CMS Energy Corp. (CMS)

Updated April 28th, 2025, by Kody Kester

Key Metrics

Current Price:	$72	**5 Year CAGR Estimate:**	8.5%	**Market Cap:**	$21.7B
Fair Value Price:	$68	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	05/09/2025
% Fair Value:	106%	**5 Year Valuation Multiple Estimate:**	-1.2%	**Dividend Payment Date:**	05/30/2025
Dividend Yield:	3.0%	**5 Year Price Target**	$96	**Years Of Dividend Growth:**	19
Dividend Risk Score:	C	**Sector:**	Utilities	**Rating:**	Hold

Overview & Current Events

CMS Energy Corp. (CMS) is an energy company operating primarily in Michigan, serving approximately 6.8 million of the state's 10 million residents. It's the parent holding company of several subsidiaries, including Consumers, an electric and gas utility; and NorthStar Clean Energy, a domestic power producer and marketer, including the development and operation of renewable generation. The CMS we know today was formed in 1987. However, the company can trace its corporate history back to 1886 via its Consumers subsidiary. CMS has raised its dividend every year for the past 19 years.

On April 24th, CMS shared its first-quarter earnings report for the period ended March 31st, 2025. The company's operating revenue grew by 12.5% over the year-ago period to $2.45 billion during the quarter. CMS' higher electric deliveries and more favorable weather versus Q1 2024 led to this operating revenue growth in the quarter. The company's adjusted EPS increased by 5.2% year-over-year to $1.02 for the quarter. That was $0.01 above the analyst consensus during the quarter. Earlier in the month, the company declared a quarterly dividend per share of $0.5425, with an ex-dividend date of May 9th and a pay date of May 30th.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.89	$2.02	$2.17	$2.33	$2.49	$2.67	$2.65	$2.89	$3.11	$3.34	***$3.59***	***$5.04***
DPS	$1.16	$1.24	$1.33	$1.43	$1.53	$1.63	$1.74	$1.84	$1.95	$2.06	***$2.17***	***$2.97***
Shares[1]	277.2	279.2	281.6	283.4	283.9	288.9	289.8	291.3	294.4	298.8	***299.1***	***310.0***

Since 2015, CMS has generated 6.5% annual adjusted EPS growth. Moving forward, we think the company guidance of 6% to 8% annual adjusted EPS growth is realistic. That's because the company has plenty of economic development on the horizon. This includes Switch's data center expansion, which could be up to full load in 2026. Corning also plans to invest up to $900 million in a solar manufacturing facility in Richland Township.

CMS plans to invest $20 billion in capital spending for 2025 through 2029 to meet this surge in electricity demand. That figure is up dramatically from the $3 billion spent over the prior five-year plan. This is expected to help the utility grow its rate base by 8.5% annually from $26.2 billion in 2024 to $39.4 billion by 2029. Overall, we believe that annual adjusted EPS growth will be around the midpoint of 7% over the medium term. Since most of CMS' capital spending is going to be funded through operating cash flow, we expect minimal growth in the share count over the next several years.

[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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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	19.1	20.6	21.8	21.3	25.2	22.9	24.6	21.9	18.7	19.9	***20.2***	***19.0***
Avg. Yld.	3.2%	3.0%	2.8%	2.9%	2.4%	2.7%	2.7%	2.9%	3.4%	3.1%	***3.0%***	***3.1%***

Since 2015, CMS' shares have traded in the high-teens to mid-20s. The average P/E ratio over that time was just below 22x. It's worth noting that the 10-year U.S. Treasury yielded an average of 2.5% over that time. This means there was an approximately 200 basis point spread between CMS' average earnings yield over that time and the 10-year U.S. Treasury yield. Looking ahead, we believe that a similar investment spread will persist. That's because CMS' fundamentals appear to be just as strong now as they have been at any time in recent years. Operating off our assumption of an average 10-year Treasury yield in the mid-3% range in the years ahead, that would produce a fair value multiple of 19x. From the current P/E ratio just above 20, that implies CMS' shares are modestly overvalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	61%	61%	61%	61%	61%	61%	66%	64%	63%	62%	***60%***	***59%***

