

# PEPCO HOLDINGS INC

NYSE: POM  
Industry: Electric Utilities

SABRIENT

**BUY**

RATING

## Stock Fundamentals as of September 8, 2009

Sabrient Rating	<b>Buy</b>
Ticker	<b>POM</b>
Market Cap Designation	<b>Mid-cap</b>
Market Capitalization (Billions)	<b>\$3.1</b>
Price	<b>\$13.93</b>
52-Week High/Low	<b>\$24.49/10.07</b>
EPS (TTM)	<b>\$1.23</b>
P/E Ratio (TTM)	<b>11.3</b>
Dividend Yield	<b>7.8%</b>
S&P 500 P/E Ratio	<b>30.4</b>
Price/Book Ratio	<b>0.7</b>
Price/Sales Ratio	<b>0.3</b>
30-Day Average Volume (Millions)	<b>2.5</b>
Beta	<b>0.55</b>
Current Ratio	<b>0.9</b>
Short Interest Ratio	<b>2.2</b>
Shares Outstanding (Millions)	<b>220.8</b>

### Sabrient Ratings

Sabrient's Buy/Hold/Sell ratings are based on a combination of dynamic filters that determine which attributes of a stock are most predictive in the prevailing market and which stocks best reflect those attributes but are not yet rewarded.

Sabrient starts with an "extraction" process that uses the best performing filters to identify stocks having certain compelling attributes currently sought by the market. Then, a composite scoring process uses a weighted average of several key scores to quantify the relative likelihood of upside or downside price action. As a result, the Buy/Hold/Sell rating may, in certain cases, seem inconsistent with a simple average of the scores cited in this analysis.

A BUY rating means the stock is expected to outperform its relevant benchmark substantially over the next 6 months. A SELL rating means the stock is expected to underperform its relevant benchmark substantially over the next 6 months. A HOLD rating means the stock is expected to perform in line with its relevant benchmark over the next 6 months.

If a stock is rated HOLD, the investor should review the stock's history of Sabrient ratings to see if it has recently changed to HOLD from BUY or SELL. If so, this indicates one of the following: (1) there has been a significant change in the stock's fundamentals, (2) the stock is already appropriately rewarded or punished by the market, or (3) there simply has been some recent price consolidation that warrants attention. A reading of Sabrient's analysis should identify which it is.

More about Sabrient on Page 4

### Sabrient's Market Cap Designations

Large Cap	> \$5.0 Billion
Mid Cap	\$1.0 - \$5.0 Billion
Small Cap	\$150 Million - \$1.0 Billion
Micro Cap	< \$150.0 Million

Report prepared on September 9, 2009 Page 1

Please see important disclaimer on page 5 of this report.

Copyright ©2009 Sabrient Systems LLC. All rights reserved.

## PEPCO HOLDINGS INC



## Company Profile

Pepco Holdings, Inc. operates as a diversified energy company. It operates in two businesses, Power Delivery and Competitive Energy. The Power Delivery business engages in the distribution, transmission, and supply of electricity; and the delivery and supply of natural gas.

**Earnings and Revenue Update:** For the quarter ended June 30, 2009, Pepco reported earnings of \$25.0 million or \$0.11 per share compared with \$45.0 million or \$0.21 per share for the prior quarter and \$15.0 million or \$0.07 per share for the same quarter one year ago. Revenues were \$2.1 billion for the quarter ended June 30, 2009 compared with \$2.5 billion for the prior quarter and \$2.6 billion for the same quarter one year ago. Last twelve months' earnings were \$1.23 per share compared with \$1.73 per share a year ago. Last twelve months' revenues were \$10.1 billion compared with \$10.4 billion a year ago.

## Sabrient Analysis

Sabrient rates POM a Buy for its strong value profile.

- **Value:** A Sabrient Value Score of 78.6 indicates that POM may be somewhat undervalued at its current price. Historically, stocks with similar value scores have modestly outperformed the market.
- **Growth:** With a Sabrient Growth Score of 16.4, POM is unlikely to provide better than average returns.
- **Momentum:** A Sabrient Momentum Score of 2.9 places the stock near the bottom of the market with regard to price, earnings and group momentum.
- **Timeliness:** POM has a Sabrient Timeliness Score of 17.5. This measures technical strength based on short-term and long-term price performance and long-term group strength.

