



Entergy Corporation (ETR)

Updated February 24th, 2024 by Jonathan Weber

Key Metrics

Current Price:	\$103	5 Year CAGR Estimate:	9.6%	Market Cap:	\$22B
Fair Value Price:	\$108	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	03/13/24 ¹
% Fair Value:	95%	5 Year Valuation Multiple Estimate:	1.0%	Dividend Payment Date:	04/01/24 ²
Dividend Yield:	4.4%	5 Year Price Target	\$138	Years Of Dividend Growth:	30
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Hold

Overview & Current Events

Entergy Corporation is an electric utility company that engages in the generation and distribution of electric power. On top of that, Entergy also owns a smaller natural gas distribution business. Entergy is one of the largest nuclear power plant operators in the United States. The company's utility segment operates in Arkansas, Louisiana, Mississippi, and Texas, where the company serves a total of 2.7 million customers. Entergy Corporation was founded in 1913 and is headquartered in New Orleans, LA.

Entergy Corporation reported that its revenues during the fourth quarter totaled \$2.7 billion, which represents a decline of 17% versus the previous year's quarter. This was mainly the result of lower electricity revenues during the period. Revenues were down on a sequential basis as well. The year-over-year revenue performance during the quarter was relatively in line with the year-over-year performance the company recorded during the previous quarter.

Entergy's earnings-per-share totaled \$0.52 on an adjusted basis during the fourth quarter, which missed the analyst consensus estimate. Entergy guides for earnings-per-share to fall into a range of \$7.05 to \$7.35, or \$7.20 at the midpoint of the guidance range. This implies solid growth of around 6% for the current year. Entergy also states that the company expects further earnings-per-share growth in the coming years, with EPS forecasted to eventually hit \$7.70 in 2025 before rising to \$8.25 in 2026. For the 2023-2026 time frame, growth of around 7% per year is expected.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$5.77	\$5.81	\$6.88	\$5.19	\$5.29	\$5.39	\$5.66	\$6.02	\$6.42	\$6.77	\$7.20	\$9.19
DPS	\$3.32	\$3.34	\$3.42	\$3.50	\$3.58	\$3.66	\$3.74	\$3.86	\$4.16	\$4.52	\$4.52	\$5.24
Shares³	179	178	179	181	182	197	201	205	211	213	215	240

Entergy remained highly profitable during the last financial crisis, which is not surprising, as households still need electricity during difficult economic periods. Entergy has, however, not been able to grow its profits consistently; its earnings-per-share during fiscal 2019 were lower than the company's earnings-per-share during 2010.

Entergy's utility business, which is the much more profitable unit compared to EWC, should continue to grow throughout the coming years, as a rising customer count and inflation will allow for rising revenues. Entergy's nuclear power generation business, on the other hand, will continue to shrink, as additional nuclear power stations are shut down. Shutting down these nuclear power plants will lead to lower revenue generation for this segment in the future, although that will not necessarily go hand in hand with lower earnings, as not all of Entergy's nuclear power plants are operating profitably. The costs for decommissioning Entergy's plants are reflected in the reserves that Entergy has built on its balance sheet for this purpose over the years. Entergy is forecasting that its earnings-per-share will grow meaningfully, by 5%-7% a year in the long run, but due to a weaker track record we are at the bottom of the range with our estimate.

¹ Estimated date

² Estimated date

³ 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	12.9	12.5	10.9	15.0	15.9	22.1	17.5	18.6	17.0	15.1	14.3	15.0
Avg. Yld.	4.5%	4.6%	4.6%	4.5%	4.3%	3.1%	3.7%	3.4%	3.8%	4.4%	4.4%	3.8%

Entergy's shares have risen since our last update. Entergy is currently valued at around 14-15 times this year's expected net profits. This is higher relative to how the company's shares were valued a decade ago, but it's cheaper versus the average valuation over the last couple of years. We believe that Entergy is slightly undervalued today. Entergy's shares offer a sizeable dividend yield of more than 4% at current prices.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	57.5%	57.4%	49.7%	67.4%	67.7%	67.9%	66.1%	64.1%	64.8%	66.8%	62.8%	57.0%

