



Eversource Energy (ES)

Updated February 19th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	\$59	5 Year CAGR Estimate:	20.0%	Market Cap:	\$20 B
Fair Value Price:	\$97	5 Year Growth Estimate:	6.0%	Ex-Dividend Date¹:	03/04/24
% Fair Value:	61%	5 Year Valuation Multiple Estimate:	10.4%	Dividend Payment Date¹:	03/29/24
Dividend Yield:	4.9%	5 Year Price Target	\$129	Years Of Dividend Growth:	26
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Buy

Overview & Current Events

Eversource Energy is a diversified holding company with subsidiaries that provide regulated electric, gas, and water distribution service in the Northeast U.S. The company's utilities serve more than 4 million customers after acquiring NStar's Massachusetts utilities in 2012, Aquarion in 2017, and Columbia Gas in 2020. The company was formerly known as Northeast Utilities and changed its name to Eversource Energy in April 2015. Eversource Energy is a \$20 billion company and has about 9,200 employees.

On February 13th, 2024, Eversource Energy released its fourth quarter and full year 2023 results for the period ending December 31st, 2023. For the quarter, the company reported revenue of \$2.69 billion, a decrease of 11.2% compared to \$3.03 billion in the same quarter of last year. The company reported earnings of \$333.5 million and normalized earnings-per-share of \$0.95 compared with earnings of \$322.3 million and earnings-per-share of \$0.92 in the prior year. The company reported earnings of \$4.34 for 2023 compared with \$4.09 per share in 2022, which reflects a year-over-year increase of 6.1%. Results for the full year and the fourth quarter of 2023 exclude after-tax impairment charges of \$1,953 million, or \$5.58 per share, and \$1,622 million, or \$4.63 per share, respectively, related to Eversource Energy's offshore wind investment.

Earnings from the Electric Transmission segment have increased by 18.6% to \$167 million compared to the same quarter in the previous year. The improvement primarily resulted from a higher level of investment in Eversource's electric transmission system. Earnings from the Electric Distribution segment was \$103.7 million, up 5.9% from the prior-year quarter. This was due to higher revenues from investments in the distribution system and a base distribution rate increase for Eversource's Massachusetts electric business. Earnings from the Natural Gas Distribution segment totaled \$76.5 million, down 12.2% from the prior-year quarter's level. This was due to higher depreciation and operation and maintenance expenses. Eversource Energy has the goal to invest \$21.5 billion in different projects (transmission, electric distribution) in the 2023 to 2027 timeframe, which will support its goal to be carbon neutral by 2030. Most notably, the company is planning to add 1,758 megawatts of offshore wind through a joint venture by 2025.

The company's earnings per share growth ambition is at a pace of 5% to 7% compound annual rate from 2024 through 2027, the same as for dividend growth. The company expects its 2024 earnings in the band of \$4.50 to \$4.67 per share.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.58	\$2.76	\$2.96	\$3.11	\$3.25	\$3.45	\$3.64	\$3.86	\$4.09	\$4.34	\$4.60	\$6.16
DPS	\$1.57	\$1.67	\$1.78	\$1.90	\$2.02	\$2.14	\$2.27	\$2.41	\$2.55	\$2.70	\$2.86	\$3.83
Shares²	317	317	317	317	317	330	342	344	344	344	347	351

Eversource's long-term earnings growth track record is solid, growing EPS nearly every year since 2012. Over the last 10 years, the average EPS growth rate is almost 6%.

¹ Estimated date.

² In millions.

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We expect the company to grow its earnings-per-share by 6% per year on average over the next five years. The company has a good earnings track record and will benefit from rate hikes, transmission investments, and clean energy initiatives. This should compensate for the effects of higher operating and maintenance costs, and slightly higher average shares outstanding. There is also some lingering uncertainty about transmission rates.

The company has a long history of paying dividends and has increased its payout for 26 consecutive years. In February 2024, the quarterly dividend increased by 5.9% from \$0.6750 to \$0.7150 per share. Over the last five years, the average annual dividend growth rate is 6.0%. Eversource's target for yearly dividend growth is 5% to 7%.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	17.9	18.1	18.7	19.5	18.7	22.1	23.7	22.2	20.9	14.0	12.8	21.0
Avg. Yld.	1.9%	3.3%	3.2%	3.1%	3.3%	2.8%	2.6%	2.8%	3.0%	3.0%	4.9%	3.0%

During the past decade shares of Eversource Energy have traded with an average price-to-earnings ratio of about 20 times earnings and today, it stands at 12.8. We are using 21 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 4.9% and the dividend raises in the past years contributed to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	61%	61%	60%	61%	62%	62%	62%	62%	62%	62%	62%	62%

