Vistra Corp (VST)

Updated March 12th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	$59	**5 Year CAGR Estimate:**	4.6%	**Market Cap:**	$21 B
Fair Value Price:	$51	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date[1]:**	03/19/2024
% Fair Value:	115%	**5 Year Valuation Multiple Estimate:**	-2.8%	**Dividend Payment Date[2]:**	03/29/2024
Dividend Yield:	1.5%	**5 Year Price Target:**	$69	**Years of Dividend Growth:**	5
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Vistra is an integrated retail electricity and power generation company. In 2016, Vistra was created as a stand-alone entity as a result of Energy Future Holdings bankruptcy. Vistra is one of the largest power generators in the U.S. and has a capacity of roughly 41,000 megawatts generated by a diverse portfolio which includes natural gas, nuclear, solar and battery energy storage facilities. Its products and services are offered across 20 states and the District of Columbia, including wholesale markets in Canada and Japan. Vistra serves approximately 5 million residential, commercial, and industrial retail customers with electricity and natural gas. The company also offers over 50 renewable energy plans. The power producer has a market capitalization of $21 billion and trades on the NYSE under the ticker symbol VST.

On February 23rd, 2024, Vistra declared a $0.215 quarterly dividend, which represents an 8.8% year-over-year increase.

On March 1st, 2024, Vistra completed the acquisition of Energy Harbor Corp, adding 4,000 MW of nuclear generation and 1 million new retail customers to Vistra's business.

Vistra Corp reported fourth quarter and full year 2023 results on February 28th, 2024. Vistra reported adjusted EBITDA from ongoing operations for the full year 2023 was $4,140 million, which compares favorably to $3,119 million in 2022.

Leadership provided fiscal 2024 guidance. The guidance calls for adjusted EBITDA of $3.9 billion at the midpoint. Adjusted free cash flow before growth capex is expected to come in at $2.1 billion at the midpoint.

As of February 23rd, 2024, Vistra completed about $3.7 billion of its upsized $4.25 billion share repurchase program. Since the program was announced in November 2021, Vistra has reduced its share count by about 28%. Additionally, a new $1.5 billion share repurchase authorization was approved.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	---	---	($0.38)	($0.59)	($0.11)	$1.86	$1.30	($2.69)	($3.26)	$3.58	***$4.07***	***$4.72***
EBITDA/S	---	---	$1.72	$3.40	$5.47	$6.65	$7.50	$3.96	$7.09	$11.20	***$11.40***	***$15.26***
DPS	---	---	$2.32	$0.00	$0.00	$0.50	$0.54	$0.60	$0.72	$0.82	***$0.86***	***$1.26***
Shares[3]	---	---	427.6	427.8	505.0	499.9	491.1	482.2	422.4	369.8	***340.0***	***300.0***

Vistra Corp has a messy earnings per share history, and as a result it is near impossible to extract any sort of consistent growth in earnings from which to base future expectations off. Vistra largely utilizes adjusted EBITDA to measure company performance, so we have elected to display adjusted EBITDA per share. We would also like to point out that the tabled results for 2016 are only for the fourth quarter results, when the company began trading on the NYSE; as a result, year-over-year comparisons can only truly begin with year 2017.

Based on our adjusted EBITDA per share calculations, EBITDA has grown by 15.4% on average over the past five years, and 14.3% over the past three years. 2021 results were significantly impacted by the winter storm Uri catastrophe.

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[1] Estimate
[2] Estimate
[3] In millions

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We forecast the corporation can grow adjusted EBITDA per share by 6.0% even from the high comparison base in 2024. We see Vistra on this path to growth through its large investments in solar and batteries as it progressively retires its coal plants, which would see a large uptick in its zero-carbon generation. Additionally, federal tax policy encourages the expansion of renewable energy through tax credits, as well as many U.S. states and corporation have clean energy goals, that could be a catalyst for further tailwinds to Vistra Corp's clean energy generation.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
P/EBITDA	---	---	8.7	5.0	4.1	3.8	2.6	4.8	3.3	2.1	***5.2***	***4.5***
Avg. Yld.	---	---	15%	---	---	2.8%	2.8%	3.0%	2.7%	2.8%	***1.5%***	***1.8%***

Considering that Vistra's earnings are volatile, we are valuing the company based on its historical adjusted EBITDA. Dating back to its inception, Vistra has traded on an average basis of 4.3 times adjusted EBITDA. Today, Vistra trades at 5.2 times adjusted EBITDA, and we peg fair value at around 4.5 times, for a -2.8% average annual headwind to total returns due to multiple contraction.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	N/A	N/A	135%	0%	0%	27%	42%	---	---	23%	***21%***	***27%***

