Dominion Energy Inc. (D)

Updated May 11th, 2025 by Kay Ng

Key Metrics

Current Price:	$55	**5 Year Annual Expected Total Return:**	12.0%	**Market Cap:**	$47B
Fair Value Price:	$61	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	05/29/25
% Fair Value:	90%	**5 Year Valuation Multiple Estimate:**	2.1%	**Dividend Payment Date:**	06/20/25
Dividend Yield:	4.8%	**5 Year Price Target**	$82	**Years Of Dividend Growth:**	0
Dividend Risk Score:	F	**Sector:**	Utilities	**Rating:**	Sell

Overview & Current Events

Dominion Energy provides regulated electricity service to 3.6 million customers in Virginia, North Carolina, and South Carolina. It also provides regulated natural gas services to 500,000 customers in South Carolina. Its power generation is fueled by nuclear, natural gas, coal, oil, biomass, water, wind, and the sun. Furthermore, it has regulated offshore wind and long-term contracted solar operations.

Dominion Energy reported its Q1 2025 earnings results on 05/01/2025. For the quarter, it reported a 12% rise in operating revenue to $4.1 billion compared to the prior year's quarter. Adjusted operating earnings were $803 million, up from $485 million a year ago. On a per-share basis, adjusted operating earnings were $0.93, up from $0.55 in Q1 2024.

Due primarily to new tariff rates on steel, the utility raised its cost estimate for the Coastal Virginia Offshore Wind project by $100 million to $10.8 billion.

Management maintained its 2025 EPS guidance. It is forecasting EPS in a range of $3.28-$3.52, and we use that $3.40 midpoint as our 2025 estimate. Based on that, the stock trades at about a 16x price-to-earnings multiple at present.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.20	$3.44	$3.60	$4.05	$4.24	$3.54	$3.86	$4.11	$1.99	$2.77	***$3.40***	***$4.55***
DPS	$2.59	$2.80	$3.04	$3.35	$3.67	$3.45	$2.52	$2.67	$2.67	$2.67	***$2.67***	***$3.25***
Shares[1]	596	628	645	655	826	813	811	834	837	839	***852***	***963***

Dominion Energy is, like many of its peers, a slow-growth company. In fact, EPS fell by 1.6% annually between 2015 and 2024. Because of the gas transmission and storage asset sale, worth a total enterprise value of $9.7 billion, to Berkshire Hathaway (BRK.A)(BRK.B) in Q4 2020, we saw a corresponding 33% "cut" in Dominion Energy's EPS and dividend in 2020 in the table above. Dominion Energy also divested the remaining 50% controlling interest in Cove Point to Berkshire for an implied valuation of 10.8x 2025 estimated EBITDA.

Dominion Energy is targeting net zero emissions (carbon dioxide and methane) by 2050. Dominion's strategic review led to it selling a 50% non-controlling interest in its Coastal Virginia Offshore Wind Project. Management seems keen on maintaining the dividend.

Management expects its refreshed assets will start to pay off in 2025. It has a ~$50-billion five-year capital investment plan for 2025-2029 that it sees the potential to grow operating EPS by 5-7% per year. After a strong expected rebound in earnings in 2025, we anticipate a normalization of earnings growth through 2030 of about 6%. Targeting a more conservative payout ratio, we estimate a dividend growth rate of 4% through 2030 to bring the payout ratio down to more comfortable levels.

[1] Shares 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	Now	2030
Avg. P/E	22.1	21.3	15.4	17.5	18.5	21.5	20.2	19.1	17.6	22.0	***16.2***	***18.0***
Avg. Yld.	3.7%	3.8%	3.9%	4.7%	4.7%	4.5%	3.9%	3.8%	5.4%	5.1%	***4.8%***	***4.0%***

Dominion Energy's shares are trading at 16.2 times our estimated 2025 EPS today. Shares were trading at an average valuation of 19.5 times earnings from 2015-2024. We have a long-term target P/E of 18.0. As such, shares appear to be at a small discount here.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	81%	81%	84%	83%	87%	97%	65%	65%	134%	96%	***79%***	***71%***

Dominion Energy has an investment grade S&P credit rating of BBB+. Its dividend payout ratio has risen considerably from 2012 to 2020. In 2020, it was at 97% due to the sale of a meaningfully large asset to Berkshire. After the asset sale to Berkshire in 2021, the dividend was cut and the payout ratio was reduced to 65%. Despite more asset sales leading to a higher payout ratio in 2023, management seems keen on maintaining the dividend. Thankfully, the payout ratio seems to be heading to lower, healthier levels.

