July 6, 2021

CURRENT PRICE:	**$99.83**
RATING:	**BUY**
PRICE TARGET:	**$104**
CURRENT YIELD:	**3.9%**

EPS Estimates

	DEC 20A	DEC 21E
1Q	$1.14	$1.26A
2Q	$1.08	$0.99
3Q	$1.87	$1.79
4Q	$1.03	$1.03
	$5.12	**$5.07**

Trading Data

52-WEEK PRICE RANGE:	**$103.79-$62.13**
SHARES OUTSTANDING:	**766(M)**
MARKET CAP:	**$76,470(M)**
AVG. DAILY TRADING VOLUME:	**3.3(M)**
S&P 500:	**4,344**

Valuation Data

BOOK VALUE:	**$60.11**
PRICE TO BOOK:	**1.66x**
DIVIDEND:	**$3.86**

Duke Energy (NYSE: DUK)

Earnings & Elliott Mgmt challenges Board of Directors

Highlights

- Adjusted diluted 1Q21 earnings of $1.26/share vs. $1.14/share
- Improvement in Electric Infrastructure's segment income
- Activist investor, Elliot Management, wants DUK to spinoff assets
- DUK provided 2021 adjusted earnings guidance of $5.00-$5.30/share
- Maintain BUY rating & raising price target to $104/share price target

Investment Thesis

Wall Street expects the US economy to rebound from the recent Covid-19 recession over the next year or two. While this is difficult to predict, we believe investors should consider investing in sectors where revenue streams are fairly predictable, with attractive dividend yields, low valuations, and earnings growth potential based on a resurgent US economy. One attractive sector is the utility group and one company in this area we like is Duke Energy. This utility pays an attractive 3.9% dividend yield, and offers dividend/earnings growth potential going forward. DUK is rated BUY and our price target is $104/share.

Company Summary

Duke Energy, headquartered in Charlotte NC, is one of the largest energy providers in the US. The company is comprised of four business units; Electric Utilities/Infrastructure, Gas Utilities/Infrastructure, Commercial Renewables, and Other. DUK provides electricity and natural gas to its customers,. serving approximately 7.2 million electric customers in NC, SC, FL, IN, OH, and KY. DUK operates 150,900 miles of electric distribution lines and a 20,900-mile transmission system. The company has approximately 55,000 megawatts (MW) of electrical generating capacity with its plants fueled by coal, oil, natural gas, hydroelectric, renewables, and nuclear. DUK merged with Progress Energy in 2014 creating one of the largest electric utilities in the US and acquired Piedmont Natural Gas in 2016.

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.

Recent Earnings

DUK reported 1Q21 earnings of $1.25/share vs. $1.24/share during 1Q20. The slight improvement resulted from increased segment income in the Electric Utilities & Infrastructure unit (+$115 million) more than offsetting declines in segment income in the Gas Utility & Infrastructure (-$4 million), Commercial Renewables (-$30 million), and the Other segment (-$27 million). 1Q21 adjusted earnings rose to $1.26/share from $1.14/share during 1Q20. The improvement came from Electric Utilities & Infrastructure rate base increases and also due to positive weather comparisons when comparing 1Q21 to 1Q20. Results were also helped by customer growth, rate increases, and rider programs in the Gas Utility & Infrastructure unit and improved results from the Other unit. These positives were partly negated by the Texas storm, "Uri", loss of earnings from the cancelled Atlantic Coast Pipeline (ACP), higher depreciation/amortization of DUK's larger asset base, and share dilution.

SEGMENT RESULTS

ELECTRIC UTILITIES & INFRASTRUCTURE: Both reported and adjusted segment income for 1Q21 came in at $820 million, compared to $705 million during 1Q20, representing an increase of $0.15/share. When factoring the effects of share dilution (-$0.04/share), 1Q21's increased results came from higher rates (+$0.10/share), the absence of last year's unfavorable weather (+$0.09/share), and timing of O&M expenses (+$0.03/share). These gains were partly offset by higher D&A on DUK's larger asset base (-$0.04/share) as well as unfavorable retail/wholesale volumes (-$0.03/share). 1Q20's retail/wholesale volumes were generated on a pre-pandemic basis.

