



National Grid (NGG)

Updated December 3rd, 2025 by Prakash Kolli

Key Metrics

Current Price:	\$76	5 Year CAGR Estimate:	8.6%	Market Cap:	\$70.01B
Fair Value Price:	\$77	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	11/21/25
% Fair Value:	98%	5 Year Valuation Multiple Estimate:	0.3%	Dividend Payment Date:	01/13/26
Dividend Yield:	4.8%	5 Year Price Target	\$94	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 the 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. Divestitures 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, and US Regulated – New York. US Regulated – New England, 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 FY2025¹.

National Grid reported fiscal half-year FY 2026 results on November 6th, 2025. Companywide underlying (continuing operations) operating profit (CC) rose 13% to \$3,051M from \$2,697M, and earnings per share increased 6% to \$2.00 from \$1.85 in comparable periods. Underlying operating profits rose due to contributions from a strong performance in the US and UK, offset by lower joint venture ("JV") profits. Underlying operating profit for UK Electricity Transmission rose 17% to \$1,126M from \$966M on increased revenue, and UK Electricity Distribution was down 4% to \$733M from \$763M on lower revenue on a year-over-year basis. US Regulated operating profit increased 29% in New England to \$389M from \$302M due to a higher asset base and incentives, and increased 61% to \$590M from \$367M in New York in the prior year on growth and cost recoveries. Underlying operating profits for NGV increased 26% to \$249M from \$238M in comparable periods, as depreciation had ceased, while JV declined 32% to \$53M from \$79M.

It is investing in transmission and distribution projects in the US and UK. National Grid plans to invest ~\$80B through 2029 to drive ~10% asset and 6% to 8% underlying EPS growth.

Growth on a Per-Share Basis

Year ²	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$4.72	\$3.85	\$3.65	\$3.20	\$6.81	\$2.95	\$3.85	\$3.82	\$4.60	\$4.05	\$5.13	\$6.24
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
Shares³	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 business in gas and electricity transmission and distribution. Despite the adverse effects of the RIIO-2 price control mechanism, the firm is performing well, with 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, supported by a robust capital investment plan. However, this may be low if the utility successfully executes its plan. 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 a risk of a dividend cut if earnings do not rise as planned.

¹ National Grid plc reports its results in GBP. This report will use USD at the prevailing exchange rate.

² National Grid's fiscal year ends in March, and it reports one year ahead. The values in the tables are in fiscal year.

³ ADR share count in millions. One ADR equals five ordinary shares.

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	16.3	19.7	17.4	18.4	7.0	21.2	15.3	17.5	14.5	13.5	14.7	15.0
Avg. Yld.	4.8%	4.9%	4.8%	5.1%	4.9%	6.5%	4.9%	4.7%	5.2%	5.7%	4.8%	4.7%

National Grid's stock price has been up since our last report. Our fair value estimate is a price-to-earnings ratio of 15 times earnings, below the long-term average and accounting for RIIO-3 uncertainties. We raised our earnings estimate to match analyst consensus. Our fair value estimate is \$77 per share. Our 5-year price target is \$94 per share.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	70%	78%	84%	96%	45%	106%	89%	82%	75%	77%	71%	71%

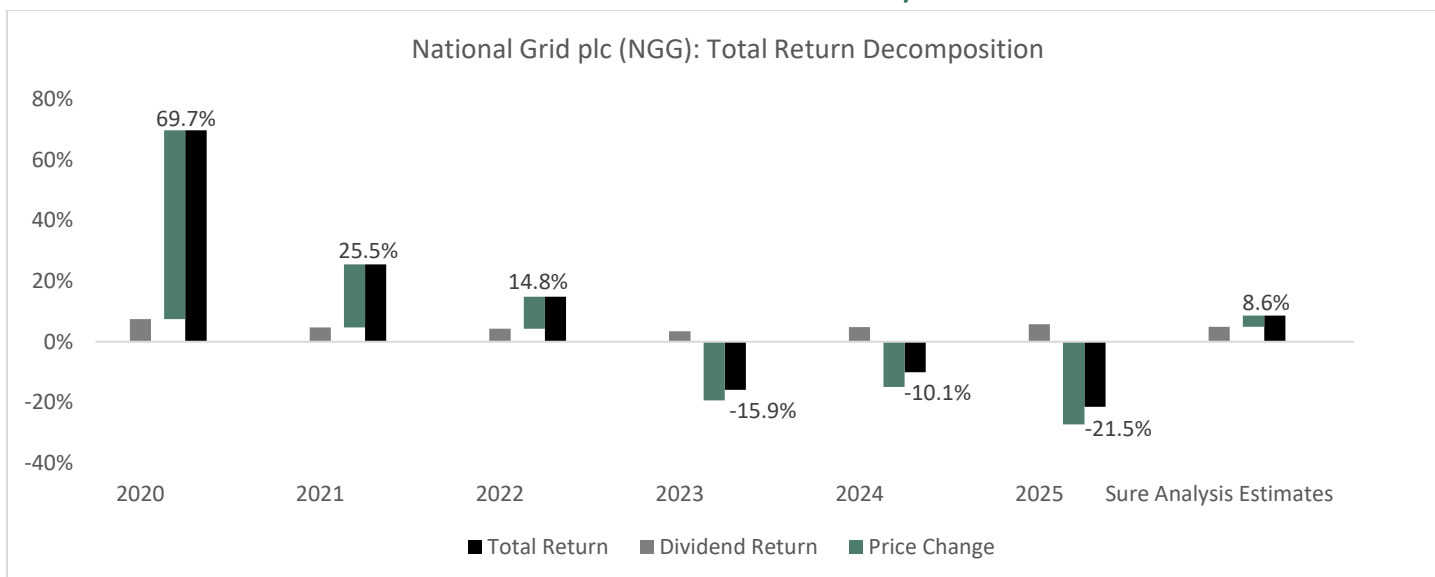
In the UK, National Grid owns and operates the electric and natural gas transmission network, essentially giving it a monopoly. In the US, the utility has the advantages of most regulated utilities, namely a monopoly in its service area. That said, National Grid has a lower rate of return in the UK after 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 risks from challenging regulatory environments that could lead to low returns. Furthermore, US regulators do not allow inflation adjustments or efficiency incentives.

Long-term debt at the end of HY 2026 was \$61,119M offset by \$6,461M in cash, equivalents, and short-term investments. Interest coverage is ~3.18X, and the leverage ratio is elevated at about 5.76X.

Final Thoughts & Recommendation

At present, we forecast an 8.6% annualized total return through FY 2031, driven by a 4.8% dividend yield, 4.0% EPS growth, and 0.3% P/E multiple expansion. 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 increase returns. The primary 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



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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.

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