



Constellation Energy Corporation (CEG)

Updated March 7th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$204	5 Year CAGR Estimate:	2.8%	Market Cap:	\$64 Billion
Fair Value Price:	\$139	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	03/07/25
% Fair Value:	147%	5 Year Valuation Multiple Estimate:	-7.4%	Dividend Payment Date:	03/18/25
Dividend Yield:	0.8%	5 Year Price Target	\$223	Years Of Dividend Growth:	3
Dividend Risk Score:	B	Retirement Suitability Score:	D	Rating:	Sell

Constellation Energy Corporation was spun off from Exelon Corporation on February 1st, 2022. Constellation Energy provides clean and sustainable energy solutions to homes, commercial businesses, and wholesale customers such as municipalities and cooperatives. The company's energy products include electric, natural gas, and renewables and markets such products to companies of all sizes. Constellation Energy operates 13 nuclear plants with a combined 21 gigawatts of capacity. The company operates in the lower 48 U.S. states, Canada, and the United Kingdom.

On September 20th, 2024, Constellation Energy announced it has reached a 20-year fixed-price power purchase contract with Microsoft Corporation (MSFT) to supply that company with the electricity following the restart of previously shuttered Unit 1 of the Three Mile Island nuclear plant. Some estimates peg the revenue at around \$800 million per year for Constellation Energy. The plant is not expected to be operational until 2028.

On January 10th, 2025, the company announced that it had agreed to purchase Calpine Corp. using a mix of cash and stock. This transaction will make Constellation Energy the largest clean energy provider in the U.S.

On February 18th, 2025, Constellation Energy raised its quarterly dividend 10% to \$0.3878 per share. This marks the third dividend increase for the independent company.

That same day, Constellation Energy announced fourth quarter results for the period ending December 31st, 2024. For the quarter, revenue declined 7.1% to \$5.38 billion, but this was \$634 million above estimates. On an adjusted basis, earnings-per-share totaled \$2.44, which compared favorably to adjusted earnings-per-share of \$1.74 in the prior year and was \$0.30 better than expected. For the year, revenue declined 5.3% to \$23.6 billion while adjusted earnings-per-share totaled \$8.67. Constellation Energy's nuclear fleet produced 45,494 gigawatt-hours in the fourth quarter, down from 45,563 gigawatt-hours in the prior year. Nuclear plants achieved a 94.6% capacity factor, down from 95.1% in Q4 2023. The dispatch match rate for natural gas and pumped storage hydro fleet was 93.2% versus 97.5% in the prior year. Renewable energy capture of 95.7% compared unfavorably to 96.3% in the prior year. Constellation Energy expects adjusted earnings-per-share in a range of \$8.90 to \$9.60 for 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.54	\$1.80	\$2.78	\$2.07	\$3.22	\$3.22	\$2.82	\$4.17	\$5.01	\$8.67	\$9.25	\$14.90
DPS	\$1.24	\$1.26	\$1.31	\$1.38	\$1.45	\$1.53	\$1.53	\$0.56	\$1.13	\$1.41	\$1.55	\$2.50
Shares¹	920	924	963	968	972	976	980	328	321	314	314	310

Note that we have elected to show Exelon Corporation's history in the table above to illustrate the type of operating company from which Constellation Energy was spun off. This is an imperfect measure, but does offer some clues to the consistency of the new business. We continue to project 10% annual earnings growth through 2030 as the company had an impressive 2023 and 2024 and looks to further grow its business in the current year.

We believe Exelon Corporation's dividend history could serve as an indicator for Constellation Energy's future safety and growth. The parent company cut its dividend in both 2013 and 2014 in an effort to pay off debt associated with mergers and acquisitions. The dividend was once again in 2016. The company cut its dividend by 11.8% for the March 10th, 2022

¹ In millions of shares

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payment following the spinoff. However, shareholders that continue to hold the Constellation Energy shares following the spinoff will see a combined dividend for 2022 that was at least equal to the distribution prior to the spinoff. We now expect 10% dividend growth as the last three increases have been at least this level and the payout ratio is very low.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	12.6	18.7	13.4	20.1	14.2	13.1	14.6	20.7	23.3	25.8	22.1	15.0
Avg. Yld.	3.9%	3.7%	3.5%	3.3%	3.2%	3.6%	3.7%	0.6%	0.1%	0.6%	0.8%	1.1%

Shares of Constellation Energy have declined \$37, or 15.4%, since our November 8th, 2024 report. We are again using Exelon Corporation’s history to provide contextual clues to show how shares have traded in the past. During the last decade, Exelon Corporation traded with an average price-to-earnings ratio, or P/E, of ~18. Due to Constellation Energy only recent independence, along with the reluctance of some to embrace nuclear energy, we have assigned a target P/E of 15, which is up from 12 previously. With shares trading at more than 22 times estimates for the year, this implies a headwind from multiple compression. Valuation reversion could reduce annual returns by 7.4% through 2030.

