



Clearway Energy Inc (CWEN)

Updated February 26th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	\$28	5 Year CAGR Estimate:	11.1%	Market Cap:	\$5.4 B
Fair Value Price:	\$32	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	03/03/2025
% Fair Value:	87%	5 Year Valuation Multiple Estimate:	2.8%	Dividend Payment Date:	03/17/2025
Dividend Yield:	6.2%	5 Year Price Target:	\$37	Years of Dividend Growth:	5
Dividend Risk Score:	F	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Clearway Energy Inc is a large electric utility company which owns and operates contracted energy generation across two segments: conventional generation, and renewables. The company possesses approximately 11,800 net MW of assets. Clearway is a large owner of renewable energy with 9,000 MW of installed wind, solar and energy storage projects. Approximately 2,800 net MW of the company's energy comes from dispatchable power generation. The power company trades on the NYSE under the ticker symbol CWEN. It is headquartered in Princeton, New Jersey.

Clearway Energy's controlling investor is Global Infrastructure Partners III (GIP), and Clearway Energy Group is the company's portfolio business from which they invest in infrastructure and businesses in OECD and certain emerging market countries. Clearway Energy Group owns or has an interest in more than 10 gigawatts of wind, solar and energy storage assets, and an ongoing development pipeline across the U.S. The group's large renewable power generation offsets over 10.5 million metric tons of carbon emissions.

On May 1st, 2022, the company completed the sale of its Thermal Business for net proceeds of roughly \$1.35 billion.

On August 7th, 2022, GIP completed a transaction resulting in TotalEnergies (NYSE: TTE) acquiring half of GIP's interest in Clearway Group. The benefit to Clearway is that TotalEnergies will provide Clearway with a right of first offer on its U.S. onshore renewable assets, and provide marketing and corporate relationships to aid in the commercial value of Clearway's development and operating projects.

On February 18th, 2025, Clearway raised its quarterly dividend again by 2% to \$0.4312 per share, or \$1.7248 per year.

Clearway Energy reported fourth quarter 2024 results on February 18th, 2025. The company generated \$228 million in adjusted EBITDA for the quarter, up 13% from \$201 million in the prior year quarter. Cash from operating activities declined 7% to \$192 million and cash available for distribution (CAFD) was \$40 million, compared to \$53 million in Q4 2023.

Leadership reaffirmed its fiscal 2025 guidance for CAFD of \$400M to \$440M. This equates to approximately \$3.56 per share of CAFD based on our estimated fiscal 2025 share count.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
CAFDs	\$2.13	\$3.17	\$2.72	\$2.80	\$2.70	\$2.54	\$2.87	\$2.79	\$2.92	\$3.60	\$3.56	\$4.13
EPS	\$0.40	\$0.58	(\$0.16)	\$0.46	(\$0.10)	\$0.22	\$0.44	\$4.99	\$0.67	\$0.75	\$0.75	\$0.96
DPS	\$0.82	\$0.95	\$1.10	\$1.26	\$0.80	\$1.05	\$1.33	\$1.43	\$1.54	\$1.65	\$1.72	\$2.20
Shares¹	84.0	98.0	99.0	104.0	109.0	116.0	117.0	117.0	117.0	118.0	118.0	125.0

Clearway's relevant earnings and cash available for distribution data goes back to 2015, when the company was known as NRG Yield, Inc. Earnings have been lumpy historically, and the corporation opts to measure performance and payout using cash available for distribution. CAFD per share has grown by 6% CAGR in the last nine and five years.

¹ In millions

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We believe that Clearway can grow CAFD by approximately 3.0% annually over the intermediate term. The Clearway Group will lead the corporation into significant growth opportunities as they have an approximately 30 GW development pipeline. Rate increases and further acquisitions of existing renewable energy projects will add to CAFD per share as well. We expect that shares outstanding will continue to increase, resulting in earnings and CAFD being spread across more shares, which will be a small headwind on a per-share basis.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/CAFD	8.3	4.8	6.6	6.5	6.3	9.5	10.7	12.4	9.5	7.7	7.8	9.0
Avg. Yld.	4.7%	5.6%	5.7%	6.5%	6.4%	3.6%	3.7%	4.0%	5.5%	6.2%	6.2%	5.9%

Since earnings is not the primary metric in valuing Clearway Energy given its volatility, we are valuing the company based on its CAFD per share. Clearway's nine-year and five-year average price-to-CAFD ratios are 8.2 and 10.0, respectively. Today, shares trade below this range at 7.8 times estimated 2025 CAFD per share. We peg fair value at 9.0 times CAFD per share, which would result in a 2.8% annualized tailwind to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

