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Ameren Corp.

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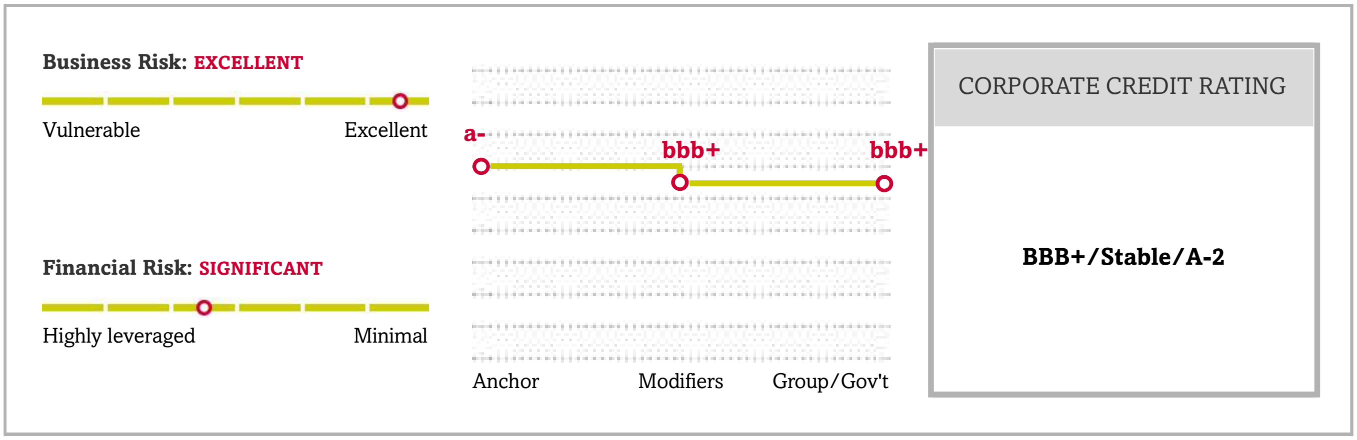
Ameren Corp.



Rationale

Business Risk: Excellent

- Corporate strategy based on being the sole provider of essential services.
- Fully rate-regulated lower-risk electric and gas utility businesses.
- 2.4 million electric customers and about 900,000 natural gas distribution customers in Illinois and Missouri.
- Higher operational risk of a single nuclear generating plant.

Financial Risk: Significant

- Aggressive capital spending at higher than historical levels.
- Supportive cost recovery of greater capital spending.
- Cash flow to debt measures toward the higher end of the "significant" financial risk profile.
- Base case dividend payout ratio of at least 60%.
- Discretionary cash flow expected to remain negative indicating external funding needs.

Outlook: Stable

The stable rating outlook on utility holding company Ameren Corp. reflects our base-case forecast level of the company's adjusted funds from operations (FFO) to debt of about 22% over the next two years. Fundamental to our forecast is our expectation that the company will continue to manage its regulatory risk, enabling some of the regulated companies to earn their allowed return on equity. We also expect that the company will disproportionately invest in lower-risk rate-regulated electric transmission assets that will gradually strengthen the company's business risk profile.

Downside scenario

We could lower the ratings over the next two years if the company's ability to manage its regulatory risk weakens or if its financial performance unexpectedly deteriorates such that the core financial ratio of FFO to debt consistently falls below 13%. This could occur if rate case outcomes are consistently weaker than expected, regulatory lag increases, or if there is a material increase to capital spending that is primarily funded with debt.

Upside scenario

We could raise the ratings over the next two years if the company's business risk profile improves such that the regulatory lag consistently diminishes and that the economic growth in the company's service territory strengthens. We could also raise the ratings if the company's financial measures improve above our base forecast, such that the core financial ratio of FFO to debt consistently exceeds 23%. This could occur when the company completes its large capital projects while also effectively managing costs.

Standard & Poor's Base-Case Scenario

Assumptions

- Mid-single-digit gross margin growth through 2017.
- Capital spending between $1.7 billion and about $2 billion per year through 2017.
- All debt maturities are refinanced
- Discretionary cash flow that is negative is debt financed.
- Dividends expected to be around $400 million per year.

Key Metrics

	2014A	2015E	2016E
FFO/debt (%)	23.5	20-22	20-22
Debt/EBITDA (x)	3.7	3.5-3.7	3.4-3.6
OCF/debt (%)	19.9	21-23	21-23

A—Actual. E—Estimated. FFO—Funds from operations. OCF—Operating cash flow.

