Southern Company (SO)

Updated February 24th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	$95	**5 Year CAGR Estimate:**	6.8%	**Market Cap:**	$107 B
Fair Value Price:	$83	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	2/17/2026
% Fair Value:	115%	**5 Year Valuation Multiple Estimate:**	-2.7%	**Dividend Payment Date:**	3/6/2026
Dividend Yield:	3.1%	**5 Year Price Target**	$116	**Years Of Dividend Growth:**	24
Dividend Risk Score:	D	**Sector:** Utilities		**Rating:**	Hold

Overview & Current Events

Southern Company is a major energy utility that serves ~9 million customers in the U.S. via its subsidiaries. It has a market capitalization of $107 billion.

Due to cost overruns and its acquisition of AGL Resources for $12 billion in 2016, Southern has almost doubled its net debt in the last decade. As it refinances its debt on a regular basis, it greatly benefits when interest rates are low, just like during 2008-2021. On the other hand, interest rates have significantly increased in recent years and thus the interest expense of Southern has nearly doubled since the end of 2021.

In mid-February, Southern reported (2/19/26) results for Q4-2025. Revenue grew 10% over the prior year's quarter and earnings-per-share grew 10%, from $0.50 to $0.55, as rate hikes more than offset higher depreciation costs. Southern has finally started up its Vogtle Units 3 and 4, the first new nuclear facilities built in the U.S. in a generation. This project faced so many setbacks that it became 8 years late, with a cost more than double the initial cost estimate. Southern has missed analysts' estimates in only 4 of the last 39 quarters. Management provided guidance for adjusted earnings-per-share of $4.50-$4.60 in 2026. Accordingly, we expect earnings-per-share of $4.55 this year.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$2.83	$3.02	$3.07	$3.11	$3.25	$3.41	$3.60	$3.65	$4.05	$4.30	***$4.55***	***$6.38***
DPS	$2.22	$2.30	$2.38	$2.46	$2.54	$2.62	$2.70	$2.78	$2.86	$2.94	***$2.96***	***$3.40***
Shares[1]	990.4	1007.6	1034.0	1052.0	1058	1062	1090	1092	1102	1109	***1115***	***1170***

Due to its huge capital expenses and its debt pile, the company issues new shares on a regular basis. Southern has increased its share count at a 1.3% average annual rate over the last decade. Management previously stated that it would reduce the pace of issuance of new shares but this remains to be seen.

Southern has grown its earnings-per-share at a 4.8% annual rate in the last decade and at a 5.8% annual rate in the last five years. However, business momentum seems to be accelerating, as the company has signed contracts for more than 10 GWs of electricity for the upcoming years. As a result, management provided guidance for earnings-per-share of $5.25-$5.45 in 2028, thus implying 7.6% average annual growth of earnings-per-share until 2028. This is higher than the 5%-7% long-term annual growth of previous guidance. Given the decent business momentum of Southern and the expected contribution from the Vogtle Plant in the upcoming years, we expect 7.0% average annual growth of earnings-per-share over the next five years.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	17.8	15.5	14.7	17.9	17.9	18.5	19.7	19.0	19.7	20.9	***20.9***	***18.2***
Avg. Yld.	4.4%	4.6%	5.3%	4.0%	4.4%	4.2%	3.8%	4.0%	3.6%	3.3%	***3.1%***	***2.9%***

[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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Southern has rallied 50% off its bottom in late 2023, as the uncertainty over its Vogtle plants has vanished. As a result, the stock is now trading at a price-to-earnings ratio of 20.9, which is higher than the 10-year average price-to-earnings ratio of 18.2. If the utility trades at its average valuation level in five years, it will incur a -2.7% annualized drag.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	78.4%	71.7%	77.5%	79.1%	78.2%	76.8%	75.0%	76.2%	70.6%	68.4%	***65.1%***	***53.3%***

The competitive advantage of Southern is its state-regulated business, which requires excessive capital expenses for infrastructure and poses high barriers to entry to potential competitors. Southern has stretched its balance sheet in recent years. Its debt/assets ratio has climbed to a near decade-high level while its interest expense currently consumes 41% of its operating income. On the bright side, these metrics have somewhat improved lately thanks to asset sales, whose proceeds have been used for debt reduction.

