



FirstEnergy Corp. (FE)

Updated April 25th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$42	5 Year CAGR Estimate:	4.4%	Market Cap:	\$24.4 B
Fair Value Price:	\$30	5 Year Growth Estimate:	6.5%	Ex-Dividend Date:	05/07/2025
% Fair Value:	141%	5 Year Valuation Multiple Estimate:	-6.6%	Dividend Payment Date:	06/01/2025
Dividend Yield:	4.2%	5 Year Price Target	\$41	Years Of Dividend Growth:	3
Dividend Risk Score:	D	Sector:	Utilities	Rating	Hold

Overview & Current Events

FirstEnergy Corp, through its subsidiaries, generates, transmits, and distributes electricity in the United States. The company operates through Regulated Distribution and Regulated Transmission segments. It owns and manages hydroelectric, coal-fired, nuclear, and natural gas, as well as renewable power generating facilities. Its 10 electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, West Virginia, Maryland, and New York. The \$24.4 billion company serves approximately six million customers.

On March 19th, 2025, FirstEnergy raised its dividend by 4.7% to a quarterly rate of \$0.445.

On April 23rd, 2025, FirstEnergy released its Q1 results for the period ending March 31st, 2025. Revenues totaled \$3.8 billion, up from \$3.3 billion in Q1 2024. Operating (non-GAAP) EPS came in at \$0.67, compared to \$0.49 in Q1 2024, while Core (also non-GAAP) EPS was \$0.67, up from \$0.49 last year.

These results were supported by FirstEnergy's Energize365 investment program, which drove rate base growth in distribution and transmission formula rate programs, along with new base rates and lower financing costs. These gains were partially offset by increased maintenance expenses and dilution from the sale of a 30% interest in FirstEnergy Transmission

Specifically, total distribution deliveries increased more than 4% compared to last year. Weather returned to normal compared to the mild first quarter of 2024, supporting residential and commercial demand, though industrial sales declined nearly 3%. Segment-wise, earnings in the Distribution and Integrated businesses grew due to new base rates and stronger demand, while the Stand-Alone Transmission segment saw a decline in earnings as 10%+ rate base growth was offset by the March 2024 equity sale.

Management affirmed its FY2025 outlook, which projects adjusted EPS between \$2.40 and \$2.60. We have applied the midpoint of this range in our estimates. All past entries in the table reflect GAAP results as filed with the SEC.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.37	(\$14.50)	(\$3.88)	\$1.99	\$1.70	\$1.99	\$2.35	\$0.71	\$1.96	\$1.70	\$2.50	\$3.43
DPS	\$1.44	\$1.44	\$1.44	\$1.44	\$1.53	\$1.56	\$1.56	\$1.56	\$1.58	\$1.69	\$1.78	\$2.62
Shares¹	422	426	444	492	535	543	545	571	574	577	577	630

FirstEnergy has a volatile history of EPS generation amid some past unsuccessful investments. Its involvement with coal, whose demand is declining, and the bankruptcy case involving its ex-subsidiaries, among other reasons, haven't allowed for a steady and growing profitability. However, management's updated plan has turned around the company over the past few years, which has led to double-digit EPS growth.

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Management's long-term operating EPS growth outlook forecasts annualized growth between 6% and 8%. Therefore, we retain our medium-term EPS CAGR estimate at 6.5%. It's slightly lower than the midpoint of management's guidance to be prudent.

Despite the lack of dividend growth in 2022, and this year's 4.7% dividend hike, we have our medium-term DPS CAGR estimate at 8%. This is to reflect FirstEnergy's updated policy that targets a dividend payout ratio of 70% of operating earnings, up from the prior range of 55% to 65% previously. Thus, dividend increases that outpace earnings growth are to take place if management indeed aims to reach higher payout ratio than today.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	29.9	---	---	31.0	21.0	15.0	17.0	---	18.9	22.9	16.9	12.0
Avg. Yld.	5.4%	6.9%	4.7%	4.4%	4.8%	5.2%	3.9%	4.1%	4.3%	4.3%	4.2%	6.4%

In line with the company's volatile earnings, FirstEnergy's valuation has fluctuated wildly. Shares are currently trading at 16.9 times the midpoint of this year's adjusted EPS guidance. While this multiple is lower than the stock's historical average, the recent multiple compression reflects the notably higher interest rates that persist these days. In fact, we believe the stock's valuation could see lower levels as the stock's dividend yield may still not be high enough to attract investor interest.

