indebtedness could drastically affect the company's ability to obtain further financing, and, as a result, prohibit it in making capital expenditures needed to maintain its current production levels. The larger a company's debt, the more risky the company is considered by lenders and investors. Accordingly, a business is limited as to the amount of debt it can carry.

Opportunity

Increasing Demand for Electricity in the US

The demand for electricity in the US is expected to increase. According to the US Energy Information Administration (EIA) estimates, the US power consumption is expected to increase in the short term from 10.52 billion kilowatt hours (kWh) in 2016 to 10.59 billion kWh in 2017 and 10.73 billion kWh in 2018.

According to the EIA's short term energy outlook (STEO) report, the retail electricity sales in the US are expected to grow by 0.5% from 10.14 billion kWh in 2016 to 10.19 billion kWh in 2017 and to 10.33 billion kWh in 2018. While, the residential electricity sales are expected to marginally decline to 3.72 billion kWh in 2017, they are expected to increase to 3.76 billion kWh in 2018, with cooling needs offset by more efficient appliances and light bulbs. Electricity sales to the commercial sector are expected to rise to 3.72 billion kWh in 2017 and 3.76 billion kWh in 2018 from 3.71 kWh in 2016, with continuous growth in demand for electrical devices and equipment.

The increase in demand for electricity will boost the company's sales which will strengthen its financial base.

Strategic Agreements

Exelon has entered in to several agreements in the recent past. For instance in November 2016, Exelon

entered into an enterprise-wide software agreement with Minds + Machines, GE (GE). This agreement will integrate and deploy GE's entire suite of Predix software applications across Exelon Generation's fleet of nuclear, hydroelectric, wind, solar and natural gas facilities. The digital technology is being used to improve power plant reliability and performance. The software agreement is part of Exelon's broader strategy to partner with technology companies, top universities, national labs, government agencies and venture capitalists to unleash new technologies that have the potential to transform the industry and provide greater benefits to consumers. Both companies also announced a collaboration to co-develop, test and build next-generation software as a service (SaaS) applications built on the Predix platform for future market opportunities. This agreement allows for enhanced collaboration between GE and Exelon to develop solutions to complex industry challenges and accelerate the adoption of new, digital technologies across the company's industry.

Also in October 2016, The U.S. Department of Energy's (DOE's) Argonne National Laboratory and Exelon have formed a five-year cooperative research and development agreement focused on identifying new technology and systems that will advance clean energy and contribute to the development of a next-generation energy grid. The agreement with Argonne is part of Exelon's companywide effort to team with government and industry associations, national labs, top universities, technology companies and venture capital firms to explore emerging technology that has the potential to form new businesses and transform the industry. The agreement combines Exelon's market knowledge with Argonne's broad research and expertise in all phases of energy production and delivery. This partnership demonstrates Exelon commitment to be a key contributor to the regional innovation ecosystem.

The above transactions allow the company to leverage its combined strengths and talents to deliver world-class services to its customers.

Planned Joint Venture with JAPC

Exelon's subsidiary Exelon Generation is partnering with the Japan Atomic Power Company (JAPC) to establish a joint venture company, JExel Nuclear, to leverage Exelon's expertise in operational excellence and safety among international operators using Japanese reactor technologies. The joint venture company, planned in July 2017, will license and deploy the Exelon Nuclear Management Model (ENMM) in major nuclear power projects around the world. The first client for the joint venture is Horizon Nuclear Power, a Hitachi-owned company in the UK currently developing two advanced nuclear reactors at the Wylfa Newydd site in Wales.

JExel Nuclear will provide advisory, operating and maintenance management services to nuclear power plant developers and operators around the world utilizing Japanese reactor technologies. The new company will provide full implementation of the ENMM or work with project owners to customize the model to their requirements. JExel Nuclear is jointly controlled with 50% share by each company.

This joint venture is a significant business development opportunity to license Exelon nuclear operations expertise internationally alongside JAPC.

Threat

Adverse Effects of Restrictions on Resources and Price Fluctuations

The company's generation depends on nuclear fuel and fossil fuels to operate its generating facilities. Nuclear fuel is obtained predominantly through long-term uranium concentrate supply contracts, contracted conversion services, contracted enrichment services and contracted fuel fabrication services.

Moreover, coal, natural gas and oil are procured for generating plants through annual, short-term and spot-market purchases. The supply markets for nuclear fuel, coal, natural gas and oil are subject to price fluctuations, availability restrictions and counterparty default that may negatively affect the results of operations and cash flows for generation.

Depressed Demand Risk

The market price for electricity is also affected by changes in the demand for electricity and the available supply of electricity. Unfavorable economic conditions, milder than normal weather and the growth of energy efficiency and demand response programs can each depress demand. The result is that higher-cost generating resources do not run as frequently, putting downward pressure on electricity market prices. Growing energy efficiency and demand response initiatives have limited the demand for electricity in Exelon's markets. In addition, in some markets, the supply of electricity through wind or solar generation, when combined with other base-load generation such as nuclear, may often exceed demand during some hours of the day, resulting in loss of revenue for base-load generating plants.

Operational Risks

Operational risks include those risks inherent in running the nation's largest fleet of nuclear power reactors and large electric and gas distribution systems. The safe and effective operation of the nuclear facilities and the ability to effectively manage the associated decommissioning obligations as well as the ability to maintain the availability, reliability, and safety of its energy delivery systems are fundamental to Exelon's ability to protect and grow shareholder value. Additionally, the operating costs and the opinions of customers and regulators of ComEd, PECO, and BGE, are affected by those companies' ability to maintain the reliability and safety of their energy delivery systems.

Copyright of Exelon Corporation SWOT Analysis is the property of MarketLine, a Progressive Digital Media business and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.