Total consolidated electric sales grew 3.1% to 60,738 GWh, from 58,952GWh, when comparing the two quarters. The increase came from a rise in residential (+13.9%) and wholesale/other sales (+11.6%). These more than offset declines in General Service (-2.1%), Industrial (-1.8%), Other Energy sales (3.5%), and Unbilled sales (-256%).

GAS UTILITIES & INFRASTRUCTURE: Reported segment income fell to $245 million from $249 million due to 2021 obligations related to the termination of the ACP, which were treated as special item charges. Adjusted segment income improved to $250 million from $249 million. Excluding share dilution ($0.02/share), results were helped by riders and margin expansion (+$0.03/share) and a recent Tennessee rate case (+$0.01/share). These were offset by ACP cancellation charges (-$0.03/share) and higher property taxes and depreciation based on DUK's larger asset base (-$0.01/share).

Total gas sales rose 0.8% to 149.6 million dekatherms at the Piedmont Natural Gas local distribution company and 9.8% to 37.11 million dekatherms at the Duke Energy Midwest local distribution company.

COMMERCIAL RENEWABLES: Reported and adjusted segment income were both $27 million during 1Q21 vs. $57 million during 1Q20. The decrease, caused by the February 2021 Texas storm, "Uri', equated to (-$0.04/share). Renewable plant production rose 6.2% to 2,588 GWh.

OTHER: Includes interest expense on holding company debt, other unallocated corporate costs, and results from DUK's captive insurance company. Both reported and adjusted 1Q21 segment income produced a loss of $139 million vs. a reported loss of $112 million and an adjusted loss of $187 million during 1Q20. These equated to an improvement of $0.06/share, when excluding share dilution (-$0.01/share). The improved results were due to market returns on certain benefit trusts (+$0.04/share) and lower financing costs (+$0.02/share).

HEDGE FUND TAKES POSITION IN DUKE ENERGY

This past May activist investor Elliott Management, which owns a stake in the company, and seeks seats on the Board of Directors, asked DUK to split itself into three separate companies representing its three main utility operating areas, the Carolinas, Florida, & Midwest utilities (OH & IN). DUK's rejected this proposal. However, as seen in similar situations in the past, there may be more to come regarding Elliott Management's attempt to direct DUK's business strategy. In our opinion, potentially four scenarios could unfold: 1) Elliott Management attempts to gain enough seats on the Board of Directors to force DUK's hand, 2) Elliott Management fails to gain support on the Board of Directors for its objectives, 3) Another entity joins the fray & sides with either Duke management or Elliott Management, or 4) Elliott Management abandons its ambitions to split DUK into three different companies and sells its shares in DUK.

RECENT DEVELOPMENTS

North Carolina Utilities Commission (NCUC) approved a partial rate increase for Duke Energy Progress. The order also approved DUK's settlement with NC state officials and the Sierra Club which will reduce the amount of coal ash recovery costs in customer's bill rates.

Management announced plans to triple the amount of renewable power it produces by year end 2023 to 23% from current levels of 7%. This is in tandem with DUK's overall goal to reduce carbon emissions 50% by 2050. To this end, DUK is constructing wind/solar projects in FL, NC, OK, & TX. Additionally, plans are to add 280 MW of pumped hydro storage capacity at the Bad Creek SC facility. Since 2010, 52 coal-fired units have been retired, with expectations of retiring the remaining coal-fired units by 2048.

DUK launched construction of the 250 MW Pisgah Ridge solar plant in Texas. The company claims it will be the largest of utility scale solar plants, will be owned/operated by Duke Energy Sustainable Solutions, and is expected to be in operation by year end 2022. Charles River Laboratories signed a 15 year power purchase agreement for 102 MW of plant capacity and two others will by the remaining 148 MW capacity also over a 15 year period.

NCUC approved DUK's proposed Buncombe County NC 5 MW solar generation plant with plans for it to be built on a retired county landfill.

The South Carolina Public Service Commission rejected DUK's integrated resource plan (IRP) while requesting modifications, including the forecasting of load forecast scenarios, repricing of natural gas forecasts, and utilizing third-party solar purchase agreements.

