

Edgar Filing: CONSTELLATION ENERGY GROUP INC - Form 425

CONSTELLATION ENERGY GROUP INC

Form 425

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Pursuant to Rule 425 under the Securities Act of 1933

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Subject Company: Constellation Energy Group, Inc.

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On June 1, 2011, Exelon began to use the following slides concerning the proposed merger and other information in a series of meetings with investors:

Exelon and Constellation Energy Merger
Investor Meetings
June 2011

Cautionary Statements Regarding
Forward-Looking Information

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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, and 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

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;

Cautionary Statements Regarding
Forward-Looking Information

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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's 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 Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 18; (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 Condition and Results of Operations and (c) Part I, Financial Information, ITEM 8. Financial Statements and Supplementary Data: Note 18.

ITEM 1. Financial Statements: Note 12; (3) Constellation's 2010 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 12; and (4) Constellation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 in (a) Part II, Other Information, ITEM 5. Other Information, (b) Part I, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements and Notes to Consolidated Financial Statements, *Commitments and Contingencies*. These risks, as well as other risks associated with the proposed merger, will be more fully discussed in the 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-looking 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.

(Continued)

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

27

\$7 billion

\$11 billion

11,430 (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 4/27/11. Enterprise Value represents Market Value plus Net Debt as of 3/31/11 for Exelon and 12/31/11 for Constellation.

(2) Data

as

of

12/31/10.

Exelon

data

includes

720

MW

for

Wolf

Hollow

assets.

Constellation

data

includes

2,950

MW

for

Boston

Generation

assets

and

excludes

550

MW

for

Quail

Run.

(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)

\$27 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

\$34 billion

\$52 billion

44 states & D.C.

(5)

~165

TWh energy sales

Expect >50% pro forma EBITDA
from competitive business

35,121 (Total)

(3)

18,968 (Nuclear)

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

28

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

30

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

31

(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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2Q 2011
3Q 2011
4Q 2011
1Q 2012
Merger
Announcement
Make Regulatory
Filings
Mail Proxy
Materials
Exelon and
Constellation
Shareholder

Meetings

Transaction Close

Divestiture

Process

Transaction Timetable

33

Secure Regulatory Approvals (including FERC, DOJ, Maryland, NRC,
New York and Texas)

Status of Merger Approvals (as of 5/31/11)

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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

35

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

Other

~ 20%

Corporate &

Commercial

Consolidation

~ 80%

A Clean Generation Profile Creates Long-Term

Value in Competitive Markets

(1) Net of physical market mitigation assumed to be 2,648 MW.

(2)

Exelon generation includes Wolf Hollow acquisition (720 MW of natural gas). Constellation generation includes Boston Generation Station (1,000 MW of natural gas).

of

natural

gas)

and

excludes

Quail

Run

(~550

MW

of
 natural
 gas).
 Constellation
 nuclear
 reflects
 50.01%
 interest
 in
 Constellation
 Energy
 Nuclear
 Group
 LLC.
 36
 Exelon Standalone
 Total Generation: 26,339 MW
 Constellation Standalone
 (2)
 Total Generation: 11,430 MW
 Pro forma Company (Net of Mitigation)
 (1)
 Total Generation: 35,121 MW
 Combined company remains the premier low-cost generator
 Coal
 5%
 Oil
 7%
 Gas
 13%
 Hydro
 7%
 Wind/Solar/Other
 3%
 Nuclear
 65%
 Coal
 24%
 Nuclear
 17%
 Oil
 3%
 Gas
 52%
 3%
 Wind/Solar/Other
 2%
 Hydro
 Nuclear
 54%

Coal
6%
Oil
6%
Gas
25%
Hydro
6%
Wind/Solar/
Other
3%

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

(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.

4,390 MW

37

Pro forma Company

4,390 MW

2,535 MW

9,230 MW

11,345 MW

Exelon Standalone

Constellation Standalone

8,700 MW

10,300 MW

1,500 MW

1,035 MW

1,045 MW

530 MW

42%

7%

51%

8%

15%

15%

63%

16%

34%

41%

9%

RTO

MAAC

EMAAC

EMAAC

MAAC

RTO

SWMAAC

RTO

EMAAC

MAAC

SWMAAC

225
400
520
119
20
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

38

(1)

Based on preliminary analysis.

(2)

Debt

maturity

schedule

as

of

12/31/10,

except

for

make

whole

of

Constellation

Energy

2012

notes

in

January,

2011.

~75% of 2012

2016 debt

maturities consist of

regulated utility debt

(in \$B)

(1)

Constellation

\$4.2

Exelon

\$6.1

\$3

-

\$4

Pro forma

\$6.3

-

\$7.3

Existing liquidity

(ex-utilities)

Reduction in

existing liquidity

Pro forma liquidity