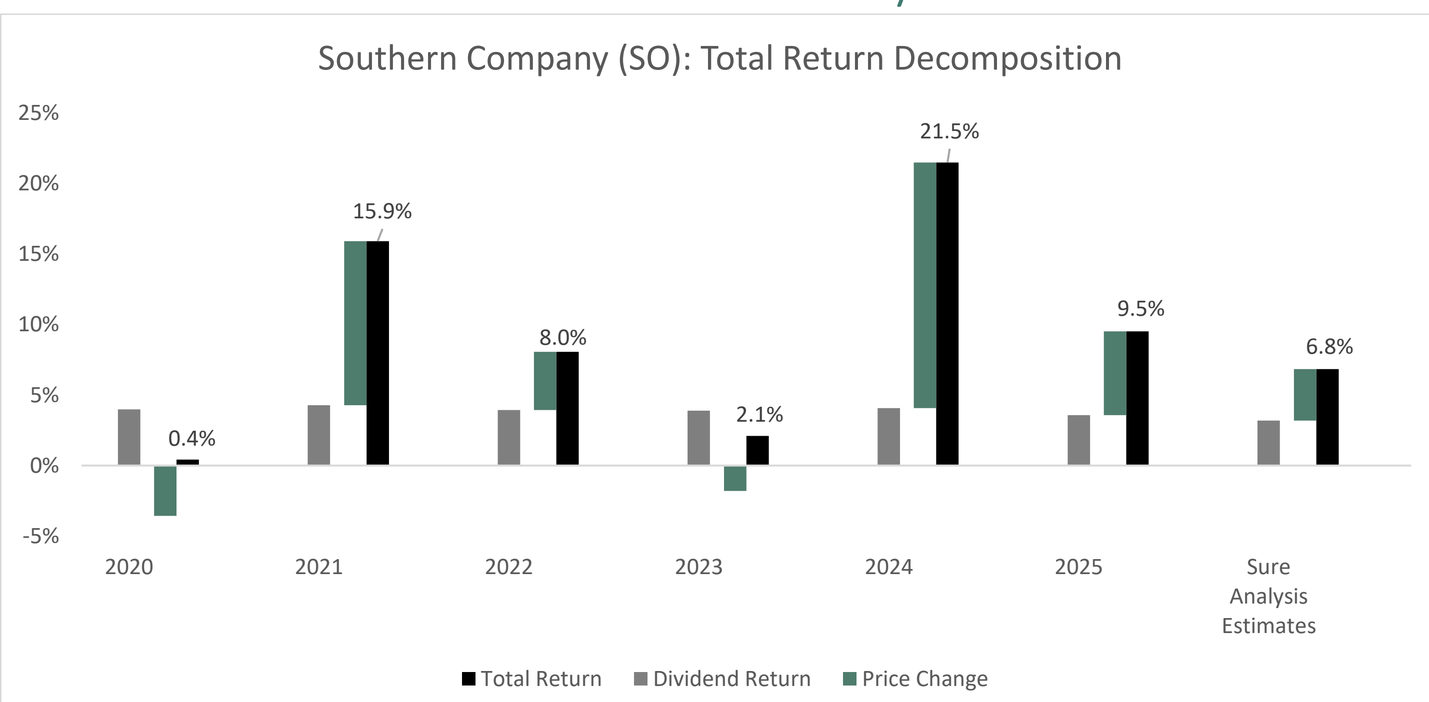
Southern has raised its dividend for 24 consecutive years and has not cut it for 79 consecutive years. It currently offers a 3.1% dividend yield, which is equal to the median dividend yield of utilities. Due to the somewhat weak balance sheet, dividend growth is likely to remain meager (~3% annually) going forward.