DUK filed an application with the National Regulatory Commission to renew its operating for the Oconee Nuclear Station in SC for another 20 years, allowing the reactors to run through 2053-2054.

OUR THOUGHTS

DUK had a good 1Q21 earnings report as the company reported earnings of $1.25/share vs. $1.24/share during 1Q20. The slight improvement came from increased Electric Utilities & Infrastructure segment income (+$115 million) more than offsetting declines in Gas Utilities & Infrastructure (-$4 million), Commercial Renewables (-$30 million), and Others (-$27 million). 1Q21's adjusted earnings rose to $1.26/share from $1.14/share during 1Q20. The improvement resulted from recent rate case increases in the Electric Utilities & Infrastructure unit and also due to positive weather comparisons when comparing 1Q21 to 1Q20. Management provided 2021 adjusted earnings guidance of $5.00-$5.30/share.

Following the cancellation of the ACP, DUK decided to shift towards a "greener" energy generation footprint as it embarks upon plans to reduce to reduce carbon emissions 50% by 2050. Towards this end, management announced plans to triple the amount of renewable power it produces by year end 2023 to 23% from current levels of 7%.

DUK's goal is to grow adjusted earnings of 5%-7% off the 2021 adjusted earnings guidance base of $5.00-$5.30/share through 2025. Additionally, it appears the NC coal ash situation has been resolved in a satisfactory manner with regulator, thus avoiding a potential impediment to growing future earnings. Under the scenario of positive earnings growth, management could continue to raise the annual dividend as has been done in the past. Given the current dividend yield (3.9%), and the potential of future dividend increases based on earnings growth, we continue to rate DUK a BUY. We are raising our price target to $104/share, equating to DUK trading at 1.73x its current book value of $60.11/share.

Risks To Our Price Target

Failure of DUK to grow cash flow/earnings. There is no guarantee a move to renewable energy sources will benefit company operations. Declining earnings from its three operating units. Additionally, if DUK is successful in growing future earnings, there is no guarantee it will reach our price target. Rising interest rates, increasing fuel prices, falling electric rates, negative rate case decisions, adverse tax or legal issues, or rising operating costs could have a negative impact on our price target. A negative coal ash decision from regulators could adversely affect DUK's share price. Additionally, negative equity/credit markets, large selling volumes in DUK's stock, terrorist attacks, wars, geopolitical events, US political environmental issues, failure to comply with Sarbanes Oxley guidelines, or maintain accepted accounting standards could be risks to DUK and our price target for its stock.

Steven F. Marascia
Director of Research
Capitol Securities Management
804-612-9715

