



Ameren Corporation (AEE)

Updated November 9th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	\$90	5 Year CAGR Estimate:	10.0%	Market Cap:	\$23.7 B
Fair Value Price:	\$92	5 Year Growth Estimate:	7.0%	Ex-Dividend Date¹:	12/11/24
% Fair Value:	98%	5 Year Valuation Multiple Estimate:	0.4%	Dividend Payment Date¹:	12/30/24
Dividend Yield:	3.0%	5 Year Price Target	\$129	Years Of Dividend Growth:	11
Dividend Risk Score:	D	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

Ameren Corporation owns rate-regulated generation, transmission, and distribution networks that deliver electricity and natural gas in Missouri and Illinois. The company serves 2.4 million electricity customers and more than 900,000 natural gas customers. It primarily generates electricity through coal, nuclear, and natural gas, as well as renewable sources, such as hydroelectric, wind, methane gas, and solar. The company serves residential (49% of revenues), commercial (34%), and industrial customers (17%). This \$21.8 billion company was founded in 1881 and has about 9,400 employees.

On November 6th, 2024, Ameren Corporation released its third quarter results for the period ending September 30th, 2024. For the quarter, the company reported net income of \$456 million and \$1.70 earnings per diluted share, compared to the same quarter a year ago net income of \$493 million and \$1.87 earnings per diluted share. The reported earnings reflected stable performance in adjusted EPS despite challenges, driven by earnings on increased infrastructure investments, disciplined cost management, and new Ameren Missouri electric service rates, which were partially offset by higher interest expenses at Ameren Parent and reduced retail sales in Missouri due to milder summer temperatures.

Total revenues came in at \$2,173 million in the quarter, which represents a 5.5% increase year-over-year. Ameren's total electricity sales volumes were stable, at 19,054 million kilowatt-hours (kWh) in the third quarter compared with 19,016 million kWh in the year-ago quarter. Gas volumes slightly decreased to 138 million dekatherms. Total operating expenses were \$1,587 million, an increase of 9.7% year-over-year. The company's interest expenses in the third quarter were \$173 million compared with the prior-year quarter's \$152 million. Ameren has the goal to invest approximately \$21.9 billion in various projects from 2024 to 2028, aiming to support its target of net-zero carbon emissions by 2045.

During the investor update, the company presented a positive outlook, underpinned by robust infrastructure investments detailed in the recent earnings call. Ameren expects diluted earnings per share to grow at a 6% to 8% compound annual rate from 2024 through 2028. For 2024, Ameren provided an adjusted EPS guidance range of \$4.55 to \$4.69. Additionally, for 2025, Ameren issued EPS guidance in the range of \$4.85 to \$5.05, with the midpoint representing a 7.1% increase over the midpoint of the 2024 adjusted guidance. The company also aims to align future dividend growth with its long-term earnings per share growth expectations, maintaining a planned payout ratio between 55% and 65% of annual EPS. This strategy highlights Ameren's commitment to delivering shareholder value with a sustainable and attractive dividend.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.40	\$2.38	\$2.68	\$2.77	\$3.32	\$3.35	\$3.50	\$3.84	\$4.14	\$4.38	\$4.60	\$6.45
DPS	\$1.61	\$1.66	\$1.72	\$1.78	\$1.85	\$1.92	\$2.00	\$2.20	\$2.36	\$2.52	\$2.68	\$3.59
Shares²	243	243	243	243	245	246	253	258	258	258	263	267

Ameren's long-term earnings growth track record is solid, growing EPS every year since 2015. Over the last five years, the average EPS growth rate is 6.5%.

¹ Estimated date.

² In millions.

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We expect the company to grow its earnings-per-share by 7.0% per year on average over the next five years. The company has a good earnings track record and will benefit from gas and electricity rate hikes. This should compensate for the effects of higher operating and maintenance costs, depreciation, and slightly higher average shares outstanding. The company has a long history of paying dividends and has increased its payout for 11 consecutive years. In February 2024, the quarterly dividend increased by 6.3% from \$0.63 to \$0.67 per share. Over the last five years, the average annual dividend growth rate is 6.9%.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	16.7	17.5	18.3	20.6	18.3	22.1	22.2	21.4	21.5	17.5	19.6	20.0
Avg. Yld.	1.9%	4.0%	3.5%	3.1%	3.0%	2.6%	2.6%	2.7%	2.7%	3.3%	3.0%	2.8%

During the past decade shares of Ameren Corporation have traded with an average price-to-earnings ratio of about 19.6 times earnings and today, it stands at 19.6. We are using 20 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 3.0% and the raises in the last few years have contributed to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

