



New Jersey Resources (NJR)

Updated February 2nd, 2023 by Quinn Mohammed

Key Metrics

Current Price:	\$52	5 Year CAGR Estimate:	7.1%	Market Cap:	\$4.8 B
Fair Value Price:	\$49	5 Year Growth Estimate:	5.5%	Ex-Dividend Date:	03/14/2023
% Fair Value:	106%	5 Year Valuation Multiple Estimate:	-1.1%	Dividend Payment Date:	04/03/2023
Dividend Yield:	3.0%	5 Year Price Target	\$65	Years Of Dividend Growth:	26
Dividend Risk Score:	B	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

New Jersey Resources provides natural gas and clean energy services, transportation, distribution, asset management and home services through its five main subsidiaries. The company owns both regulated and nonregulated operations. NJR's principal subsidiary, New Jersey Natural Gas (NJNG), owns and operates over 7,700 miles of natural gas transportation and distribution infrastructure serving over half a million customers. NJR Clean Energy Ventures (CEV) invests in and operates solar projects, to provide customers with low-carbon solutions. NRJ Energy Services manages a portfolio of natural gas transportation and storage assets, as well as provides physical natural gas services to customers in North America. The midstream subsidiary owns and invests in several large midstream gas projects. Finally, the home services business provides heating, central air conditioning, water heaters, standby generators, and solar products to residential homes. New Jersey Resources was founded in 1952 and has paid a quarterly dividend since. The company has increased its annual dividend for 26 consecutive years and has a market capitalization of \$4.8 billion. NJR trades on the NYSE and has more than 1,200 employees.

New Jersey Resources reported first quarter 2023 results on February 2nd, for the period ending December 31st, 2022. First quarter net income of \$115.9 million compared favorably to the prior year quarter's \$111.3 million. Consolidated net financial earnings (NFE) for the company was \$110.3 million, a 68% year-over-year from Q1 2022.

NFE per share of \$1.14 compared to \$0.69 per share one year ago. The Energy Services business reported NFE of \$52.5 million compared to \$17.6 million in the prior year, due to higher natural gas volatility during colder than expected weather in December. New Jersey Natural Gas (NJNG) added 2,132 customers in first quarter fiscal 2023.

Management raised guidance for fiscal 2023 NFEPS in the range of \$2.62 to \$2.72, a 20 cent increase compared to previous guidance. New Jersey Natural Gas (NJNG) is expected to contribute 48 to 53 percent of NFEPS in 2022, while CEV will contribute 18 to 20 percent. The remaining 24 to 34 percent will be a combination of the storage and transportation business, energy services, and home services and other.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
NFEPS	\$1.36	\$2.10	\$1.78	\$1.60	\$1.73	\$2.74	\$1.96	\$2.07	\$2.16	\$2.50	\$2.67	\$3.49
DPS	\$0.81	\$0.86	\$0.90	\$0.96	\$1.02	\$1.09	\$1.17	\$1.27	\$1.32	\$1.48	\$1.56	\$2.04
Shares	84	85	86	87	87	88	89.6	95.1	96.2	96.2	96.0	102.0

New Jersey Resources measures its performance and its payout ratio by Net financial earnings (NFE) per share. NFE is implemented to eliminate the impact of volatility to GAAP earnings associated with unrealized gains or losses on derivative instruments. In fiscal 2021, the business adopted an accounting policy change around its solar projects. This set the foundation for further investments in solar. Management continues to project a 7% to 9% annual long-term growth rate off its initial guidance of \$2.25 for fiscal 2022.

We are forecasting 5.5% annual earnings growth over the intermediate term, which would result in NFEPS of \$3.49 in 2028. The company is also estimating long-term annual dividend growth per share to be in the 7% to 9% range. Annual cash flow from operations growth is expected to be 20% into 2024. CEV is investing \$850 million over four years into the

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.



New Jersey Resources (NJR)

Updated February 2nd, 2023 by Quinn Mohammed

solar market and pursuing regional market opportunities in the Northeastern U.S., where the solar market is growing fast due to public policy mandates and clean energy targets.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	16.3	12.4	16.9	21.9	23.7	15.9	23.8	16.3	18.1	17.5	19.6	18.5
Avg. Yld.	3.6%	3.3%	3.0%	2.7%	2.5%	2.5%	2.5%	3.8%	3.3%	3.2%	3.0%	3.2%

The current P/E ratio based on 2023 NFEPS of \$2.67 is 19.6. Over the past ten years and five years, NJR has had an average P/E ratio of 18.3. We believe fair value to be around 18.5 times NFEPS estimates. This would imply a valuation headwind.

