Evergy Inc. (EVRG)

Updated May 16th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$66	**5 Year CAGR Estimate:**	10.7%	**Market Cap:**	$14.7 B
Fair Value Price:	$74	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	5/23/2025
% Fair Value:	90%	**5 Year Valuation Multiple Estimate:**	2.2%	**Dividend Payment Date:**	6/20/2025
Dividend Yield:	4.0%	**5 Year Price Target**	$94	**Years Of Dividend Growth:**	20
Dividend Risk Score:	C	**Sector:** Utilities		**Rating:**	Hold

Overview & Current Events

Evergy is an electric utility that was formed with the merger of Great Plains Energy and Westar Energy in 2017 and is headquartered in Kansas City, Missouri. Through its subsidiaries Evergy Kansas, Evergy Metro and Evergy Missouri West, the company serves approximately 1.5 million residential customers, nearly 200,000 commercial customers and 6,900 industrial customers and municipalities in Kansas and Missouri. Evergy has a market capitalization of $14.7 billion and is significantly impacted by seasonality, as about one-third of its retail revenues is recorded in the third quarter.

In early May, Evergy reported (5/8/25) financial results for the first quarter of fiscal 2025. The company benefited from rate hikes but was negatively affected by lower demand as well as higher depreciation costs and interest expense. As a result, its adjusted earnings-per-share remained flat vs. the prior year's quarter at $0.54 and missed the analysts' consensus by $0.13.

The business outlook of Evergy is positive, as the utility has proved resilient to high interest rates and high inflation. The company grew its earnings-per-share 8% last year and reaffirmed its positive guidance for 2025. It still expects adjusted earnings-per-share of $3.92-$4.12 and reiterated its long-term guidance for 4%-6% adjusted earnings-per-share growth. We still expect earnings-per-share of about $4.05 this year, in line with the guidance of management.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.09	$2.43	$2.27	$2.50	$2.89	$3.10	$3.54	$3.71	$3.54	$3.81	***$4.05***	***$5.17***
DPS	$1.44	$1.52	$1.60	$1.74	$1.93	$2.05	$2.18	$2.33	$2.48	$2.60	***$2.67***	***$3.41***
Shares[1]	139.3	142.5	142.6	214.1	239.9	227.5	230.3	230.6	230.5	231.0	***231.0***	***230.0***

Evergy has grown its earnings-per-share at a 6.9% average annual rate over the last decade. This mid-single digit growth rate is typical in the utility sector. However, Evergy has enhanced its investments in growth projects lately and hence it is likely to accelerate its growth pattern in the upcoming years. The company expects to spend $16.2 billion on capital expenses in 2025-2029 and has a more than 10-gigawatt project pipeline for the upcoming years. It will also reduce its operational and maintenance expenses. It has reduced these expenses by -25% over the last six years. Given also expected regulatory approval of 6% annual growth in rates until 2029, Evergy expects to grow its earnings-per-share by 5%-6% per year starting in 2026. The utility also expects to grow its dividend in line with its earnings-per-share, at a 5%-6% annual rate, and maintain a dividend payout ratio of 60%-70%. We expect 5.0% average annual growth of earnings-per-share over the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.5	21.6	23.4	21.8	20.9	19.0	17.6	17.5	16.1	15.2	***16.3***	***18.2***
Avg. Yld.	3.7%	2.9%	3.0%	3.2%	3.2%	3.5%	3.5%	3.6%	4.4%	4.5%	***4.0%***	***3.6%***

[1] 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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The surge of interest rates to a nearly 23-year high exerts pressure on the valuation of utilities, as investors can find decent yields elsewhere. As a result, Evergy is currently trading at a price-to-earnings ratio of 16.3, which is lower than its historical 7-year average of 18.2. If Evergy trades at its 7-year average valuation level in five years, it will enjoy a 2.2% annualized gain in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2030**
Payout	69%	63%	70%	70%	67%	66%	62%	63%	70%	68%	***66%***	***66%***

The subsidiaries of Evergy operate on a fully regulated retail utility model in Missouri and Kansas and thus they do not face any competition in these markets. This typical utility model, which generates reliable and growing earnings, is undoubtedly a strong competitive advantage.

