



April 1, 2022

CURRENT PRICE: \$86.33
RATING: HOLD
PRICE TARGET: N/A
CURRENT YIELD: 3.1%

EPS Estimates - Non-GAAP

	DEC 21A	DEC 22E
1Q	\$1.09	\$1.11
2Q	\$0.76	\$0.76
3Q	\$1.11	\$1.13
4Q	\$0.90	\$0.97
	\$3.86	\$3.96

Trading Data

52-WEEK PRICE RANGE: \$86.40-\$70.37
SHARES OUTSTANDING: 811.0(M)
MARKET CAP: \$70,014(M)
AVG. DAILY TRADING VOLUME: 3.27(M)
S&P 500: 4,546

Valuation Data

BOOK VALUE: \$31.97
PRICE TO BOOK: 2.7x
DIVIDEND: \$2.67

Dominion Energy (NYSE: D)

Guidance provided for 2022

Highlights

- 4Q21 operating earnings of \$0.90/share vs. \$0.81/share during 4Q20
- 3 of 5 operating units improved profitability during 4Q21
- Shifting towards a greener/renewables business strategy
- 2022 operating earnings guidance of \$3.95-\$4.25/share
- Maintain HOLD rating

Company Summary

Dominion Energy, headquartered in Richmond VA, is one of the largest US electric utilities. The company has five operating units: Dominion Energy Virginia, Gas Distribution, Dominion Energy South Carolina (SC), Contracted Generation, & Corporate/Other. During the past 3 years, D purchased the SC gas utility, SCANA. On a combined basis, D now has 3.3 million natural gas utility customers in OH, SC, UT, VA, WV, & WY, 7.5 million total energy/energy related customers in 18 states. Also, D owns 10,200 miles of electric transmission lines and 31,000 GW of electrical production. Since 2003 D had grown its annual dividend from \$1.29/share to \$3.76/share. However, it was reduced to \$2.52/share following the cancellation of the Atlantic Coast Pipeline (ACP) in 2020. During 3Q21, the dividend was increased to \$2.67/share. Absent ACP to help grow future earnings, management pivoted towards earnings growth through renewable green generation/lowering greenhouse emissions.

For Important Disclosure information regarding the Firm's rating system, valuation methods and potential conflicts of interest, please refer to the last two pages of this report.

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Recent Earnings

D reported 4Q21 operating earnings of \$0.90/share vs. \$0.81/share during 4Q20. The improvement came from increased revenues (\$3.88 billion vs. \$3.52 billion) more than offsetting a rise in operating expenses (\$2.94 billion vs. \$2.67 billion). Results were helped by higher electric sales to commercial and industrial customers and higher margins in the Contracted Assets unit. Three of D's five operating units, Dominion Energy VA, Dominion Energy SC, and Corporate/Other showed improved operating profitability, while Gas Distribution's was flat, and Contracted Assets' declined when comparing the two quarters. 4Q21 GAAP adjusted earnings rose to \$1.63/share from \$0.82/share during 4Q21 as results were boosted by income from discontinued operations. FY21's operating increased to \$3.86/share from \$3.54/share while GAAP earnings rose to \$3.98/share from (\$0.57)/share.

SEGMENT RESULTS (4Q21 vs. 4Q20)

DOMINION ENERGY VA: Reported operating earnings rose to \$455 million from \$412 million as revenues increased \$153 million to \$1.94 billion and offset higher operating expenses, which rose \$98 million to \$1.28 billion. The rise in operating expenses came from electric fuel/other energy-related purchases (+\$111 million), purchased electric capacity (+\$11 million), and DD&A (+\$4 million). These were partly countered decreases in other operations/maintenance (-\$22 million) and other taxes (-\$6 million). Income from operations improved to \$646 million from \$601 million. Dominion Energy VA's contribution to overall earnings rose to \$0.56/share from \$0.51/share.

GAS DISTRIBUTION: Reported flat operating earnings of \$185 million. While revenues rose \$112 million to \$861 million, expenses also increased \$110 million to \$645 million. Higher operating expenses came from purchased gas (+\$81 million), other operations/maintenance (+\$24 million), and DD&A (+\$6 million) while there was a slight decrease in other taxes (-\$1 million). Income from operations rose to \$216 million from \$214 million. Gas Distribution's contribution to overall earnings was flat at \$0.23/share.