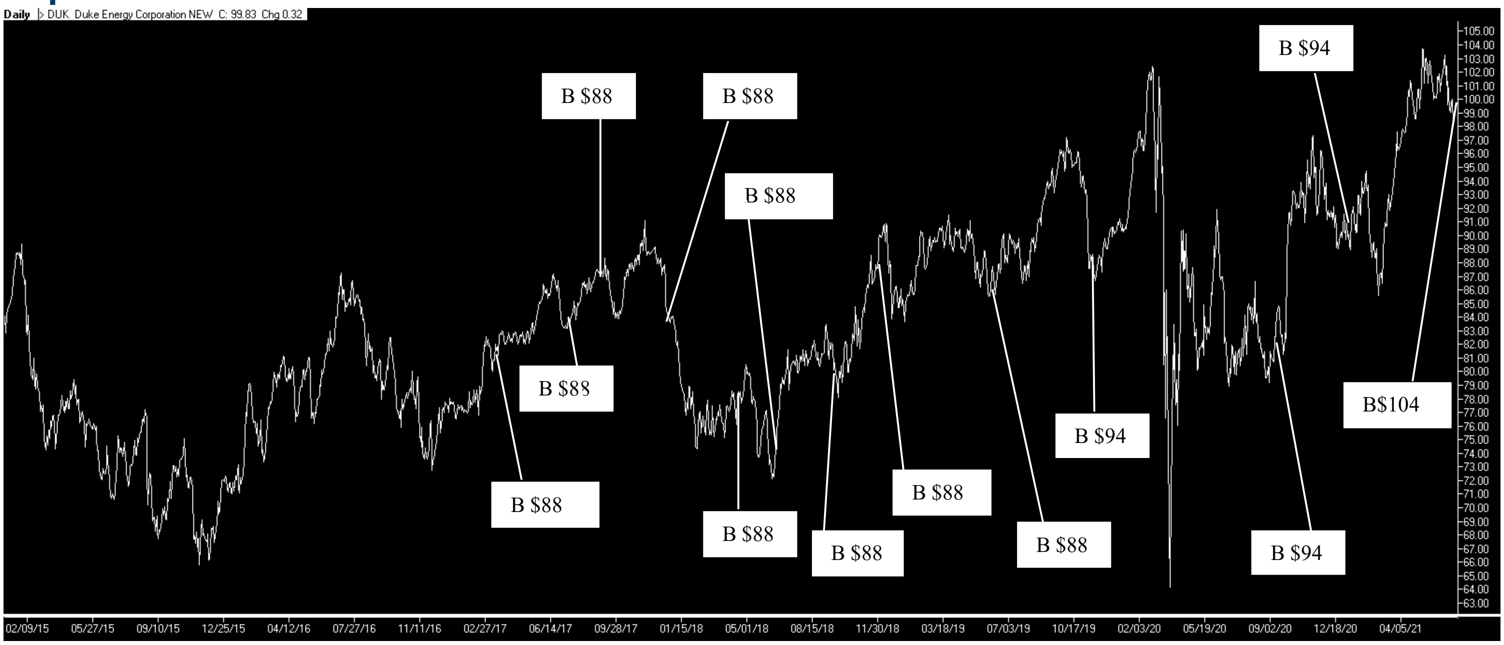
Duke Energy
Condensed Consolidated Statements of Operations
unaudited
(in millions, except per share amounts)

	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21e	3Q21e	4Q21e	FY21e
Operating Revenues:										
Regulated electric	$5,124	$4,963	$6,315	$5,059	$21,461	$5,219	$5,024	$6,378	$5,237	$21,858
Non-regulated electric/natgas/other	187	195	214	191	651	182	198	225	206	811
Regulated natural gas	638	263	192	527	1,642	749	369	383	549	2,050
Total Operating revenues	5,949	5,421	6,721	5,777	23,868	6,150	5,591	6,986	5,992	24,719
Operating Expenses:										
Fuel elecctric gen. & purchased power-reg	1,447	1,349	1,849	1,406	6,051	1,443	1,386	1,925	1,468	6,222
Cost of natural gas & coal sold	199	59	41	161	460	276	86	52	264	678
Operation, maintenance, & other	1,339	1,353	1,450	1,646	5,788	1,402	1,453	1,472	1,522	5,849
Depreciation & Amortization	1,130	1,150	1,217	1,208	4,705	1,226	1,242	1,253	1,258	4,979
Property & other taxes	345	334	324	334	1,337	353	355	356	358	1,422
Impairment charges	2	6	28	948	984					
Total Operating expenses	4,462	4,251	4,909	5,703	19,325	4,700	4,522	5,058	4,870	19,150
Gains/losses sale of other assets (net)	1	7	2		10		3	4	2	9
Operating Income	1,488	1,177	1,814	74	4,553	1,450	1,072	1,932	1,124	5,578
Equity in earnings of unconsolidated affiliates	44	-1,968	-80	-1	-2,005	-17	44	36	96	159
Impairments/Gains on unconsol affiliates sales										
Other Income/Expenses	46	137	127	143	453	127	95	42	116	380
Total other income/expenses	90	-1,831	47	142	-1,552	110	139	78	212	539
Interest expense	551	554	522	535	2,162	535	535	537	537	2,144
Income from Cont Ops before Income Taxes	1,027	-1,208	1,339	-319	839	1,025	676	1,473	799	3,973
Income tax expense	137	316	105	-162	236	84	88	192	103	467
Income from Cont Operations	890	-892	1,234	-157	1,075	941	588	1,281	696	3,506
Income (loss) from Discontinued Ops					7					
Net Income	890	-892	1,234	-157	1,082	941	588	1,281	696	3,506
Net Income/loss attributable to non-controlling interest	48	90	70	87	295	51	47	24	39	161
Net Income attributable to Duke Energy	899	-802	1,304	-70	1,270	992	635	1,305	735	3,667
Diluted EPS	$1.24	($1.13)	$1.74	($0.12)	$1.72	$1.25	$0.83	$1.70	$0.96	$4.74
Net Income from discon ops attributable shareholders										
Diluted EPS	$1.24	($1.13)	$1.74	($0.12)	$1.72	$1.25	$0.83	$1.70	$0.96	$4.74
Adjustments	($0.10)	$2.21	$0.13	$1.15	$3.40	$0.01	$0.16	$0.09	$0.07	$0.33
Adjusted Diluted EPS	$1.14	$1.08	$1.87	$1.03	$5.12	$1.26	$0.99	$1.79	$1.03	$5.07