Safety, Quality, Competitive Advantage, & Recession Resiliency

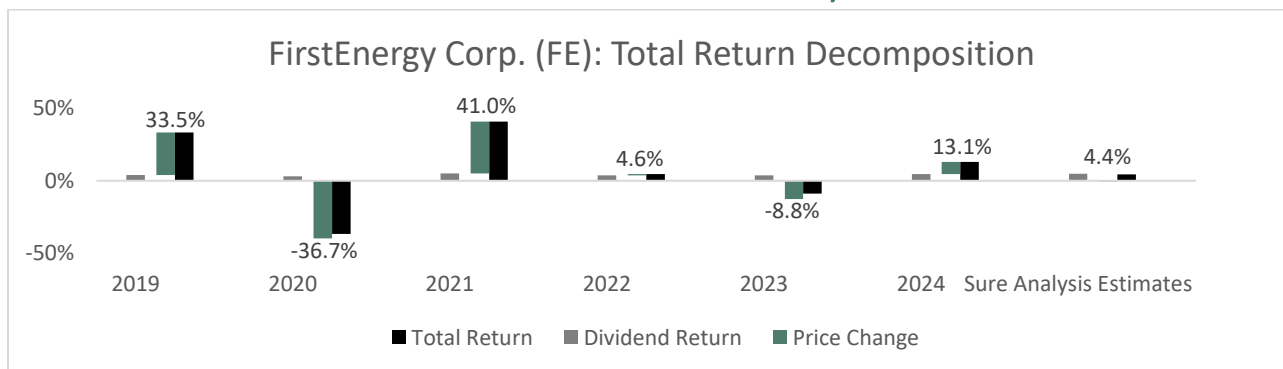
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	105%	---	---	72%	90%	78%	66%	---	81%	99%	71%	76%

FirstEnergy's dividend should be safe, as management has provided an optimistic EPS growth outlook and plans to resume dividend growth soon. Further, the company has a quality asset base, despite failing to provide investors with consistent returns in the past. First Energy also features a well-laddered debt maturity profile, while its liquidity remains strong, at \$5.9 billion, and the debt-to-cap covenant is at a comfortable 75%. Future projects will likely require further funds. However, the company's scheduled equity raise already took place in 2022, which should result in predictable financing going forward. Overall, FirstEnergy is a financially healthy and flexible company with geographical diversity and operations in constructive regulatory jurisdictions, which add to its moat.

Final Thoughts & Recommendation

FirstEnergy investors have seen little to no capital gains for over 20 years. However, management seems to be executing a solid plan, pointing to earnings and dividend growth over the medium-term. Still, based on our projected growth of 6.5%, the 4.2% yield, and the 6.6% annualized valuation headwind, we project annualized returns of just 4.4% through 2030. We rate shares a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	15026	10700	10928	11261	11035	10790	11130	12460	12870	13470
Gross Profit	8748	6819	7505	7614	7611	7720	7687	7866	8224	9096
Gross Margin	58.2%	63.7%	68.7%	67.6%	69.0%	71.5%	69.1%	63.1%	63.9%	67.5%
SG&A Exp.	242	102	102	144	674	477	(382)	(72)	78	---
D&A Exp.	1826	1974	1700	1384	1217	1199	1601	1317	1280	1588
Operating Profit	2334	1995	2326	2358	1836	1685	2229	1982	2188	2375
Operating Margin	15.5%	18.6%	21.3%	20.9%	16.6%	15.6%	20.0%	15.9%	17.0%	17.6%
Net Profit	578	(6177)	(1724)	1348	912	1079	1283	406	1102	978
Net Margin	3.8%	-57.7%	-15.8%	12.0%	8.3%	10.0%	11.5%	3.3%	8.6%	7.3%
Free Cash Flow	566	316	967	(1265)	(198)	(1234)	366	(73)	1387	(1139)
Income Tax	315	527	1715	490	213	126	320	1000	267	377

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	52094	43148	42257	40063	42301	44460	45430	46110	48770	52040
Cash & Equivalents	131	199	588	367	627	1734	1462	160	137	111
Accounts Receivable	836	833	754	686	564	1203	1033	1318	717	867
Inventories	785	564	236	252	281	317	260	421	512	549
Goodwill & Int. Ass.	6418	5618	5618	5618	5698	5691	5618	5618	5618	5618
Total Liabilities	39672	36907	38332	33249	35326	37230	36760	35460	37850	38320
Accounts Payable	1075	1043	827	965	918	827	943	1503	1362	1575
Long-Term Debt	21973	22552	19545	19504	20998	24460	23840	21650	24910	24020
Shareholder's Equity	12421	6241	3925	6743	6975	7237	8675	10170	10440	12460
LTD/E Ratio	1.77	3.61	4.98	2.86	3.01	3.38	2.75	2.13	2.39	1.93

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.1%	-13.0%	-4.0%	3.3%	2.2%	2.5%	2.9%	0.9%	2.3%	1.9%
Return on Equity	4.7%	-66.2%	-33.9%	25.3%	13.3%	15.2%	16.1%	4.3%	10.2%	7.9%
ROIC	1.7%	-19.6%	-6.6%	5.4%	3.4%	3.6%	4.0%	1.3%	3.2%	2.7%
Shares Out.	422	426	444	492	535	543	546	572	574	577
Revenue/Share	35.44	25.12	24.61	22.80	20.36	19.87	20.39	21.78	22.42	23.35
FCF/Share	1.33	0.74	2.18	(2.56)	(0.37)	(2.27)	0.67	(0.13)	2.42	(1.97)

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

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