Duke Energy Corporation (DUK)

Updated May 7th, 2025 by Samuel Smith

Key Metrics

Current Price:	$123	**5 Year CAGR Estimate:**	4.0%	**Market Cap:**	$95.5 B
Fair Value Price:	$94.8	**5 Year Growth Estimate:**	5.7%	**Ex-Dividend Date:**	05/15/25
% Fair Value:	130%	**5 Year Valuation Multiple Estimate:**	-5.1%	**Dividend Payment Date:**	06/16/25
Dividend Yield:	3.4%	**5 Year Price Target**	$125	**Years Of Dividend Growth:**	12
Dividend Risk Score:	D	**Sector:**	Utilities	**Rating:**	Hold

Overview & Current Events

Duke Energy began operations in 1904 by providing power to a South Carolina cotton mill. Since that time, it has grown both organically and through mergers to become one of the largest providers of energy in the US. Today, it produces billions of dollars in annual revenue and trades with a market capitalization of $95.5 billion.

On May 6, 2025, Duke Energy Corporation reported its financial results for the first quarter ended March 31, 2025. The company achieved adjusted earnings per share (EPS) of $1.76, surpassing analyst expectations of $1.60 and marking a 22% increase from the $1.44 reported in the same period of the previous year. Total revenue for the quarter rose 7.5% year-over-year to $8.25 billion, exceeding the anticipated $8.06 billion. This performance was driven by higher electricity rates, increased retail demand, and a colder winter season, which collectively boosted power consumption. The Electric Utilities and Infrastructure segment reported income of $1.276 billion, up from $1.021 billion a year earlier, while the Gas Utilities and Infrastructure segment saw income rise to $349 million from $284 million. Duke Energy reaffirmed its full-year 2025 adjusted EPS guidance range of $6.17 to $6.42 and maintained its long-term annual growth target of 5% to 7% through 2029. The company is executing an $83 billion five-year capital plan (2025–2029), with significant investments allocated to grid modernization and zero-carbon generation, including nuclear, renewables, and energy storage. Notably, Duke Energy secured a subsequent license renewal for its Oconee Nuclear Station, supporting its clean energy strategy. The company also highlighted a 1-gigawatt data center agreement signed in April 2025, indicating growth in high-demand sectors. Management expressed confidence in meeting the projected load growth, citing robust customer growth, particularly in the Southeast and Indiana, and emphasized the company's commitment to delivering long-term value to shareholders and superior service to customers.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.54	$4.69	$4.57	$4.72	$5.06	$5.12	$5.24	$5.27	$5.56	$5.90	***$6.32***	***$8.35***
DPS	$3.24	$3.36	$3.49	$3.60	$3.71	$3.82	$3.90	$4.02	$4.10	$4.14	***$4.18***	***$5.40***
Shares[1]	688.4	699.6	700.1	727	733.3	768.7	769.4	770.1	771	777	***777***	***795***

Duke's earnings-per-share have increased at an annual rate of 4% over the last decade, and we expect to see Duke continuing to generate 5.7% annualized earnings-per-share growth over the next half decade from the high base for 2025. The key determiners of Duke's value proposition to investors will be how well they can execute on their ambitious $37 billion growth CapEx plan, and if they can continue to garner favorable regulatory rulings in their operating regions. While they continue to achieve reasonable regulatory rulings, there are no guarantees this will continue. We therefore take a cautious and conservative outlook on growth, projecting Duke achieving the low end of its guidance.

That being said, customer growth should continue as a low-single-digit tailwind for the foreseeable future, providing Duke with ever-higher base demand for its services. Of course, the weather can have a significant impact positively or negatively in any particular year, but overall, a low-single-digit tailwind from customer growth is very likely. In addition, rate increases should help boost revenue and earnings, as we've seen with Duke's recent rate increases in North

[1] Share count in millions

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Carolina and Kentucky. Duke, like any other power provider, must ask for rate increases from local authorities so they are certainly not assured. However, state regulators have been amicable to rate increase requests from Duke and should continue to be moving forward. One offsetting factor in earnings-per-share growth is that Duke likes to issue common stock for general corporate purposes, leading to a higher share count over time. Share issuances are irregularly timed and sized so the exact impact is difficult to predict, but this is a long-term habit for Duke and must be accounted for in estimates. The dividend continues to rise at a low-single-digit pace, slightly under that of earnings-per-share growth. We expect this will continue, keeping Duke firmly in the income stock category.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.4	17.9	18.2	21.3	19.9	18.6	19.1	19.4	18.5	19.0	***19.5***	***15.0***
Avg. Yld.	4.1%	4.0%	4.2%	3.6%	3.7%	4.0%	3.9%	3.9%	4.0%	3.7%	***3.4%***	***4.3%***

Duke's valuation has remained mostly steady throughout the past decade, with the exception of the period immediately following the Great Recession. Duke's price-to-earnings ratio has been in the high teens and low 20s over the past decade, but given current headwinds, we are reducing the fair value to 15 times earnings. Today's price-to-earnings ratio of 19.5 is above our reduced fair value estimate, and we therefore see a headwind to annual total returns from a contracting multiple over time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