Company Description

Ameren is a large U.S.-based diversified utility holding company. The company's regulated businesses distribute electricity and gas to about 3.3 million customers in Illinois through Ameren Illinois Co. and Missouri through Union

Electric Co. d/b/a Ameren Missouri.

Business Risk: Excellent

We assess Ameren's business risk profile as "excellent" based on what we view as "very low" industry risk of the regulated utility industry, the "very low" country risk of the U.S. where the utility operates, and the company's "strong" competitive position. Ameren's competition position incorporates its diverse customer base throughout Illinois and eastern Missouri of about 2.4 million electric customers and 900,000 natural gas distribution customers. Its business risk benefits from regulatory diversity that includes two state commissions and the Federal Energy Regulatory Commission (FERC), bolstered by the company's strategic decision to disproportionately invest in FERC-regulated electric transmission. Although regulatory frameworks have strengthened, regulatory lag exists and limits the company's ability to earn its authorized returns on equity. The company, however, has been able to continue providing relatively low-cost service. Credit quality continues to be weakened from owning a single nuclear generating plant, which we consider as increasing operating risk, and adherence to various environmental compliance rules largely affecting the company's coal-based generation.

S&P Base-Case Operating Scenario

- Ameren remains a regulated utility holding company.
- Economic conditions in the various service territories continue to improve, supporting higher load growth.
- Utility subsidiaries operate under regulatory terms that largely support credit quality and are generally constructive, which includes various authorized surcharge mechanisms.
- Construction projects completed on time and on budget.

Peer comparison

Table 1

Ameren Corp.--Peer Comparison				
Industry Sector: Combo				
	Ameren Corp.	**CMS Energy Corp.**	**WEC Energy Group Inc.**	**Great Plains Energy Inc.**
Rating as of Sept. 17, 2015	BBB+/Stable/A-2	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	6,239.7	6,619.0	4,587.5	2,441.5
EBITDA	2,104.8	1,941.0	1,586.9	1,013.5
Funds from operations (FFO)	1,707.1	1,386.1	1,287.9	756.3
Operating income	(429.1)	1,236.9	1,095.4	631.9
EBIT	(384.5)	1,238.2	1,183.6	634.4
Interest expense	481.6	540.1	286.1	260.8
Net income from cont. oper.	41.7	434.7	570.7	231.0
Working capital changes	(18.7)	(36.7)	13.0	12.3
Cash flow from operations	1,604.5	1,413.1	1,240.3	724.4

Table 1

Ameren Corp.--Peer Comparison (cont.)				
Capital expenditures	1,528.0	1,450.5	713.7	692.1
Free operating cash flow	76.5	(37.4)	526.6	32.3
Dividends paid	387.7	272.7	334.1	135.3
Discretionary cash flow	(311.2)	(310.1)	192.5	(103.1)
Cash and short-term investments	19.9	22.1	5.1	1.8
Debt	7,510.1	9,880.4	5,564.7	4,513.9
Equity	6,698.3	3,478.7	4,527.8	3,486.3
Debt and equity	14,208.4	13,359.1	10,092.5	8,000.2
Adjusted ratios				
Compound annual revenue growth (%)	(7.0)	3.4	3.7	3.5
EBITDA margin (%)	33.7	29.3	34.6	41.5
EBIT margin (%)	(6.2)	18.7	25.8	26.0
Return on capital (%)	(2.2)	8.6	9.6	7.1
EBITDA interest coverage (x)	4.4	3.6	5.5	3.9
EBITDA cash int. cov. (x)	5.3	5.1	6.2	4.9
FFO cash int. cov. (X)	5.5	5.0	6.2	4.9
CFO cash int. cov. (x)	4.0	3.7	4.9	3.5
Debt/EBITDA (x)	3.6	5.1	3.5	4.5
FFO/debt (%)	22.7	14.0	23.1	16.8
Cash flow from operations/debt (%)	21.4	14.3	22.3	16.0
Free operating cash flow/debt (%)	1.0	(0.4)	9.5	0.7
Discretionary cash flow/debt (%)	(4.1)	(3.1)	3.5	(2.3)
Total debt/debt plus equity (%)	52.9	74.0	55.1	56.4

Financial Risk: Significant

We assess Ameren's financial risk profile as "significant" based on our medial volatility financial ratio benchmarks. This takes into consideration our expectation that financial measures will remain roughly at current levels after reflecting the company's capital spending and distributions. Our baseline forecast over the next three years includes adjusted FFO to debt ranging from 20% to 22%, above the midpoint of the significant category. Over the same period, our supplemental ratio of operating cash flow (OCF) to debt ranges from 21% to 23%, near the bottom of the intermediate category. This supports the "significant" determination for the financial risk profile. Total adjusted debt to EBITDA averages 3.6x over the next few years, near the top of the "significant" financial risk profile benchmark range. Discretionary cash flow continues to have an annual deficit from about $240 million to $400 million through 2017, indicating external funding needs.

