



Entergy Corporation (ETR)

Updated November 5th, 2024 by Jonathan Weber

Key Metrics

Current Price:	\$146	5 Year CAGR Estimate:	3.6%	Market Cap:	\$31B
Fair Value Price:	\$116	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	12/13/24 ¹
% Fair Value:	126%	5 Year Valuation Multiple Estimate:	-4.5%	Dividend Payment Date:	01/02/25 ²
Dividend Yield:	3.3%	5 Year Price Target	\$148	Years Of Dividend Growth:	31
Dividend Risk Score:	B	Retirement Suitability Score:	B	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 third quarter totaled \$3.39 billion, which represents a decline of 6% versus the previous year's quarter. This was mainly the result of lower electricity revenues during the period. Revenues were up on a sequential basis, but the year-over-year revenue performance during the quarter was worse than the year-over-year performance the company recorded during the previous quarter.

Entergy's earnings-per-share totaled \$2.99 on an adjusted basis during the third quarter, which beat the analyst consensus estimate. Entergy guides for earnings-per-share to fall into a range of \$7.15 to \$7.35, or \$7.25 at the midpoint of the guidance range. This implies solid growth of around 7% for the current year. Entergy also states that the company expects further earnings-per-share growth in the coming years, with EPS forecasted to 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	\$7.25	\$9.25
DPS	\$3.32	\$3.34	\$3.42	\$3.50	\$3.58	\$3.66	\$3.74	\$3.86	\$4.16	\$4.52	\$4.80	\$5.56
Shares³	179	178	179	181	182	197	201	205	211	213	215	240

Entergy remained highly profitable during the Great Recession, which is not surprising, as households still need electricity during difficult economic periods. During future recessions, Entergy should thus do reasonably well, too. Entergy has, however, not been able to grow its profits consistently; its earnings-per-share experienced some ups and downs, with somewhat inconsistent growth in the long run.

Entergy's utility business should continue to grow throughout the coming years, as a rising customer count and inflation will allow for rising revenues. In the past, the solid underlying growth rate of the utility business was overshadowed by the nuclear power generation business with its inconsistent performance. With the utility business being more and more important, Entergy's overall business growth rate should become more consistent. We have already seen this trend play out since 2020 or so, with Entergy delivering more reliable earnings growth compared to the previous years.

While Entergy is forecasting that its earnings-per-share will grow at an attractive pace of around 5% to 7% a year in the long run, we believe that the lower end of that guidance range is a more appropriate estimate. Annual growth of around 5% would still be attractive compared to the company's lackluster track record.

¹ Estimated date

² Estimated date

³ In Millions

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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	20.1	16.0
Avg. Yld.	4.5%	4.6%	4.6%	4.5%	4.3%	3.1%	3.7%	3.4%	3.8%	4.4%	3.3%	3.8%

Entergy's shares have risen since our last update. Entergy is currently valued at around 20 times this year's expected net profits. This is higher relative to how the company's shares were valued throughout most of the last decade. We believe that Entergy is overvalued today, as we believe a 16x earnings multiple would represent fair value. Entergy's shares offer a dividend yield of a little more than 3% 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%	66.2%	60.1%

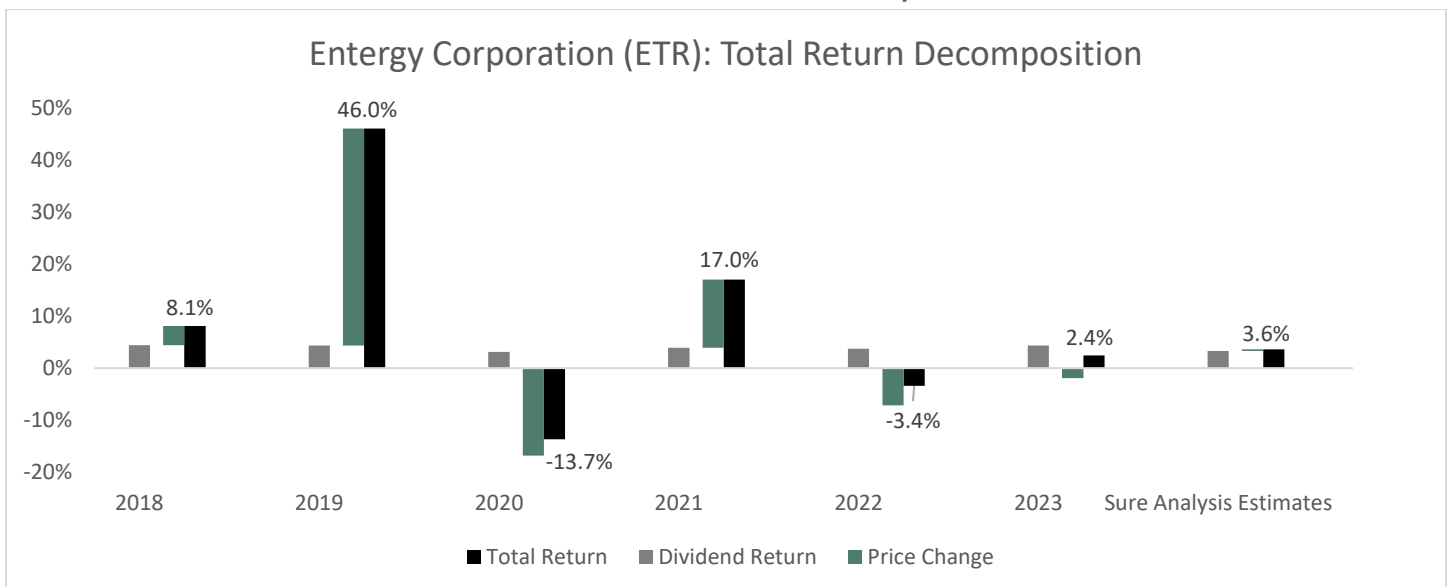
Entergy's dividend payout ratio has risen from the 50s a decade ago to more than 60% today. This is not a big surprise, as Entergy increased its dividend regularly during that time frame, whereas earnings-per-share growth was a bit inconsistent, which resulted in a growing payout ratio. The dividend looks sustainable for now, and according to management, Entergy should be able to grow its earnings-per-share very reliably going forward, which will result in a stabilizing or even moderately declining payout ratio.

Entergy's recession performance was compelling during the Great Recession, and it is likely that future economic downturns will not impact Entergy too much, either. The company has also fared quite well during the COVID pandemic. This makes Entergy a stock that could provide stability to an investors' portfolio during troubled times. The regulated nature of the utility business means that competition is not a major risk for Entergy.

Final Thoughts & Recommendation

Entergy is an electricity-focused utility company that has some natural gas and nuclear power generation exposure as well. Its long-term growth track record is not too strong, but that was partially based on the impact of the wind-down of some nuclear power reactors. The more promising electric utility segment should provide improved growth rates in the future. Shares trade above fair value today, which is why 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	34.65	32.13	30.31	30.67	30.02	27.61	25.15	29.08	33.48	28.60
FCF/Share	3.42	0.83	(2.92)	(3.82)	(5.14)	(4.61)	(6.13)	(9.79)	(6.58)	(0.98)

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

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