

1st NAESB Annual Meeting

Hunt Valley, MD September 24-25, 2002

“The Energy Marketplace”

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Four Valuation Methods

- **Traditional Price-to-earnings (P/E)**
- **6-Factor Relative Valuation**
- **Dividend Discount Model**
- **M&A Takeover Analysis**

Four Valuation Methods

- **Traditional Price-to-earnings (P/E) Valuation**
 - Considers the P/E range in which the company has historically traded in relation to perceived future earnings growth prospects. Applied to current-or next-year EPS expectation for a near-term or longer-term investing horizon.

Four Valuation Methods

- **6-Factor Relative Valuation**

- A quantitative approach. This valuation implies a company's under-or over-valued position relative to its peer group (without regard for company-specific qualitative assessment). Applies peer group-based values on 6 fundamental financial metrics to a company's individual position. Metrics considered: price-to-earnings, price-to-cash flow, price-to-book value, yield, leverage and ROE.

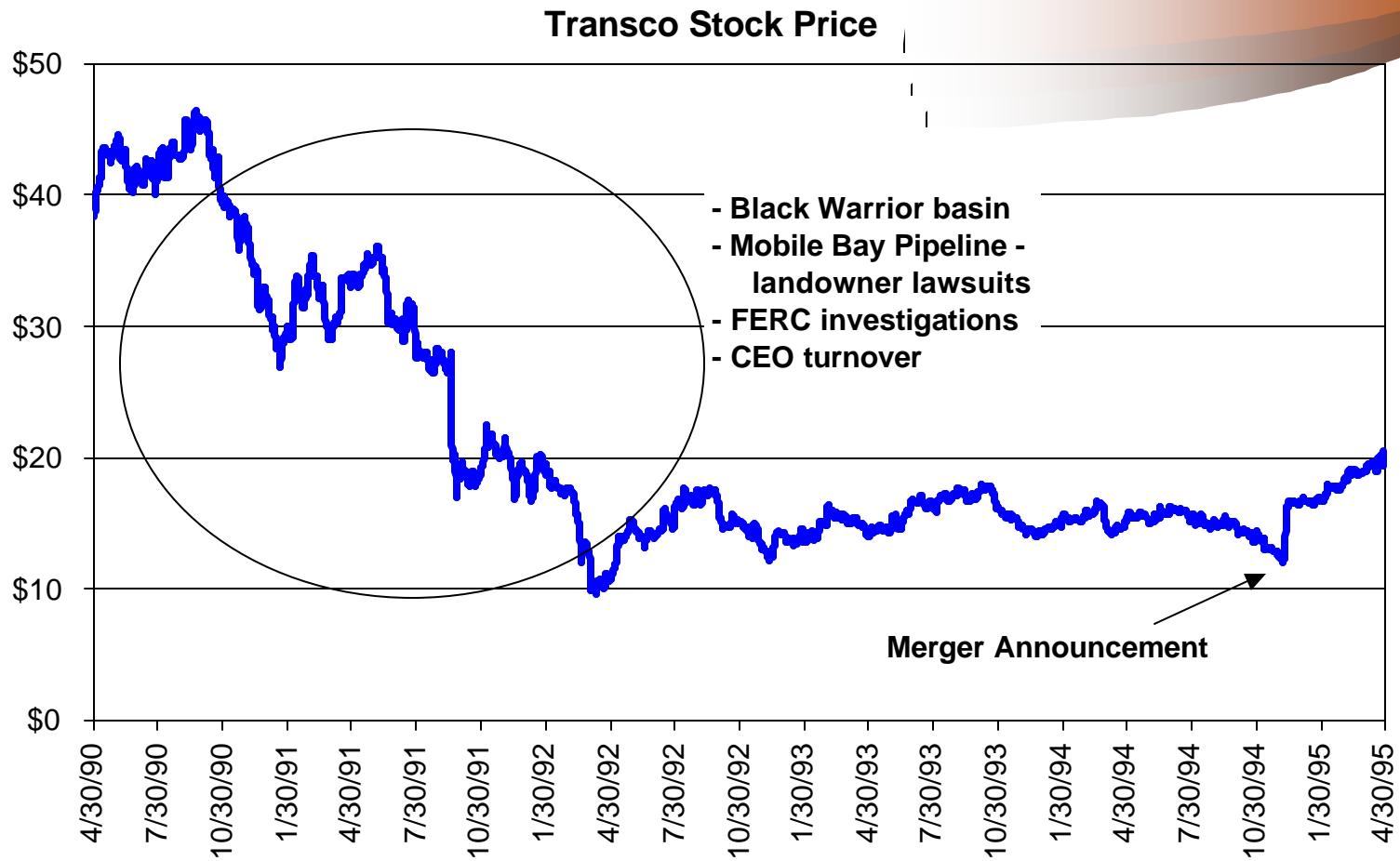
Four Valuation Methods

- **Dividend Discount Model**
 - Considers a company's value based on the estimated present value of a company's future dividend stream.

