CONSTELLATION ENERGY GROUP INC
Form 425
June 14, 2011

On June 15, 2011, Exelon began to use the following slides concerning the proposed merger in a series of meetings with investors:

Filed by Exelon Corporation
(Commission File No.
1-16169)
Pursuant to Rule
425 under the Securities Act of 1933
and deemed filed pursuant to Rule
14a-12 of the Securities Exchange Act of 1934
Subject Company: Constellation Energy Group, Inc.
(Commission File No.
1-12869)

Exelon and Constellation Energy Merger
Investor Meetings
June 2011

Cautionary Statements Regarding
Forward-Looking Information
Except
for
the
historical
information
contained
herein,
certain
of
the
matters
discussed

in this communication constitute forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, both as amended by the Private Securities Litigation Reform Act of 1995. Words such as may, will, anticipate, estimate, expect, project, intend, plan, believe, target, forecast, and words and terms of similar substance used in connection with any discussion of future plans, actions, or events identify forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding benefits of the proposed merger, integration plans and expected synergies, the expected timing of completion of the transaction, anticipated future financial and operating performance and results, including estimates for growth. These statements are based on the current expectations of management of Exelon Corporation (Exelon) and Constellation Energy Group, Inc. (Constellation), as applicable. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements included in this communication. For example, (1) the companies may be unable to obtain shareholder approvals required for the merger; (2) the companies may be unable to obtain regulatory approvals required for the merger, or required regulatory approvals may delay the merger or result in the imposition of conditions that could have a material adverse effect on the combined company or cause the companies to abandon the merger; (3) conditions to the closing of the merger may not be satisfied; (4) an unsolicited offer of another company to acquire assets or capital stock of Exelon or

Constellation could interfere with the merger; (5) problems may arise in successfully integrating the businesses of the companies, which may result in the combined company not operating as effectively and efficiently as expected; (6) the combined company may be unable to achieve cost-cutting synergies or it may take longer than

expected
to
achieve
those
synergies;
(7)
the
merger
may
involve
unexpected
costs,
unexpected
liabilities
or
unexpected
delays,
or
the
effects
of
purchase
accounting
may
be
different
from
the
companies
expectations;
(8)
the
credit
ratings
of
the
combined
company
or
its
subsidiaries
may
be
different
from
what
the
companies
expect;
(9)

the
businesses
of
the
companies
may
suffer
as
a
result
of
uncertainty
surrounding
the
merger;
1

Cautionary Statements Regarding

Forward-Looking Information (Continued)

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(10) the companies may not realize the values expected to be obtained for properties expected or required to be divested;
(11) the industry may be subject to future regulatory or legislative actions that could adversely affect the companies; and
(12) the companies may be adversely affected by other economic, business, and/or competitive factors. Other unknown or unpredictable factors could also have material adverse effects on future results, performance or achievements of the combined company. Discussions of some of these other important factors and assumptions are contained in Exelon s and Constellation respective filings with the Securities and Exchange Commission (SEC), and available at the SEC s website at www.sec.gov, including: (1) Exelon s 2010 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management s Discus Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: No (2) Exelon s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 in (a) Part II, Other Information, ITEM 1A. Risk Factors, (b) Part I, Financial Information, ITEM 2. Management s Discussion and Analysis of Financial Cond

Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 12; (3) Constellation s 2010 A Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management s Discussion and Analysis of Financial Condit Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 12; and (4) Constellation s Quart Report on Form 10-Q for the quarterly period ended March 31, 2011 in (a) Part II, Other Information, ITEM 5.Other Informati (b) Part I, Financial Information, ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Oper and (c) Part I, Financial Information, ITEM 1. Financial Statements: Notes to Consolidated Financial Statements, *Commitment* and Contingencies. These risks, as well as other risks associated with the proposed merger, will be more fully discuss joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 that Exelon will file with the SEC in connection with the proposed merger. In light of these risks, uncertainties, assumptions and factors, the forward-lookin events discussed in this communication may not occur. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this communication. Neither Exelon nor Constellation undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this communication.