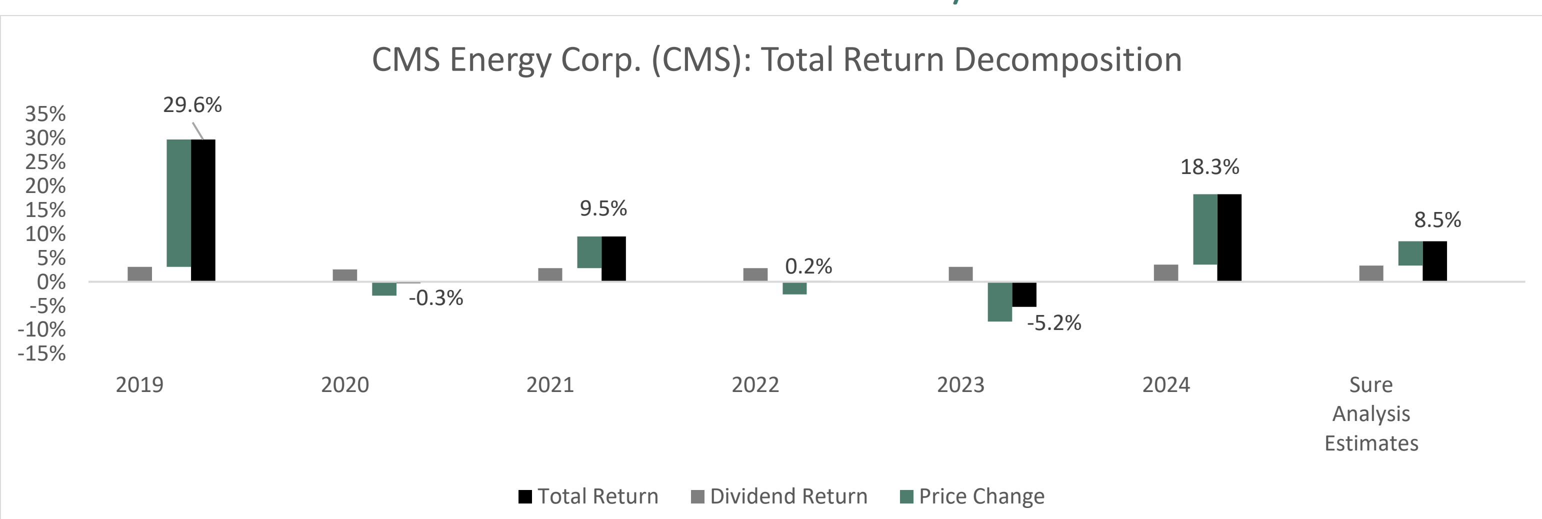
CMS' core competitive advantage is that it's a regulated utility. These businesses operate as government-backed monopolies, and as such they don't have to worry about any new competition coming in and disrupting their business. Simultaneously, however, the stringent regulations they operate under make it difficult to grow the business and operate it efficiently, as any price increases are subject to political pressures.

Financially, CMS is doing well for a regulated utility. The company's interest coverage ratio in the first quarter of 2025 was 2.7x. As a result, CMS enjoys an investment-grade, BBB credit rating from S&P on a stable outlook. The utility's dividend is also quite secure, with the payout ratio expected to be in the low-60% range in 2025. That's right around the 60% payout ratio that it targets, which should give CMS the ability to grow the dividend almost as fast as adjusted EPS over the medium term.

Final Thoughts & Recommendation

CMS' 3.0% dividend yield, 7% annual adjusted EPS growth prospects, and 1.2% annual valuation multiple downside could lead to 8.5% annual total returns through 2030. That's why we're reiterating our hold rating now.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	6,456	6,399	6,583	6,873	6,624	6,418	7,329	8,596	7,462	7,515
Gross Profit	2,190	2,348	2,503	2,398	2,435	2,630	2,649	2,762	2,862	3,209
Gross Margin	33.9%	36.7%	38.0%	34.9%	36.8%	41.0%	36.1%	32.1%	38.4%	42.7%
D&A Exp.	750	811	881	933	989	1,043	1,114	1,126	1,180	1,240
Operating Profit	1,178	1,256	1,338	1,162	1,115	1,230	1,146	1,224	1,235	1,487
Op. Margin	18.2%	19.6%	20.3%	16.9%	16.8%	19.2%	15.6%	14.2%	16.6%	19.8%
Net Profit	523	551	460	657	680	755	1,353	837	887	1,003
Net Margin	8.1%	8.6%	7.0%	9.6%	10.3%	11.8%	18.5%	9.7%	11.9%	13.3%
Free Cash Flow	(39)	(150)	(75)	(517)	(434)	1164)	(390)	855	(265)	(808)
Income Tax	271	273	424	115	131	115	95	93	147	176

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	20,299	21,622	23,050	24,529	26,837	29,666	28,753	31,353	33,520	35,920
Cash & Equiv.	266	235	182	153	140	32	452	164	227	103
Acc. Receivable	785	821	1,044	978	903	872	943	1,564	933	1,063
Inventories	778	626	672	650	605	576	667	1,117	938	769
Total Liabilities	16,324	17,332	18,572	19,737	21,782	23,589	21,565	23,758	25,390	27,172
Accounts Payable	642	598	740	733	635	668	875	928	802	1,085
Long-Term Debt	9,355	9,924	10,396	11,708	13,171	12,335	12,428	14,309	15,580	15,194
Total Equity	3,938	4,253	4,441	4,755	5,018	5,496	6,407	6,791	7,320	8,748
LTD/E Ratio	2.38	2.33	2.34	2.46	2.62	2.24	1.87	2.04	2.06	1.74

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.6%	2.6%	2.1%	2.8%	2.6%	2.7%	4.6%	2.8%	2.7%	2.9%
Return on Equity	13.7%	13.5%	10.6%	14.3%	13.9%	14.4%	22.7%	12.7%	11.3%	12.7%
ROIC	4.1%	4.0%	3.2%	4.2%	3.9%	4.1%	7.1%	4.0%	3.9%	2.9%
Shares Out.	277	279	281	283	283	289	289	290	292	298
Revenue/Share	23.35	22.94	23.44	24.29	23.30	22.42	25.32	29.62	25.58	25.22
FCF/Share	(0.14)	(0.54)	(0.27)	(1.83)	(1.53)	(4.07)	(1.35)	2.95	(0.91)	(2.71)

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