



# Edison International (EIX)

Updated November 13<sup>th</sup>, 2023 by Samuel Smith

## Key Metrics

<b>Current Price:</b>	\$62.3	<b>5 Year CAGR Estimate:</b>	8.9%	<b>Market Cap:</b>	\$24 B
<b>Fair Value Price:</b>	\$58.8	<b>5 Year Growth Estimate:</b>	6.2%	<b>Ex-Dividend Date:</b>	12/28/23 <sup>1</sup>
<b>% Fair Value:</b>	106%	<b>5 Year Valuation Multiple Estimate:</b>	-1.2%	<b>Dividend Payment Date:</b>	1/31/24 <sup>2</sup>
<b>Dividend Yield:</b>	4.7%	<b>5 Year Price Target</b>	\$79	<b>Years Of Dividend Growth:</b>	19
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	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 \$24 billion.

On November 1, 2023, Edison International (EIX) reported its financial results for the third quarter of 2023. The company achieved a net income of \$155 million, or \$0.40 per share, a significant improvement compared to a net loss of \$128 million, or (\$0.33) per share, in the same quarter of the previous year. However, the adjusted core earnings were \$531 million, or \$1.38 per share, down from \$564 million, or \$1.48 per share, in the third quarter of last year. The decline in core earnings per share (EPS) for Southern California Edison, a subsidiary of Edison International, was primarily due to higher interest expenses and a year-over-year difference in accounting adjustments related to the Customer Service Re-Platform decision. This reduction was partially mitigated by increased revenue from the escalation mechanism in the 2021 General Rate Case final decision. Additionally, Edison International's Parent and Other operations experienced an increased core loss per share, mainly due to higher interest expenses. President and CEO Pedro J. Pizarro expressed satisfaction with the company's year-to-date performance and confidence in reaffirming the 2023 core EPS guidance range. He emphasized the company's commitment to achieving a 5% to 7% core EPS growth through 2025 and 2028, not accounting for several potential upsides.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$3.78	\$4.33	\$4.15	\$3.92	\$4.50	\$4.15	\$4.70	\$4.52	\$4.59	\$4.59	<b>\$4.70</b>	<b>\$6.35</b>
<b>DPS</b>	\$1.37	\$1.48	\$1.73	\$1.98	\$2.23	\$2.43	\$2.48	\$2.58	\$2.69	\$2.84	<b>\$2.95</b>	<b>\$3.45</b>
<b>Shares<sup>3</sup></b>	325.8	325.8	325.8	325.8	325.8	325.8	362.6	379.3	380.7	382.6	<b>383.6</b>	<b>410</b>

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, have 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. We expect that Edison International will be able to grow its earnings-per-share at a 6.2% annualized rate going forward,

<sup>1</sup> Estimated

<sup>2</sup> Estimated

<sup>3</sup> Share count in millions

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relatively in line with the growth that the company has generated in the past. Edison International has grown its dividend annually through much of the past two decades, with growth accelerating more recently.

## Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	12.7	13	14.8	17.9	17.2	13.7	15.3	14.2	14.2	13.0	13.3	12.5
Avg. Yld.	2.9%	2.6%	2.8%	2.8%	2.9%	4.3%	3.4%	4.0%	4.1%	4.8%	4.7%	4.3%

Edison International trades at 13.3 times this year's expected net profits, which we view as overvalued. While our fair value estimate of 12.5 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

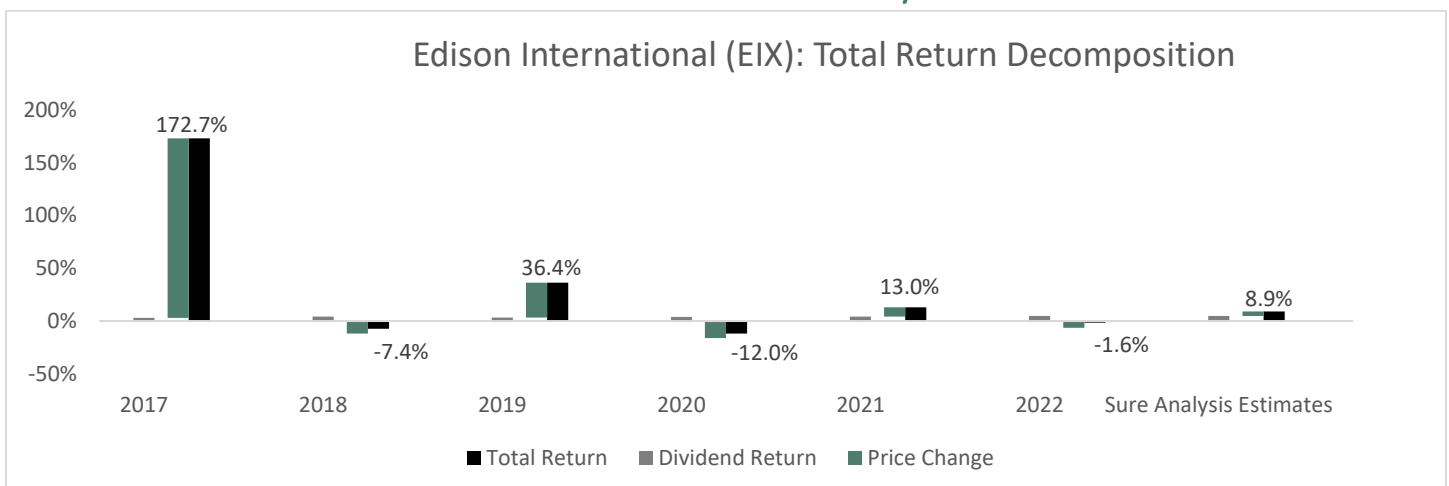
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	36%	34%	42%	51%	50%	59%	53%	57%	59%	62%	63%	54%

