American Electric Power Company Inc. (AEP)

Updated August 5th, 2026, by Kody Kester

Key Metrics

Current Price:	$129	**5 Year CAGR Estimate:**	9.2%	**Market Cap:**	$70.0B
Fair Value Price:	$118	**5 Year Growth Estimate:**	8.5%	**Ex-Dividend Date:**	08/10/26
% Fair Value:	109%	**5 Year Valuation Multiple Estimate:**	-1.6%	**Dividend Payment Date:**	09/10/26
Dividend Yield:	3.0%	**5 Year Price Target**	$178	**Years Of Dividend Growth:**	21
Dividend Risk Score:	C	**Sector:**	Utilities	**Rating:**	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 $78 billion five-year capital plan, the regulated utility is aggressively investing in renewable energy and transmission infrastructure to meet surging data center and industrial demand.

On Jul. 30, 2026, AEP released its financial results for the second quarter ended Jun. 30, 2026. The company's total revenue grew by 7% over the year-ago period to $5.45 billion in the quarter. Major growth drivers for AEP included surging commercial and large-load electric demand (up 6 GW sequentially to 69 GW through 2030), favorable rate case decisions, and the ongoing execution of its capital spending plan. AEP's operating EPS decreased by 4.9% year-over-year to $1.36 during the quarter. This missed the analyst consensus for the quarter by $0.12. That was driven by the timing of the sale of a minority interest stake last year and the timing of income tax shifts across quarters. As a result, AEP upped its operating EPS guidance for 2026 from a prior midpoint of $6.30 ($6.15 to $6.45) to $6.40 ($6.25 to $6.55).

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$3.94	$3.68	$3.95	$4.24	$4.44	$4.74	$5.09	$5.25	$5.62	$5.97	***$6.40***	***$9.62***
DPS	$2.27	$2.39	$2.53	$2.71	$2.84	$3.00	$3.17	$3.37	$3.57	$3.74	***$3.80***	***$4.85***
Shares[1]	491.7	492.0	493.3	494.2	496.6	504.2	513.9	526.2	532.9	540.9	***544.4***	***600.0***

Since 2016, AEP's operating EPS has grown by almost 5% annually. In the last five years, this has accelerated to 6%. Looking ahead, we think that AEP can generate 8.5% annual operating EPS growth through 2031, off an anticipated 2026 base of $6.40. The company's $78 billion five-year capital spending plan for 2026 through 2030 (up from the prior plan for the same period of $72 billion) is expected to drive 11% annual growth in the rate base over that time. Accounting for a roughly 2% annual increase in the share count to fund the equity portion of this growth spending, that's how we arrive at our growth forecast. It's also worth noting that this doesn't even include that AEP has a line of sight to over $10 billion of projects for 2026 through 2030. These include the Piketon transmission project, the Wyoming fuel cell initiative, and new generation opportunities across its footprint. Such projects could further bolster the regulated utility's growth profile.

[1] Share count is in millions.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	16.0	20.0	18.9	22.0	18.8	18.8	18.7	15.5	16.4	19.4	***20.1***	***18.5***
Avg. Yld.	3.6%	3.2%	3.4%	2.9%	3.4%	3.4%	3.3%	4.1%	3.9%	3.2%	***3.0%***	***2.7%***

Over the past decade, AEP's shares have been valued at a P/E ratio as low as the mid-teens to as much as the low 20s. The average P/E ratio over that time was 18.5. Moving forward, we continue to believe that this is a rational fair value multiple for AEP. That's because the company's much better growth prospects can essentially offset the headwinds resulting from the 10-year U.S. Treasury yield being meaningfully higher than much of the past decade. Relative to the current-year P/E ratio of 20.1, shares look to be trading modestly above fair value right now.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	58%	65%	64%	64%	64%	63%	62%	64%	64%	63%	***59%***	***50%***

