



Edison International (EIX)

Updated March 11th, 2024 by Samuel Smith

Key Metrics

Current Price:	\$69.4	5 Year CAGR Estimate:	8.3%	Market Cap:	\$27 B
Fair Value Price:	\$62.5	5 Year Growth Estimate:	6.7%	Ex-Dividend Date:	3/27/24
% Fair Value:	111%	5 Year Valuation Multiple Estimate:	-2.1%	Dividend Payment Date:	4/30/24
Dividend Yield:	4.5%	5 Year Price Target	\$86	Years Of Dividend Growth:	20
Dividend Risk Score:	B	Retirement Suitability Score:	B	Rating:	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 \$27 billion.

On February 22, 2024, Edison International (EIX) reported its financial results for the fourth quarter of 2023. Edison International reported fourth-quarter net income of \$378 million, or \$0.99 per share, compared to \$415 million, or \$1.09 per share, in the same period last year. Adjusted fourth-quarter core earnings were \$490 million, or \$1.28 per share, an increase from \$437 million, or \$1.15 per share, in the fourth quarter of the previous year. Southern California Edison (SCE) saw its fourth-quarter 2023 core earnings per share (EPS) rise year over year, mainly due to increased revenue from the escalation mechanism outlined in the 2021 General Rate Case (GRC) final decision and lower operation and maintenance expenses, partially offset by higher interest expense. Meanwhile, Edison International Parent and Other experienced a decrease in fourth-quarter 2023 core loss per share, primarily attributable to gains on preferred stock repurchases. Pedro J. Pizarro, president and CEO of Edison International, emphasized the company's ability to manage business variability, with core EPS surpassing the midpoint of the guidance range and a 5.8% annual dividend increase reflecting commitment to EPS growth targets. Looking ahead, Edison International reaffirmed its strong confidence in achieving long-term EPS growth targets of 5% to 7% for the periods 2021 through 2025 and 2025 through 2028. Additionally, Pizarro highlighted SCE's notable progress with its covered conductor program, which has significantly reduced the need for Public Safety Power Shutoffs by installing over 5,580 circuit miles of covered conductor in the last five years, alongside other initiatives like enhanced vegetation management and asset inspections.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$4.33	\$4.15	\$3.92	\$4.50	\$4.15	\$4.70	\$4.52	\$4.59	\$4.59	\$4.76	\$5.00	\$6.90
DPS	\$1.48	\$1.73	\$1.98	\$2.23	\$2.43	\$2.48	\$2.58	\$2.69	\$2.84	\$2.95	\$3.12	\$3.60
Shares¹	325.8	325.8	325.8	325.8	325.8	362.6	379.3	380.7	382.6	384.5	384.5	410

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

¹ Share count in millions

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expect that Edison International will be able to grow its earnings-per-share at a 6.7% annualized rate going forward, 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	13	14.8	17.9	17.2	13.7	15.3	14.2	14.2	13	13.3	13.9	12.5
Avg. Yld.	2.6%	2.8%	2.8%	2.9%	4.3%	3.4%	4.0%	4.1%	4.8%	4.7%	4.5%	4.2%

Edison International trades at 13.9 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 high 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

