NC STATE UNIVERSITY

Duke Energy Corp

Equity Research

A Quick Glance

- **Price (3/9/2018)** **$76.13**
- **Fair Value** **$88.12**
- **52-Week Range** **$72.93 – $91.80**
- **Market Cap (US$ m)** **$55,700**

Ticker

DUK

Year	2015	2016	2017	FE2018	FE2019
EPS	4.05	3.11	4.36	4.77	5.01
P/E	31.41	24.96	17.4		
Revenue	22,371	22,743	23,565	24,822	25,100
P/B	1.24	1.32	1.41		
ROE	6.99%	5.33%	7.39%		
ROA	2.33%	1.70%	2.26%		

Company Overview

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- A Electrical Energy Utility Company
  - Located predominantly on eastern seaboard

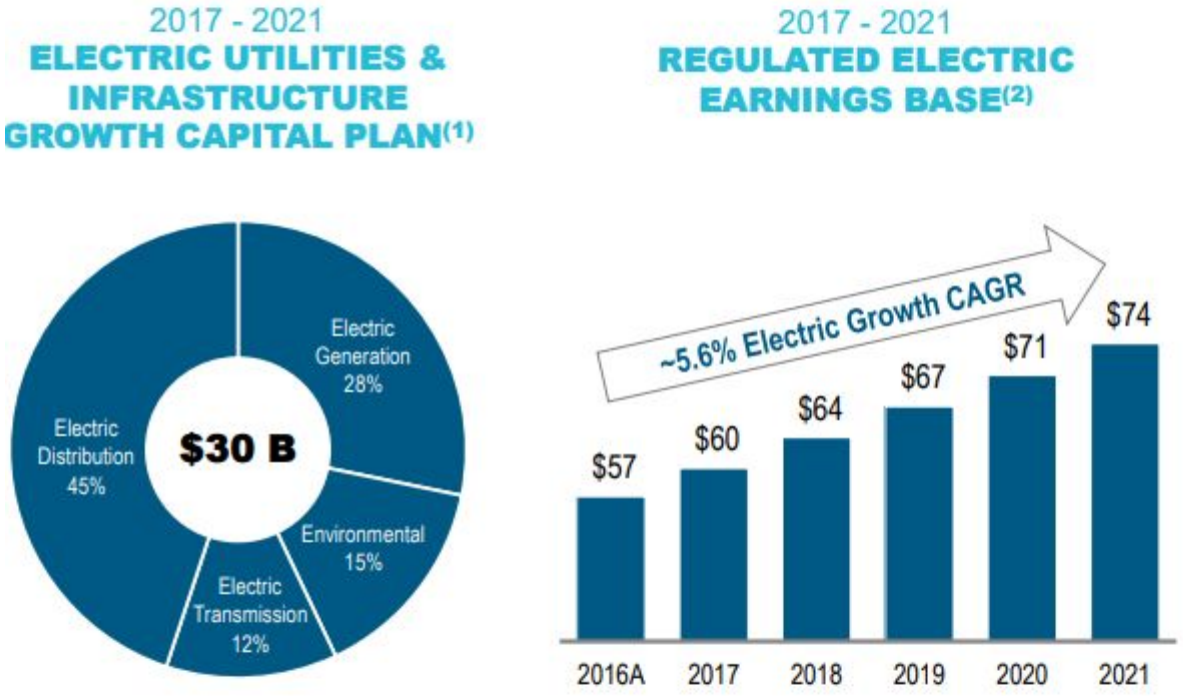
- Three main Report Segments
  - Electrical Utilities and Infrastructure
  - Gas Utilities and Infrastructure
  - Commercial Renewables

- Main Competitors
  - Dominion Energy
  - The South Company
  - NextEra Energy

Electric Utilities and Infrastructures

- 4th Quarter 2016: $483m income 2017: $826m

- 7.5 million retail customers



. Focused on natural gas
. Peak sales during
 Summer and winter Months

Gas Utilities and Infrastructure

- Plan to spend $6 billion in gas utilities and infrastructure over 5 years
  - Mostly focus on midstream and LDC infrastructure
- $3.3 billion to be invested in natural gas-fired generation over 5 years
- Goal to make 35% of energy generation natural gas

Commercial Renewable

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- Business is conducted across the United States

- A new and huge area for growth
  - 2017 4th quarter: $439m
  - 2016 4th quarter: $10m

- Receives large amount of government

Valuation

- **Revenue Growth: 6.36% past 10 years**

2.26%
Return on Asset

70.4%
Gross Margin

24.5%
Operating Margin

%7.39
Return on Equity

Valuation cont

3.50%
3-Year dividend growth rate

4.57%
Dividend Yield

	2017	2012
COGS	29.63%	36.00%
Operating Margin	24.53%	16.25
Return on Asset	2.26%	2.00%
Return on Equity	7.39%	4.24%

Risk

- Deregulation or restructuring in the electric industry may result in increase competition

- Pursing a aggressive investment plan. IF it fails it could result in a sell off of many fixed assets

- Free Cash Flow YOY decrease

Management

- Lynn Goodcurrent CEO
  - 4.7 years
- Previously CEO of Piedmont Natural Gas Co.
- Vast experience in the natural gas market
- Average tenure of Management team is 3.6\4 years

Valuation Modeling: PE Ratio

- Current PE Ratio: 17.8
- Industry Average: 20.1

- Current Price to book: 1.3
- Industry Average: 1.5

- Fair Value: $86.50

Valuation Modeling: DDM MODEL

Share Price	76.13
Dividend Rate	4.63%
Discount Rate	7.50%
Dividend Growth Rate	3.50%
Value/Share	$88.12
Margin of Safety	13.61%