Sempra (SRE)

Updated November 7th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$93	**5 Year CAGR Estimate:**	5.2%	**Market Cap:**	$60 B
Fair Value Price:	$82	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	12/11/2025
% Fair Value:	113%	**5 Year Valuation Multiple Estimate:**	-2.4%	**Dividend Payment Date:**	1/15/2026
Dividend Yield:	2.8%	**5 Year Price Target**	$105	**Years Of Dividend Growth:**	15
Dividend Risk Score:	C	**Sector:** Utilities		**Rating:**	Hold

Overview & Current Events

Sempra (SRE) was founded 27 years ago and has grown into a $60 billion market cap company. It serves one of the largest utility customer bases in the U.S., as it distributes natural gas and electricity in Southern California (over 20 million customers) and owns a majority stake in Texas-based Oncor, a transmission and distribution business (over 10 million customers). The company also owns and operates other utilities and merchant renewable energy projects, liquefied natural gas facilities, and gas pipes and storage in the U.S. and Latin America. On August 22nd, 2023, the stock performed a two-for-one stock split. All figures in this report have been adjusted for this split.

Sempra benefits from two key trends, namely the transition towards cleaner energy resources and the advance of the U.S. as a global energy leader. In 2018, the company sold most of its non-core assets in order to better focus on its large core North American regulated utility, LNG export, and Mexican infrastructure (IEnova) assets as well as deleverage the balance sheet. Given the strong competitive advantages enjoyed by these core assets, we believe that these moves have made Sempra more attractive.

In early November, Sempra reported (11/5/25) financial results for the third quarter of fiscal 2025. Its earnings-per-share grew 25%, from $0.89 to $1.11, exceeding the analysts' estimates by $0.20. The company has beaten the analysts' estimates in 16 of the last 20 quarters. The positive performance resulted from rate hikes and lower tax expense. However, Sempra reiterated its disappointing guidance for earnings-per-share of $4.30-$4.70 in 2025 and $4.80-$5.30 in 2026 due to regulatory issues and high costs. At the mid-point, the guidance for this year implies a -3% decrease in earnings-per-share. We still expect earnings-per-share of approximately $4.50 this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.69	$2.73	$2.71	$2.79	$3.39	$4.02	$4.22	$4.61	$4.61	$4.65	***$4.50***	***$5.74***
DPS	$1.40	$1.51	$1.65	$1.79	$1.94	$2.09	$2.20	$2.29	$2.38	$2.48	***$2.58***	***$3.28***
Shares[1]	502	502	504	540	578	580	639	632	634	641	***655***	***700***

Sempra's enormous economies of scale and regulated monopolies in California and Texas should enable it to capitalize on any economic growth in those regions to drive long term growth. Sempra has a record 5-year capital plan of $56 billion, which will be a major growth driver in the upcoming years. Oncor expects to grow its rate base to nearly $28 billion by 2026, thus implying 8% annual growth. Additionally, Sempra's assets in Mexico enjoy a first mover advantage, which should enable them to grow rapidly as Mexico begins to invest more seriously in its massively underdeveloped infrastructure. The LNG export portfolio should also see strong demand in the long run, as the U.S. continues its transition into a global energy exporting giant. The U.S. is expected to more than double its LNG export capacity by 2030. As a result, management has several expansion projects, which should contribute significantly to the company's cash flows. Overall, Sempra expects to grow its earnings-per-share by 7%-9% per year on average in the long run. In order to be on the safe side, we have assumed 5% average annual growth over the next five years. This is lower than the 6.3% average growth rate over the last decade but it is warranted, particularly given the weak performance in 2025.

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[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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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.3	18.5	19.8	19.4	19.8	16.1	15.4	16.9	16.0	16.8	***20.7***	***18.3***
Avg. Yld.	3.0%	3.0%	3.1%	3.3%	2.9%	3.2%	3.4%	2.9%	3.2%	3.2%	***2.8%***	***3.1%***

Sempra is currently trading at a price-to-earnings ratio of 20.7, which is higher than its 10-year average of 18.3. We expect the stock to trade close to its average valuation level in five years. If this occurs, the stock will incur a -2.4% annualized expansion of its price-to-earnings ratio.