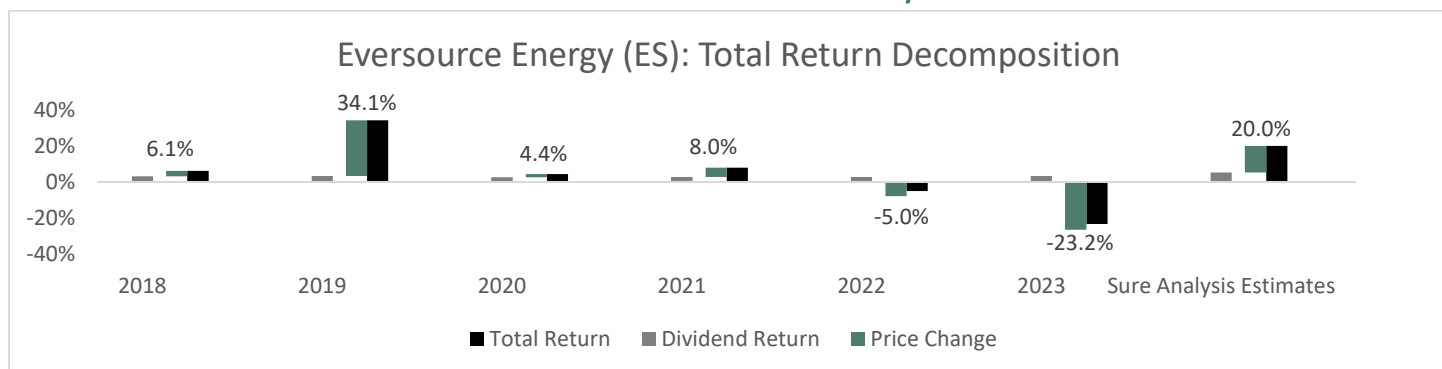
During the past five years, the company's dividend payout ratio has averaged around 64%. The company has a projected 2023 payout ratio of 62%, which indicates a sustainable dividend. Given the expected earnings growth, there is still room for the dividend to continue to grow at the same pace and extend the track record of consecutive dividend increases which is an important factor for dividend growth investors.

In 2022, Eversource Energy completed a \$3.8 billion core business construction program to enhance reliability, resilience of its infrastructure, and improving customer service and is investing heavily in renewable energy and growing its rate base in the years to come. This will help Eversource Energy to maintain a sustainable earnings growth rate and avoid service-related penalties in the future. Furthermore, Eversource Energy has invested \$4.46 billion in 2023.

Final Thoughts & Recommendation

Eversource Energy is a steady company in terms of its earnings growth track record, its earnings growth outlook, dividend growth, and its infrastructure investments related to the net-zero carbon emission target of 2030. The company's dividend yield is generous and the 26 years of consecutive dividend increases is noteworthy. We estimate a total return of 20.0% based on a 6.0% EPS growth, a 4.9% yield, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	7,301	7,742	7,955	7,639	7,752	8,448	8,526	8,904	9,863	12,290
Gross Profit	3,303	3,293	3,539	3,796	3,910	3,974	4,123	4,436	4,751	5,410
Gross Margin	45.2%	42.5%	44.5%	49.7%	50.4%	47.0%	48.4%	49.8%	48.2%	44.0%
D&A Exp.	611	615	240	787	864	1,072	1,081	1,159	1,335	1,643
Operating Profit	1,572	1,633	1,764	1,841	1,888	1,700	1,830	1,989	1,993	2,198
Operating Margin	21.5%	21.1%	22.2%	24.1%	24.4%	20.1%	21.5%	22.3%	20.2%	17.9%
Net Profit	786	820	878	942	988	1,033	909	1,205	1,221	1,405
Net Margin	10.8%	10.6%	11.0%	12.3%	12.7%	12.2%	10.7%	13.5%	12.4%	11.4%
Free Cash Flow	207	48	96	231	(352)	(739)	(902)	(1,260)	(1,212)	(1,041)
Income Tax	427	468	540	555	579	289	273	346	344	454

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	27,796	29,740	30,580	32,053	36,220	38,241	41,124	46,100	48,492	53,230
Cash & Equivalents	43	39	24	30	38	108	15	107	67	375
Accounts Receivable	765	856	775	847	925	994	989	1,196	1,226	1,517
Inventories	303	350	336	329	223	238	236	266	268	374
Goodwill & Int. Ass.	3,519	3,519	3,519	3,519	4,427	4,427	4,427	4,446	4,477	4,523
Total Liabilities	18,184	19,764	20,228	21,341	25,134	26,754	28,494	31,880	33,737	37,600
Accounts Payable	742	868	814	885	1,085	1,120	1,148	1,371	1,672	2,114
Long-Term Debt	9,403	9,771	10,195	10,752	13,414	14,632	15,571	17,969	20,219	22,940
Shareholder's Equity	9,612	9,977	10,352	10,712	11,086	11,487	12,630	14,064	14,600	15,470
LTD/E Ratio	0.98	0.98	0.98	1.00	1.21	1.27	1.23	1.28	1.38	1.48

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	2.8%	2.8%	2.9%	3.0%	2.9%	2.8%	2.3%	2.8%	2.6%	2.8%
Return on Equity	8.3%	8.4%	8.6%	8.9%	9.1%	9.2%	7.5%	9.0%	8.5%	9.3%
ROIC	4.2%	4.2%	4.4%	4.5%	4.3%	4.1%	3.3%	4.0%	3.6%	3.8%
Shares Out.	315	317	317	317	317	317	330	342	344	347
Revenue/Share	23.09	24.39	24.98	23.99	24.37	26.57	26.40	26.20	28.62	35.39
FCF/Share	0.65	0.15	0.30	0.73	(1.11)	(2.33)	(2.79)	(3.71)	(3.52)	(3.00)

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

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