Sabrient Analysis continued on Page 3

**Sabrient**

Leaders In Investment Research

# PEPCO HOLDINGS INC

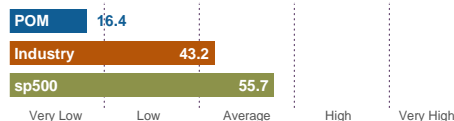
NYSE: **POM**  
Industry: **Electric Utilities**

**SABRIENT**  
**BUY**  
RATING

## Current Sabrient Scores Compared with Industry and Relevant Benchmark

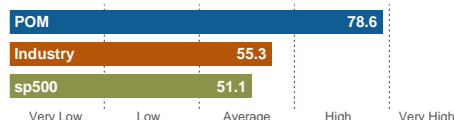
These Sabrient scores compare various aspects of PEPCO HOLDINGS INC with its industry and relevant benchmarks. The scores are percentile rankings from 0 to 99.9. Higher scores are better. We use a weighted average of several key scores to quantify the relative likelihood of upside or downside price action. Therefore, the Sabrient rating may seem inconsistent with a simple average of the scores cited in this analysis.

### Growth Score: 16.4



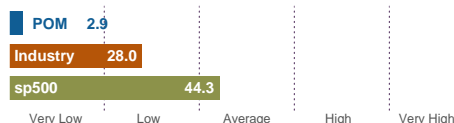
The Sabrient Growth Score reflects a company's historical and projected earnings growth, revenue and sales growth, projected cash flow, analyst activity, and changes in earnings estimates, each over various time periods. The higher the score, the better the combined performance of these key measures. With a Sabrient Growth Score of 16.4, Pepco is considerably lower than the average of its industry group, which has a Sabrient Growth Score of 43.2.

### Value Score: 78.6



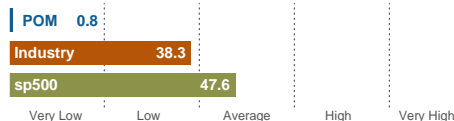
The Sabrient Value Score measures the relationship between a company's stock price and its intrinsic value, as indicated by earnings and balance sheet attributes, with an emphasis on earnings. Also considered are cash flow measures and fundamental valuation ratios. With a Sabrient Value Score of 78.6, Pepco is considerably higher than the average of its industry group, which has a Sabrient Value Score of 55.3.

### Momentum Score: 2.9



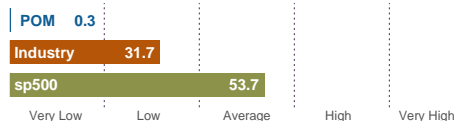
The Sabrient Momentum Score measures a company's earnings and price momentum, evenly weighted, and augmented by group strength, money flow, and relative volume. Core technical factors include current price relative to periodic highs and moving averages. With a Sabrient Momentum Score of 2.9, Pepco is considerably lower than the average of its industry group, which carries a Sabrient Momentum Score of 28.0.

### Earnings Score: 0.8



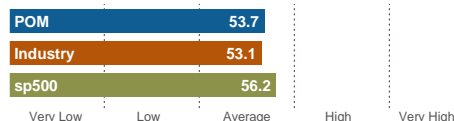
The Sabrient Earnings Score assesses a company's overall earnings performance and projected outlook. Time periods include an average look-back of three years with an emphasis on the past four quarters and a forward look of one to five years. With a Sabrient Earnings Score of 0.8, Pepco is well below the average of its industry group, which has a Sabrient Earnings Score of 38.3.

### Balance Sheet Score: 0.3



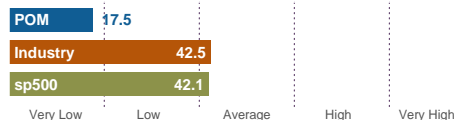
The Sabrient Balance Sheet Score measures a company's liquidity and debt issues, as well as receivables and inventory quality. This score is used to assess relative risk associated with a stock: the lower the score, most likely the higher the inherent risk. With a Sabrient Balance Sheet Score of 0.3, Pepco is well below the average of its industry group, which carries a Sabrient Balance Sheet Score of 31.7.

