



Vistra Corp (VST)

Updated February 25th, 2022 by Quinn Mohammed

Key Metrics

Current Price:	\$22	5 Year CAGR Estimate:	11.4%	Market Cap:	\$10.6 B
Fair Value Price:	\$27	5 Year Growth Estimate:	4.0%	Ex-Dividend Date¹:	03/21/2022
% Fair Value:	80%	5 Year Valuation Multiple Estimate:	4.5%	Dividend Payment Date²:	03/31/2022
Dividend Yield:	3.1%	5 Year Price Target:	\$33	Years of Dividend Growth:	3
Dividend Risk Score:	D	Retirement Suitability Score:	D	Last Dividend Increase:	13%

Overview & Current Events

Vistra is an integrated retail electricity and power generation company. In 2016, Vistra was created as a stand-alone entity as a result of the Energy Future Holdings bankruptcy. Vistra is one of the largest power generators in the U.S. and has a capacity of roughly 39,000 megawatts generated by a diverse portfolio which includes natural gas, nuclear, solar and battery energy storage facilities. Its products and services are offered across 20 states and the District of Columbia, including wholesale markets in Canada and Japan. Vistra serves nearly 4.3 million residential, commercial, and industrial retail customers with electricity and natural gas. The company also offers over 50 renewable energy plans. The power producer has a market capitalization of \$10.6 billion and trades on the NYSE under the ticker symbol VST.

Vistra Corp released fourth quarter and full year results on February 25th. VST reported adjusted EBITDA from ongoing operations for 2021 to be \$1.9 billion, excluding the impacts from Winter Storm Uri. Adjusted EBITDA results compare unfavorably to 2020's \$3.7 billion. The winter storm Uri left close to 4.5 million homes and businesses without power at the peak and produced billions in damage.

Leadership reaffirms their fiscal 2022 guidance. The guidance calls for adjusted EBITDA of between \$2.81 billion and \$3.3 billion. Adjusted free cash flow before growth capex is expected to come in at roughly \$2.1 to \$2.6 billion. As of February 22nd, Vistra completed about \$764 million of its announced a \$2 billion share repurchase program, expected to be completed by year-end 2022.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EBITDA/S					\$1.72	\$3.40	\$5.47	\$6.65	\$7.50	\$3.96	\$6.83	\$8.31
EPS					(\$0.38)	(\$0.59)	(\$0.11)	\$1.86	\$1.30	(\$2.62)	\$1.85	\$2.36
DPS					\$2.32	\$0.00	\$0.00	\$0.50	\$0.54	\$0.60	\$0.68	\$1.00
Shares³					427.6	427.8	505.0	499.9	491.1	482.2	448.0	380.0

Vistra Corp has a messy earnings per share history, and as a result it is near impossible to extract any sort of consistent growth in earnings from which to base future expectations off. VST largely utilizes adjusted EBITDA to measure company performance, so we have converted this to display as adjusted EBITDA per share. We would also like to point out that the tabled results for 2016 are only for the fourth quarter results, when the company began trading on the NYSE; as a result, year-over-year comparisons can only truly begin with year 2017.

Based on our adjusted EBITDA per share calculations, EBITDA has grown by 30% and 17% on average over the past 3 and 2 years leading into 2020. While 2021 results were significantly impacted by the winter storm Uri catastrophe, we believe the corporation can grow adjusted EBITDA by 4% from there on. We see VST on this path to growth through its large investments in solar and batteries as they progressively retire their coal plants, which would see a large uptick in their zero-carbon generation. In fact, Vistra is guiding for roughly 7,300 MW of zero-carbon generation expected by 2026. This may cause some short-term pain though as coal makes up 29% of 2021 energy capacity. The company

¹ Estimate

² Estimate

³ In millions

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currently has 4,000 MW of zero-carbon generation under development, which includes a 400-MW/1,600 MW-h battery energy storage system in California, the largest of its kind in the world. Additionally, federal tax policy encourages the expansion of renewable energy through tax credits, as well as many U.S. states and corporation have clean energy goals, that could be a catalyst for further tailwinds to Vistra Corp's clean energy generation.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
P/EBITDA					8.70	5.01	4.07	3.75	2.55	4.78	3.2	4.0
Avg. Yld.					15%	-	-	2.8%	2.8%	3.0%	3.1%	3.0%

Considering that Vistra's earnings data are so choppy, we are valuing the company based on its historical adjusted EBITDA. Dating back to its inception, VST has traded on an average basis of 4.8 times adjusted EBITDA. If we remove the data from 2016, the corporation's average price to adjusted EBITDA has been 4.0. Today Vistra trades at 3.2 times adjusted EBITDA, and we rate the shares fair value at around 4.0 times, for a 4.5% average annual gain due to valuation expansion.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	---	---	0%	0%	27%	42%	---	37%	42%