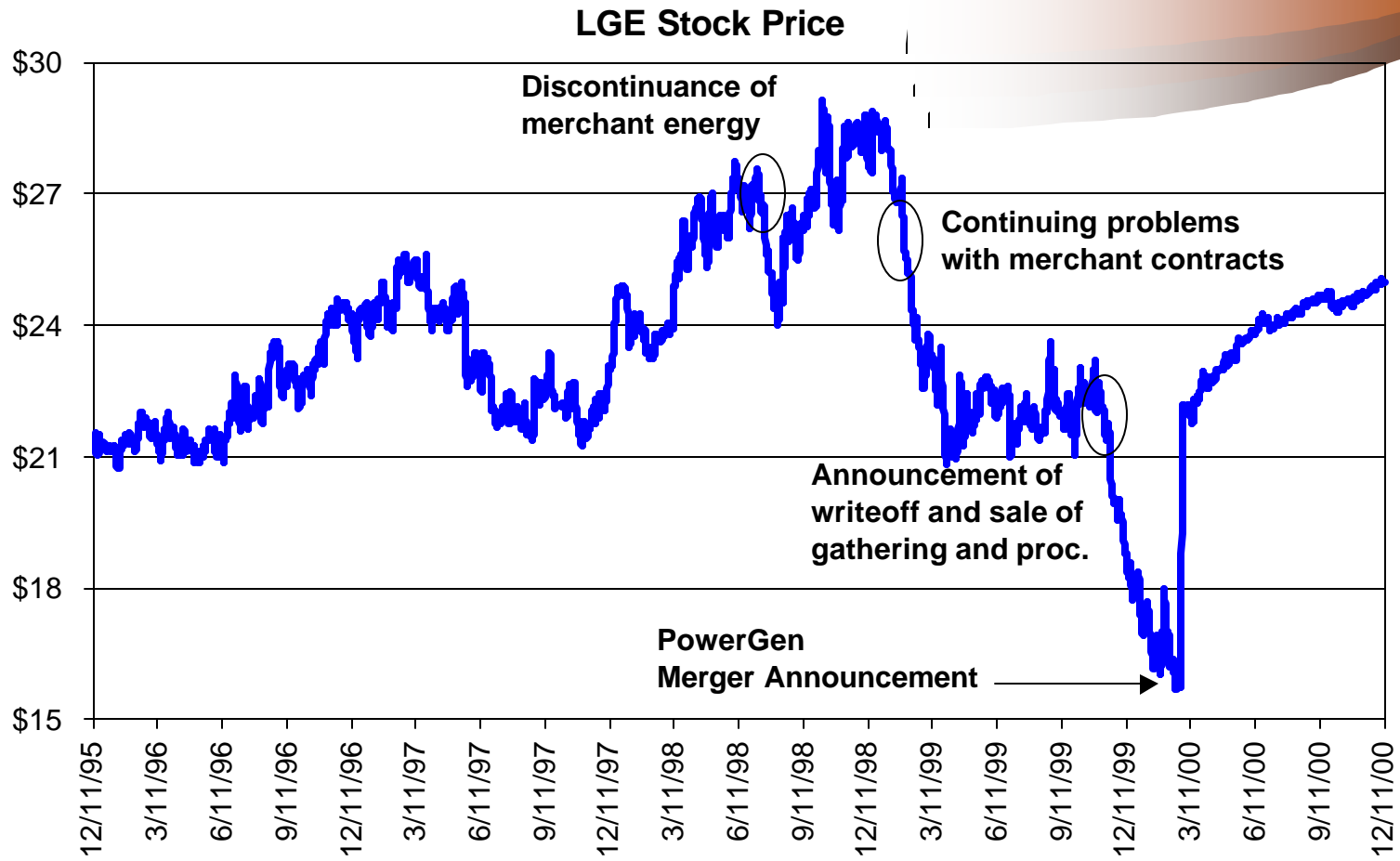
Four Valuation Methods

- **M&A Takeover Analysis**
 - Based on the premise that deregulation of gas/electricity markets will spur consolidation and