



Edison International (EIX)

Updated August 21st, 2022 by Samuel Smith

Key Metrics

Current Price:	\$71.5	5 Year CAGR Estimate:	4.7%	Market Cap:	\$27.3 B
Fair Value Price:	\$57.1	5 Year Growth Estimate:	5.6%	Ex-Dividend Date:	10/01/22 ¹
% Fair Value:	125%	5 Year Valuation Multiple Estimate:	-4.4%	Dividend Payment Date:	10/31/22 ²
Dividend Yield:	3.9%	5 Year Price Target	\$75	Years Of Dividend Growth:	18
Dividend Risk Score:	B	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

Edison International is a renewable energy company that is active in energy generation and distribution. Edison International also operates an energy services and a technologies business. The company was founded in 1987 and is headquartered in Rosemead, CA. Edison International has a market capitalization of \$27.3 billion. Total revenue is around \$16 billion.

Edison International reported its second quarter earnings results on July 28th, 2022. The company reported Q2 net income of \$0.63 per share, down from \$0.84 per share in the year-ago period. Core earnings per share remained flat at \$0.94 year-over-year. Revenue grew 20.8% to \$4.01 billion year-over-year. During the quarter, Edison International installed more than 3,500 circuit miles of covered conductor to-date. Meanwhile, the company continues to reaffirm its 2022 earnings guidance of \$4.40 to \$4.70 and long-term earnings per share growth rate target of 5% to 7%.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$4.55	\$3.78	\$4.33	\$4.15	\$3.92	\$4.50	\$4.15	\$4.70	\$4.52	\$4.59	\$4.53	\$5.95
DPS	\$1.31	\$1.37	\$1.48	\$1.73	\$1.98	\$2.23	\$2.43	\$2.48	\$2.58	\$2.69	\$2.80	\$3.10
Shares³	325.8	325.8	325.8	325.8	325.8	325.8	325.8	362.6	379.3	379.9	381.4	410

Edison International remained highly profitable during the last financial crisis, as the company's earnings-per-share declined by just 12% between 2008 and 2009 and started to rise again during 2010. Edison International is thus not impacted by the strength of the economy to a significant degree. On the other hand, Edison has failed to generate strong growth since The Great Recession.

Edison International's regulated utility business is a slow grower, which is typical for utilities, but the business generates very stable cash flows. Its non-regulated segments, such as renewable energy production via methods ranging from biomass to wind energy, has the potential to grow at a somewhat higher rate. Due to being non-regulated, this business can be more cyclical than the regulated utility operations. Edison has put a focus on renewable energy when it comes to energy production over the last decade. Among other moves, Edison has also sold coal power plants and shut down a nuclear power plant. This was, at least partially, based on heavy regulation in California, where Edison operates, as California no longer allows utilities to generate electric power from coal.

It is likely that Edison International will be able to grow its earnings-per-share at a mid-single digit rate going forward, relatively in line with the growth that the company has generated in the past. Edison International has grown its dividend annually throughout the 18 years, with growth accelerating more recently.

¹ Estimated date

² Estimated date

³ Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	9.7	12.7	13.0	14.8	17.9	17.2	13.7	15.3	14.2	14.2	15.8	12.6
Avg. Yld.	3.0%	2.9%	2.6%	2.8%	2.8%	2.9%	4.3%	3.4%	4.0%	4.2%	3.9%	4.1%

Edison International trades at 15.8 times this year’s expected net profits, which we view as overvalued. While our fair value estimate of 12.6 times earnings is well below the average over the past half-decade, given the current rising interest rate environment as well as some of the aforementioned unique challenges facing utilities in California, we think this is reasonable. As a result, we expect the dividend yield to remain elevated relative to its historic levels.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	28.8%	36.2%	34.2%	41.7%	50.3%	49.4%	58.6%	52.8%	57.1%	59.0%	61.8%	52.1%