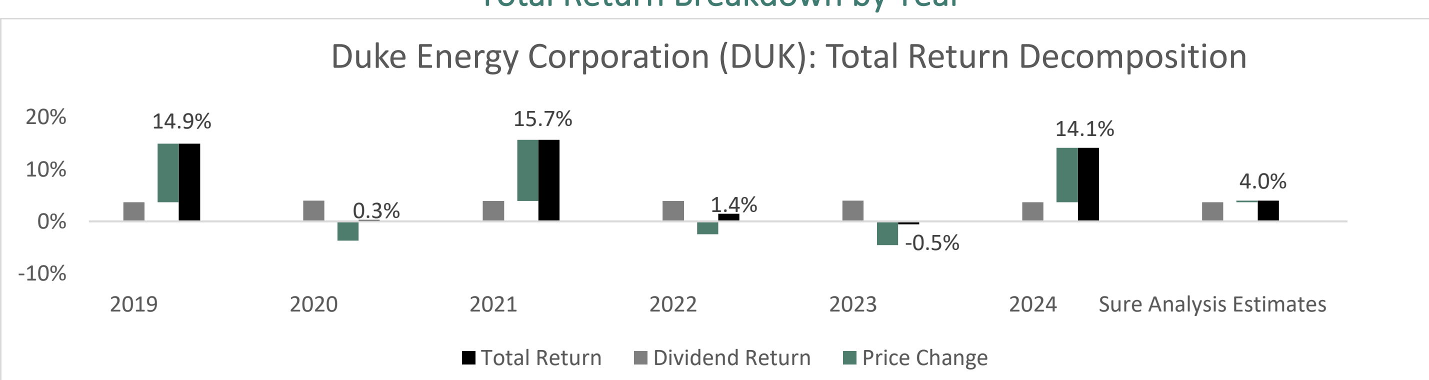
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	71%	72%	76%	76%	73%	75%	74%	76%	74%	70%	***66%***	***65%***

Duke's quality metrics have been largely stable throughout the past decade and we do not expect that will change. We expect margins to be flat moving forward – albeit at very high levels – and for its balance sheet leverage and interest coverage to remain steady. Management has a stated plan to reduce leverage moving forward as it plans to boost cash flow against the amount of debt it takes on, so we are not concerned. The payout ratio is relatively high, but the dividend is well-covered, and should be for the foreseeable future. Duke's competitive advantage is its near monopoly in the areas it serves, which is not dissimilar to other regulated utilities. In addition, recession performance should be excellent as it grew earnings-per-share rather rapidly during the Great Recession, making this is a truly defensive stock with a high yield and decent growth prospects.

Final Thoughts & Recommendation

We expect Duke to generate 4% annualized total returns over the next half-decade from its 3.4% current yield and 5.7% expected earnings-per-share growth, partially offset by a headwind from multiple contraction. As a result, we rate it 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	22,371	22,743	23,565	24,521	25,079	23,366	24,621	28,768	29,060	30,357
Gross Profit	9,336	9,629	10,639	10,530	11,560	11,353	11,958	12,976	13,756	15,197
Gross Margin	41.7%	42.3%	45.1%	42.9%	46.1%	48.6%	48.6%	45.1%	47.3%	50.1%
D&A Exp.	3,613	3,880	4,046	4,696	5,176	5,486	5,663	5,843	6,084	6,419
Operating Profit	5,154	5,193	5,879	5,176	5,705	5,538	5,841	6,424	7,103	7,938
Op. Margin	23.0%	22.8%	24.9%	21.1%	22.7%	23.7%	23.7%	22.3%	24.4%	26.1%
Net Profit	2,816	2,152	3,059	2,666	3,748	1,377	3,908	2,550	2,841	4,524
Net Margin	12.6%	9.5%	13.0%	10.9%	14.9%	5.9%	15.9%	8.9%	9.8%	14.9%
Free Cash Flow	(66)	(1,038)	(1,428)	(2,203)	(2,913)	(1,051)	(1,425)	(5,440)	(2,726)	48
Income Tax	1,256	1,156	1,196	448	519	(169)	268	300	438	590

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets ($B)	121	133	138	145	159	162	170	178	177	186
Cash & Equivalents	383	392	358	442	311	259	341	409	253	314
Acc. Receivable	2,263	2,644	2,774	3,134	3,060	3,153	3,522	4,415	4,131	4,672
Inventories	3,746	3,522	3,250	3,084	3,232	3,167	3,111	3,584	4,292	4,509
Goodwill & Int.	16,072	19,425	19,396	19,303	19,303	19,303	19,303	19,303	19,303	19,303
Total Liab. ($B)	81	92	96	102	111	113	118	126	127	135
Accounts Payable	2,350	2,994	3,043	3,487	3,487	3,144	3,531	4,754	4,228	5,479
LT Debt ($B)	42,501	50,382	54,442	56,998	61,261	62,736	66,224	73,703	79,540	84,273
Total Equity ($B)	39,727	41,033	41,739	43,817	44,860	46,002	47,334	47,360	47,149	49,153
LTD/E Ratio	1.07	1.23	1.30	1.30	1.31	1.31	1.34	1.49	1.62	1.68

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.3%	1.7%	2.3%	1.9%	2.5%	0.9%	2.4%	1.5%	1.6%	2.5%
Return on Equity	7.0%	5.3%	7.4%	6.2%	8.2%	2.8%	7.8%	5.0%	5.6%	8.9%
ROIC	3.4%	2.5%	3.3%	2.7%	3.6%	1.2%	3.4%	2.1%	2.2%	3.4%
Shares Out.	688.4	699.6	700.1	727	733.3	768.7	769.4	770.1	771	777
Revenue/Share	32.23	32.91	33.66	34.63	34.40	31.66	32.02	37.36	37.69	39.32
FCF/Share	(0.10)	(1.50)	(2.04)	(3.11)	(4.00)	(1.42)	(1.85)	(7.06)	(3.54)	0.06

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