convergence over time. Takeout values are based on historical multiples of EPS, CFPS, EBITDA and book value as well as stock premium.

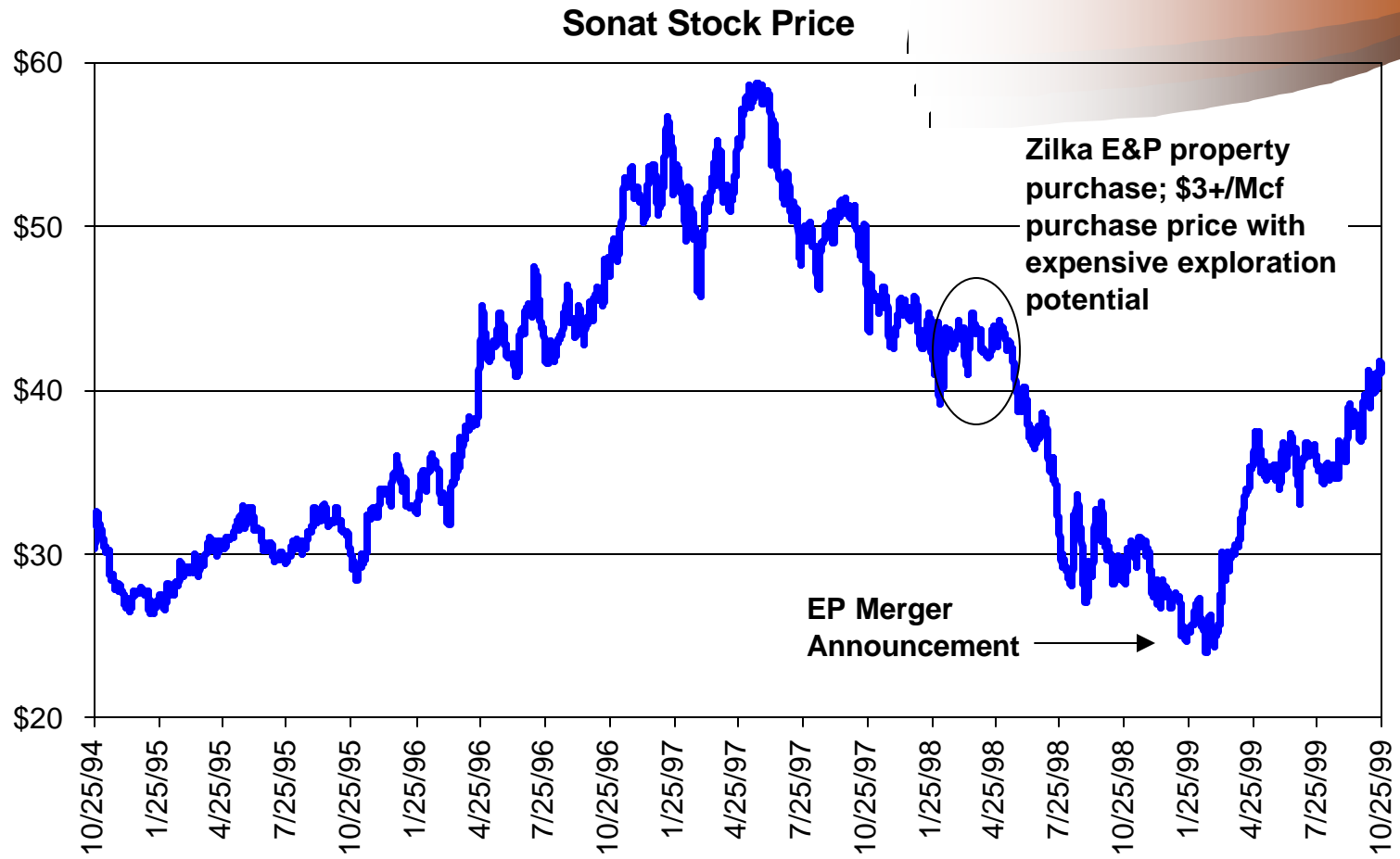
The "Don'ts"



