



Clearway Energy Inc (CWEN)

Updated March 1st, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$22	5 Year CAGR Estimate:	15.3%	Market Cap:	\$4.3 B
Fair Value Price:	\$30	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	02/29/2024
% Fair Value:	72%	5 Year Valuation Multiple Estimate:	6.8%	Dividend Payment Date:	03/15/2024
Dividend Yield:	7.4%	5 Year Price Target:	\$35	Years of Dividend Growth:	5
Dividend Risk Score:	D	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Clearway Energy Inc is a large electric utility company which owns and operates contracted energy generation across two segments: conventional generation, and renewables. The company possesses 8,500 net MW of assets. Clearway is a large owner of renewable energy with 6,000 MW of installed wind, solar and energy storage projects. Approximately 2,500 net MW of the company's energy comes from natural gas generation facilities. The power company trades on the NYSE under the ticker symbol CWEN. They are headquartered in Princeton, New Jersey.

To note, Clearway Energy's controlling investor is Global Infrastructure Partners III (GIP), and Clearway Energy Group is the company's portfolio business from which they invest in infrastructure and businesses in OECD and certain emerging market countries. Clearway Energy Group owns or has an interest in more than 8 gigawatts of wind, solar and energy storage assets, and an ongoing development pipeline across the U.S. The group's large renewable power generation offsets over 10.5 million metric tons of carbon emissions.

On May 1st, 2022, the company completed the sale of its Thermal Business for net proceeds of roughly \$1.35 billion.

On August 7th, 2022, GIP completed a transaction resulting in TotalEnergies (NYSE: TTE) acquiring half of GIP's interest in Clearway Group. The benefit to Clearway is that TotalEnergies will provide Clearway with a right of first offer on its U.S. onshore renewable assets, and provide marketing and corporate relationships to aid in the commercial value of Clearway's development and operating projects.

On February 15th, 2024, Clearway raised its quarterly dividend again by 2% to \$0.4033 per share, or \$1.6132 per year.

Clearway Energy reported fourth quarter 2023 results on February 22nd, 2024. The company generated \$201 million in adjusted EBITDA for the quarter, down from \$212 million in the prior year quarter. Cash from operating activities improved by 14% to \$206 million and cash available for distribution (CAFD) was \$53 million, compared to \$(2) million in Q4 2022.

Leadership reaffirmed its fiscal 2024 guidance for CAFD of \$395 million. This equates to approximately \$3.38 per share of CAFD based on our estimated fiscal 2024 share count.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
CAFDs	-	\$2.13	\$3.17	\$2.72	\$2.80	\$2.70	\$2.54	\$2.87	\$2.79	\$2.92	\$3.38	\$3.92
EPS	-	\$0.40	\$0.58	(\$0.16)	\$0.46	(\$0.10)	\$0.22	\$0.44	\$4.99	\$0.67	\$1.09	\$1.46
DPS	-	\$0.82	\$0.95	\$1.10	\$1.26	\$0.80	\$1.05	\$1.33	\$1.43	\$1.54	\$1.61	\$2.06
Shares¹	-	84.0	98.0	99.0	104.0	109.0	116.0	117.0	117.0	117.0	117.0	125.0

Clearway's relevant earnings and cash available for distribution data goes back to 2015, when the company was known as NRG Yield, Inc. Earnings have been very choppy historically, and the corporation opts to measure performance and payout using cash available for distribution. However, even when measuring performance using CAFD per share, the company does not have an exemplary history, but it is improving.

¹ In millions

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Clearway's CAFD per share have grown by 4.0% and 0.9% on average over the past eight and five years. This slow level of growth was one reason for the dividend cut in 2019.

Despite the poor growth history, we estimate that CWEN can grow CAFD by roughly 3.0% annually over the intermediate term. The Clearway Group will lead the corporation into significant growth opportunities as they have a near 30 GW development pipeline. Rate increases and further acquisitions of existing renewable energy projects will add to CAFD per share as well. We expect that shares outstanding will continue to grow, and so earnings and CAFD will be spread among more shares, a minor headwind on a per-share basis.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022	Now	2028
Avg. P/CAFD	-	8.3	4.8	6.6	6.5	6.3	9.5	10.7	12.4	9.5	6.5	9.0
Avg. Yld.	-	4.7%	5.6%	5.7%	6.5%	6.4%	3.6%	3.7%	4.0%	5.5%	7.4%	5.8%

Since earnings is not the primary metric in valuing Clearway Energy given its volatility, we are valuing the company based on CAFD per share. CWEN's nine-year and five-year average price-to-CAFD is 8.3 and 10.9, respectively. Today, shares trade below this range at 6.5 times estimated 2024 CAFD per share. We peg fair value at 9.0 times CAFD per share, which would result in a 6.8% annualized tailwind to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