Additional Information and Where to Find It
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This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Exelon intends to file with the SEC a registration statement on Form S-4 that will include a joint proxy statement/prospectus and other relevant documents to be mailed by Exelon and Constellation to their respective security holders in connection with the proposed merger of Exelon and Constellation. WE URGE INVESTORS AND SECURITY HOLDERS TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION about Exelon, Constellation and the proposed merger. Investors and security holders will be able to obtain these materials (when they are available) and other documents filed with the SEC free of charge at the SEC's website, www.sec.gov. In addition, a copy of the joint proxy statement/prospectus (when it becomes available) may be obtained free of charge from Exelon Corporation, Investor Relations, 10 South Dearborn Street, P.O. Box 805398, Chicago, Illinois 60680-5398, or from Constellation

Energy Group, Inc., Investor Relations, 100 Constellation Way, Suite 600C, Baltimore, MD 21202. Investors and security holders may also read and copy any reports, statements and other information filed by Exelon, or Constellation, with the SEC, at the SEC public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 or visit the SEC s website for further information on its public reference room.

Participants in the Merger Solicitation

Exelon, Constellation, and their respective directors, executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding Exelon s directors and executive officers is available in its proxy statement filed with the SEC by Exelon on March 24, 2011 in connection with its 2011 annual meeting of shareholders, and information regarding Constellation s directors and executive officers is available in its proxy statement filed with the SEC by Constellation on April 15, 2011 in connection with its 2011 annual meeting of shareholders. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

Creating Value Through a Strategic Merger

Delivers
financial
benefits
to
both
sets
of
shareholders

Increases
scale
and

scope
of
the
business
across
the
value
chain

Matches
the
industry s
premier
clean
merchant
generating
fleet
with
the
leading
retail
and
wholesale
customer
platform

Diversifies
the
generation
portfolio

Continued
upside
to
power
market
recovery

Maintains
a
strong
regulated
earnings
profile
with
large
urban
utilities
Combining
Exelon s

generation
fleet
and
Constellation s
customer-facing
businesses
creates
a
strong
platform
for
growth
and
delivers
benefits
to
investors
and
customers
4

$7 billion

$11 billion

11,980 (Total)

1,921 (Nuclear)

1.2 mil. (MD)

0.7 mil. (MD)

44 states & D.C.

(5)

~106 TWh/yr

15% Generation

50% Utility

35% NewEnergy

Combination Will Result in Enhanced Scale,
Scope, Flexibility and Financial Strength

(1) Market Value as of 6/1/11. Enterprise Value represents Market Value plus Net Debt as of 3/31/11.
(2) Data as of 12/31/10. Exelon data includes 720 MW for Wolf Hollow. Constellation data includes 2,950 MW for Boston G
(3) Net of physical market mitigation assumed to be 2,648 MW.
(4) TWh/yr represents 2011 booked electric sales. Exelon load includes ComEd swap.
(5) Competitive and wholesale business also active in Alberta, British Columbia and Ontario, Canada.
(6)
Exelon
EBITDA
estimates
per
equity
research.
Constellation
EBITDA
estimates
per
company
guidance.

Market Value and
Enterprise
Value
(1)
Pro forma
Standalone
Owned
Generation
(in MW)
(2)
Regulated
Utilities
Competitive
Retail &
Wholesale
(4)
Business
Mix
(6)

$28 billion

$41 billion

26,339 (Total)

17,047 (Nuclear)
Electric customers

5.4 mil. (IL, PA)
Gas customers

0.5 mil. (PA)

4 states

~59
TWh/yr
2012E EBITDA

51% Generation

49% Utilities

$35 billion

$52 billion

44 states & D.C.
(5)

~165
TWh energy sales

Expect >50% pro forma EBITDA
from competitive business

35,671 (Total)
(3)

18,968 (Nuclear)

6.6 million electric & gas customers
in IL, PA and MD
5

Transaction Overview

100% stock
0.930 shares of EXC for each share of CEG

Upfront
transaction
premium
of
18.1%
(1)

$2.10 per share Exelon dividend maintained

Expect to close in early 1Q 2012

Exelon and Constellation shareholder approvals in 3Q 2011

Regulatory approvals including FERC, DOJ, MD, NY, TX

Executive Chairman: Mayo Shattuck

President and CEO: Chris Crane

Board of Directors: 16 total (12 from Exelon, 4 from Constellation)

Exelon Corporation

78% Exelon shareholders

22% Constellation shareholders

Corporate headquarters: Chicago, IL

Constellation headquarters: Baltimore, MD

No
change
to
utilities
headquarters

Significant employee presence maintained in IL, PA and MD
Company Name
Consideration
Pro Forma
Ownership
Headquarters
Governance
Approvals &
Timing
(1) Based on the 30-day average Exelon and Constellation closing stock prices as of April 27, 2011.
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Exelon Transaction Rationale

