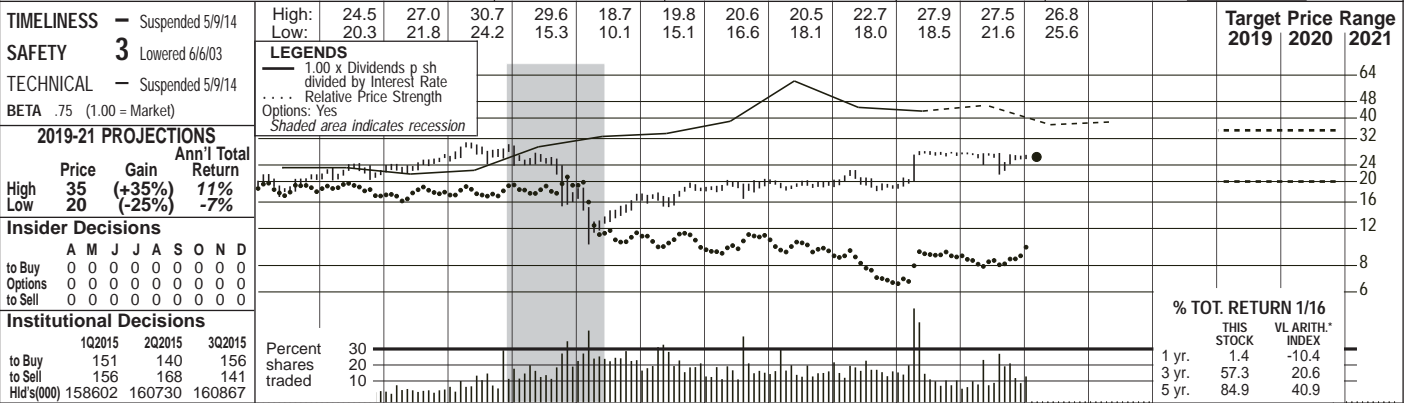


PEPCO HOLDINGS NYSE-POM

RECENT PRICE **26.20** P/E RATIO **23.4** (Trailing: 28.5 Median: 16.0) RELATIVE P/E RATIO **1.45** DIV'D YLD **4.1%** VALUE LINE



Pepco Holdings, Inc. (PHI) was formed on August 1, 2002, upon the merger of Potomac Electric Power Co. (PEPCO) and Conectiv. In the \$2.2 billion deal, PEPCO common stockholders received one common share in PHI for each of their shares, and Conectiv investors exchanged each of their common shares for \$25 worth of PHI stock and cash, prorated 50/50.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
Revenues per sh	43.57	46.71	48.88	41.66	31.27	26.02	22.09	18.64	19.49	19.70	20.85	22.25	Revenues per sh	26.15
"Cash Flow" per sh	3.47	3.30	3.55	2.82	2.97	3.00	3.21	3.01	3.16	3.35	3.40	3.50	"Cash Flow" per sh	4.30
Earnings per sh ^A	1.33	1.53	1.93	1.06	1.24	1.14	1.24	1.14	.96	1.05	1.15	1.22	Earnings per sh ^A	2.00
Div'd Decl'd per sh ^B	1.04	1.04	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	Div'd Decl'd per sh ^B	1.08
Cap'l Spending per sh	2.47	3.11	3.57	3.89	3.56	4.14	5.29	5.23	4.89	5.20	5.20	5.00	Cap'l Spending per sh	4.00
Book Value per sh ^C	18.82	20.04	19.14	19.15	18.79	19.06	19.33	17.24	17.27	18.10	18.45	18.60	Book Value per sh ^C	20.30
Common Shs Outst'g ^D	191.93	200.51	218.91	222.27	225.08	227.50	230.02	250.32	250.32	254.00	254.00	254.00	Common Shs Outst'g ^D	260.00
Avg Ann'l P/E Ratio	18.1	18.2	12.2	13.7	14.0	16.7	15.6	17.5	26.0	25.1	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	14.0
Relative P/E Ratio	.98	.97	.73	.91	.89	1.05	.99	.98	1.37	1.27			Relative P/E Ratio	.90
Avg Ann'l Div'd Yield	4.3%	3.7%	4.6%	7.4%	6.2%	5.7%	5.6%	5.4%	4.3%	4.1%			Avg Ann'l Div'd Yield	3.9%