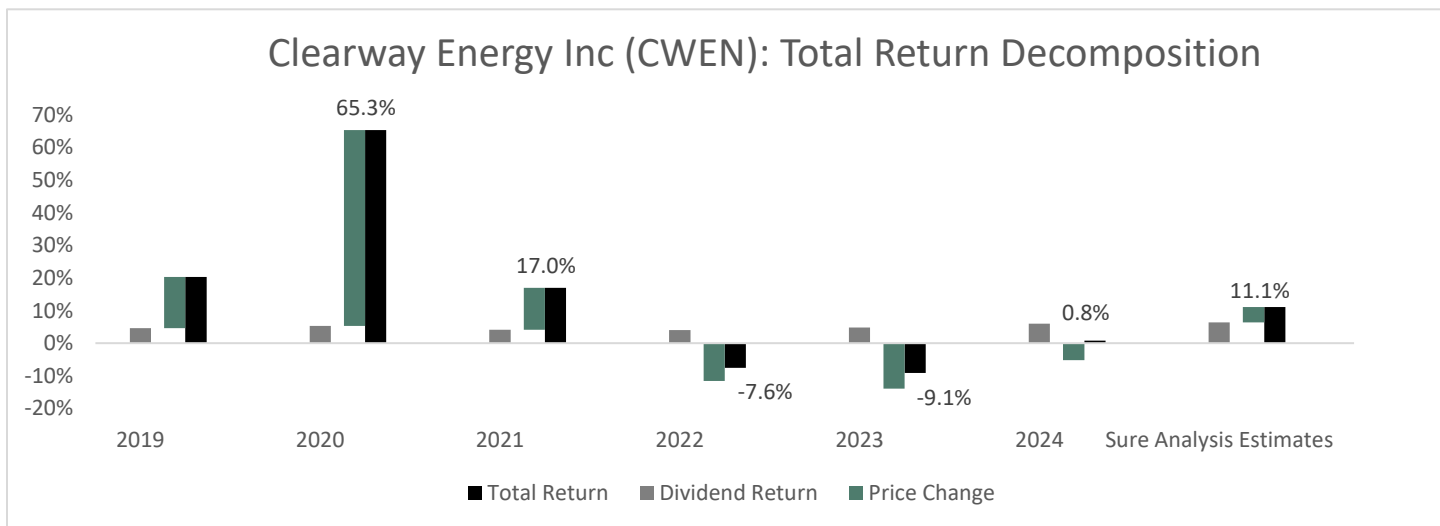
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	38%	30%	40%	45%	30%	41%	46%	51%	53%	46%	48%	53%

The company's payout has remained conservative on a CAFD per share basis; however, this includes one dividend cut in recent history. We don't have operating results dating back to the great financial crisis so we can't say with certainty how CWEN would have performed, but utility businesses are one of the safer industries during a recession. Results were not highly impacted by the COVID pandemic as power generation is essential. CWEN believes its knowledge and operating expertise to be its prime competitive advantage in the industry, as it allows it to make strong energy acquisitions, which it can utilize to grow CAFD.

Final Thoughts & Recommendation

Clearway Energy is backed by one of the largest infrastructure funds in the world, which gives it an advantage in accessing deals and building out its power portfolio, and the company has turned the corner on achieving meaningful growth. Clearway now trades at 87% of our estimate of fair value, and with forecasted annualized total returns of 11.1%, it receives a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	968	1,035	1,009	1,053	1,032	1,199	1,286	1190	1314	1371
Gross Profit	645	727	683	726	695	833	835	755	841	870
Gross Margin	66.6%	70.2%	67.7%	68.9%	67.3%	69.5%	64.9%	63.4%	64.0%	63.5%
SG&A Exp.	12	16	19	20	29	34	40	40	36	39
D&A Exp.	358	379	404	405	479	522	655	684	711	809
Operating Profit	330	408	330	367	260	366	280	201	279	204
Op. Margin	34.1%	39.4%	32.7%	34.9%	25.2%	30.5%	21.8%	16.9%	21.2%	14.9%
Net Profit	33	57	(16)	48	(11)	25	51	582	79	88
Net Margin	3.4%	5.5%	-1.6%	4.6%	-1.1%	2.1%	4.0%	48.9%	6.0%	6.4%
Free Cash Flow	396	557	327	415	249	421	550	675	408	483
Income Taxes	12	(1)	72	62	(8)	8	12	222	-2	30

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8,689	8,962	8,489	8,500	9,700	10,592	12,813	12312	14700	14330
Cash & Equivalents	111	322	148	407	155	268	179	657	535	332
Accts. Recv.	101	95	95	104	118	143	144	153	171	164
Inventories	36	39	39	40	40	42	37	47	55	64
Goodwill & Int.	1,362	1,303	1,228	1,156	1,428	1,370	2,499	2565	2374	2193
Total Liabilities	5,951	6,363	6,330	6,276	7,437	7,877	9,513	8279	9707	8766
Accounts Payable	23	23	46	45	74	72	181	77	161	113
Long-Term Debt	5,593	6,049	5,998	5,982	6,780	6,969	7,711	6813	8037	7180
Total Equity	1,841	1,850	1,747	1,822	1,849	1,824	1,834	2234	2100	2062
LTD/E Ratio	3.04	3.27	3.43	3.28	3.67	3.82	4.20	3.05	3.83	3.48

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.4%	0.6%	-0.2%	0.6%	-0.1%	0.2%	0.4%	4.6%	0.6%	0.6%
Return on Equity	2.1%	3.1%	-0.9%	2.7%	-0.6%	1.4%	2.8%	28.6%	1.8%	1.7%
ROIC	0.4%	0.7%	-0.2%	0.6%	-0.1%	0.3%	0.5%	5.3%	0.7%	0.7%
Shares Out.		84.0	98.0	99.0	104.0	109.0	117.0	117	117	118
Revenue/Share	14.79	11.52	10.56	10.19	10.13	9.47	10.99	10.17	11.23	11.62
FCF/Share	4.71	5.68	3.30	3.99	2.28	3.63	4.70	5.77	3.49	4.09

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

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