Increases
geographic
diversity
of
generation,
load
and
customers
in
competitive
markets
This transaction meets all of our M&A criteria and can be executed

Shared
Commitment to
Competitive
Markets
Enhances
Scalable Growth
Platform
Creates
Shareholder
Value

Expands a valuable channel to market our generation

Enhances margins in the competitive portfolio

Diversifies portfolio across the value chain

EPS break-even in 2012 and accretive by >5% in 2013

Maintains strong credit profile and financial discipline

Maintains earnings upside to future environmental regulations and power market recovery

Adds stability to earnings and cash flow
7

Adds mix of clean generation to the portfolio
Clean
Generation Fleet

Constellation Transaction Rationale

Upfront premium of 18.1%
(1)

Dividend
accretion
of
103%
post-closing

Enhances
upside
to

power
market
recovery
and
synergies
The
transaction
creates
financial
and
strategic
value
that
is
consistent
with
Constellation s
existing
strategy
Creates
Shareholder
Value

Creates
balance
sheet
capacity
to
pursue
growth
opportunities
throughout
the
competitive
portfolio

Reduces
cost
of
capital
Balance Sheet
Strength
Complementary
Portfolios

Advances
strategy
of
matching
load

with
physical
generation
in
key
competitive
markets

Lowers
collateral
costs
of
competitive
businesses
8
(1) Based on the 30-day average Exelon and Constellation closing stock prices as of April 27, 2011.

This Combination Is Good for Maryland

Maintains employee presence and platform for growth in Maryland

Exelon s Power Team will be combined with Constellation s wholesale and retail business under the Constellation brand and will be headquartered in Baltimore

Constellation and Exelon s renewable energy business headquartered in Baltimore

BGE maintains independent operations headquartered in Baltimore

No involuntary merger-related job reductions at BGE for two years after close

Supports Maryland s economic development and clean energy infrastructure

$10 million to spur development of electric vehicle infrastructure

$4 million to support EmPower Maryland Energy Efficiency Act

25 MWs of renewable energy development in Maryland

Charitable contributions maintained for at least 10 years

Provides direct benefits to BGE customers

$5 million provided for Maryland s
Electric Universal Service Program (EUSP)

Over $110 million to BGE residential customers from $100 one-time rate credit
We will bring direct benefits to the State of Maryland, the City
of Baltimore and
BGE customers. Total investment in excess of $250 million.
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Transaction Timetable
2Q 2011
3Q 2011
4Q 2011
1Q 2012
Merger
Announcement
Make Regulatory
Filings
Mail Proxy
Materials
Exelon and
Constellation
Shareholder

Meetings
Secure Regulatory Approvals (including FERC, DOJ, Maryland, NRC,
New York and Texas)
Divestiture
Process
10

Status of Merger Approvals (as of 5/31/11)
11
Stakeholder
Status of Key Milestones
Filed
Approved
Shareholder

Plan to file S-4 Registration Statement June 2011

Shareholder approval: 3Q 2011
Department of Justice
(DOJ)

Submitted Hart-Scott-Rodino filing on May 31, 2011 for review under U.S. antitrust laws
Federal Energy Regulatory Commission (FERC)

Filed merger approval application and related filings on May 20, 2011, which assesses market power-related issues
Nuclear Regulatory Commission

Filed for indirect transfer of Constellation Energy licenses on May 12, 2011
Maryland

Filed for approval with the Maryland Public Service Commission on May 25, 2011
New York

Filed for approval with the New York State Public Service Commission on May 17, 2011
Texas

Filed for approval with the Public Utility Commission of Texas on May 17, 2011

Transaction Economics Are Attractive for
Both Companies

Refined synergy run-rate and costs to achieve estimates due to greater accessibility and availability of data post-merger announcement

Higher net O&M savings over 5 years of ~$50 million

Updated synergy run-rate of ~$310 million/year

Additional synergies primarily from corporate and commercial consolidation

Total costs to achieve of ~$650 million

Incremental costs to achieve attributable to
employee related costs and transaction costs
12
Financial Metrics

EPS break-even in 2012 and accretive by >5% in 2013

Free cash flow accretive beginning in 2012

Lower consolidated liquidity requirements, resulting in cost savings

Investment-grade ratings and credit metrics
Synergies

5.8
0.5
9.1
Exelon
Constellation
23.2
27.8
MISO (TWh)
PJM (TWh)
South
(1)
(TWh)
ISO-NE & NY ISO
(2)