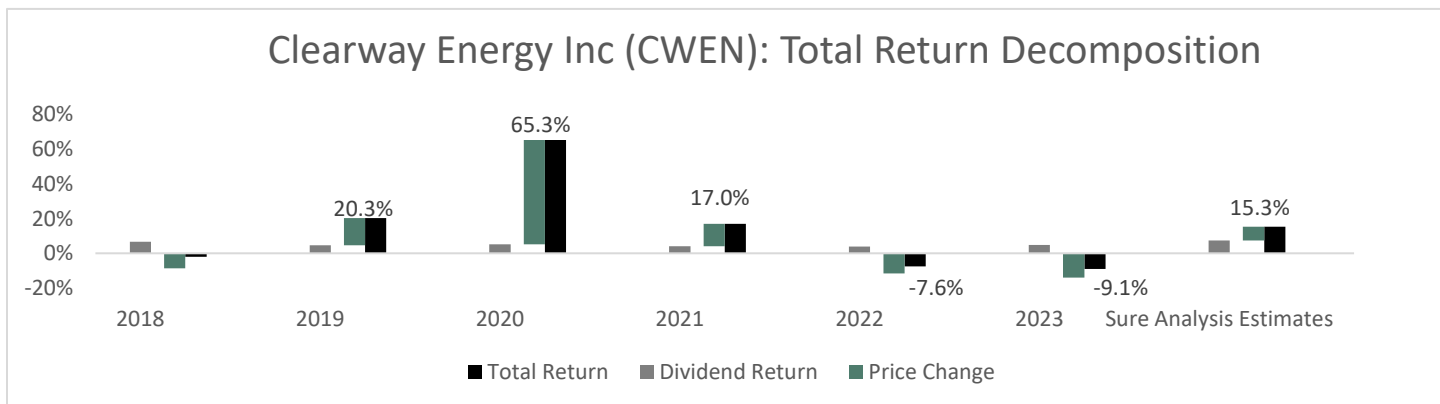
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022	2023	2028
Payout	-	38%	30%	40%	45%	30%	41%	46%	51%	53%	48%	53%

The company's payout has remained conservative on a CAFD per share basis; however, this includes one dividend cut in recent history. We don't have operating results dating back to the great financial crisis so we can't say for certain how CWEN would have performed, but we believe utilities businesses are generally one of the safer industries during a recession. Results were not highly impacted by the COVID pandemic as power generation is essential. CWEN believes its knowledge and operating expertise to be its prime competitive advantage in the industry, as it allows it to make strong energy acquisitions, which it can utilize to grow CAFD.

Final Thoughts & Recommendation

Clearway Energy is backed by one of the largest infrastructure funds in the world, which gives it an advantage in accessing deals and building out its power portfolio, and the company has turned the corner on achieving meaningful growth. We rate the shares as a buy with the company trading at 72% of our fair value estimate and forecast an annualized total return of 15.3%.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	828	968	1,035	1,009	1,053	1,032	1,199	1,286	1190	1314
Gross Profit	551	645	727	683	726	695	833	835	755	841
Gross Margin	66.5%	66.6%	70.2%	67.7%	68.9%	67.3%	69.5%	64.9%	63.4%	64.0%
SG&A Exp.	8	12	16	19	20	29	34	40	40	36
D&A Exp.	263	358	379	404	405	479	522	655	684	711
Operating Profit	310	330	408	330	367	260	366	280	201	279
Op. Margin	37.4%	34.1%	39.4%	32.7%	34.9%	25.2%	30.5%	21.8%	16.9%	21.2%
Net Profit	16	33	57	(16)	48	(11)	25	51	582	79
Net Margin	1.9%	3.4%	5.5%	-1.6%	4.6%	-1.1%	2.1%	4.0%	48.9%	6.0%
Free Cash Flow	302	396	557	327	415	249	421	550	675	408
Income Taxes	4	12	(1)	72	62	(8)	8	12	222	-2

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	7,860	8,689	8,962	8,489	8,500	9,700	10,592	12,813	12312	14700
Cash & Equivalents	429	111	322	148	407	155	268	179	657	535
Accts. Recv.	118	101	95	95	104	118	143	144	153	171
Inventories	32	36	39	39	40	40	42	37	47	55
Goodwill & Int.	1,424	1,362	1,303	1,228	1,156	1,428	1,370	2,499	2565	2374
Total Liabilities	5,235	5,951	6,363	6,330	6,276	7,437	7,877	9,513	8279	9707
Accounts Payable	22	23	23	46	45	74	72	181	77	161
Long-Term Debt	4,921	5,593	6,049	5,998	5,982	6,780	6,969	7,711	6813	8037
Total Equity	1,234	1,841	1,850	1,747	1,822	1,849	1,824	1,834	2234	2100
LTD/E Ratio	3.99	3.04	3.27	3.43	3.28	3.67	3.82	4.20	3.05	3.83

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.3%	0.4%	0.6%	-0.2%	0.6%	-0.1%	0.2%	0.4%	4.6%	0.6%
Return on Equity	1.7%	2.1%	3.1%	-0.9%	2.7%	-0.6%	1.4%	2.8%	28.6%	1.8%
ROIC	0.3%	0.4%	0.7%	-0.2%	0.6%	-0.1%	0.3%	0.5%	5.3%	0.7%
Shares Out.			84.0	98.0	99.0	104.0	109.0	117.0	117	117
Revenue/Share	8.41	14.79	11.52	10.56	10.19	10.13	9.47	10.99	10.17	11.23
FCF/Share	5.39	4.71	5.68	3.30	3.99	2.28	3.63	4.70	5.77	3.49

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

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