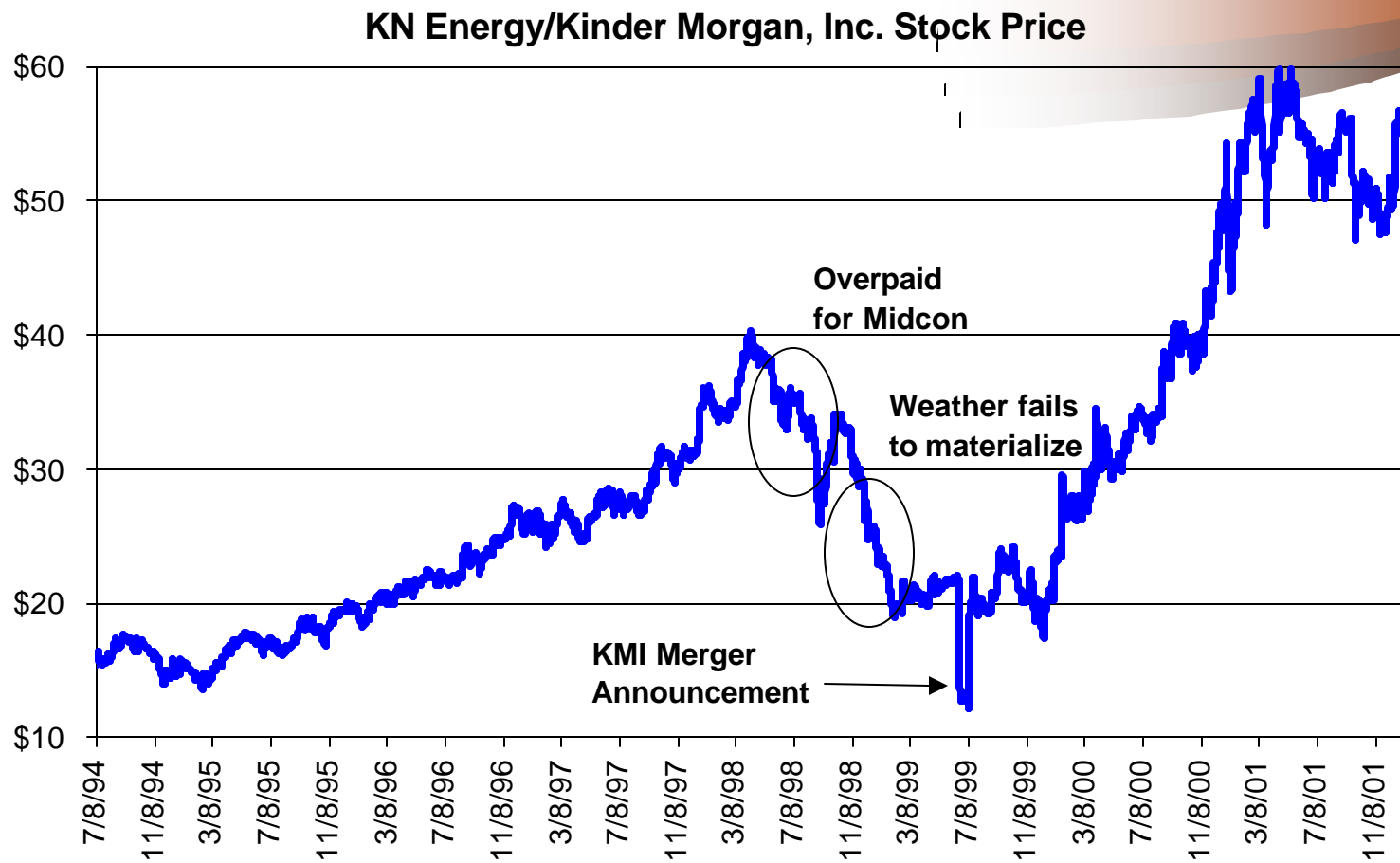
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