



# American Electric Power (AEP)

Updated March 2<sup>nd</sup>, 2026 by Samuel Smith

## Key Metrics

<b>Current Price:</b>	\$132	<b>5 Year CAGR Estimate:</b>	3.5%	<b>Market Cap:</b>	\$71 B
<b>Fair Value Price:</b>	\$95	<b>5 Year Growth Estimate:</b>	7.3%	<b>Ex-Dividend Date:</b>	5/10/26 <sup>1</sup>
<b>% Fair Value:</b>	139%	<b>5 Year Valuation Multiple Estimate:</b>	-6.4%	<b>Dividend Payment Date:</b>	6/6/26 <sup>2</sup>
<b>Dividend Yield:</b>	2.9%	<b>5 Year Price Target</b>	\$135	<b>Years Of Dividend Growth:</b>	21
<b>Dividend Risk Score:</b>	D	<b>Sector:</b>	Utilities	<b>Rating:</b>	Hold

## Overview & Current Events

American Electric Power Company, Inc. (AEP) is one of the largest regulated electric utilities in the United States, providing electricity generation, transmission, and distribution services to more than 5 million customers across 11 states. Founded in 1906, AEP operates approximately 40,000 miles of transmission lines, one of the nation's largest networks. The company's diverse energy portfolio includes natural gas, renewables (wind and solar), coal, and nuclear assets. AEP serves customers in Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Texas, Virginia, West Virginia, and Tennessee. With a \$72 billion five-year capital plan, AEP is aggressively investing in renewable energy and transmission infrastructure to meet surging data center and industrial demand.

On February 12, 2026, American Electric Power Company, Inc. reported its fourth quarter and full-year 2025 financial results, exceeding expectations. Q4 2025 GAAP earnings were \$582 million, or \$1.09 per share, with operating EPS of \$1.19 topping the \$1.15 consensus, and revenue of \$5.314 billion beating expectations of roughly \$4.94 billion, reflecting strong performance across the regulated utility footprint. For the full year, operating EPS reached \$5.97, above the top end of guidance of \$5.75 to \$5.95, supported by 7.5 percent retail sales growth and solid transmission and generation results, while revenue increased to \$21.88 billion from \$19.72 billion in 2024, underscoring healthy demand and constructive rate frameworks. Management laid out an ambitious growth roadmap with a landmark \$72 billion five-year capital plan and a contracted large-load pipeline that doubled to 56 gigawatts by 2030, driven by surging power needs from data centers and industrial customers, and the company raised its quarterly dividend to \$0.95 per share while guiding 2026 operating EPS to a range of \$6.15 to \$6.45 and reaffirming a 7 to 9 percent long-term EPS growth target and a 9 percent CAGR through 2030. These results translated into an approximate 29 percent total shareholder return in 2025, among the strongest in the utility sector, and management also identified an additional \$5 to \$8 billion of confirmed or endorsed generation and transmission projects for 2026 to 2030, reinforcing its view that AEP is exceptionally positioned to execute large-scale infrastructure needed to serve AI, cloud, and manufacturing-related load growth.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$1.24	\$3.88	\$3.97	\$4.19	\$4.44	\$4.74	\$5.09	\$5.25	\$5.62	\$5.97	<b>\$6.33</b>	<b>\$9.00</b>
<b>DPS</b>	\$2.27	\$2.39	\$2.48	\$2.74	\$2.84	\$3.00	\$3.17	\$3.37	\$3.57	\$3.74	<b>\$3.80</b>	<b>\$4.75</b>
<b>Shares<sup>3</sup></b>	491.7	492.0	493.2	494.2	496.6	504.2	513.9	526.2	532.9	535.0	<b>535.0</b>	<b>520.0</b>

One of AEP's major growth drivers moving forward will be its ambitious plans for its renewable power business, as it plans to install 3.9 GW of solar and 4.4 GW of wind power by 2030. A significant sign of its intent to become a major player in the renewable space was its acquisition of Sempra Energy's renewable business, which includes joint ownership of 7 wind farms and 1 battery installation. This deal, combined with the Santa Rita wind project in Texas, will

<sup>1</sup> Estimate

<sup>2</sup> Estimate

<sup>3</sup> 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.