Safety, Quality, Competitive Advantage, & Recession Resiliency

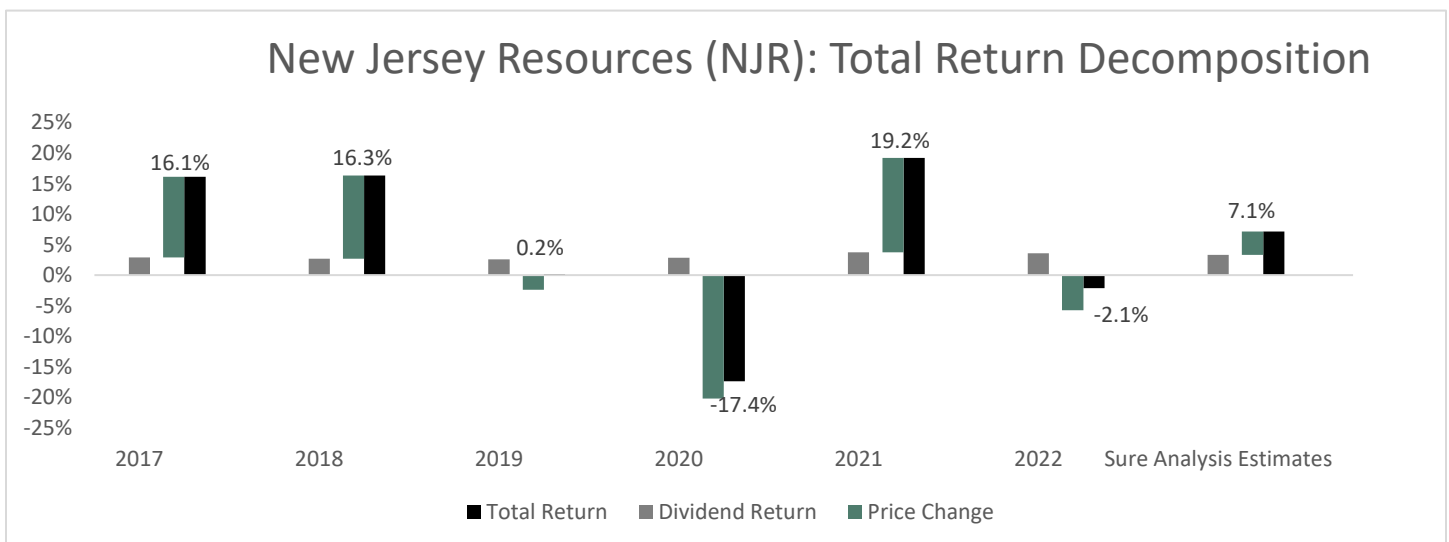
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	57%	60%	41%	51%	60%	59%	40%	60%	61%	61%	58%	58%

The dividend payout ratio for the company on a net financial earnings basis appears to be very safe historically, especially for a utility company which can often safely pay out a large portion of earnings. We expect the company will continue to increase the dividend without a hitch. The company was not horribly affected by the Great Recession given the nature of its business as both earnings and the share price recuperated quickly. Through the COVID-19 pandemic, the company also remained solid. The company does not have a significant competitive advantage; however, its growing solar portfolio can set it apart from other natural gas players. Though the practice of integrating renewable assets in older energy companies may become common practice, NJR is at least ahead of the pack.

Final Thoughts & Recommendation

New Jersey Resources has paid a dividend since 1952 and has raised this dividend consecutively in the last 26 years. NJR has many growth initiatives in motion and a clear vision of their future, particularly for their natural gas and clean energy ventures. We are forecasting total annual returns of 7.1%, composed of a 3.0% yield, 5.5% earnings growth rate, and a small valuation headwind. New Jersey Resources is trading at 106% of fair value, and with estimated total annualized returns of 7.1%, we rate NJR a hold.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



New Jersey Resources (NJR)

Updated February 2nd, 2023 by Quinn Mohammed

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	3198	3738	2734	1881	2269	2915	2592	1954	2157	2906
Gross Profit	312	383	439	320	343	325	280	371	438	595
Gross Margin	9.8%	10.3%	16.1%	17.0%	15.1%	11.1%	10.8%	19.0%	20.3%	20.5%
D&A Exp.	48	72	76	39	40	39	34	35	38	59
Operating Profit	47	53	61	73	82	86	81	107	111	129
Operating Margin	159	201	248	168	171	200	165	229	288	406
Net Profit	5.0%	5.4%	9.1%	8.9%	7.5%	6.9%	6.3%	11.7%	13.4%	14.0%
Net Margin	115	142	181	132	132	233	124	163	118	275
Free Cash Flow	3.6%	3.8%	6.6%	7.0%	5.8%	8.0%	4.8%	8.3%	5.5%	9.5%
Income Tax	-82	70	71	-212	-78	20	-332	-257	-234	-275

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	3005	3159	3284	3719	3929	4144	4373	5316	5722	6261
Cash & Equivalents	3	2	5	38	2	1	3	117	5	1
Accounts Receivable	240	190	155	143	196	205	139	134	213	222
Inventories	329	286	171	217	214	199	184	188	213	294
Goodwill & Int. Ass.				0	41	23	16	15	11	8
Total Liabilities	2117	2193	2177	2552	2692	2725	2821	3673	4091	4444
Accounts Payable	315	311	253	248	258	348	268	238	395	392
Long-Term Debt	947	934	921	1238	1428	1456	1584	2412	2612	2984
Shareholder's Equity	887	966	1107	1167	1237	1419	1552	1644	1631	1817
D/E Ratio	2.39	2.27	1.97	2.19	2.18	1.92	1.82	2.23	2.51	1.64

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	4.0%	4.6%	5.6%	3.8%	3.5%	5.8%	2.9%	3.4%	2.1%	4.6%
Return on Equity	13.5%	15.3%	17.5%	11.6%	11.0%	17.6%	8.3%	10.2%	7.2%	15.9%
ROIC	6.6%	7.6%	9.2%	5.9%	5.2%	8.4%	4.1%	4.5%	2.8%	6.1%
Shares Out.	84	85	86	87	87	88	89.6	95.1	96.2	96.5
Revenue/Share	38.24	44.02	31.69	21.69	26.03	33.01	28.93	20.54	22.33	30.12
FCF/Share	-0.98	0.82	0.82	-2.44	-0.89	0.23	-3.70	-2.70	-2.42	-2.85

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.