S&P Base-Case Cash Flow And Capital Structure Scenario

- Ameren's cash flow ratios will remain consistent with the significant financial risk profile, including FFO to debt averaging from 20% to 22% through 2017, bolstered by the supplemental ratio of OCF to total debt that will range from about 21% to about 23%.
- Annual capital spending to range between $1.7 billion and $2 billion over the next few years.
- Cash flow, after capital spending, will trend from negative to positive through 2017.
- Annual dividends expected similar to historical levels at roughly $400 million through 2017.
- Discretionary cash flow after capital spending and dividends expected to be negative through 2017, requiring external funding needs
- Debt leverage as indicated by debt to EBITDA expected to average 3.6x over the next few years.

Financial summary

Table 2

Ameren Corp.--Financial Summary

Industry Sector: Combo

	--Fiscal year ended Dec. 31--				
	2014	**2013**	**2012**	**2011**	**2010**
Rating history	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB-/Stable/A-3	BBB-/Positive/A-3	BBB-/Stable/A-3
(Mil. $)					
Revenues	6,053.0	5,838.0	6,828.0	7,531.0	7,638.0
EBITDA	2,068.5	1,979.5	2,266.5	2,261.5	2,392.0
Funds from operations (FFO)	1,793.5	1,638.0	1,689.9	1,721.8	1,831.9
Operating income	1,255.4	1,209.5	(3,752.3)	1,166.1	1,519.1
EBIT	1,312.4	1,252.5	(3,718.3)	1,212.1	1,576.1
Interest expense	402.0	465.6	577.2	585.6	583.1
Net income from continuing operations	587.0	512.0	(974.0)	519.0	139.0
Working capital changes	0.0	(114.0)	58.0	192.0	(44.0)
Cash flow from operations	1,520.5	1,637.0	1,655.9	1,880.8	1,820.9
Capital expenditures	1,859.0	1,424.0	1,301.0	1,062.0	1,121.0
Free operating cash flow	(338.5)	213.0	354.9	818.8	699.9
Dividends paid	387.0	391.0	385.0	378.0	372.0
Discretionary cash flow	(725.5)	(178.0)	(30.1)	440.8	327.9
Cash and short-term investments	0.0	7.5	52.3	63.8	136.3
Debt	7,636.5	6,925.8	7,967.9	8,119.0	8,415.4
Equity	6,784.0	6,615.0	6,696.0	7,997.0	7,813.0
Debt and equity	14,420.5	13,540.8	14,663.9	16,116.0	16,228.4
Adjusted ratios					
Annual revenue growth (%)	3.7	(14.5)	(9.3)	(1.4)	7.7
EBITDA margin (%)	34.2	33.9	33.2	30.0	31.3
EBIT margin(%)	21.7	21.5	(54.5)	16.1	20.6
Return on capital (%)	7.5	7.3	(20.1)	6.3	8.2

Table 2

Ameren Corp.--Financial Summary (cont.)					
EBITDA interest coverage (x)	5.1	4.3	3.9	3.9	4.1
EBITDA cash int. cov. (x)	6.2	5.0	4.9	4.7	4.8
FFO cash int. cov. (x)	6.6	5.4	4.9	4.8	4.9
CFO cash int. cov. (x)	4.6	4.2	3.6	3.9	3.7
Debt/EBITDA (x)	3.7	3.5	3.5	3.6	3.5
FFO/debt (%)	23.5	23.7	21.2	21.2	21.8
Cash flow from operations/debt (%)	19.9	23.6	20.8	23.2	21.6
Free operating cash flow/debt (%)	(4.4)	3.1	4.5	10.1	8.3
Discretionary cash flow/debt (%)	(9.5)	(2.6)	(0.4)	5.4	3.9
Debt/debt and equity (%)	53.0	51.1	54.3	50.4	51.9

Liquidity: Adequate

We consider Ameren's liquidity "adequate," as our criteria defines the term. The company's liquidity sources are likely to cover its uses by more than 1.1x in the next 12 months. We expect the company to meet cash outflows even if EBITDA declines by 10%.

Principal Liquidity Sources	Principal Liquidity Uses
• We estimate FFO of about $1.9 billion in 2015; and • An estimated $2.1 billion on credit facility availability in 2015.	• Capital spending of approximately $1.4 billion expected in 2015; • Working capital outflows of $150 million in 2015; • Debt maturities, including short-term debt issuances, of roughly $400 million in 2015; and • Dividends of about $400 million in 2015.