### Fundamental Score: 53.7



The Sabrient Fundamental Score is the broad measure of a company's financial health, including its balance sheet, cash flow, revenue, and earnings quality. With a Sabrient Fundamental Score of 53.7, Pepco is in line with the average of its industry group, which carries a Sabrient Fundamental Score of 53.1.

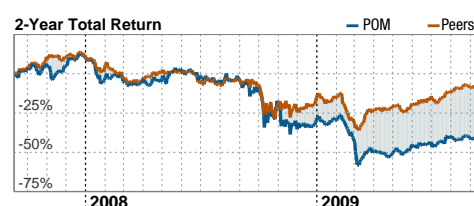
### Timeliness Score: 17.5



The Sabrient Timeliness Score is an assessment of a stock's short and long-term price strength as determined by various chart-based indicators and measures of group momentum and relative price performance. With a Sabrient Timeliness Score of 17.5, Pepco is considerably lower than the average of its industry group, which carries a Sabrient Timeliness Score of 42.5.

## Peer Analysis

This table compares POM with other similar-sized companies in the same industry group, focusing on Sabrient's growth, momentum and value scores, which represent the three main investing styles. The Peer Analysis chart compares POM's 2-year total return with the average 2-year total return of these companies.

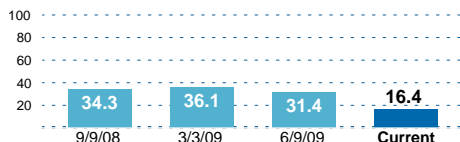


Symbol	Company	Growth Score	Momentum Score	Value Score	Market Cap.(B)
PNW	Pinnacle West	10.2	10.7	23.9	\$3.3
<b>POM</b>	<b>PEPCO HOLDINGS INC</b>	<b>16.4</b>	<b>2.9</b>	<b>78.6</b>	<b>\$3.1</b>
DPL	DPL	38.4	32.9	65.4	\$2.9
NVE	NV Energy	6.5	25.7	63.0	\$2.8
GXP	Great Plains	20.2	43.0	58.4	\$2.4
ITC	ITC	81.9	46.9	56.2	\$2.3
WR	Westar	38.3	37.5	60.7	\$2.2

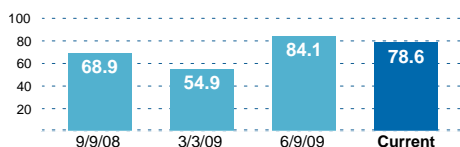
## Historical Sabrient Scores

The recent histories of key Sabrient scores provide insight into the stock's trends -- whether they are increasing or decreasing in strength in a particular area or simply holding steady. The Sabrient scores are percentile rankings from 0 to 99.9, with higher scores better. Keep in mind that Sabrient ratings may seem inconsistent with a simple average of these key scores because a weighted average of several key scores is used to quantify the relative likelihood of upside or downside price action.