DOMINION ENERGY SC: Reported operating earnings of \$100 million vs. \$93 million as revenues increased \$61 million to \$740 million and operating expenses rose \$67 million to \$571 million. The rise in operating expenses resulted from purchased gas (+\$35 million), electric fuel/other energy-related purchases (+\$34 million), other operations/maintenance (+\$10 million), DD&A (+\$4 million), and other taxes (+\$4 million). These were partly offset by a decrease in purchased capacity (-\$20 million). Income from operations decreased to \$169 million from \$175 million. Dominion Energy SC's contribution to overall earnings rose to \$0.12/share from \$0.11/share.

CONTRACTED ASSETS: Reported operating earnings of \$58 million vs. \$107 million as 4Q20's results benefitted from a positive tax benefit during that quarter. When comparing the two quarters, revenues rose by \$15 million to \$240 million and operating expenses declined \$15 million to \$213 million during 4Q21. The operating expense decrease occurred due to lower DD&A (-\$11 million), other operations/maintenance (-\$9 million), while being partly offset by higher purchased gas (+\$3 million), electric fuel/other energy-related purchases (+\$1 million), and other taxes (+\$1 million). Income from operations increased to \$27 million from a loss of \$3 million. Contracted Assets contribution to overall earnings declined to \$0.07/share from \$0.13/share.



CORPORATE & OTHER: Produced operating earnings of \$543 million compared to a loss of \$115 million. The improvement came from net income from discontinued operations adding \$522 million to 4Q21's results. Operating revenues rose to \$355 million, from \$348 million, and operating expenses increased to \$486 million from \$479 million. Corporate & Others contribution to overall earnings improved to \$0.65/share from (\$0.16)/share.

RECENT DEVELOPMENTS

During 4Q21's earnings call, D's management provided 2022 operating earnings guidance \$3.96-\$4.25/share. Additionally, the company reaffirmed its goal of 6.5% earnings growth through 2026, driven by its \$37 billion five-year capital growth plan. Over 85% of D's capital investments will be made towards reducing carbon emissions.

The Virginia State Corp. Commission (VSCC) recently approved an expansion of D's new solar and energy projects in VA. The 15 projects, upon completion in 2022 and 2023, will generate 1,000 MWs of energy and provide power to approximately 250,000 Virginia homes.

D agreed to sell its West VA natural gas distribution company, Hope Gas, to Ullico Inc.'s infrastructure fund for \$690 million. The sale is expected to close in late 2022. Hope Gas has approximately 300 employees and serves 11,000 WV customers with 3,200 miles of gas distribution pipelines and 2,000 miles of gathering pipelines.

D Energy Utah announced it will launch a program for its customers to reduce carbon emissions generated by burning of natural gas. This program allows customers to voluntarily reduce their carbon footprint in either the home or business to reduce greenhouse gas emissions.

During 4Q21's earnings call, D discussed the construction of its regulated wind farm system off the coast of VA. Regarding escalating material price increases, seen throughout the US, management said approximately \$7 billion of the project's total capital budget is covered by 5 major fixed cost agreements and \$800 million is subject to commodity pricing swings, related mainly to steel. The company stated the project is 43% complete.



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Our Thoughts

D reported 4Q21 operating earnings of \$0.90/share vs. \$0.81/share during 4Q20. The improvement came from increased revenues (\$3.88 billion vs. \$3.52 billion) more than offsetting a rise in operating expenses (\$2.94 billion vs. \$2.67 billion). Three of D's five operating units, Dominion Energy VA, Dominion Energy SC, and Corporate/Other showed improved operating profitability, while Gas Distribution's was flat, and Contracted Assets' declined when comparing the two quarters. 4Q21 GAAP adjusted earnings rose to \$1.63/share from \$0.82/share during 4Q20 as results were boosted by income from discontinued operations. FY21's operating earnings increased to \$3.86/share from \$3.54/share while GAAP earnings rose to \$3.98/share from (\$0.57)/share. Overall, it was a good earnings report from D.