Southern is attractive for its resilience during recessions. In the Great Recession, when most companies saw their earnings collapse, the earnings-per-share of Southern fell just -1.3%. In the downturn caused by the pandemic, Southern grew its earnings thanks to its resilient business model, which involves rate hikes.

Final Thoughts & Recommendation

The stock of Southern is a safe haven amid high inflation thanks to its reliable rate hikes year after year. However, the stock has surged 50% off its bottom in late 2023. We thus expect Southern to offer a 6.8% average annual return over the next five years, as 7.0% earnings growth and its 3.1% dividend may be partly offset by a -2.7% valuation headwind. The stock maintains its hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	19,896	23,031	23,495	21,419	20,375	23,113	29,279	25,253	26,724	29,553
Gross Profit	8,530	9,915	9,616	9,603	9,897	10,061	10,821	11,708	13,342	8,809
Gross Margin	42.9%	43.1%	40.9%	44.8%	48.6%	43.5%	37.0%	46.4%	49.9%	29.8%
D&A Exp.	2923	3457	3549	3331	3,905	3,973	4,064	4,986	5,266	6,030
Operating Profit	4487	2293	4110	5335	4,820	3,514	5,564	5,826	7,068	7,271
Op. Margin	22.6%	10.0%	17.5%	24.9%	23.7%	15.2%	19.0%	23.1%	26.4%	24.6%
Net Profit	2493	880	2242	4754	3,134	2,408	3,535	3,976	4,401	4,171
Net Margin	12.5%	3.8%	9.5%	22.2%	15.4%	10.4%	12.1%	15.7%	16.5%	14.1%
Free Cash Flow	-2416	-1029	-1056	-1774	-745	-1,071	-1,621	-1,542	833	-3,590
Income Tax	951	142	449	1798	393	267	795	496	969	828

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets ($B)	109.7	111.0	116.9	118.7	122.9	127.5	134.9	139.3	145.2	155.7
Cash & Equivalents	1975	2130	1396	1975	1,065	1,798	1,917	748	1,070	1640
Acc. Receivable	2206	2413	2527	2042	2,269	1,806	2,138	2,030	2,228	4,069
Inventories	2782	2627	2394	2388	2,488	2,355	2,677	3,352	3,369	3,333
Goodwill & Int.	7221	7141	5928	5816	5,767	5,725	5,567	5,529	5,493	5,461
Total Liabilities	82967	85153	87584	86650	90,410	94,968	100,359	104,106	108,506	116,853
Accounts Payable	2825	3076	3436	2557	2,806	2,169	3,525	2,898	3,701	3,710
Long-Term Debt	47425	50762	46825	46842	49,189	53,717	57,550	62,000	64,824	73,156
Total Equity	24758	24167	24723	27505	27,972	27,873	30,408	31,444	33,208	36,016
LTD/E Ratio	1.91	2.07	1.87	1.69	1.74	1.91	1.90	1.97	1.95	2.06

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	2.7%	0.8%	2.0%	4.0%	2.6%	1.9%	2.7%	2.9%	3.1%	2.8%
Return on Equity	11.0%	3.6%	9.2%	18.2%	11.3%	8.6%	12.1%	11.4%	12.2%	11.0%
ROIC	4.0%	1.2%	2.9%	6.1%	3.9%	2.9%	4.0%	4.2%	4.4%	3.9%
Shares Out.	990.4	1007.6	1034.0	1052.0	1058	1062	1081	1098	1102	1109
Revenue/Share	20.77	22.85	22.92	20.32	19.13	21.64	27.09	23.00	24.25	26.65
FCF/Share	-2.52	-1.02	-1.03	-1.68	-0.70	-1.00	-1.50	-1.40	0.76	-3.24

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