



April 14, 2025

Dominion Energy (NYSE: D)

CURRENT PRICE: \$54.10
RATING: HOLD
PRICE TARGET: N/A
CURRENT YIELD: 4.9%

Transitioning in 2025

Highlights

- 4Q24 operating earnings of \$0.58/share vs \$0.29/share in 4Q22
- CVOW completion expected by YE26
- Maintaining current dividend of \$2.67/share
- Provided FY25 operating earnings guidance of \$3.28-\$3.52/share
- Maintain HOLD rating

EPS Estimates - Non-GAAP

	DEC 24A	DEC 24E
1Q	\$0.55	\$0.64
2Q	\$0.65	\$0.81
3Q	\$0.98	\$1.19
4Q	\$0.58	\$0.65
	\$2.77	\$3.29

Trading Data

52-WEEK PRICE RANGE: \$61.97-\$46.62
SHARES OUTSTANDING: 842.2(M)
MARKET CAP: \$45,563(M)
AVG. DAILY TRADING VOLUME: 5.3(M)
S&P 500: 5,406

Valuation Data

BOOK VALUE: \$30.74
PRICE TO BOOK: 1.76x
DIVIDEND: \$2.67

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 4 years, D purchased the SC gas utility, SCANA. On a combined basis, D has natural gas utility customers in OH, SC, UT, VA, WV, & WY, 7 million total energy/energy related customers in 15 states. Also, D owns 10,600 miles of electric transmission lines and 29.5 GW of electrical production. Since 2003 D had grown its annual dividend from \$1.29/share to \$3.76/share but was forced to reduce it 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. In 2024, D outlined a more conservative business model to strengthen its balance sheet & derive 90% of revenues from state regulated utility operations.

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 4Q24 operating earnings of \$0.58/share vs. \$0.29/share during 4Q23. 4Q24's results benefited from adjustments for the company's recent shift in business strategy, which included selling gas distribution assets. GAAP earnings declined to \$0.15/share from \$0.37/share. When comparing the two quarters, operating revenue decreased to \$3.40 billion from \$3.53 billion while operating expenses rose to \$3.01 billion from \$2.82 billion. As a result, operating income fell to \$391 million from \$712 million and interest expense decreased to \$441 million from \$608 million. Both operating and GAAP results reflect D's 2024 decision to change its business strategy and sell certain assets to achieve a more conservative operating approach going forward. FY24's operating earnings rose to \$2.77/share from \$1.95/share and GAAP earnings improved to \$2.44/share from \$2.33/share during FY23. Management recently provided 2025 operating earnings guidance of \$3.28-\$3.52/share.

SEGMENT RESULTS (4Q24 vs. 4Q23):

DOMINION ENERGY VIRGINIA: Reported and operating earnings improved to \$440 million from \$369 million. Revenues increased to \$2.46 billion from \$2.29 billion while operating expenses rose to \$1.71 billion from \$1.65 billion. The increase in operating expenses came from other operations/maintenance (+\$147 million), other taxes (+\$10 million), and purchased electricity capacity (+\$2 million). These were partly offset by depreciation/amortization (-\$72 million) and electric fuel/other energy-related purchases (-\$31 million). These factors caused operating income to increase to \$742 million from \$643 million. Dominion Energy VA's contribution to overall earnings rose to \$0.52/share from \$0.44/share.

DOMINON ENERGY SOUTH CAROLINA: Reported and operating earnings increased to \$102 million from \$75 million. Revenues decreased to \$801 million from \$812 million and operating expenses dropped to \$594 million from \$657 million. Lower operating expenses came from lower electric fuel/other energy-related purchases (-\$63 million), purchased gas (-\$12 million), and other taxes (-\$4 million). These were partly countered by higher other operations/maintenance (+\$21 million), other taxes (-\$4 million), and purchased electric capacity (+\$2 million). As a result, operating income increased to \$207 million from \$155 million. Dominion Energy SC's contribution to overall earnings improved to \$0.12/share from \$0.09/share.

CONTRACTED ENERGY: Reported and operating earnings improved to \$54 million from -\$19 million. Operating revenues rose to \$257 million from \$17 million while operating expenses decreased to \$215 million from \$227 million. The decline in operating expenses came from other operations/maintenance (-\$13 million) and depreciation/amortization (-\$5 million) and was partially offset by higher electric fuel/other energy-related purchases (+\$4 million) and other taxes (+\$2 million). Operating income increased to \$42 million from -\$49 million and Contracted Energy's contribution to overall earnings rose to \$0.07/share from -\$0.02/share.