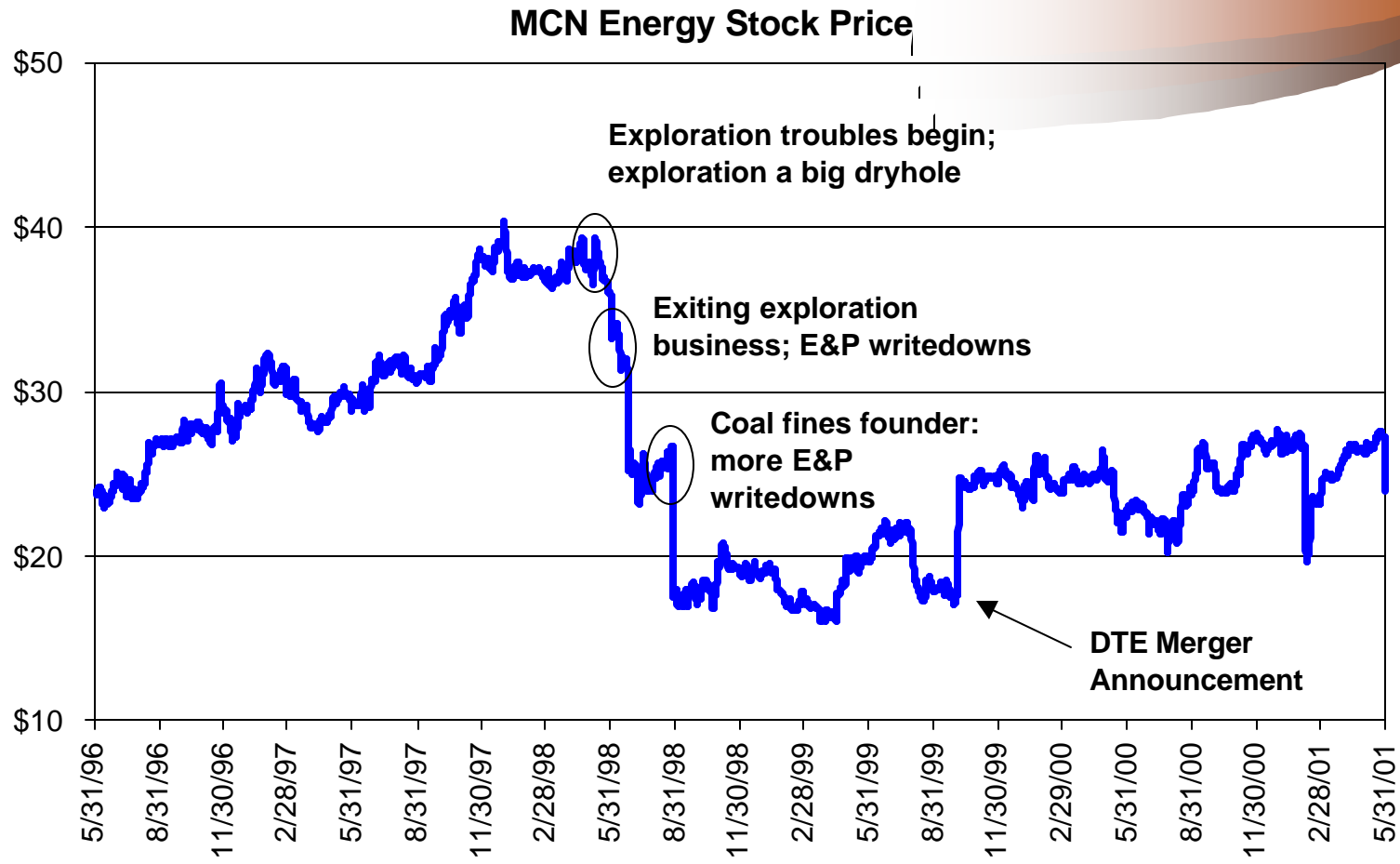
The "Don'ts"