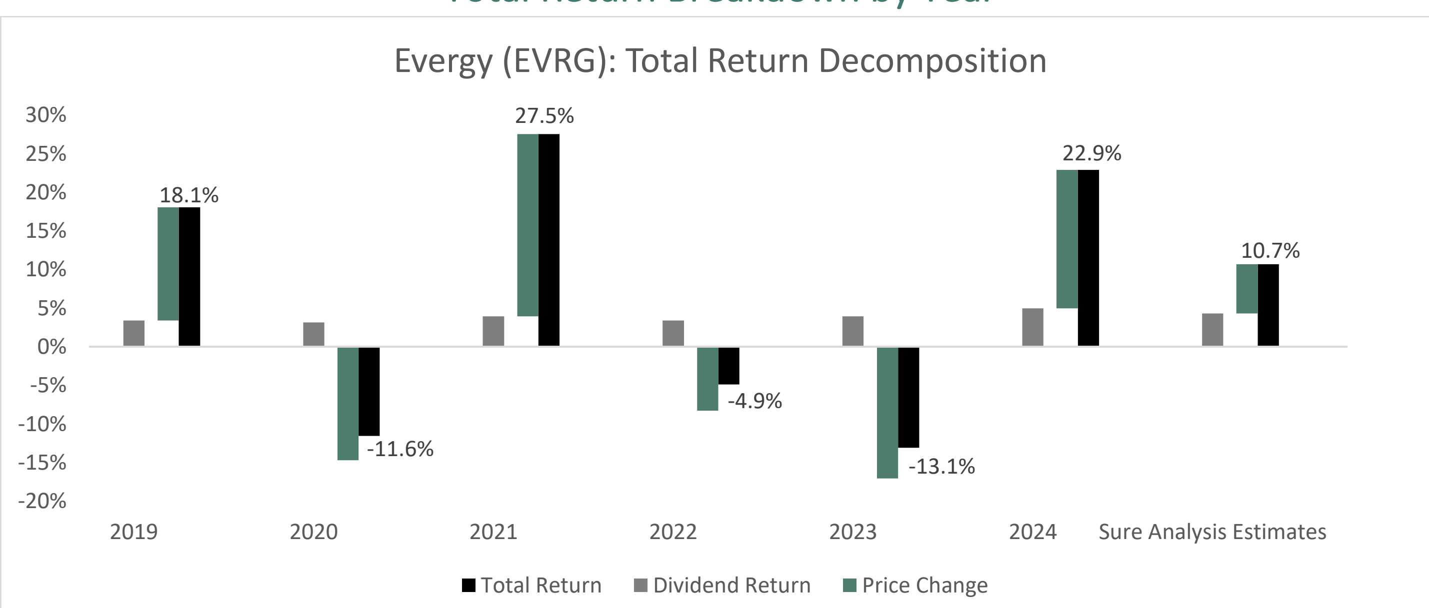
Another major advantage of utilities is their resilience to recessions. Even during the fiercest recessions, people do not cut electricity consumption. In fact, they spend more time at home and thus they increase their consumption. In the severe recession, which was caused by the pandemic, Evergy grew its adjusted earnings-per-share 7% in 2020, to an all-time high level. Moreover, thanks to its 4.0% dividend, its reasonable payout ratio of 66% and its expected dividend growth rate of 4%-6% per year until at least 2029, Evergy is a great candidate for income-oriented investors.

The only material risk factor for Evergy is an environment of higher interest rates. Treasury yields have surged in the last three years due to high inflation and the resultant interest rate hikes implemented by the Fed. If bond yields rise significantly from current levels, which is unlikely, they will render the dividend yield of Evergy less attractive and hence they will exert pressure on its stock price.

Final Thoughts & Recommendation

Evergy has proved resilient to the pandemic and the highly inflationary environment prevailing now and has promising growth prospects ahead. It is also trading with a cheap valuation, which is likely to highly reward investors whenever interest rates moderate. Evergy has rallied 39% in the last 15 months but it could still offer a 10.7% average annual return over the next five years thanks to 5.0% earnings-per-share growth, its 4.0% dividend and a 2.2% annualized valuation tailwind. It receives a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,459	2,562	2,571	4,276	5,148	4,913	5,587	5,859	5,508	5,847
Gross Profit	1,339	1,233	1,218	1,822	2,413	2,388	2,632	2,630	2,766	3,035
Gross Margin	54.4%	48.1%	47.4%	42.6%	46.9%	48.6%	47.1%	44.9%	50.2%	51.9%
SG&A Exp.	250	---	---	---	---	---	---	---	---	---
D&A Exp.	338	365	404	662	913	938	948	985	1,139	1,171
Operating Profit	621	702	679	934	1,186	1,144	1,355	1,302	1,282	1,468
Operating Margin	25.3%	27.4%	26.4%	21.8%	23.0%	23.3%	24.3%	22.2%	23.3%	25.1%
Net Profit	292	347	324	536	670	618	880	753	731	874
Net Margin	11.9%	13.5%	12.6%	12.5%	13.0%	12.6%	15.7%	12.9%	13.3%	14.9%
Free Cash Flow	16	(283)	148	428	539	194	(621)	(365)	(354)	(353)
Income Tax	152	185	151	59	97	102	117	48	16	30

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	10,706	11,487	11,624	25,598	25,976	27,115	28,521	29,490	30,976	32,282
Cash & Equivalents	3	3	3	160	23	145	26	25	28	22
Accounts Receivable	258	289	165	17	7	5	14	9	3	3
Inventories	301	300	294	511	482	505	567	673	776	867
Goodwill & Int. Ass.	---	---	---	2,339	2,337	2,337	2,337	2,337	2,337	2,337
Total Liabilities	7,034	7,654	7,764	15,607	17,431	18,396	19,279	19,997	21,291	22,293
Accounts Payable	221	221	204	452	529	654	640	601	617	614
Long-Term Debt	3,581	4,018	4,073	8,527	9,950	10,321	11,166	12,036	13,147	14,070
Shareholder's Equity	3,657	3,806	3,908	10,028	8,572	8,733	9,244	9,484	9,663	9,955
D/E Ratio	0.98	1.06	1.04	0.85	1.16	1.18	1.21	1.27	1.36	1.41

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.8%	3.1%	2.8%	2.9%	2.6%	2.3%	3.2%	2.6%	2.4%	2.8%
Return on Equity	8.4%	9.3%	8.4%	7.7%	7.2%	7.1%	9.8%	8.0%	7.6%	8.9%
ROIC	4.1%	4.6%	4.1%	4.1%	3.6%	3.3%	4.5%	3.6%	3.3%	3.7%
Shares Out.	139.3	142.5	142.6	214.1	239.9	227.5	230.3	230.3	230.5	230.6
Revenue/Share	17.66	17.98	18.03	19.97	21.46	21.60	24.33	25.44	23.90	25.36
FCF/Share	0.11	(1.99)	1.04	2.00	2.25	0.85	(2.70)	(1.58)	(1.53)	(1.53)

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