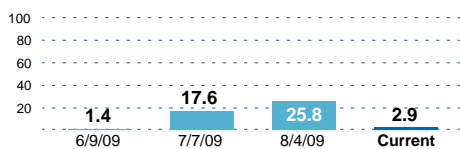
### Growth Score: 16.4



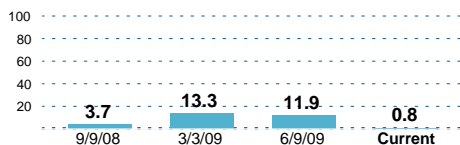
### Value Score: 78.6



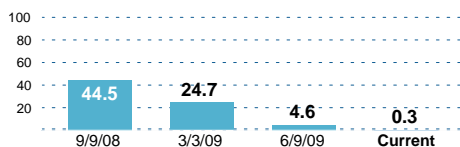
### Momentum Score: 2.9



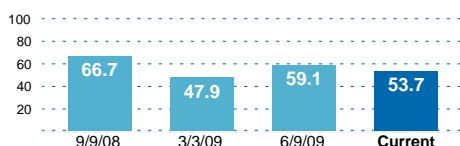
### Earnings Score: 0.8



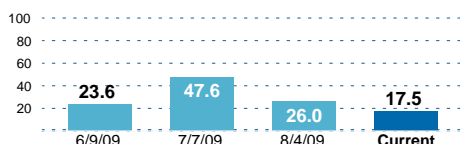
### Balance Sheet Score: 0.3



### Fundamental Score: 53.7



### Timeliness Score: 17.5



Sabrient Analysis continued from Page 1

- **Best Performing Filters:** To determine the likelihood of near-term performance, Sabrient builds and backtests "Smart Filters" to establish which caps, styles and attributes are drawing a premium in today's market. Currently, the three most predictive filters for the relevant segment are:

**Primary Value Filter:** The Primary Value Filter measures key growth and valuation ratios, both long-term and short-term. It is currently one of our best-performing filters, showing a significant premium to its mid-cap benchmark for the past three months. POM scores 93.8 for this filter.

**Price Trend Filter:** The Price Trend Filter uses a sophisticated statistical analysis to evaluate a stock's current price with respect to its long-term trend and to compare the result to the stock's core growth characteristics. A high score means the stock is below its long-term trend, especially in light of its earnings performance. A low score means the stock is above its long-term trend and may likely fall back to or below the mean. As of last month, this filter showed a substantial premium to its mid-cap benchmark. POM scores 94.4 for this filter.

**GARP Filter:** The GARP Filter is a proxy for growth at a reasonable price (GARP). A high score indicates a reasonable price for the growth potential; a low score suggests the growth potential may be overpriced. During the past three months, the filter has shown a substantial premium to its mid-cap benchmark. POM scores 18.0 for this filter.

In summary POM's Buy rating is based on the stock's overall profile as determined by Sabrient's stock selection filters. This analysis should be considered in light of the recent behavior of the market, discussed below.

## What the Market Wants: September 2009

[Note: What the Market Wants is now a weekly publication. For email delivery, sign up at [www.sabrient.com](http://www.sabrient.com). To view this week's Market Stats and Stocks to Consider, visit our blog at <http://www.sabrient.com/blog/>]

IN A FOG

By David Brown, Chief Market Strategist

(September 8, 2009, 3:35 pm PST)

The market spent the month of August in a fog of mixed and contradictory economic results, often moving up on negative news and down on positive news. Last week was no exception, and it's doubtful we'll get any improved visibility this week either.

The market dove early on following the sharp plunge in the Shanghai composite, and for the rest of the week clung to middle ground despite slightly positive news from the ISM and the Chicago PMI, and even better-than-expected pending home sales. Inexplicably however, on the negative employment report that pegged unemployment at 9.7%, the market continued to move ahead as if still in a fog. So we hit a pothole but so far have missed the detour sign.

From my viewpoint, other data that seemed important was ignored. Bank failures increased markedly in the month of August, including large banks in Texas and California, and while earnings reports were most often better than expected, revenue changes were, more often than not, flat to down. The persistent improvement in earnings through cost-cutting (which cannot sustain a recovery) was not given the attention it deserved.

Nonetheless, at the end of the week Small-Cap Value was down 2.5%, as were all other style/caps with Large-cap Growth being down the least (0.47%). Materials and Consumer Staples were the only positive sectors with Financials down a whopping 2.4%.

.Valuations continue to seem higher than justified in both the Materials and Financial sectors, which are still at the bottom of our forward-looking sector ranks. While Technology valuations also are somewhat higher than one would expect, there has been better news out of Technology than from most of the sectors.

Our best Sabrient forward-looking sectors are Utilities, Energy and Health Care. It should be noted, however, that Energy will do well only as long as energy prices (think: oil) do well. Health Care is dependent upon the outcome of the Obama legislation, and there is some speculation that the legislation will be better for health care stocks than was originally expected.

Moving out of summer into September -- traditionally, a negative month after a very positive August -- the fog still has not lifted and we're not sure whether or not we are detouring.

There will not be much new information this week, so I continue to advise taking profits on fully valued positions and carefully shopping for good buys in the safer sectors.

Next update: Monday, September 14.