Following the cancellation of the ACP in 2020, D shifted its earning growth strategy towards renewable energy sources and carbon reduction efforts. Management believes this strategy will generate 6.5% annual operating earnings growth through 2026. Whether this goal will be achieved depends on many factors, including potential rising commodity costs associated with various green projects. Given the possibility of a rising interests in 2022, the recent rotation of money into the utility sector following Russia's invasion of Ukraine, and with D currently trading at 21.8x our 2022 operating earnings estimate of \$3.96/share, we continue to rate this stock a HOLD.



Risks

There is no guarantee D will improve earnings/cash flow. Shifting its business strategy towards “green” generation may not grow future earnings as outlined by management, could be looked upon unfavorably by Wall Street and result in heavy selling of D’s stock. Declining US electric sales volumes may hurt the company's revenues and profits. Rising interest rates, higher fuel prices, negative rate case decisions/regulatory rulings, negative interest rate markets, tax issues, or rising operating costs could negatively impact D's earnings and stock price. D's stock may be adversely impacted by negative equity/credit markets, terrorist attacks, and failure to comply with Sarbanes Oxley guidelines.

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Dominion Resources
(in millions, except per share data)

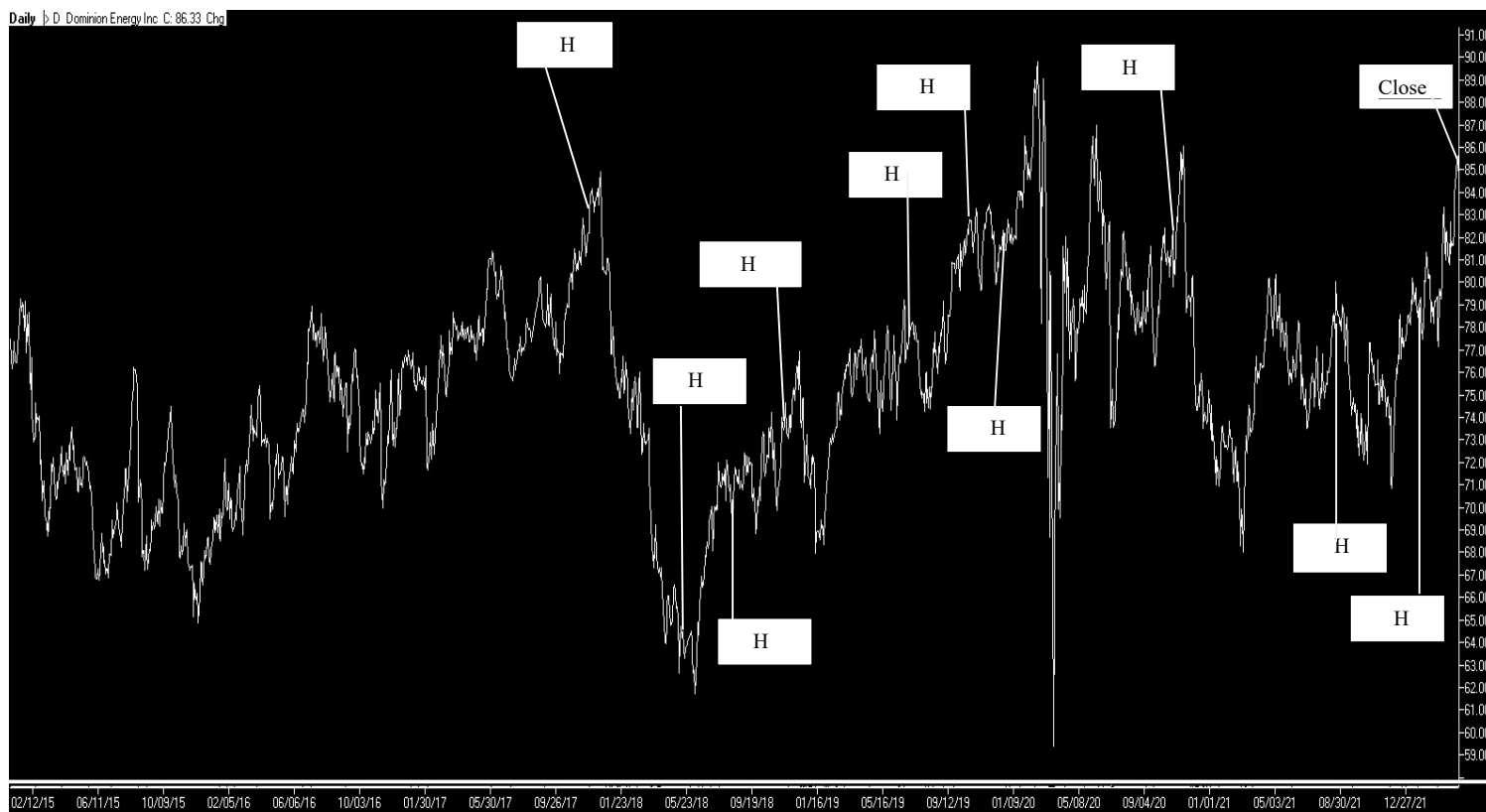
	1Q21	2Q21	3Q21	4Q21	2021	1Q22e	2Q22e	3Q22e	4Q22e	2022e
Operating Revenue	\$3,870	\$3,038	\$3,176	\$3,880	\$13,964	\$3,753	\$3,146	\$3,458	\$3,828	\$14,185
Operating Expenses										
Electric fuel/other energy-related purchases	550	487	703	628	2,368	642	494	715	653	2,444
Purchased electric capacity	11	25	26	8	70	7	23	25	14	69
Purchased gas	484	121	60	418	1,083	446	112	94	426	1,018
Other operations & maintenance	1,082	1,216	702	1,037	4,037	1,048	906	742	1,109	3,805
Depreciation, depletion, & amortization	608	604	621	645	2,478	636	628	633	645	2,542