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 4.7% yield. We expected total annualized returns over the next half-decade to be 8.9%, making the stock a Hold.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	12,581	13,413	11,524	11,869	12,320	12,657	12,347	13,578	14,905	17,220
<b>Gross Profit</b>	4,217	4,671	4,268	4,444	4,603	4,454	4,490	5,037	5,720	6,121
<b>Gross Margin</b>	33.5%	34.8%	37.0%	37.4%	37.4%	35.2%	36.4%	37.1%	38.4%	35.5%
<b>D&amp;A Exp.</b>	1,696	1,815	2,005	2,098	2,115	1,940	1,798	2,021	2,288	2,633
<b>Operating Profit</b>	2,286	2,629	2,013	2,083	2,194	(474)	1,954	968	1,546	1,532
<b>Op. Margin</b>	18.2%	19.6%	17.5%	17.5%	17.8%	-3.7%	15.8%	7.1%	10.4%	8.9%
<b>Net Profit</b>	1,015	1,724	1,133	1,434	689	(302)	1,405	871	925	824
<b>Net Margin</b>	8.1%	12.9%	9.8%	12.1%	5.6%	-2.4%	11.4%	6.4%	6.2%	4.8%
<b>Free Cash Flow</b>	(632)	(658)	284	(495)	(247)	(1,332)	(4,967)	(4,053)	(5,494)	(2,562)
<b>Income Tax</b>	242	443	486	177	281	(739)	(278)	(305)	(136)	(162)

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	46,646	49,734	50,229	51,319	52,580	56,715	64,382	69,372	74,745	78,041
<b>Cash &amp; Equivalents</b>	146	132	161	96	1,091	144	68	87	390	914
<b>Acc. Receivable</b>	838	790	771	714	717	730	788	1,130	1,398	1,695
<b>Inventories</b>	256	281	267	239	242	282	364	405	420	474
<b>Total Liabilities</b>	34,955	36,752	36,841	37,132	38,714	44,063	48,886	53,423	56,956	60,519
<b>Accounts Payable</b>	1,407	1,580	1,310	1,342	1,503	1,511	1,752	1,980	2,002	2,359
<b>Long-Term Debt</b>	10,635	12,029	11,873	12,463	14,516	15,431	18,893	23,059	27,601	31,654
<b>Total Equity</b>	9,938	10,960	11,368	11,996	11,671	10,459	13,303	14,048	13,911	13,643
<b>LTD/E Ratio</b>	1.07	1.10	1.04	1.04	1.24	1.48	1.42	1.64	1.74	2.03

## Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Return on Assets</b>	2.2%	3.6%	2.3%	2.8%	1.3%	-0.6%	2.3%	1.3%	1.3%	1.1%
<b>Return on Equity</b>	10.5%	16.5%	10.1%	12.3%	5.8%	-2.7%	11.8%	6.4%	6.6%	6.0%
<b>ROIC</b>	4.7%	7.3%	4.5%	5.5%	2.5%	-1.1%	4.5%	2.4%	2.2%	1.7%
<b>Shares Out.</b>	325.8	325.8	325.8	325.8	325.8	325.8	362.6	379.3	380.7	382.6
<b>Revenue/Share</b>	38.24	40.77	35.03	35.97	37.56	38.83	36.21	36.30	39.22	44.96
<b>FCF/Share</b>	(1.92)	(2.00)	0.86	(1.50)	(0.75)	(4.09)	(14.57)	(10.84)	(14.46)	(6.69)

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

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