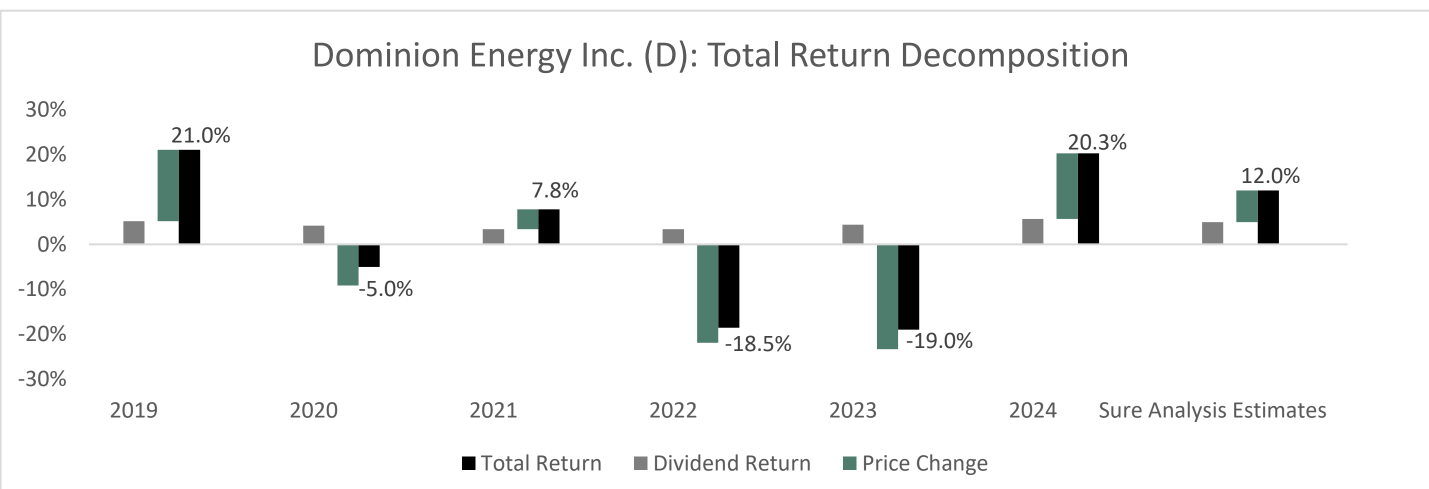
Regulated utilities are generally resilient in recessions, as demand for utilities is not too dependent on the economy's condition. During the last financial crisis, Dominion Energy's profits declined by just 10%. The firm's asset sales provide an opportunity for Dominion to reposition itself, such as where it might redeploy capital after debt reduction. Competition by new market entrants is unlikely since about 90% of the utility operations are state-regulated. Additionally, the assets that are required are very costly, which serves as a deterrent for potential competitors.

Currently in 2025, tariff changes are a risk that could result in greater volatility in the stock.

Final Thoughts & Recommendation

Dominion trades at a reasonable P/E ratio. Post 2025, management expects normalized operating EPS growth of 5-7% per year. All in all, we expect the stock to return 12.0% through 2030 – from a yield of 4.8%, valuation expansion of 2.1%, and an EPS growth rate of 6.0%. However, because it has maintained the same quarterly dividend since 2022, to rate the stock as a "sell."

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	11,683	11,737	12,586	11,199	14,401	14,172	13,964	17,174	14,390	14,459
Gross Profit	5,482	5,567	6,378	5,000	6,078	7,302	6,709	5,349	6,678	6,323
Gross Margin	46.9%	47.4%	50.7%	44.6%	42.2%	51.5%	48.0%	31.1%	46.4%	43.7%
Operating Profit	3,536	3,412	3,805	2,760	2,912	4,099	3,322	1,596	3,414	3,247
Operating Margin	30.3%	29.1%	30.2%	24.6%	20.2%	28.9%	23.8%	9.3%	23.7%	22.5%
Net Profit	1,899	2,123	2,999	2,447	1,358	-401	3,288	994	1,994	2,124
Net Margin	16.3%	18.1%	23.8%	21.9%	9.4%	-2.8%	23.5%	5.8%	13.9%	14.7%
Free Cash Flow	-1,100	-1,934	-1,002	519	224	-793	-1,923	-3,891	-3,639	-7,180
Income Tax	905	655	-30	522	209	83	425	68	575	229

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (Bn)	58.6	71.6	76.6	77.9	103.8	95.9	99.6	104.2	109.0	102.4
Cash & Equivalents	607	261	120	268	135	172	283	119	184	310
Accounts Receivable	1,200	1,523	1,660	1,749	2,085	2,295	2,219	2,952	2,509	2,527
Inventories	1,348	1,524	1,477	1,418	1,616	1,550	1,631	1,528	1,698	1,764
Goodwill & Int.	3,864	7,017	7,090	7,080	8,080	8,146	8,189	4,956	5,088	5,279
Total Liabilities	45,046	54,770	57,215	55,866	69,790	69,444	72,282	76,360	81,503	72,223
Accounts Payable	726	1,000	875	914	1,023	944	1,197	1,825	921	1,149
Long-Term Debt	28,802	35,095	37,324	35,140	32,309	37,014	40,581	45,680	40,765	37,311
Shareholder's Equity	12,664	14,605	17,142	20,107	29,607	23,730	25,525	26,100	27,529	27,531
LTD/E Ratio	2.27	2.40	2.18	1.75	1.01	1.42	1.49	1.64	1.48	1.36

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.4%	3.3%	4.0%	3.2%	1.5%	-0.4%	3.4%	1.0%	1.9%	3.9%
Return on Equity	15.7%	15.6%	18.9%	13.1%	5.5%	-1.5%	13.4%	3.6%	7.2%	15.4%
ROIC	4.7%	4.5%	5.5%	4.3%	2.2%	-0.6%	5.0%	1.4%	2.8%	5.9%
Shares Out.	596	628	645	655	826	813	809	833	837	840
Revenue/Share	19.68	19.02	19.79	17.10	17.80	17.05	17.27	20.61	17.21	17.21
FCF/Share	-1.85	-3.13	-1.58	0.79	0.28	-0.95	-2.38	-4.72	-4.35	-8.55

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