National Grid (NGG)

Updated August 27th, 2025 by Prakash Kolli

Key Metrics

Current Price:	$71	**5 Year CAGR Estimate:**	7.9%	**Market Cap:**	$70.01B
Fair Value Price:	$68	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	11/21/25
% Fair Value:	104%	**5 Year Valuation Multiple Estimate:**	-0.8%	**Dividend Payment Date:**	01/15/26
Dividend Yield:	5.1%	**5 Year Price Target**	$83	**Years Of Dividend Growth:**	3
Dividend Risk Score:	F	**Sector:**	Utilities	**Rating:**	Hold

Overview & Current Events

National Grid plc is a diversified electricity and natural gas utility operating in the UK and US. In the UK, National Grid owns and operates the electric transmission network. In the US, the company serves 7.1 million electricity and natural gas customers in Massachusetts and New York. National Grid acquired Keyspan in 2007, entering the US market. Divestures were UK natural gas distribution (2019), Rhode Island electricity (2022), UK natural gas transmission (2024), and UK ESO (2024). Today, the utility operates in five business segments: UK Electricity Transmission, UK Electricity Distribution, US Regulated – New York. US Regulated – New England, and National Grid Ventures (NGV) and Other. The stock trades on the LSE and as an ADR on the NYSE. The utility had revenue of over $24.8B in FY2024[2].

National Grid reported fiscal full-year results on May 15th, 2025. Companywide operating profit rose 10% to $6,666M from $6,046M and earnings per share climbed 8% to $4.05 from $3.75 in comparable periods. Operating profits rose due to contributions from a strong performance in the US and UK except the NGV segment. Operating profit for UK Electricity Transmission rose 9% to $1,929M from $1,775M on increased revenue, UK Electricity Distribution was up 4% to $1,625M from $1,556M on higher allowed returns, and UK ESO rose 44% to $155M from $109M on a year-over-year basis. US Regulated operating profit increased 16% in New England to $1,248M from $1,081M and increased 43% to $1,959M from $1,369M in New York in the prior year on higher rates and cost efficiencies. NGV decreased 19% to $513M from $634M in comparable periods because lower revenue and North Sea Link.

It is investing in transmission and distribution projects in the US and UK. National Grid plans to invest ~$60B through 2029 to drive ~10% asset and 6% to 8% EPS growth.

Growth on a Per-Share Basis

Year[3]	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.72	$3.85	$3.65	$3.20	$6.81	$2.95	$3.85	$3.82	$4.60	$4.05	***$4.56***	***$5.55***
DPS	$3.32	$2.99	$3.08	$3.09	$3.09	$3.14	$3.44	$3.12	$3.45	$3.51	***$3.65***	***$4.44***
Shares[4]	700	703	695	693	695	680	696	729	732	738	***746***	***784***

National Grid's restructuring and divestments have made it more profitable. The utility is now a pure play network business in gas and electricity transmission and distribution. Despite the negative effect of the RIIO-2 price control mechanism, the firm is performing well on higher revenue and capital investment. However, the utility is submitting its RIIO-3 business plan, which will likely affect returns. In the US, rate increases are driving revenue and operating profit.

We are forecasting a 4% average annual increase in earnings per share and dividends on a robust capital investment plan. However, this may be low if the utility executes its plan successfully. The dividend, which is paid semi-annually has grown in GBP but has been volatile for the US ADR after accounting for currency exchange rates. The payout ratio is elevated and there is risk of a dividend cut if earnings do not rise as planned.

---

[1] Estimated date for semiannual dividend.

[2] National Grid plc reports its results in GBP. This report will use USD at the prevailing exchange rate.

[3] National Grid's fiscal year ends in March. The values in the tables are in fiscal year.

[4] ADR share count in millions. One ADR equals five ordinary shares.

National Grid (NGG)

Updated August 27th, 2025 by Prakash Kolli

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.3	19.7	17.4	18.4	7.0	21.2	15.3	17.5	14.5	13.5	***15.6***	***15.0***
Avg. Yld.	4.8%	4.9%	4.8%	5.1%	4.9%	6.5%	4.9%	4.7%	5.2%	5.7%	***5.1%***	***5.3%***

National Grid's stock price is downsince our last report. Our fair value estimate is a price-to-earnings ratio of 15X earnings, below the long-term average and accounting for RIIO-3 uncertainties. We lowered our earnings estimate to match consensus. Our fair value estimate is $68 per share. Our 5-year price target is $83 per share.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	70%	78%	84%	96%	45%	106%	89%	82%	75%	77%	***80%***	***80%***