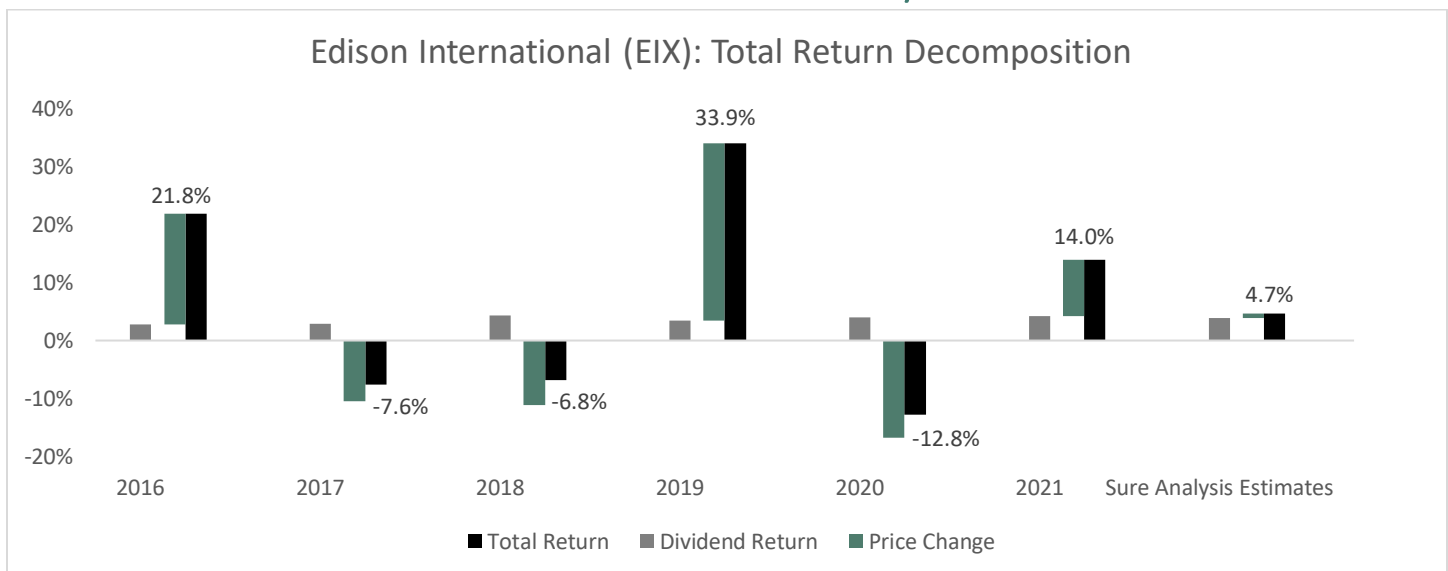
Despite the fact that earnings have seen some ups and downs, Edison International grew its dividend very consistently throughout the last decade. This was only possible due to an increase in the company’s dividend payout ratio, as its earnings-per-share did not grow as consistently. The dividend still looks relatively safe, though, as Edison International’s operations are not overly cyclical. Its dividend growth rate will likely slow down moving forward.

Edison International belongs to California’s largest utilities, as the company serves about 13 million customers in the state. Due to the regulated nature of the utilities business, Edison International does not have to worry about significant competitive pressures. The company’s operations have been very recession-resilient in the past, and this will likely remain the case going forward, as consumers need electricity no matter how well the economy is doing.

Final Thoughts & Recommendation

Edison International is one of the larger publicly traded utilities. Earnings should continue to grow over the long term with population and economic growth, but fire risks and regulatory overhang from California’s government will drag on total returns. That said, the company offers a very safe 3.9% yield. We expected total annualized returns over the next half decade to be around 4.7%, making the stock a Hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	11,862	12,581	13,413	11,524	11,869	12,320	12,657	12,347	13,578	14,905
Gross Profit	4,115	4,217	4,671	4,268	4,444	4,603	4,454	4,490	5,037	5,720
Gross Margin	34.7%	33.5%	34.8%	37.0%	37.4%	37.4%	35.2%	36.4%	37.1%	38.4%
D&A Exp.					-	-	2,669	407	1,664	1,491
Operating Profit	1,634	1,696	1,815	2,005	2,098	2,115	1,940	1,798	2,021	2,280
Op. Margin	2,257	2,286	2,629	2,013	2,083	2,194	(474)	1,954	968	1,546
Net Profit	19.0%	18.2%	19.6%	17.5%	17.5%	17.8%	-3.7%	15.8%	7.1%	10.4%
Net Margin	(92)	1,015	1,724	1,133	1,434	689	(302)	1,405	871	925
Free Cash Flow	-0.8%	8.1%	12.9%	9.8%	12.1%	5.6%	-2.4%	11.4%	6.4%	6.2%
Income Tax	(815)	(632)	(658)	284	(495)	(247)	(1,332)	(4,967)	(4,053)	(5,345)

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	44,394	46,646	49,734	50,229	51,319	52,580	56,715	64,382	69,372	74,745
Cash & Equivalents	170	146	132	161	96	1,091	144	68	87	390
Acc. Receivable	762	838	790	771	714	717	730	788	1,130	1,398
Inventories	340	256	281	267	239	242	282	364	405	420
Total Liabilities	33,203	34,955	36,752	36,841	37,132	38,714	44,063	48,886	53,423	56,956
Accounts Payable	1,423	1,407	1,580	1,310	1,342	1,503	1,511	1,752	1,980	2,002
Long-Term Debt	9,406	10,635	12,029	11,873	12,463	14,516	15,431	18,893	23,059	27,601
Total Equity	9,432	9,938	10,960	11,368	11,996	11,671	10,459	13,303	14,048	13,911
LTD/E Ratio	1.00	1.07	1.10	1.04	1.04	1.24	1.48	1.42	1.64	1.74

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	-0.2%	2.2%	3.6%	2.3%	2.8%	1.3%	-0.6%	2.3%	1.3%	1.3%
Return on Equity	-0.9%	10.5%	16.5%	10.1%	12.3%	5.8%	-2.7%	11.8%	6.4%	6.6%
ROIC	-0.4%	4.7%	7.3%	4.5%	5.5%	2.5%	-1.1%	4.5%	2.4%	2.2%
Shares Out.	325.8	325.8	325.8	325.8	325.8	325.8	325.8	362.6	379.3	379.9
Revenue/Share	35.95	38.24	40.77	35.03	35.97	37.56	38.83	36.21	36.30	39.22
FCF/Share	(2.47)	(1.92)	(2.00)	0.86	(1.50)	(0.75)	(4.09)	(14.6)	(10.84)	(14.07)

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

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