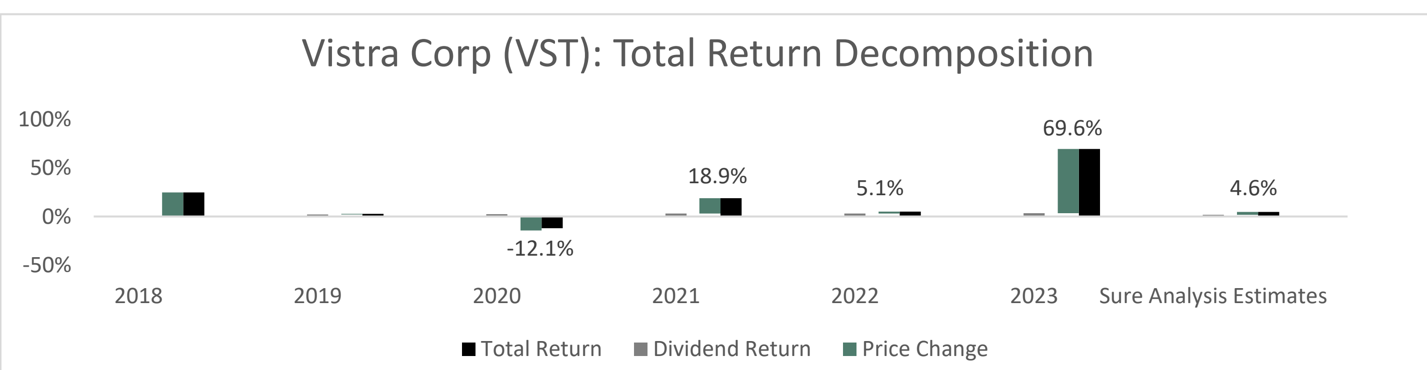
We have opted to calculate the payout ratio using the company's earnings per share as adjusted EBITDA does not include costs such as interest and taxes that the corporation must pay at the end of the year. The payout ratio was stable since its inception in 2019, but negative EPS in 2021 and 2022 caused it to eclipse 100%, thus the dividend has some risk to it. Although in 2024, we estimate a very safe payout ratio of just 21% of EPS.

We don't have operating results dating back to the great financial crisis so we can't say for certain how Vistra would have performed, but we believe utilities businesses are generally safe during a recession, especially power generators for residential customers. While the company may have resiliency during a recession, it is not immune. Vistra believes its integrated business model to be its prime competitive advantage in the electricity industry, as it allows it to reduce the effect of commodity price movements and contribute to earnings and cash flow stability.

Final Thoughts & Recommendation

Vistra Energy rose from the bankruptcy of Energy Future Holdings in late-2016 and since then has strongly compounded adjusted EBITDA per share. The share price of Vistra has increased by 157% since we rated it a buy in November 2022. Following this incredible rate of return, we are downgrading Vistra to hold from buy due to estimated annualized total returns of 4.6% over the next five years.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	5,978	5,370	5,164	5,430	9,144	11,809	11,443	12,077	13728	14780
Gross Profit	2,222	1,844	1,490	1,522	2,811	4,537	4,647	1,349	1682	5520
Gross Margin	37.2%	34.3%	28.9%	28.0%	30.7%	38.4%	40.6%	11.2%	12.3%	37.3%
SG&A Exp.	708	676	690	600	926	904	1,035	1,040	1189	1308
Operating Profit	1,440	995	817	835	1,533	1,876	2,048	2,050	2047	2710
Op. Margin	24.1%	18.5%	15.8%	15.4%	16.8%	15.9%	17.9%	17.0%	14.9%	18.3%
Net Profit	244	316	125	223	491	1,993	1,875	-1,444	-1103	1493
Net Margin	4.1%	5.9%	2.4%	4.1%	5.4%	16.9%	16.4%	-12.0%	-8.0%	10.1%
Free Cash Flow	-6,229	-4,677	-819	-254	-54	928	636	-1,274	-1227	3777
Income Taxes	31	-223	-467	855	941	2,023	2,078	-1,239	-816	508

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets		15,658	15,167	14,600	26,024	26,616	25,208	29,683	32787	32970
Cash & Equivalents		1,400	843	1,487	636	300	406	1,325	455	3485
Accounts Recv.		533	612	582	1,087	1,365	1,279	1,397	2059	1674
Inventories		428	285	253	412	469	515	610	570	740
Total Liabilities		38,542	8,570	8,258	18,157	18,656	16,847	21,391	27869	27640
Accounts Payable		514	479	473	945	947	880	1,515	1556	1147
Long-Term Debt		1,444	4,623	4,423	11,404	11,179	9,630	10,731	13046	14400
Total Equity		-22,884	6,597	6,342	7,863	7,959	8,371	6,291	2902	2831
LTD/E Ratio		-0.06	0.70	0.70	1.45	1.40	1.15	1.29	2.66	2.71

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets			-5.3%	-1.7%	-0.3%	3.5%	2.5%	-4.6%	-3.9%	4.5%
Return on Equity				-3.9%	-0.8%	11.7%	7.8%	-17.4%	-26.7%	29.2%
ROIC				-2.3%	-0.4%	4.8%	3.4%	-6.9%	-6.6%	7.9%
Shares Out.			427.6	427.8	505.0	499.9	491.1	482.2	422.45	375.19
Revenue/Share	13.98	12.56	12.08	12.69	18.11	23.62	23.30	25.04	32.50	39.39
FCF/Share	0.07	-0.52	-1.09	2.00	1.86	4.05	4.23	-2.57	-1.93	10.07

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