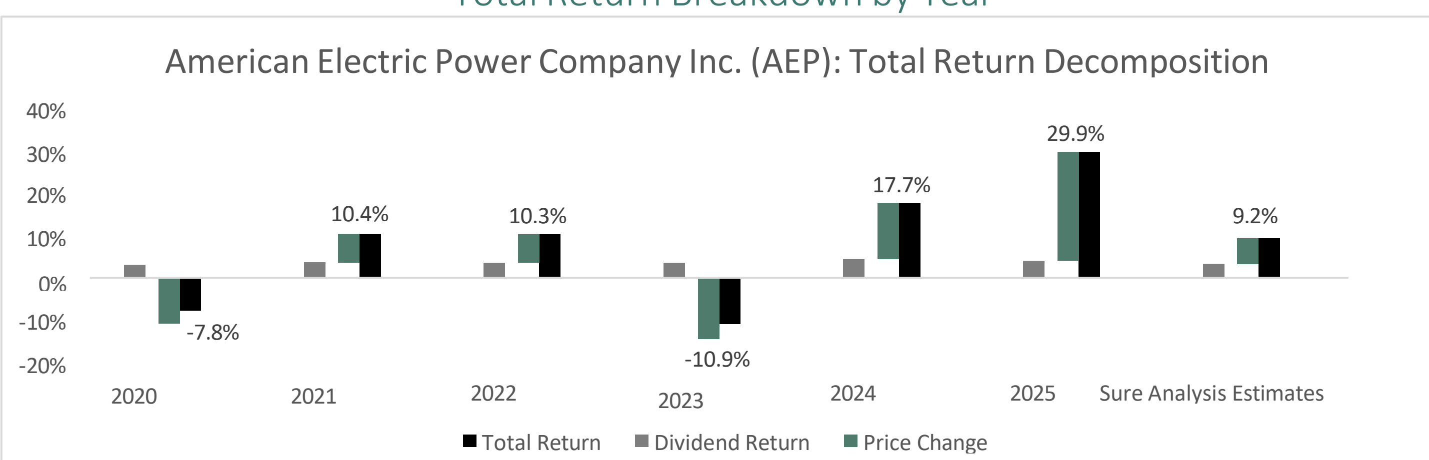
As is the case for regulated utilities, AEP benefits from government-granted exclusive rights and rates that give it service-territory monopolies. AEP also benefits from large scale, which increases its efficiency as its network grows larger. The main risks and catalysts for AEP involve weather, the 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.

The regulated utility is also financially stable, with it targeting a debt-to-capitalization ratio of between 60% and 63%, as well as an FFO/debt ratio of 14% to 15%. That explains the BBB+ S&P credit rating with a stable outlook. AEP's payout ratio is also positioned for future growth, with the operating EPS payout ratio set to be in the high-50% range to low-60% range in 2026. That puts the regulated utility in a position to build on its 21-year dividend growth streak over the next several years. We do think that because of the sheer amount of capex planned over the next several years, AEP's dividend growth will meaningfully lag operating EPS growth over that time. This will bring the payout ratio down from the high end of its targeted payout ratio range of between 50% and 60% of operating earnings to the low end by the end of the forecast period.

Final Thoughts & Recommendation

AEP's 3.0% dividend yield, 8.5% annual operating EPS growth prospects, and 1.6% annual valuation multiple contraction could deliver 9.2% annual total returns through 2031. This is why we're maintaining our Hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has a position in the security discussed in this research report.

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Income Statement Metrics

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

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	66,221	68,234	71,554	79,138	84,017	90,946	96,971	99,900	105,730	117,246
Cash & Equivalents	542	574	603	635	639	672	744	593	461	488
Accounts Receivable	1,799	1,790	1,871	1,678	1,810	1,908	2,618	2,399	2,568	2,807
Inventories	967	953	921	1,169	1,310	989	1,350	1,880	1,715	1,622
Goodwill & Int. Ass.	53	53	53	53	53	53	53	53	53	53
Total Liabilities	48,801	49,908	52,385	59,117	63,197	68,222	72,802	74,572	78,706	84,990
Accounts Payable	1,689	2,065	1,874	2,086	1,710	2,055	2,671	2,033	2,638	3,429
Long-Term Debt	20,562	21,471	23,636	27,767	32,000	34,448	37,579	40,868	43,311	48,055
Shareholder's Equity	17,397	18,287	19,028	19,632	20,551	22,433	23,893	25,247	26,944	31,138
LTD/E Ratio	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
Return on Assets	1.0%	2.9%	2.8%	2.5%	2.7%	2.8%	2.5%	2.2%	2.9%	3.3%
Return on Equity	3.5%	10.8%	10.3%	9.8%	10.8%	11.5%	9.9%	9.0%	11.4%	12.5%
ROIC	1.6%	4.8%	4.5%	4.0%	4.1%	4.3%	3.7%	3.3%	4.2%	4.8%
Shares Out.	491.7	492.0	493.2	494.2	496.6	504.2	513.9	526.2	532.9	535.0
Revenue/Share	33.19	31.21	32.74	31.37	29.98	33.13	37.61	37.26	37.48	40.53
FCF/Share	(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.