Safety, Quality, Competitive Advantage, & Recession Resiliency

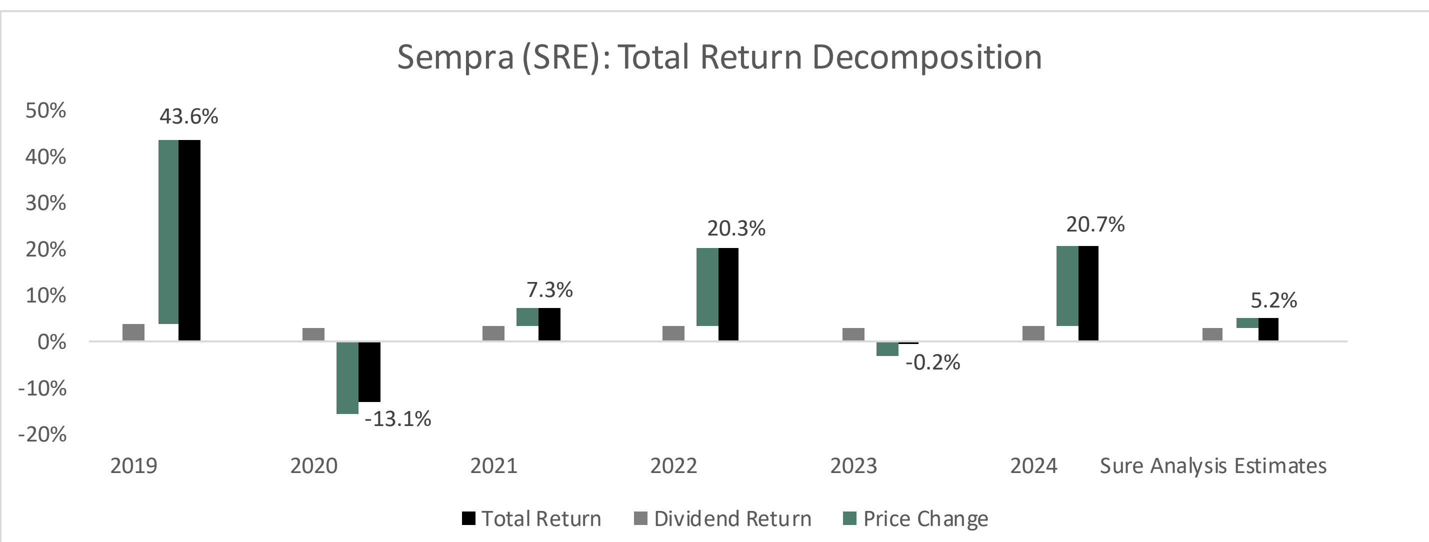
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	52.1%	55.3%	60.7%	64.3%	57.1%	52.1%	52.2%	49.7%	51.6%	53.3%	***57.3%***	***57.2%***

As a regulated utility in possession of dominant businesses in their respective regions, Sempra possesses a clear moat around a significant portion of its earnings. At the same time, however, the regulated nature of its pricing prevents it from earning surplus profits. These businesses, as well as the stable, mission-critical nature of its infrastructure business in Mexico make it quite recession resistant. As proof of this, Sempra's earnings-per-share increased during the Great Recession (2008 and 2009) and throughout the coronavirus crisis as well. However, its LNG export business and international exposure make it somewhat susceptible to commodity price, geopolitical, and currency exchange risks. Nevertheless, its high-quality assets, low payout ratio, stable cash flows and strong growth prospects make it a fairly low-risk investment. Moreover, while the company has a somewhat weak balance sheet, it has improved its interest coverage ratio to 2.6 thanks to the sale of non-core assets.

Final Thoughts & Recommendation

Sempra owns quality assets, many of which are in recession-resistant businesses. Its utility businesses are dominant players in their fields and its LNG export and infrastructure businesses have strong growth potential. Combined, they create a business that has both stable and defensive characteristics. The stock of Sempra collapsed after the fourth-quarter earnings release due to weak guidance but it has now pared its losses. Due to its recent rally, it has become less attractive. The utility can offer a 5.2% average annual return over the next five years thanks to 5.0% growth and its 2.8% dividend, partly offset by a -2.4% valuation headwind. 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	10231	10183	11207	11687	10829	11370	12857	14439	16,720	13,185
Gross Profit	3592	3353	4277	4414	4692	5042	5301	5211	6,619	6,092
Gross Margin	35.1%	32.9%	38.2%	37.8%	43.3%	44.3%	41.2%	36.1%	39.6%	46.2%
D&A Exp.	1250	1312	1490	1549	1569	1,666	1,855	2,019	2,227	2,437
Operating Profit	2026	1731	2519	2491	2627	2,833	2,850	2,557	3,715	2,962
Operating Margin	19.8%	17.0%	22.5%	21.3%	24.3%	24.9%	22.2%	17.7%	22.2%	22.5%
Net Profit	1350	1371	257	1050	2198	3,933	1,318	2,139	3,075	2,862
Net Margin	13.2%	13.5%	2.3%	9.0%	20.3%	34.6%	10.3%	14.8%	18.4%	21.7%
Free Cash Flow	-258	-1903	-324	-337	-620	-2,085	-1,173	-4,215	-2,179	-3,308
Income Tax	341	389	1276	96	315	249	99	556	490	219

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	41150	47786	50454	60638	65665	66,623	72,045	78,574	87,181	96,155
Cash & Equivalents	403	349	288	190	108	960	559	370	236	1,565
Acc. Receivable	1283	1390	1307	1488	1261	1,578	2,469	3,320	2,151	1,983
Inventories	298	258	307	296	277	308	389	403	482	559
Goodwill & Int.	1223	2912	2993	2645	1815	1,804	1,972	1,946	1,920	1,894
Total Liabilities	28571	32545	35314	41390	43860	41,689	44,626	49,318	53,527	58,367
Accounts Payable	1133	1346	1350	1324	1234	1,359	1,849	2,269	2,211	2,238
Long-Term Debt	14663	17121	19412	25363	25816	24,206	24,645	28,919	31,076	35,848
Total Equity	11829	12971	12690	14900	17691	20,246	26,001	26,226	27,786	30,333
LTD/E Ratio	1.24	1.32	1.53	1.48	1.29	1.03	0.95	1.07	1.08	1.15

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.3%	3.1%	0.5%	1.9%	3.5%	5.9%	1.9%	2.8%	3.7%	3.1%
Return on Equity	11.7%	11.1%	2.0%	7.6%	13.5%	20.7%	5.7%	7.5%	9.8%	8.0%
ROIC	5.0%	4.6%	0.8%	2.7%	4.8%	8.1%	2.6%	3.9%	5.0%	4.1%
Shares Out.	251	251	252	270	289	290	320	633	633	638
Revenue/Share	40.77	40.54	44.42	43.31	38.40	38.90	41.07	22.82	26.43	20.67
FCF/Share	-1.03	-7.58	-1.28	-1.25	-2.20	-7.13	-3.75	-6.66	-3.44	-5.19

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