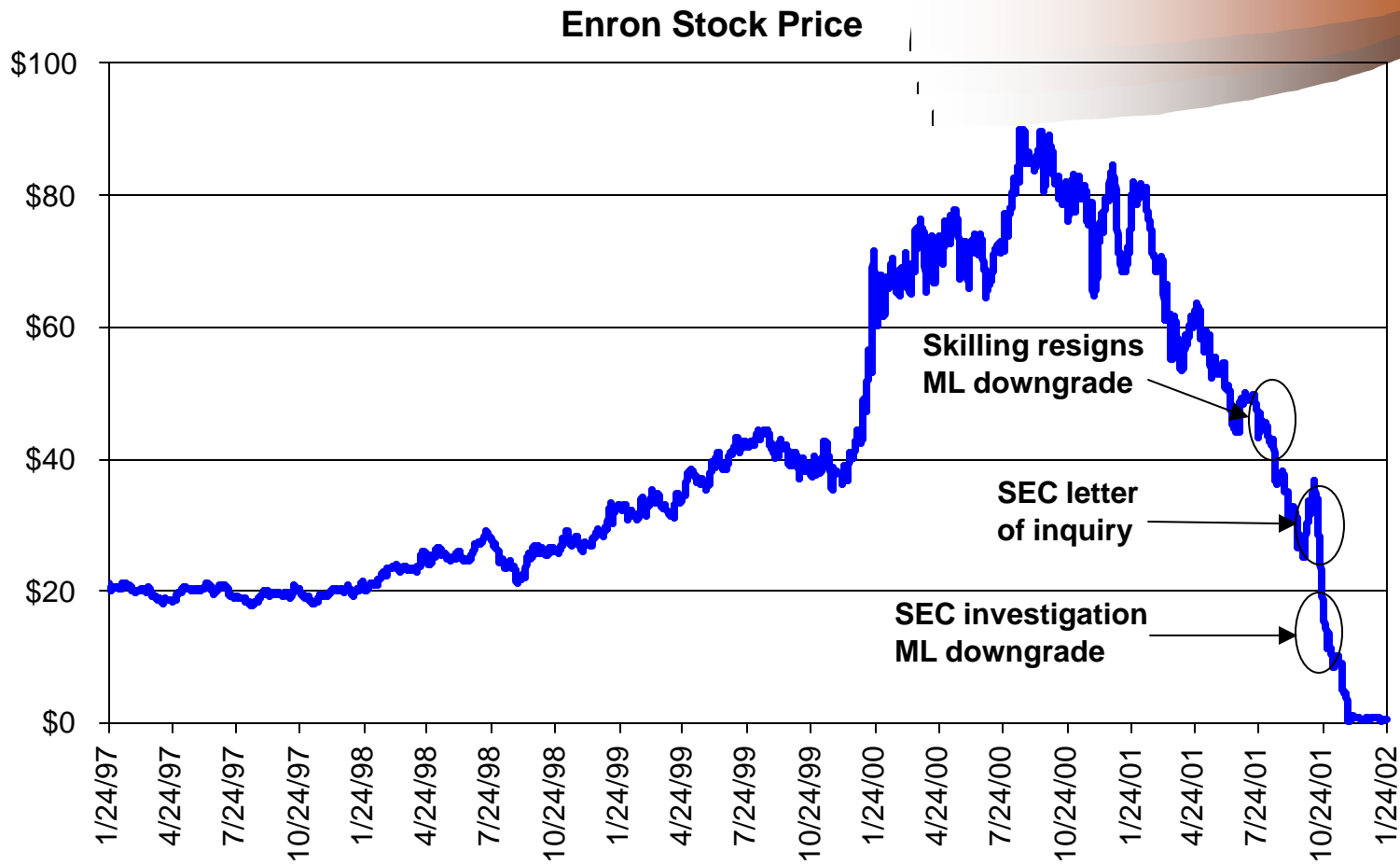
The "Don'ts"



The "Don'ts"



The "Don'ts"



The “Do’s”

- Invest wisely and FULLY disclose investment details
- With respect to disclosure -
“When in doubt put it out”
- With respect to accounting -
KISS: KEEP IT SIMPLE STUPID
- Make certain Co.'s stay within their core competencies & remain disciplined

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