# American Electric Power (AEP)

Updated March 2<sup>nd</sup>, 2026 by Samuel Smith

nearly quadruple AEP's renewable portfolio from its current size, with plans to grow it by another four times of its pro-rata size by 2030. The other major growth driver for the company will be its transmission business.

Given its large footprint and execution experience, AEP should be well-positioned to capitalize on the aging infrastructure in this space and grow considerably. Management is guiding for a long-term growth rate target of 5%-7%, projecting its confidence in executing on its growth initiatives. While its renewables and transmission programs do seem ambitious, the company's low ROIC has led to a 10-year earnings-per-share compound annual growth rate in the low single digits. Since the current dividend payout ratio is in the company's long-term payout ratio target range, we assume the dividend will continue to grow. For the next half-decade, we expect 7.3% annualized growth.

## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	50	17.9	18.6	20.5	19.6	18.1	17.5	14.2	16.5	20.3	<b>20.9</b>	<b>15.0</b>
Avg. Yld.	3.7%	3.4%	3.4%	3.2%	3.3%	3.5%	3.6%	4.5%	3.8%	3.1%	<b>2.9%</b>	<b>3.5%</b>

Given the choppiness of AEP's earnings, and in particular, the abnormal results in 2016, the ten-year average price-to-earnings ratio is not necessarily a good indicator of fair value for this company. However, other than the 2016 outlier, we can see that its current multiple is on the high end of its historical valuation range. Given that interest rates are elevated right now, we view it as trading well above fair value.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

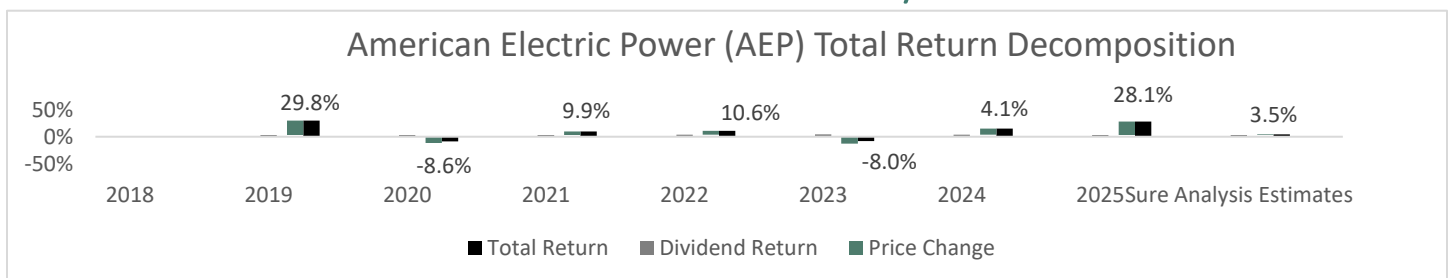
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	183%	62%	62%	65%	64%	63%	62%	64%	64%	63%	<b>60%</b>	<b>53%</b>

AEP benefits from government-granted exclusive rights and rates that give them service-territory monopolies. AEP also benefits from large scale, which increases its efficiency as its network grows larger. The main risks and catalysts for AEP involve weather, the timeliness and outcomes of regulatory rate decisions, and development execution uncertainty. The good news is that AEP has diversification across numerous states, somewhat mitigating its weather and regulatory risks. Additionally, its aggressive expansion into green energy projects helps offset some of the potential regulatory risks to its traditional energy businesses, such as coal. Another positive is that the business is quite recession resistant. While revenues and profits dipped from 2008-2009, the dividend was maintained comfortably, and the company's results rebounded strongly in 2010. The balance sheet may not look pretty based on traditional metrics, but the steady cash flow of the business is such that it is actually quite resilient.