The stock’s dividend yield is 0.8%, well below what utility stocks typically offer, even after the aggressive increases.

Safety, Quality, Competitive Advantage, & Recession Resiliency

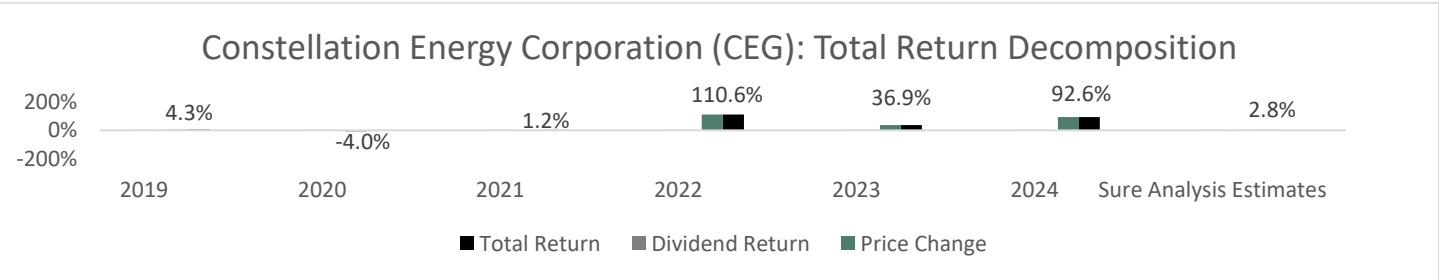
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	49%	70%	47%	67%	45%	48%	54%	13%	23%	16%	17%	17%

Constellation Energy does have some interesting competitive advantages. For one, the company is a major provider of energy in the U.S. The company is also present in nearly every state and has international operations. This gives it a size and scale that is unmatched among utility companies. Constellation Energy is highly focused on renewable forms of energy and has a goal to have its own operations be 100% carbon-free by 2040. The emphasis being placed on such forms of energy positions Constellation Energy ahead of many of its peer groups. Lastly, utility companies are often more recession proof than those in other sectors as customers typically prioritize power even in economic downturns. This usually results in slow, but consistent growth leading to higher dividends over time. Parent company Exelon Corporation did reduce its dividend several times during the last decade, but this was because the company raised a large amount of debt to fund mergers and acquisitions that are performing well today. Constellation Energy has a very healthy projected payout ratio, especially for a utility company.

Final Thoughts & Recommendation

Constellation Energy is expected to produce an annual return of 2.8% through 2030, compared to our prior estimate of an annual loss of 2.9%. Our projection stems from a 10% earnings growth rate and a starting yield of 0.8% that are offset by multiple compression. Constellation Energy’s quarter was solid and the company’s most recent acquisition announcement solidifies its leadership position in its industry. That said, the stock’s valuation still leaves something to be desired. We continue to view shares as a sell due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue			20,437	18,924	17,603	19,649	24,440	24,918	23,568
Gross Profit			3,280	3,350	2,850	2,931	2,137	3,232	5,990
Gross Margin			16.0%	17.7%	16.2%	14.9%	8.7%	13.0%	25.4%
Operating Profit			3,415	3,063	3,636	3,995	1,849	1,883	2,007
Operating Margin			927	1,296	425	362	(408)	2,386	4,848
Net Profit			4.5%	6.8%	2.4%	1.8%	-1.7%	9.6%	20.6%
Net Margin			370	1,125	589	(205)	(160)	1,623	3,749
Free Cash Flow			1.8%	5.9%	3.3%	-1.0%	-0.7%	6.5%	15.9%
Income Tax			1,619	1,028	(1,163)	(2,667)	(4,042)	(7,723)	(5,029)

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets				48,995	48,094	48,086	46,909	50,758	52,926
Cash & Equivalents				303	226	504	422	368	3,022
Accounts Receivable				2,893	1,298	1,669	2,585	1,934	3,116
Inventories				1,262	1,211	1,288	1,505	1,500	1,600
Goodwill & Int. Ass.				47			47	425	420
Total Liabilities				33,165	33,418	36,472	35,537	39,472	39,387
Long-Term Debt				8,294	7,212	8,196	5,768	9,261	8,412
Shareholder's Equity				13,484	12,399	11,219	11,018	10,925	13,166
LTD/E Ratio				0.62	0.58	0.73	0.52	0.85	0.64

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets					1.2%	-0.4%	-0.3%	3.3%	7.2%
Return on Equity					3.9%	-1.6%	-1.4%	14.3%	30.2%
ROIC					2.6%	-1.0%	-0.9%	8.6%	17.6%
Shares Out.	920	924	963	968	972	976	980	328	321
Revenue/Share			62.63	58.00	53.95	60.27	74.29	76.91	74.82
FCF/Share			4.96	3.15	(3.56)	(8.18)	(12.29)	(23.84)	(15.97)

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

Disclaimer

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