## Company Description

Pepco Holdings, Inc. operates as a diversified energy company. It operates in two businesses, Power Delivery and Competitive Energy. The Power Delivery business engages in the distribution, transmission, and supply of electricity; and the delivery and supply of natural gas. It owns and operates a network of transmission or distribution facilities comprising wires, substations, and other equipment. This business delivers electricity to approximately 1.8 million customers in the mid-Atlantic region and distributes natural gas to approximately 122,000 customers in Delaware. The Competitive Energy business engages in the competitive generation, marketing, and supply of electricity and natural gas; and provides related energy management services primarily in the mid-Atlantic region. It provides wholesale electric power, capacity, and ancillary services in the wholesale markets and supplies electricity to other wholesale market participants under long- and short-term bilateral contracts. As of December 31, 2008, this business owned and operated mid-merit plants with a combined 2,778 megawatts (MW) of capacity, peak-load plants with a combined 639 MW of capacity, and base-load generating plants with a combined 340 MW of capacity. It also provides retail energy supply and energy services primarily to commercial, industrial, and government customers, as well as designs, constructs, and operates combined heat and power and central energy plants. In addition, this business owns 3 landfill gas-fired electricity plants with a total generating capacity of 10 MW; and operates 2 oil-fired power plants with a generating capacity of approximately 790 MW. Further, it provides high and low voltage electric construction and maintenance services; and streetlight construction and asset management services to utilities, municipalities, and other customers in the Washington, D.C. area. The company was founded in 1896 and is based in Washington, District of Columbia.

## About Sabrient

Sabrient Systems is an independent research firm providing statistical analysis of a company's fundamental data to investment professionals. We use a computer-driven, quantitative methodology to identify stocks that appear poised to outperform or underperform the market.

The Sabrient methodology was developed by an experienced research team led by David Brown, a former NASA scientist and retired CEO of Telescan and designer of its premier stock search program, ProSearch. The research team employs a scientific approach to the creation and testing of multi-factor filters. Each filter targets a key area of traditional stock analysis, including value, growth, momentum, fundamentals, earnings, balance sheet, and group strength. Using an adaptive process, filters are continually tested and monitored to ensure that only the best performing filters are at work.

Sabrient's ratings begin with an extraction process in which each of the few best-performing filters scans the universe of equities to identify stocks having certain compelling attributes sought, but not sufficiently rewarded, by the current market. Then, a composite scoring system employs a broader set of "weighting" filters to rank the extracted stocks. To support individual investors, Sabrient uses the same sophisticated methodology to provide individual stock reports on a universe of approximately 5,600 stocks.

Sabrient regularly tests the performance of its stock selections, using its primary list of published rankings and statistical techniques it believes appropriate. These recommendations have consistently outperformed relevant benchmarks across a broad range of investing styles, market caps, time frames and market conditions, demonstrating the robustness of Sabrient's proprietary methodology. While past performance is no guarantee of future results, Sabrient believes it can maintain its strong performance through its rigorous, scientific approach to filter construction and ongoing backtesting within a dynamic and adaptive composite scoring system.

For more information on Sabrient and its performance, go to [www.sabrient.com](http://www.sabrient.com)

## Disclaimer

Sabrient SmartStock™ research is provided for informational purposes only. It is neither a solicitation to buy nor an offer to sell these securities. The report is based upon data from sources believed to be reliable, but Sabrient makes no representation as to the data's adequacy, accuracy, completeness or timeliness. The report does not address individual investment objectives or financial situations. The analysis used in preparing these reports may also be used in the preparation of other research products which may reflect distinct investment objectives. Sabrient accepts no liability for any loss arising from any use of this report.

This report is based solely on mathematical calculations and does not reflect any bias of individual analysts. Sabrient provides no investment banking, consulting or other services to the subject company of this report. No Sabrient employee is on the Board of Directors of the subject company, and no one at the subject company serves on the Board of Directors of Sabrient Systems. Sabrient or its employees may have long or short positions in the securities or other related investments of the company mentioned herein, but never more than one percent (1%) of the outstanding shares of any company covered by Sabrient. No part of this document may be reproduced without the written permission of Sabrient Systems.