Debt maturities

As of year-end 2014:

- 2015: $120 mil.
- 2016: $395 mil.
- 2017: $681 mil.
- 2018: $840 mil.
- 2019: $581 mil.

Covenant Analysis

As of June 30, 2015, the company had adequate cushion as per the financial covenants of consolidated total debt to total capital of no more than 65% and FFO interest coverage of at least 2x.

Compliance Expectations	Requirements
• The company was in compliance as of June 30, 2015. • Single-digit EBITDA growth and elevated capital spending should still permit a cushion. • Although we believe the company will remain in compliance, covenant headroom could decrease without adequate cost recovery of capital investments or while making these investments, debt rises rapidly without adequate growth in equity.	• Current: no more than 65% and at least 2x. • As of year-end 2015: no more than 65% and at least 2x. • As of year-end 2016: no more than 65% and at least 2x.

Other Credit Considerations

The ratings also reflect the application of a one-notch negative adjustment for our comparable rating analysis. This reflects our expectations that the company's business risk profile will generally remain at the lower half of the excellent business risk profile due in part to a lag in cost recovery through the regulatory process, average profitability, and the company's operation of a single nuclear generating plant, which we consider as relatively higher-risk, increasing the company's operating risk as compared to peers.

Group Influence

Under our group rating methodology, we view Ameren as the parent of a group that includes Ameren Illinois and Union Electric d/b/a Ameren Missouri. Ameren's group credit profile is 'bbb+', leading to an issuer credit rating of 'BBB+'.

Ratings Score Snapshot

Corporate Credit Rating

BBB+/Stable/A-2

Business risk: Excellent

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Strong

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: a-

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Negative (-1 notch)

Stand-alone credit profile : bbb+

- **Group credit profile:** bbb+

Issue Ratings

We rate Ameren's senior unsecured debt one notch lower than the issuer credit rating because priority liabilities, including operating utility debt, exceed 20% of total assets. The short-term rating on Ameren is 'A-2' based on the issuer credit rating on the company and our assessment of its liquidity as at least adequate.

Reconciliation

Table 3

Reconciliation Of Ameren Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)

	--Fiscal year ended Dec. 31, 2014--							
Ameren Corp. reported amounts								
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**EBITDA**	**Cash flow from operations**	**Dividends paid**
Reported	6,954.0	6,855.0	1,999.0	1,254.0	341.0	1,999.0	1,557.0	390.0
Standard & Poor's adjustments								
Interest expense (reported)	--	--	--	--	--	(341.0)	--	--
Interest income (reported)	--	--	--	--	--	37.0	--	--
Current tax expense (reported)	--	--	--	--	--	74.0	--	--
Operating leases	70.0	--	13.5	5.4	5.4	8.1	8.1	--
Intermediate hybrids reported as equity	71.0	(71.0)	--	--	3.0	(3.0)	(3.0)	(3.0)
Postretirement benefit obligations/deferred compensation	461.5	--	(25.0)	(25.0)	31.5	(48.0)	(16.0)	--
Surplus cash	(5.0)	--	--	--	--	--	--	--
Share-based compensation expense	--	--	25.0	--	--	25.0	--	--
Asset retirement obligations	--	--	21.0	21.0	21.0	7.4	(11.7)	--
Non-operating income (expense)	--	--	--	57.0	--	--	--	--

Table 3

Reconciliation Of Ameren Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $) (cont.)								
US decommissioning fund contributions	--	--	--	--	--	--	(14.0)	--
Debt - Accrued interest not included in reported debt	85.0	--	--	--	--	--	--	--
EBITDA - Other income/(expense)	--	--	35.0	35.0	--	35.0	--	--
D&A - Other	--	--	--	(35.0)	--	--	--	--
Total adjustments	682.5	(71.0)	69.5	58.4	61.0	(205.5)	(36.5)	(3.0)
Standard & Poor's adjusted amounts								
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Dividends paid**
Adjusted	7,636.5	6,784.0	2,068.5	1,312.4	402.0	1,793.5	1,520.5	387.0

Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Business And Financial Risk Matrix						
	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	**a-**	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of September 18, 2015)	
Ameren Corp.	
Corporate Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB
Corporate Credit Ratings History	
04-Dec-2013	BBB+/Stable/A-2
14-Mar-2013	BBB/Watch Pos/A-2
03-Apr-2012	BBB-/Stable/A-3
22-Nov-2011	BBB-/Positive/A-3
Related Entities	
Ameren Illinois Co.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	BBB-
Senior Secured	A
Senior Secured	AA-/Stable
Senior Unsecured	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.