CAPITAL STRUCTURE as of 9/30/15
 Total Debt \$6467 mill. Due in 5 Yrs \$1196 mill.
 LT Debt \$5028 mill. LT Interest \$260 mill.
 (LT interest earned: 3.7x)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
Revenues (\$mill)	8362.9	9366.4	10700	9259.0	7039.0	5920.0	5081.0	4666.0	4878.0	5000	5650	5650	Revenues (\$mill)	6700
Net Profit (\$mill)	254.4	296.5	400.0	235.0	276.0	257.0	285.0	280.0	242.0	280	300	320	Net Profit (\$mill)	525
Income Tax Rate	39.1%	39.3%	29.6%	31.9%	18.8%	37.2%	35.4%	35.3%	36.3%	35.0%	35.0%	35.0%	Income Tax Rate	35.0%
AFUDC % to Net Profit	--	--	--	--	--	10.1%	7.4%	6.4%	8.3%	6.0%	5.0%	5.0%	AFUDC % to Net Profit	4.0%
Long-Term Debt Ratio	54.6%	54.1%	56.2%	53.8%	49.0%	49.1%	47.3%	48.4%	50.7%	51.0%	52.0%	52.5%	Long-Term Debt Ratio	53.0%
Common Equity Ratio	45.1%	45.9%	43.8%	46.2%	51.0%	50.9%	52.7%	51.6%	49.3%	49.5%	48.0%	47.5%	Common Equity Ratio	47.0%
Total Capital (\$mill)	8004.0	8753.0	9568.0	9203.0	8292.0	8516.0	8432.0	8368.0	8763.0	9505	9875	9900	Total Capital (\$mill)	11215
Net Plant (\$mill)	7576.6	7876.7	8314.0	8863.0	7673.0	8220.0	8846.0	9704.0	10506	10000	10500	10700	Net Plant (\$mill)	12000
Return on Total Cap'l	5.1%	5.1%	5.8%	4.5%	5.1%	4.5%	4.9%	4.9%	4.2%	5.0%	5.0%	5.5%	Return on Total Cap'l	6.0%
Return on Shr. Equity	7.0%	7.4%	9.5%	5.5%	6.5%	5.9%	6.4%	6.5%	5.6%	8.0%	8.0%	8.0%	Return on Shr. Equity	10.0%
Return on Com Equity ^E	7.0%	7.4%	9.5%	5.5%	6.5%	5.9%	6.4%	6.5%	5.6%	8.0%	8.0%	8.0%	Return on Com Equity ^E	10.0%
Retained to Com Eq	1.5%	2.3%	4.2%	NMF	.8%	.3%	.8%	.2%	NMF	2.1%	2.3%	2.5%	Retained to Com Eq	4.5%
All Div'ds to Net Prof	78%	68%	56%	101%	87%	95%	87%	96%	112%	105%	94%	89%	All Div'ds to Net Prof	53%

BUSINESS: Pepco Holdings, Inc. consists mainly of three electric utility subsidiaries: Potomac Electric Power Co., serving Washington, D.C. and adjoining areas of Maryland; Delmarva Power, which serves the peninsula area of Delaware, Maryland and Virginia; and Atlantic City Electric, serving southern New Jersey. In July 2010, Pepco sold competitive energy business (Conectiv Energy) to Calpine Corp. Electricity customers: 1.8 million; gas customers: 125,000. Electricity breakdown: residential, 40%; commercial, 41%; other, 19%. 2014 depreciation rate: 2.5%. Has approximately 5,125 employees as of 12/31/14. Chrmn., Pres. & CEO: Joseph M. Rigby, Inc.: DE. Address: 701 Ninth Street, N.W., Wash., D.C. 20068. Telephone.: 202-872-2000. Internet: www.pepcoholdings.com.

March 4th may make or break for Pepco Holdings' acquisition by Exelon Corp. Indeed, Christopher Crane, the CEO of Exelon, said during a recent conference call with equity analysts that his company will walk away from its planned merger with Pepco if the District of Columbia Public Service Commission (DCPSC) doesn't issue a ruling on the deal by that date. The DCPSC had previously suggested that it would make a decision by March 4th only to backtrack later, saying that it was under no obligation to meet the deadline. For his part, Mr. Crane has said that, absent a March 4th ruling, Exelon will begin buying back the nearly 58 million shares that it issued to help fund the \$6.8 billion deal. This which would effectively end the 20-month courtship. That said, it is possible that CEO Crane was posturing a bit, given what's been a rather lengthy – and likely exhausting – merger review.

We still believe that a deal could get done. Underpinning our confidence is a belief that the long list of proposed merger concessions is sufficient enough to allay concerns that the marriage is not in the public interest. To that point, the two utilities have already said that they'll provide affordable rates for low-income households and invest further in clean, renewable energy. Chicago-based Exelon has also agreed to relocate a portion of the post-merger utility's headquarters to the DC area.

Our Timeliness rank for Pepco shares remains suspended due to the pending merger. At the recent quotation, the stock is trading approximately 4% below Exelon's \$27.25-a-share, all-cash takeover offer. That said, we still recommend that investors take profits here, given the odds – however slim – that the deal is blocked. Were that to happen, a reversion to Pepco's premerger announcement trading levels (of \$19 and change per share) is possible in our view, partly reflecting the unwinding of large arbitrage-related positions. It is also worth noting that, with its lackluster earnings record, Pepco hasn't increased its dividend in more than seven years. Accordingly, income-seeking investors should look elsewhere for utility industry exposure.

Nils C. Van Liew February 19, 2016

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	1178	1053	1344	1091	4666.0
2014	1330	1117	1313	1118	4878.0
2015	1371	1140	1362	1127	5000
2016	1350	1200	1550	1300	5400
2017	1410	1270	1610	1360	5650

Cal-endar	EARNINGS PER SHARE ^{AF}				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.24	.22	.44	.24	1.14
2014	.30	.21	.31	.14	.96
2015	.21	.21	.36	.27	1.05
2016	.23	.23	.39	.30	1.15
2017	.25	.25	.41	.31	1.22

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.27	.27	.27	.27	1.08
2013	.27	.27	.27	.27	1.08
2014	.27	.27	.27	.27	1.08
2015	.27	.27	.27	.27	1.08
2016	.27	.27	.27	.27	1.08

(A) Based on dil. shs. Excl. nonrecur. items: '05, 47c; '06, d1c; '08, 46c; '10, 62c; '13, 69c. Next eqs. rpt. due early March. (B) Div'ds paid in early March, June, Sep., and Dec. ■ Div'd reinvest. plan. (C) Incl. def'd chgs: '14, \$4.5 bill. or \$17.80/sh. (D) In mill. (E) Rate allowed in MD: 9.62% ('14-Pepco), 10.0% ('09-Delmarva); DC: 9.6% ('10-Pep.); DEL: 10.0% ('06-Del.); NJ: 9.75% ('14-ACE); Earned on '14 avg. com. eq., 5.6%. Reg. Clim.: Avg. (F) Qtrly eqs. may not add due to chng. in shs.

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Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	20
Earnings Predictability	70

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