CORPORATE & OTHER: Reported and operating earnings fell to -\$451 million from -\$94 million. Revenues declined to \$164 million from \$504 million and operating expenses rose to \$764 million from \$541 million. The increase in operating expenses came mainly from other operations/maintenance (+\$327 million) which included impairment of assets and other charges/losses from assets sales, while other taxes increased (+\$1 million). These were partly offset by lower depreciation/amortization (-\$55 million). As a result, income from continuing operations fell to -\$600 million from -\$37 million. Corporate & Others overall contribution to overall earnings decreased to -\$0.56/share from -\$0.14/share.



RECENT DEVELOPMENTS

- During the 4Q24 earnings conference call management provided 2025 operating earnings guidance of \$3.28-\$3.52/share & stated the current dividend level (\$2.67/share) would be maintained for 2025.
- Dominion Energy VA requested a 13.9% rate increase from VA State Corporation Commission on 4/1/25.
- Regional grid operator, PJM Interconnection, selected several electric transmission projects be jointly developed by D, American Electric Power (AEP-\$106.58), and First Energy (FE-\$41.12) across several states within the PJM territory. PJM is the regional transmission organization that coordinates the transportation of wholesale electricity across 13 states in the eastern US.
- Management updated progress on the Coastal Virginia Offshore Wind project (CVOW). This 2.6 GW project is approximately 50% complete with expectations of completion by the end of 2026. This past fall, 78 monopile foundations and four substation substations were installed as part of CVOW's construction program.
- This past October, D sold half of its non-controlling interest in CVOW to Stonepeak. However, D will maintain full operational control of the construction and operations of CVOW.
- Amazon (AMZN-\$182.12) and D announced a memorandum of understanding to potentially build small nuclear reactors in the state of VA.
- During 4Q24, D filed its 2024 Integrated Resource Plan (IRP) with the VA State Corporation Commission. The IRP is a long-term planning document outlining the company's commitment to reliable, affordable energy, and increasing the generation of "clean" electricity with 80% of the plan's incremental power generation over the next 15 years to come from carbon free sources.
- D received regulatory approval to extend operations at is North Anna Power Plant in Louisa County VA for an additional 20 years.



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Our Thoughts

D's 4Q24 results were in-line with Wall Street expectations reporting earnings of operating earnings of \$0.58/share vs. \$0.29/share during 4Q23. After altering its operational blueprint in 2024 to reduce business risk and solidify its balance sheet with debt reduction of \$21 billion through asset sales, 2025 will be a transitional for the company. Management provided 2025 operating guidance of \$3.28-\$3.52/share with 5%-7% forward earnings growth while maintaining its current annual dividend level of \$2.67/share. In our opinion, given past failures to meet Wall Street's earnings expectations, achieving its current earnings guidance would be a positive step in re-gaining investor confidence.

Despite the recent stock market downturn, created by the White House's 4/2/25 tariff announcements, D's shares initially held up well as Wall Street investors moved into perceived recession-resistant stocks, like electric utilities. However, it appears the majority of utility stocks are now moving lower over the unknown potential effects of imposed tariffs on the electric utility industry and the recent increase in US Treasury bond yields. Thus, given the lack of clarity on the tariff front, and D's need to successfully execute its new business strategy, unveiled in 2024, we continue to rate D a HOLD. We are hopeful management will provide clarity during the 1Q25 earnings conference call regarding potential effects of new tariff policies on its operating strategy.



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Risks

There is no guarantee D will improve earnings/cash flow. The new business strategy, and shifting its business strategy towards “green” generation, may not grow future earnings as outlined by management, and could be looked upon unfavorably by Wall Street. This could result in heavy selling of D’s stock. Declining US electric sales volumes may hurt the company's revenues and profits. Rising interest rates, debt service issues, 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)