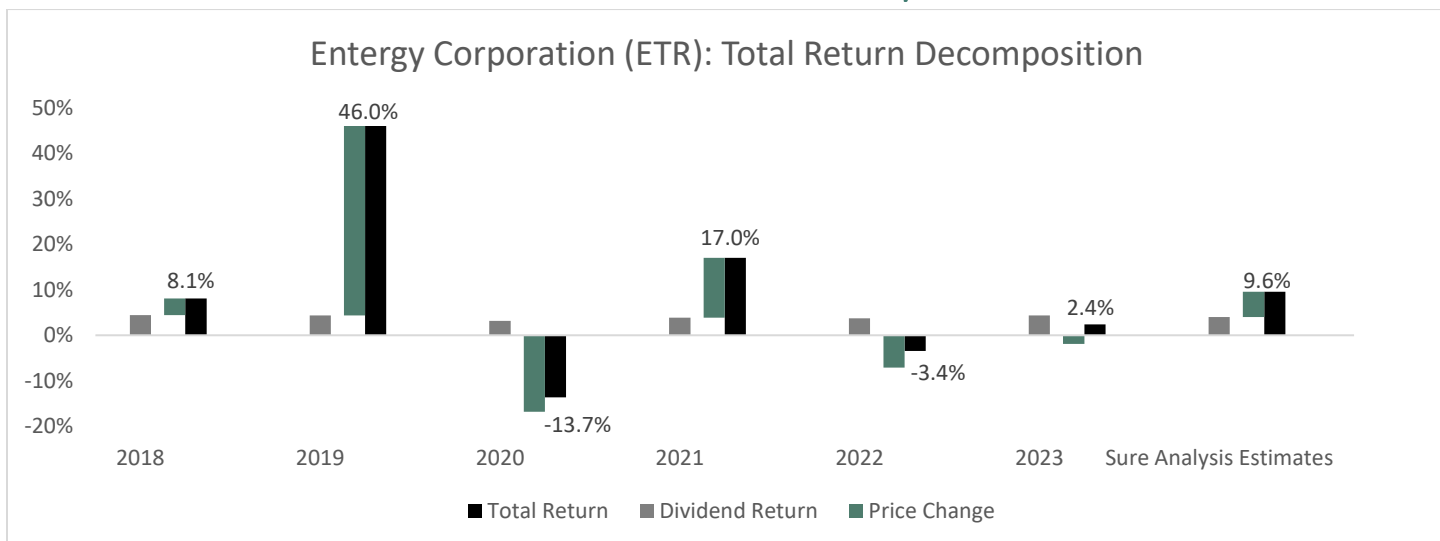
Entergy's dividend payout ratio has risen from roughly 57% one decade ago to more than 60% today. This is not a big surprise, as Entergy increased its dividend regularly during that time frame, whereas earnings-per-share did not move upwards meaningfully during those years. The dividend looks sustainable for now, and according to management, Entergy should be able to grow its earnings-per-share more regularly going forward, which will likely result in a stabilizing or even moderately declining payout ratio.

Entergy's recession performance was compelling during the last financial crisis, and it is likely that future economic downturns will not impact Entergy too much, either. The company has also fared quite well during the current pandemic. This makes Entergy a stock that could provide stability to an investors' portfolio during troubled times. Thanks to its multi-billion-dollar decommissioning fund for its nuclear plants, Entergy's balance sheet is looking solid.

Final Thoughts & Recommendation

Entergy is an electricity-focused utility and has been expanding its business in the recent past. Its long-term growth track record is not too strong, but that was partially based on the impact of the wind-down of its nuclear power generation segment. The more promising electric utility segment should provide improved growth rates in 2024 and beyond. Shares trade slightly below fair value today. We rate Entergy a hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	12,495	11,513	10,846	11,074	11,009	10,879	10,114	11,743	13,764	12,147
Gross Profit	4,189	1,959	1,546	4,180	3,703	4,179	4,458	4,872	5,275	5,329
Gross Margin	33.5%	17.0%	14.3%	37.7%	33.6%	38.4%	44.1%	41.5%	38.3%	43.9%
D&A Exp.	2,128	2,117	2,123	2,079	2,041	2,182	2,258	2,243	2,190	2,244
Operating Profit	2,007	(453)	(815)	1,899	1,002	1,681	1,796	2,109	1,887	2,661
Op. Margin	16.1%	-3.9%	-7.5%	17.1%	9.1%	15.4%	17.8%	18.0%	13.7%	21.9%
Net Profit	960	(157)	(565)	425	863	1,258	1,407	1,119	1,097	2,362
Net Margin	7.7%	-1.4%	-5.2%	3.8%	7.8%	11.6%	13.9%	9.5%	8.0%	19.4%
Free Cash Flow	1,233	297	(1,046)	(1,378)	(1,886)	(1,815)	(2,467)	(3,953)	(2,703)	(417)
Income Tax	590	(643)	(817)	543	(1,037)	(170)	(122)	191	(39)	(691)

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	46,414	44,648	45,904	46,707	48,275	51,724	58,239	59,454	58,595	59,703
Cash & Equivalents	1,422	1,351	1,188	781	481	426	1,759	443	224	133
Acc. Receivable	561	569	643	660	551	588	716	718	758	674
Inventories	1,124	1,091	878	906	870	970	1,135	1,196	1,331	1,612
Goodwill & Int.	377	377	377	377	377	377	377	377	377	374
Total Liabilities	36,313	35,391	37,823	38,715	39,431	41,465	47,278	47,784	45,530	44,960
Accounts Payable	1,166	1,072	1,286	1,452	1,496	1,500	2,739	2,610	1,778	1,567
Long-Term Debt	13,884	13,820	15,248	16,654	18,111	19,820	23,997	27,082	26,760	26,246
Total Equity	10,008	9,257	8,082	7,993	8,844	10,224	10,926	11,637	12,967	14,623
LTD/E Ratio	1.39	1.49	1.89	2.08	2.05	1.94	2.20	2.33	2.06	1.79

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	2.1%	-0.3%	-1.2%	0.9%	1.8%	2.5%	2.6%	1.9%	1.9%	4.0%
Return on Equity	9.7%	-1.6%	-6.5%	5.3%	10.2%	13.2%	13.3%	9.9%	8.9%	17.0%
ROIC	4.1%	-0.7%	-2.4%	1.8%	3.3%	4.4%	4.3%	3.0%	2.8%	5.8%
Shares Out.	179	178	179	181	182	197	201	205	211	213
Revenue/Share	69.30	64.26	60.63	61.34	60.04	55.22	50.29	58.17	66.96	57.20
FCF/Share	6.84	1.66	(5.84)	(7.63)	(10.28)	(9.21)	(12.27)	(19.58)	(13.15)	(1.96)

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

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