CAPITOL SECURITIES MANAGEMENT, INC.

EQUITY RESEARCH

Important Disclosures



7/6/21 Raise Price Target to $104
11/13/19 Raise Price Target to $94
12/26/14 Raise Price Target to $88
12/6/13 Raise Price Target to $76
12/12/12 Raise Price Target to $70
12/5/11 Raise Price Target to $66
9/19/11 Raise Price Target to $61.50
9/23/09 Initiate Buy Rating & $60 Target Price
Ratings:
Buy: B
Hold: H
Sell: S

$104 price target equates to 1.73x book value/share of $60.11/share

RISKS TO OUR PRICE TARGET: Failure of DUK to grow cashflow or earnings. There is no guarantee a move to renewable energy sources will benefit company profitability. Declining earnings from its' 3 operating units,. Addtionally, if DUK is successful in growing future earnings,there is no guarantee it will reach our price target. Risng interest rates, increasing fuel prices, falling electric rates, negative rate case decisions, adverse tax or legal issues, or rising operating costs could have a negative impact on our price target. A negative coal ash decision from regulators could cause a decline in DUK's share price. Additionally, negative equity/credit markets, large selling volumes in DUK's stock, terrorist attacks, wars, geopolitical isues,US political/environmental issues, failure to comply with Sarbanes Oxley guidelines, or maintain accepted accounting standards could be risks to our price target.

Steven Marascia certifies, with respect to the companies or securities that he analyzes, that (1) the views expressed in this report accurately reflect his personal views about all of the subject companies and securities and (2) no part of his compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Analyst owns/controls family account containing shares of Duke 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) 50%, (2) 50, (3) 0%

Capitol Securities Management's Investment Banking/Public Finance unit has not received compensation for investment banking services from the subject company in the past 12 months. Nor does it expect to receive, or intend to seek compensation for, investment banking services from the subject company in the next 3 months.

No affiliate of Capitol Securities Management, or Capitol Securities Management, received compensation from the subject company for products or services during the past 12 months.

The subject company is not, or during the past 12 months, was not, a client of Capitol Securities Management's Investment Banking/Public Finance unit.

Other Disclosures

This report is not directed to, or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Capitol Securities or its affiliates to any registration or licensing requirement within such jurisdiction. The information presented in this report is provided to you for information purposes only and is not to be used or considered as an offer or the solicitation of an offer to sell or buy or subscribe for securities or other financial instruments. Capitol Securities may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. Capitol Securities will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. Capitol Securities does not advise on the tax consequences of investments and you are advised to contact an independent tax advisor. Information and opinions presented in this report have been obtained or derived from sources believed by Capitol Securities to be reliable, but Capitol Securities

makes no representation as to their accuracy or completeness. This report is not to be relied upon in substitution for the exercise of independent judgment. Capitol Securities may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the informationpresented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by Capitol Securities and are subject to change without notice. The price,value of and income from any of the securities mentioned in this report can fall as well as rise.

For more information on this report, please contact us at 800.612.1484 or write to Capitol Securities, 100 Concourse Boulevard, Suite 101, Glen Allen, Virginia 23059