## Final Thoughts & Recommendation

AEP is a solid dividend growth stock with a recession-resistant business model. It can serve as a nice portfolio diversifier, especially for those trying to be more defensive. Given its 2.9% dividend yield and 7.3% expected annualized earnings-per-share growth rate that is partially offset by valuation multiple contraction, the stock should produce 3.5% annualized total returns over the next half-decade. As a result, we rate it 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.



# American Electric Power (AEP)

Updated March 2<sup>nd</sup>, 2026 by Samuel Smith

## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	16,317	15,376	16,167	15,536	14,908	16,624	19,315	19,382	19,917	21,783
<b>Gross Profit</b>	4,426	4,389	3,855	3,957	4,276	4,670	4,870	5,625	6,357	6,930
<b>Gross Margin</b>	27.1%	28.5%	23.8%	25.5%	28.7%	28.1%	25.2%	29.0%	31.9%	31.8%
<b>D&amp;A Exp.</b>	2,091	2,126	2,400	2,740	2,907	3,046	3,286	3,187	3,393	3,489
<b>Operating Profit</b>	3,408	3,330	2,713	2,723	2,981	3,263	3,400	4,132	4,761	5,299
<b>Operating Margin</b>	20.9%	21.7%	16.8%	17.5%	20.0%	19.6%	17.6%	21.3%	23.9%	24.3%
<b>Net Profit</b>	621	1,929	1,931	1,920	2,197	2,488	2,306	2,213	2,976	3,696
<b>Net Margin</b>	3.8%	12.5%	11.9%	12.4%	14.7%	15.0%	11.9%	11.4%	14.9%	17.0%
<b>Free Cash Flow</b>	(388)	(1,529)	(1,134)	(1,874)	(2,483)	(1,924)	(1,484)	(2,494)	(966)	(1,639)
<b>Income Tax</b>	(74)	970	115	(13)	41	116	5	55	(39)	129

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	66,221	68,234	71,554	79,138	84,017	90,946	96,971	99,900	105,730	117,246
<b>Cash &amp; Equivalents</b>	542	574	603	635	639	672	744	593	461	488
<b>Accounts Receivable</b>	1,799	1,790	1,871	1,678	1,810	1,908	2,618	2,399	2,568	2,807
<b>Inventories</b>	967	953	921	1,169	1,310	989	1,350	1,880	1,715	1,622
<b>Goodwill &amp; Int. Ass.</b>	53	53	53	53	53	53	53	53	53	53
<b>Total Liabilities</b>	48,801	49,908	52,385	59,117	63,197	68,222	72,802	74,572	78,706	84,990
<b>Accounts Payable</b>	1,689	2,065	1,874	2,086	1,710	2,055	2,671	2,033	2,638	3,429
<b>Long-Term Debt</b>	20,562	21,471	23,636	27,767	32,000	34,448	37,579	40,868	43,311	48,055
<b>Shareholder's Equity</b>	17,397	18,287	19,028	19,632	20,551	22,433	23,893	25,247	26,944	31,138
<b>LTD/E Ratio</b>	1.28	1.26	1.34	1.57	1.69	1.66	1.75	1.74	1.70	1.59

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	1.0%	2.9%	2.8%	2.5%	2.7%	2.8%	2.5%	2.2%	2.9%	3.3%
<b>Return on Equity</b>	3.5%	10.8%	10.3%	9.8%	10.8%	11.5%	9.9%	9.0%	11.4%	12.5%
<b>ROIC</b>	1.6%	4.8%	4.5%	4.0%	4.1%	4.3%	3.7%	3.3%	4.2%	4.8%
<b>Shares Out.</b>	491.7	492.0	493.2	494.2	496.6	504.2	513.9	526.2	532.9	535.0
<b>Revenue/Share</b>	33.19	31.21	32.74	31.37	29.98	33.13	37.61	37.26	37.48	40.53
<b>FCF/Share</b>	(0.79)	(3.10)	(2.30)	(3.78)	(4.99)	(3.83)	(2.89)	(4.79)	(1.82)	(3.05)

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

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.