Other taxes	257	222	223	207	909	221	224	256	217	918
Total operating expenses	2,992	2,675	2,335	2,943	10,945	3,000	2,387	2,465	2,874	10,726
Income from operations	878	363	841	937	3,019	753	759	993	954	3,459
Other income	367	377	202	487	1,433	418	362	176	267	1,223
Income before interest & income taxes	1,245	740	1,043	1,424	4,452	1,171	1,121	1,169	1,221	4,682
Interest & related charges	53	518	407	376	1,354	372	418	368	388	1,546
Income before income taxes	1,192	222	636	1,048	3,098	799	703	801	833	3,136
Income taxes	212	47	35	225	425	168	147	168	174	653
Cont. operating income including non.con. Interests	980	269	601	823	2,673	631	556	267	659	2,113
net income discontinued operations	28	26	65	522	641	266	77	31	134	508
noncontrolling interests		10	12	4	26	4	14	12	7	37
Reported Earnings	\$1,008	\$285	\$654	\$1,341	\$3,288	\$958	\$651	\$665	\$827	\$3,101
Reported Earnings Per Share	\$1.23	\$0.33	\$0.79	\$1.63	\$3.98	\$1.18	\$0.80	\$0.82	\$1.02	\$3.82
Items excluded from operating earnings (net of taxes)	\$115	\$343	\$264	\$589	\$97	\$65	\$32	(\$254)	\$41	(\$116)
Operating Net Income	\$893	\$628	\$918	\$752	\$3,191	\$893	\$619	\$919	\$786	\$3,217
Operating Earnings Per Share-Diluted	\$1.09	\$0.76	\$1.11	\$0.90	\$3.86	\$1.10	\$0.76	\$1.13	\$0.97	\$3.96



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Steven Marascia owns shares of Dominion Energy

Stock ratings used in this report are defined as follows:

- (1) Buy – The stock's total return including dividends is expected to exceed the industry or market average by at least 10% over the next twelve months.
- (2) Hold – The stock's total return including dividends is expected to be in line with the industry or market average of +/- 10% over the next twelve months.
- (3) Sell – The Stock's total return including dividends is expected to be below the industry or market average by 10% or more over the next twelve months.

The distribution of investment ratings for all companies in our coverage universe are as follows: (1) 33%, (2) 67%, (3) 0%

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