Vistra Corp (VST)

Updated December 5th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	$161	**5 Year CAGR Estimate:**	3.1%	**Market Cap:**	$55 B
Fair Value Price:	$119	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	12/20/2024
% Fair Value:	136%	**5 Year Valuation Multiple Estimate:**	-6.0%	**Dividend Payment Date:**	12/31/2024
Dividend Yield:	0.5%	**5 Year Price Target:**	$183	**Years of Dividend Growth:**	6
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**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 approximately 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. Vistra serves over 5 million residential, commercial, and industrial retail customers with electricity and natural gas. The power producer has a market capitalization of $55 billion and trades on the NYSE under the ticker symbol VST.

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.

On September 18th, 2024, Vistra announced it is acquiring the remaining 15% equity interest in Vistra Vision that it did not own for roughly $3.1 billion. This deal will make Vistra the sole owner of Vistra Vision, increasing its ownership of nuclear by 970 MW and solar and energy storage by 200 MW.

On October 30th, 2024, Vistra declared a $0.2195 quarterly dividend, which represents a 4% year-over-year increase.

Vistra Corp reported third quarter 2024 results on November 7th, 2024. It reported adjusted EBITDA from ongoing operations for the quarter of $1,444 million, 10% lower than the $1,613 million earned in third quarter 2023.

Leadership increased its fiscal 2024 guidance, which now calls for adjusted EBITDA of $5.1 billion at the midpoint. Adjusted free cash flow before growth capex is expected to come in at $2.75 billion at the midpoint. For fiscal 2025, Vistra expects to generate $5.5 billion to $6.1 billion adjusted EBITDA.

As of November 4th, 2024, Vistra completed about $4.58 billion of share repurchases since November 2021, which reduced its share count by 30%. Throughout 2024 to 2026, Vistra expects to spend $3.25 billion on share repurchases.

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	***$5.76***	***$11.59***
EBITDA/S	---	---	$1.72	$3.40	$5.47	$6.65	$7.50	$3.96	$7.09	$11.20	***$14.83***	***$22.82***
DPS	---	---	$2.32	$0.00	$0.00	$0.50	$0.54	$0.60	$0.72	$0.82	***$0.89***	***$1.30***
Shares[1]	---	---	427.6	427.8	505.0	499.9	491.1	482.2	422.4	369.8	***340.0***	***300.0***

Vistra Corp has a volatile earnings per share history, and as a result it is challenging 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.

[1] In millions

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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.

We forecast the corporation can grow adjusted EBITDA per share by 9.0% 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 will see a large uptick in its zero-carbon generation. Load growth from its customers in oil and gas, semiconductors, and data centers will also translate to underlying growth for Vistra. Additionally, federal tax policy encourages the expansion of renewable energy through tax credits, and many U.S. states and corporation have clean energy goals, which 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	***10.9***	***8.0***
Avg. Yld.	---	---	15%	---	---	2.8%	2.8%	3.0%	2.7%	2.8%	***0.5%***	***0.7%***

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 10.9 times adjusted EBITDA given its meteoric share price increase, and we peg fair value at around 8.5 times, for a -6.0% 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%	***15%***	***11%***

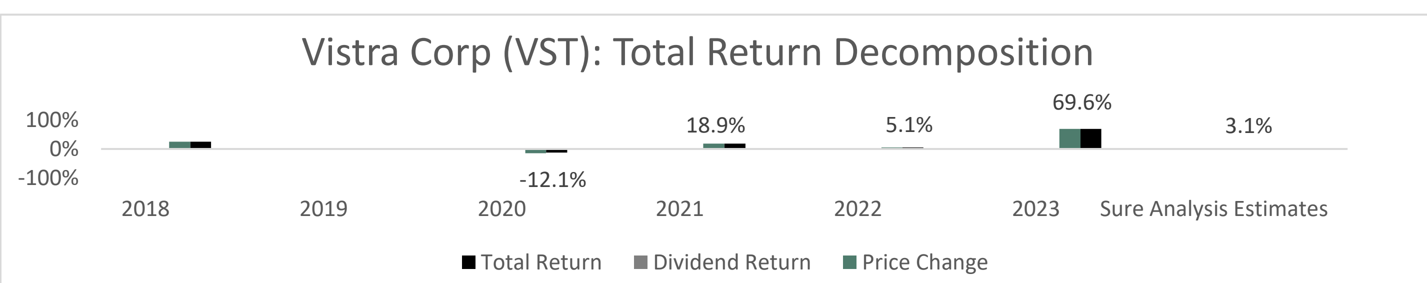
We have opted to calculate the payout ratio using the company's earnings per share as adjusted EBITDA does not include costs such as interest and taxes that the corporation must pay at the end of the year. The payout ratio was stable since its inception in 2019, but negative EPS in 2021 and 2022 caused it to eclipse 100%, thus the dividend has been at risk in prior years. Although in 2024, we estimate a very safe payout ratio of just 15% 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 recessions, 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 613% since we rated it a buy in November 2022. Following this incredible rate of return, we are maintaining Vistra as a hold due to estimated annualized total returns of 3.1% 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.