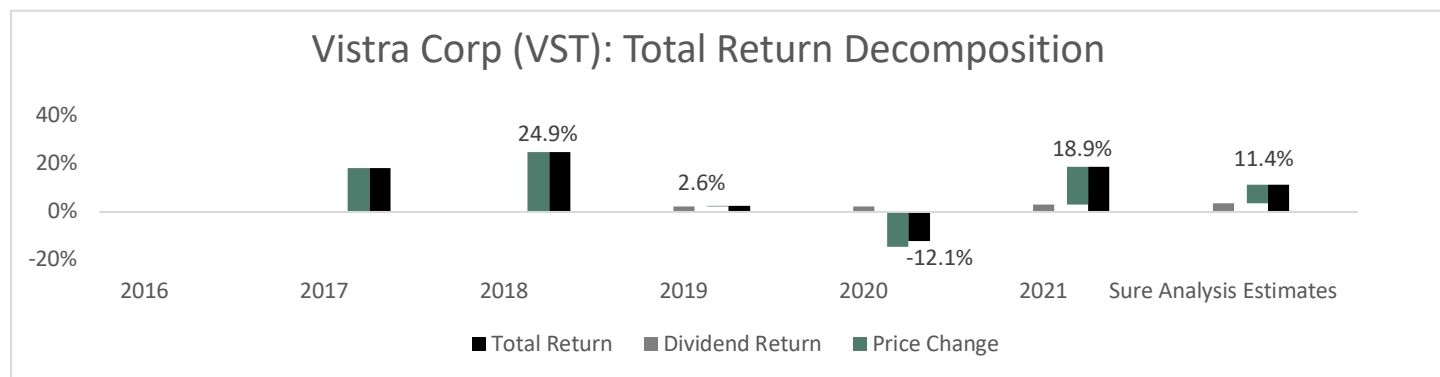
We have opted to calculate the payout ratio using the company's earnings per share as adjusted EBITDA does include costs such as interest and taxes that the corporation must pay at the end of the year. The payout ratio was stable since its inception in 2019, but negative EPS in 2021 caused it to eclipse 100%, thus the dividend has some risk to it. Although in 2022, we estimate a fair payout ratio of sub-100%.

We don't have operating results dating back to the great financial crisis so we can't say for certain how VST would have performed, but we believe utilities businesses are generally safe during a recession, especially power generators for residential customers. While the company may have resiliency during a recession, it is not immune. VST believes their integrated business model to be their prime competitive advantage in the electricity industry, as it allows them to reduce the effect of commodity price movements and contribute to earnings and cash flow stability.

Final Thoughts & Recommendation

Vistra Energy rose from the bankruptcy of Energy Future Holdings in late-2016 and since then strongly compounded adjusted EBITDA per share until 2021. While the winter storm Uri caused massive catastrophic damage, it was a one-time event, and we see stronger growth after 2021. We rate the shares a buy due to annualized estimated total returns of 11.4% over the next five years.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue			5,978	5,370	5,164	5,430	9,144	11,809	11,443	12,077
Gross Profit			2,222	1,844	1,490	1,522	2,811	4,537	4,647	1,349
Gross Margin			37.2%	34.3%	28.9%	28.0%	30.7%	38.4%	40.6%	11.2%
SG&A Exp.			708	676	690	600	926	904	1,035	1,040
Operating Profit			1,440	995	817	835	1,533	1,876	2,048	2,050
Op. Margin			244	316	125	223	491	1,993	1,875	-1,444
Net Profit			4.1%	5.9%	2.4%	4.1%	5.4%	16.9%	16.4%	-12.0%
Net Margin			-6,229	-4,677	-819	-254	-54	928	636	-1,274
Free Cash Flow			-104.2%	-87.1%	-15.9%	-4.7%	-0.6%	7.9%	5.6%	-10.5%
Income Taxes			31	-223	-467	855	941	2,023	2,078	-1,239

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets				15,658	15,167	14,600	26,024	26,616	25,208	29,683
Cash & Equivalents				1,400	843	1,487	636	300	406	1,325
Accounts Recv.				533	612	582	1,087	1,365	1,279	1,397
Inventories				428	285	253	412	469	515	610
Total Liabilities				38,542	8,570	8,258	18,157	18,656	16,847	21,391
Accounts Payable				514	479	473	945	947	880	1,515
Long-Term Debt				1,444	4,623	4,423	11,404	11,179	9,630	10,731
Total Equity				-22,884	6,597	6,342	7,863	7,959	8,371	6,291
LTD/E Ratio				-0.06	0.70	0.70	1.45	1.40	1.15	1.29

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets					-5.3%	-1.7%	-0.3%	3.5%	2.5%	-4.6%
Return on Equity						-3.9%	-0.8%	11.7%	7.8%	-17.4%
ROIC						-2.3%	-0.4%	4.8%	3.4%	-6.9%
Shares Out.					427.6	427.8	505.0	499.9	491.1	482.2
Revenue/Share			13.98	12.56	12.08	12.69	18.11	23.62	23.30	25.04
FCF/Share			0.07	-0.52	-1.09	2.00	1.86	4.05	4.23	-2.57

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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