

Duke Energy Corp.

(DUK)

Price (3/9/2018) \$76.13
Fair Value {\$88.12}
52-Week Range \$72.93-\$91.80
Market Cap (US\$ m) \$5,330

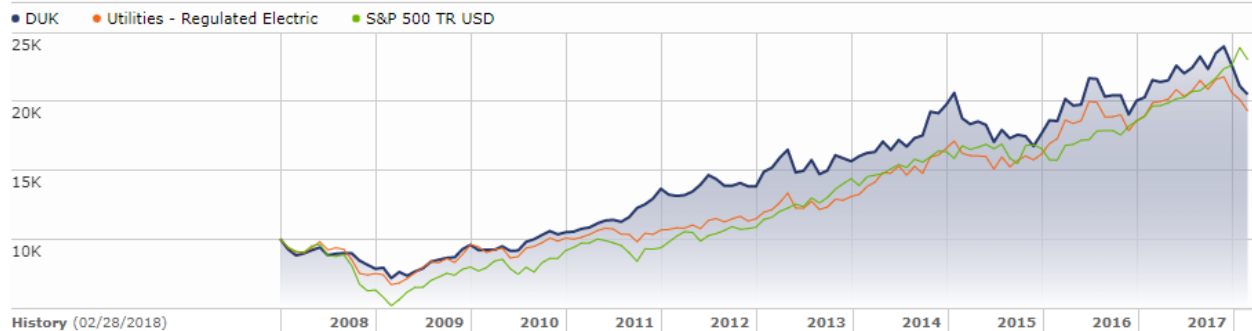
Analyst Information
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Company Overview

Duke Energy is an electrical energy utility company that is predominantly located on the eastern seaboard. They have three reportable operating segments; Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. Their Main Competitors are NextEra Energy, Dominion Energy and The South Company. Duke Energy unique approach to renewable energy and its aggressive investment plan make it a good buying option.

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%		

Growth of 10,000 DUK



Company Information

Duke Energy is located in the Carolinas, Florida, Indiana, and Ohio. They serve over 7.5 million retail customer in Electric Utilities & Infrastructure and 1.6 million in Gas Utilities & Infrastructure. In Commercial Renewables they conduct business from North Carolina all the way to western seaboard focusing mostly on the southernmost region of the United States. Duke Energy Investment plan is one focus on newer cleaner energy, and renewable energy. In the next 10 years \$37 billion will be invested in the three main business segments with a goal of 6% annual growth. Much of this growth will be based on creating a balance portfolio of Coal/Oil, Nuclear, Natural Gas, and Hydro, Wind & Solar. An area of growth is defiantly natural gas and especially when it comes to infrastructure. An \$3.3 Billion investment plan involving Midstream Pipelines will be in service around 2019.

Valuation

Compared to its competitors Duke Energy has one of the largest dividend payout percentage in the industry. This will continue to grow in the next several years with consistent 4-6% annual dividend increase. Dominion Energy a company similar to Duke Energy in business and market cap is hovering at almost a similar P/E ratio and price with half the assets and Revenue. NextEra a similar company with even larger market cap of \$73 billion makes revenue at 17 billion with \$30 billion less assets. What makes Duke Energy standout is aggressive plan for growth focusing on renewable energy and smarter infrastructure. This will continue to increase the bottom line and allow them to take hold of a greater market share compare to its competitors

Risk

The Duke Energy Registrants' regulated utility revenues, earnings and results are dependent on state legislation and regulation that affect electric generation, electric and natural gas transmission, distribution and related activities, which may limit their ability to recover costs. Deregulation or restructuring in the electric industry may result in increased competition and unrecovered costs that could adversely affect the Duke Energy Registrants' financial position, results of operations or cash flows and their utility businesses. They are carrying a large amount of debt, and if their investment plan fails to return, it could lead to a sell off many fixed assets to cover the cost.

Management

Lynn Good is currently the seating CEO of Duke Energy. Her tenure as CEO has been 4.7 years. Previously she was CEO of Piedmont Natural Gas Co. Inc. where her experience there will be essential to when it comes to executing Duke Energy's plan on expanding natural gas in the companies portfolio. The average age of Duke Energy management team is 53.4 years with an average tenure of 3.4 years

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%