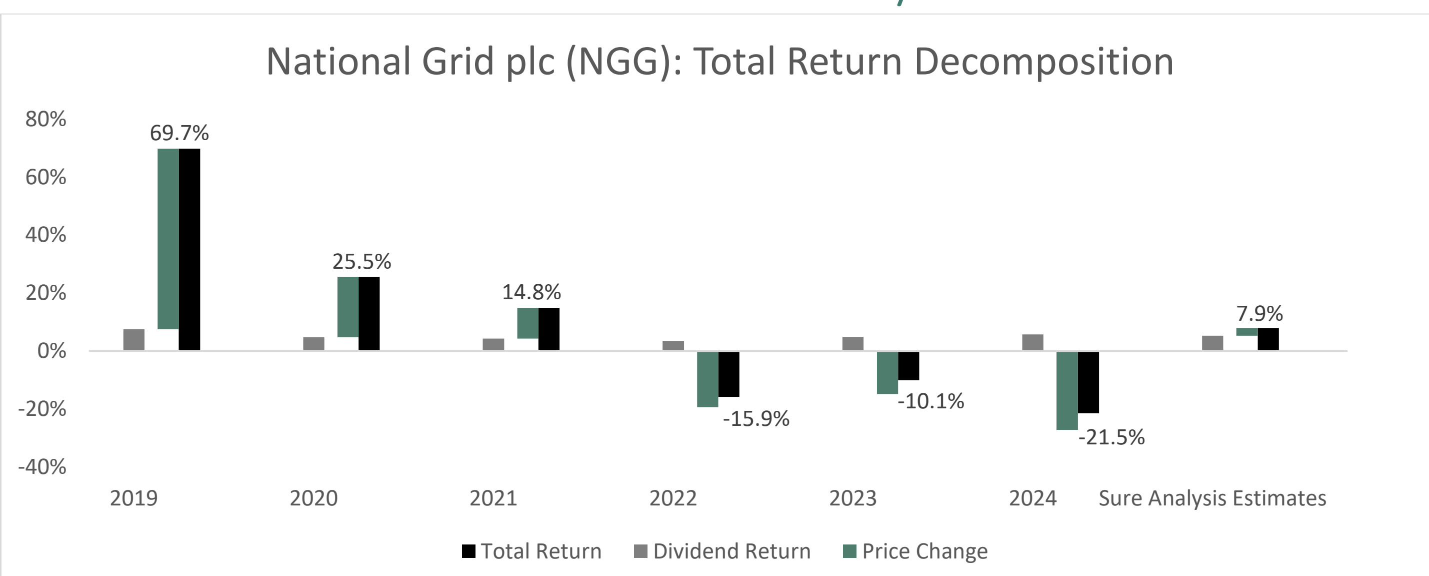
In the UK, National Grid owns and operates the electric and natural gas transmission network essentially giving it a monopoly. In the US, the utility has the advantages of most regulated utilities in that it has a monopoly in its service area. That said, National Grid has a lower rate of return in the UK after April 2021 because of RIIO-2. It is unlikely that efficiency incentives and inflation adjustments will make up the decline. There is also a risk of nationalization of transmission assets. In the US, National Grid faces risk from tough regulatory environments that could lead to low rates of return. Furthermore, US regulators do not allow inflation adjustments or efficiency incentives.

Long-term debt at the end of FY 2024 was $43,698M offset by $6,931M in cash, equivalents, and short-term investments. Interest coverage is ~2.97X and the leverage ratio is elevated at about 5.78X.

Final Thoughts & Recommendation

At present we are forecasting a 7.9% annualized total return through FY 2030 from a dividend yield of 5.1%, 4.0% EPS growth, and -0.8% P/E multiple contraction. The utility has repositioned itself by divesting less profitable businesses and focusing on regulated transmission and distribution networks. It is investing significant amounts in its asset base to grow its return. The main interest here is the excellent dividend yield, despite the elevated payout ratio. We expect the dividend distribution to continue rising. Our rating for this ADR is a hold.

Total Return Breakdown by Year



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.

National Grid (NGG)

Updated August 27th, 2025 by Prakash Kolli

Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	19911	19647	20299	19611	18492	19323	25212	26132	24949
Gross Profit	16460	16532	16521	15477	15193	16210	16879	15728	18293
Gross Margin	82.7%	84.1%	81.4%	78.9%	82.2%	83.9%	66.9%	60.2%	73.3%
D&A Exp.	1976	1935	2037	2085	2086	2186	2501	2394	2590
Operating Profit	4844	6993	4611	4520	4207	3799	5662	5887	6865
Op. Margin	24.3%	35.6%	22.7%	23.0%	22.8%	19.7%	22.5%	22.5%	27.5%
Net Profit	3905	10186	4725	1984	1608	2144	3216	9407	2878
Net Margin	19.6%	51.8%	23.3%	10.1%	8.7%	11.1%	12.8%	36.0%	11.5%
Free Cash Flow	3492	2235	788	495	-359	-428	995	7	-646
Income Tax	644	489	-1183	445	610	578	1720	1057	1044

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	84694	82149	82390	82123	82989	92390	124608	114806	124135
Cash & Equivalents	180	1421	461	329	90	216	250	202	692
Acc. Receivable	1834	1985	2346	2477	1919	2066	3495	2506	3158
Inventories	628	503	478	483	679	603	516	916	922
Goodwill & Int.	8913	8758	8890	9069	9312	8290	16819	16659	16615
Total Liabilities	65200	56715	55975	56860	58764	65092	93270	78193	86397
Accounts Payable	2929	2664	2771	3136	2728	2976	4089	4024	3517
Long-Term Debt	40384	35347	36935	37120	37183	41970	58989	52353	58445
Total Equity	19480	25413	26393	25237	24198	27269	31307	36583	37707
LTD/E Ratio	2.07	1.39	1.40	1.47	1.54	1.54	1.88	1.43	1.55

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.7%	12.2%	5.7%	2.4%	1.9%	2.4%	3.0%	7.9%	2.4%
Return on Equity	21.0%	45.4%	18.2%	7.7%	6.5%	8.3%	11.0%	27.7%	7.7%
ROIC	6.8%	16.9%	7.6%	3.2%	2.6%	3.3%	4.0%	10.5%	3.1%
Shares Out.	703	695	693	695	680	708	723	735	807
Revenue/Share	28.66	25.99	29.20	28.83	26.58	27.29	34.86	35.54	30.91
FCF/Share	5.03	2.96	1.13	0.73	-0.52	-0.60	1.38	0.01	-0.80

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