	1Q24	2Q24	3Q24	4Q24	FY24	1Q25e	2Q25e	3Q25e	4Q25e	FY25e
Operating Revenue	\$3,362	\$3,486	\$3,941	\$3,400	\$14,459	\$3,439	\$3,514	\$4,036	\$3,503	\$14,492
Operating Expenses										
Electric fuel/other energy-related purchases	959	918	910	827	3,614	862	915	928	841	3,546
Purchased electric capacity	12	21	24	17	74	11	23	25	22	81
Purchased gas	120	44	34	62	260	64	46	38	77	225
Other operations & maintenance	885	907	1,022	1,374	4,188	957	918	1,016	1,208	4,099
Depreciation, depletion, & amortization	621	621	549	554	2,345	564	552	558	545	2,219
Other taxes	202	170	184	175	731	195	165	196	184	740
Total operating expenses	2,799	2,681	2,723	3,009	11,212	2,653	2,618	2,761	2,844	10,876
Income from operations	833	805	1,218	391	3,247	786	896	1,275	659	3,616
Other income	435	250	335	122	822	227	212	263	286	988
Income before interest & income taxes	1,268	1,055	1,553	513	4,069	1,013	1,008	1,538	945	4,504
Interest & related charges	574	469	403	441	1,887	422	436	414	408	1,680
Income before income taxes	694	586	1,150	72	2,182	591	572	1,124	537	2,824
Income taxes	134	95	183	23	308	106	91	191	91	479
Cont. operating income including non.con. Interests	560	491	967	95	1,874	485	481	933	446	2,345
net income discontinued operations	114	81	-13	-3	197	60	55	42	27	184
noncontrolling interests				53	53					
Reported Earnings	\$674	\$572	\$954	\$145	\$2,124	\$545	\$536	\$975	\$473	\$2,529
Reported Earnings Per Share	\$0.78	\$0.65	\$1.12	\$0.15	\$2.44	\$0.65	\$0.64	\$1.16	\$0.56	\$3.01
Items excluded from operating earnings (net of taxes)	(\$191)	(\$9)	(\$119)	(\$359)	\$268	(\$6)	\$146	\$27	\$74	\$241
Operating Net Income	\$483	\$563	\$835	\$504	\$2,392	\$539	\$682	\$1,002	\$547	\$2,770
Operating Earnings Per Share-Diluted	\$0.55	\$0.65	\$0.98	\$0.58	\$2.77	\$0.64	\$0.81	\$1.19	\$0.65	\$3.29

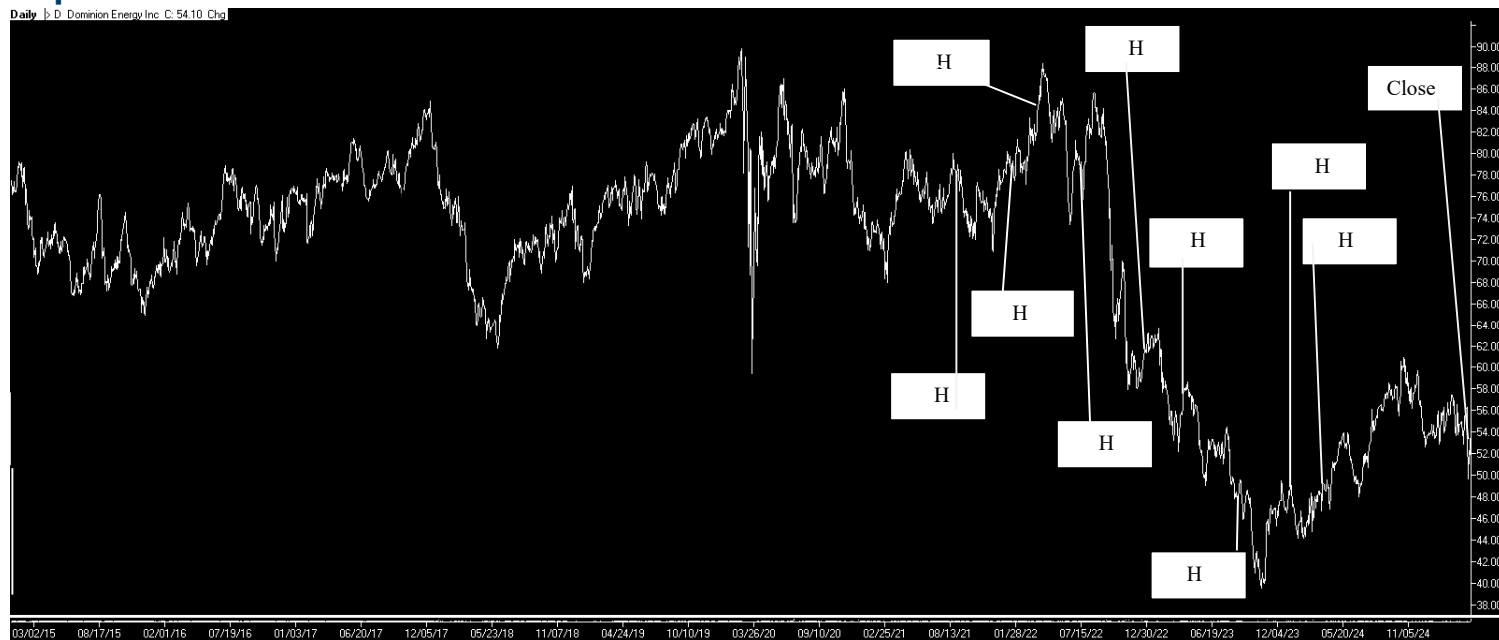


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Steven Marascia owns shares of Dominion Energy

Stock ratings used in this report are defined as follows:

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- (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.

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