(TWh)
West (TWh)
Load
Generation
31.8
42.8
147.3
58.7
Exelon
Constellation
4.8
27.1
9.1
Exelon
Constellation
Exelon
Constellation
2.4
0.4
0.4
Exelon
Constellation
Load
Generation
Generation
Load
Load
Generation
Load
Generation
6.3
9.1
101.5
179.1
27.8
23.2
27.1
13.9
2.4
0.8
Portfolio Matches Generation with Load in
Key Competitive Markets
The combination establishes an industry-leading platform with regional
diversification of the generation fleet
(1)
Represents load and generation in ERCOT, SERC and SPP.
(2)
Constellation load includes ~0.7TWh of load served in Ontario
Note: Data for Exelon and Constellation represents expected generation and load for 2011 as of 12/31/10.
Exelon load includes ComEd Swap, load sold through affiliates, fixed and indexed load sales and load sold through POLR auc

Constellation load includes load sold through affiliates, fixed and indexed load sales and load sold through POLR auctions.
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A Clean Generation Profile Creates Long-Term
Value in Competitive Markets
(1)
Exelon
generation
includes
Wolf
Hollow
acquisition
(720
MW
of
natural
gas).

Constellation
generation
includes
Boston
Generation
acquisition
(2,950
MW
of
natural
gas).
Constellation
nuclear
reflects
50.01%
interest
in
Constellation
Energy
Nuclear
Group
LLC.
(2)
Net
of
physical
market
mitigation
assumed
to
be
2,648
MW.
Exelon Standalone
(1)
Total Generation: 26,339 MW
Constellation Standalone
(1)
Total Generation: 11,980 MW
Pro forma Company (Net of Mitigation)
(2)
Total Generation: 35,671 MW
14
Coal
5%
Oil
7%
Gas
13%
Hydro

7%
Wind/Solar/Other
3%
Nuclear
65%
Coal
23%
Nuclear
16%
Gas
54%
Wind/Solar/Other
2%
Hydro
2%
Oil
3%
Nuclear
53%
Coal
6%
Oil
6%
Gas
27%
Hydro
5%
Wind/Solar/
Other
3%
Combined company remains the premier low-cost generator

16%
34%
41%
9%
RTO
EMAAC
MAAC
SWMAAC
8%
15%
15%
63%
EMAAC
MAAC

RTO
SWMAAC
42%
7%
51%
RTO
MAAC
EMAAC
Increased Regional Diversity in PJM:
Capacity
Eligible
for
2014/15
RPM
Auction
(1)
2014/15
RPM
auction
results
were
announced
on
May
13
th
,
2011
Pro forma Company
4,390 MW
2,535 MW
9,230 MW
11,345 MW
Exelon Standalone
Constellation Standalone
(1)
All generation values are approximate and not inclusive of wholesale transactions; all capacity values are in installed capacity terms (summer ratings) located in the areas and adjusted for mid-year PPA roll-offs.
8,700 MW
10,300 MW
1,500 MW
1,035 MW
4,390 MW
15
1,045 MW
530 MW

173
467
70
75
379
41
15
20
550
550
867
825
552
260

415
516
1,340
550
500
800
702
600
550
0
200
400
600
800
1,000
1,200
1,400
1,600
1,800
2012
2013
2014
2015
2016
2017
2018
2019
2020
(in $M)
Constellation Regulated
Constellation Unregulated
Exelon Regulated
Exelon Unregulated
Ample Liquidity and Manageable
Debt Maturities
Sources of Liquidity
Debt
Maturity
Profile
(2012-2020)
(2)

Exelon & Constellation (excluding utilities)
currently have $10.3 billion of liquidity

Additional $2.2 billion of utility liquidity

Matching retail load and generation
reduces liquidity requirements for
combined company

$6.3B -
$7.3 billion
(1)
of liquidity provides
ample cushion
16
(in $B)
(1)
Based on preliminary analysis.
(2)
Debt maturity schedule as of 3/31/11, not including fair value swaps at Constellation Unregulated. Constellation Regulated deb
transition
bond
payments
from
2012

2017.
(1)
~75% of 2012
2016 debt
maturities consist of
regulated utility debt
$6.1
$6.3 - $7.3
$3 - $4
$4.2
Existing liquidity
(ex-utilities)
Reduction in
existing liquidity
Pro forma liquidity
Constellation
Exelon
Pro forma