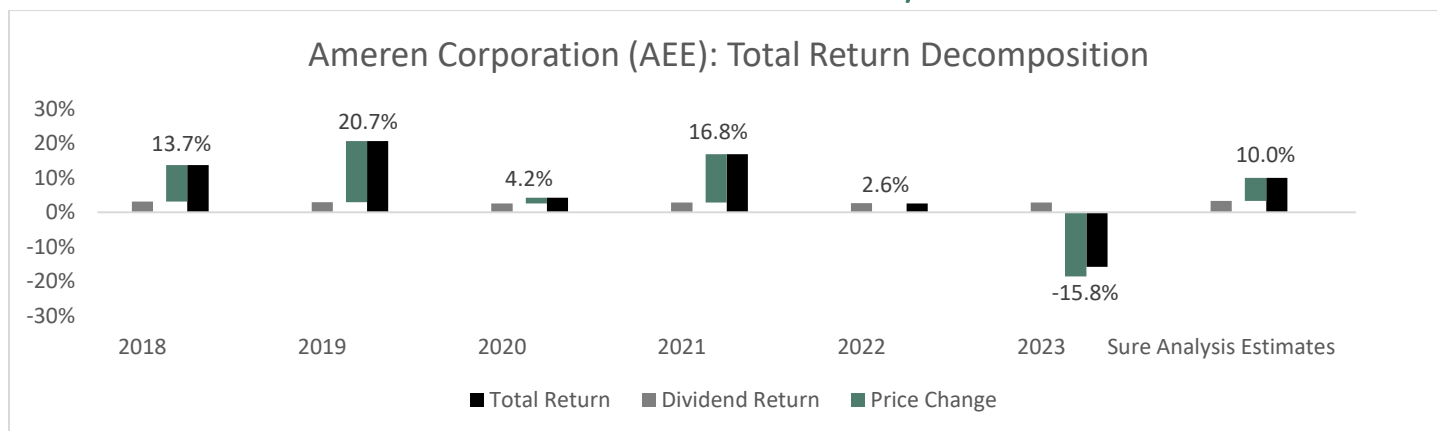
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	67%	70%	64%	64%	56%	57%	57%	57%	57%	58%	58%	56%

During the past five years, the company's dividend payout ratio has averaged around 57%. The company has a projected 2023 payout ratio of 58%, which indicates a sustainable dividend and is within Ameren's target³ payout range of 55%-65%. We expect that earnings growth will be stable, meaning that there is still room for the dividend to continue to grow with a payout ratio below 60%. Ameren Corporation is investing very heavily in renewable energy and growing its rate base. Any increase to the rate base allows the company to increase the price that it charges to its customers. This will help Ameren to maintain a sustainable earnings growth rate. Investing in the energy grid should also improve reliability (less outage), increase customer satisfaction, and will result in attractive rates for customers below the US average. The expected compound annual rate base growth³ 2023 through 2028 is 8.2%.

Final Thoughts & Recommendation

Ameren Corporation is a quality stock in terms of its earnings growth track record, its earnings growth outlook, its dividend yield, and its infrastructure investments related to the net-zero carbon emission target for 2050. We estimate a total return of 10.0% from a 3.0% yield, 7% EPS growth, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



³ Fourth Quarter 2023 Earnings presentation

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	6,053	6,098	6,076	6,174	6,291	5,910	5,794	6,394	7,957	7,500
Gross Profit	2,467	2,597	2,634	2,783	2,795	2,743	2,858	2,991	3,343	3,467
Gross Margin	40.8%	42.6%	43.4%	45.1%	44.4%	46.4%	49.3%	46.8%	42.0%	46.2%
D&A Exp.	791	874	923	952	1,033	1,081	1,153	1,277	1,438	1,500
Operating Profit	1,254	1,259	1,322	1,410	1,357	1,267	1,300	1,333	1,515	1,853
Operating Margin	20.7%	20.6%	21.8%	22.8%	21.6%	21.4%	22.4%	20.8%	19.0%	24.7%
Net Profit	586	630	653	523	815	828	871	990	1,074	1,152
Net Margin	9.7%	10.3%	10.7%	8.5%	13.0%	14.0%	15.0%	15.5%	13.5%	15.4%
Free Cash Flow	(294)	62	(14)	(77)	(168)	(272)	(1,572)	(1,862)	(1,117)	(1,207)
Income Tax	377	363	382	576	237	182	155	157	176	183

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	22,289	23,640	24,699	25,945	27,215	28,933	32,030	35,735	37,900	40,830
Cash & Equivalents	5	292	9	10	16	16	139	8	10	25
Accounts Receivable	423	388	437	445	463	393	415	434	600	494
Inventories	524	538	527	522	483	494	521	592	667	733
Goodwill & Int. Ass.	411	411	411	411	411	411	411	411	411	411
Total Liabilities	15,434	16,552	17,454	18,619	19,442	20,732	22,950	25,906	27,270	29,350
Accounts Payable	711	777	805	902	817	874	958	1,095	1,159	1,136
Long-Term Debt	6,919	7,576	7,834	8,419	9,036	9,797	11,576	13,612	15,100	16,510
Shareholder's Equity	6,713	6,946	7,103	7,184	7,631	8,059	8,938	9,700	10,510	11,350
LTD/E Ratio	1.03	1.09	1.10	1.17	1.18	1.22	1.30	1.40	1.44	1.45

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	2.7%	2.7%	2.7%	2.1%	3.1%	2.9%	2.9%	2.9%	2.9%	2.9%
Return on Equity	8.8%	9.2%	9.3%	7.3%	11.0%	10.6%	10.2%	10.6%	10.6%	10.4%
ROIC	4.4%	4.4%	4.4%	3.4%	5.0%	4.8%	4.5%	4.5%	4.4%	4.3%
Shares Out.	243	243	243	243	245	246	253	258	259.5	263.4
Revenue/Share	24.77	25.03	24.96	25.28	25.59	23.92	23.30	24.82	30.66	28.47
FCF/Share	(1.20)	0.25	(0.06)	(0.32)	(0.68)	(1.10)	(6.32)	(7.23)	(4.30)	(4.58)

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

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