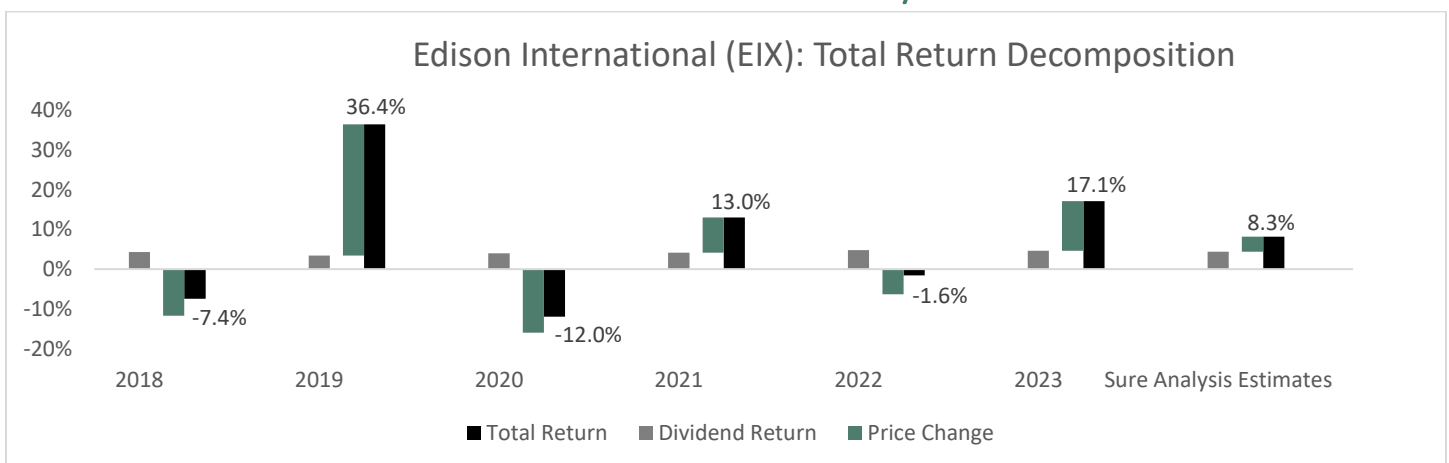
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	34%	42%	51%	50%	59%	53%	57%	59%	62%	62%	62%	52%

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 safe 4.5% yield. We expected total annualized returns over the next half-decade to be 8.3%, making the stock a Hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	13,413	11,524	11,869	12,320	12,657	12,347	13,578	14,905	17,220	16,338
Gross Profit	4,671	4,268	4,444	4,603	4,454	4,490	5,037	5,720	6,121	6,714
Gross Margin	34.8%	37.0%	37.4%	37.4%	35.2%	36.4%	37.1%	38.4%	35.5%	41.1%
D&A Exp.	1,815	2,005	2,098	2,115	1,940	1,798	2,021	2,288	2,633	2,721
Operating Profit	2,629	2,013	2,083	2,194	(474)	1,954	968	1,546	1,532	2,628
Op. Margin	19.6%	17.5%	17.5%	17.8%	-3.7%	15.8%	7.1%	10.4%	8.9%	16.1%
Net Profit	1,724	1,133	1,434	689	(302)	1,405	871	925	824	1,407
Net Margin	12.9%	9.8%	12.1%	5.6%	-2.4%	11.4%	6.4%	6.2%	4.8%	8.6%
Free Cash Flow	(658)	284	(495)	(247)	(1,332)	(4,967)	(4,053)	(5,494)	(2,562)	(2,047)
Income Tax	443	486	177	281	(739)	(278)	(305)	(136)	(162)	108

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	49,734	50,229	51,319	52,580	56,715	64,382	69,372	74,745	78,041	81,758
Cash & Equivalents	132	161	96	1,091	144	68	87	390	914	345
Acc. Receivable	790	771	714	717	730	788	1,130	1,398	1,695	2,016
Inventories	281	267	239	242	282	364	405	420	474	527
Total Liabilities	36,752	36,841	37,132	38,714	44,063	48,886	53,423	56,956	60,519	63,814
Accounts Payable	1,580	1,310	1,342	1,503	1,511	1,752	1,980	2,002	2,359	1,983
Long-Term Debt	12,029	11,873	12,463	14,516	15,431	18,893	23,059	27,601	31,654	34,090
Total Equity	10,960	11,368	11,996	11,671	10,459	13,303	14,048	13,911	13,643	13,828
LTD/E Ratio	1.10	1.04	1.04	1.24	1.48	1.42	1.64	1.74	2.03	2.20

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.6%	2.3%	2.8%	1.3%	-0.6%	2.3%	1.3%	1.3%	1.1%	1.8%
Return on Equity	14.0%	8.6%	10.4%	4.9%	-2.3%	10.0%	5.5%	5.5%	4.7%	7.9%
ROIC	7.3%	4.5%	5.5%	2.5%	-1.1%	4.5%	2.4%	2.2%	1.7%	2.8%
Shares Out.	325.8	325.8	325.8	325.8	325.8	362.6	379.3	380.7	382.6	384.5
Revenue/Share	40.77	35.03	35.97	37.56	38.83	36.21	36.30	39.22	44.96	42.44
FCF/Share	(2.00)	0.86	(1.50)	(0.75)	(4.09)	(14.57)	(10.84)	(14.46)	(6.69)	(5.32)

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

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