

July 21, 2025

CURRENT PRICE: \$119.83

RATING: BUY

PRICE TARGET: \$125

CURRENT YIELD: 3.6%

EPS Estimates

	DEC 24A	DEC 25E
1Q	\$1.44	\$1.76A
2Q	\$1.18	\$1.15
3Q	\$1.62	\$1.66
4Q	\$1.66	\$1.67
	\$5.90	\$6.24

Trading Data

52-WEEK PRICE RANGE: **\$125.27-\$105.20**

SHARES OUTSTANDING: **777(M)**

MARKET CAP: **\$93,108(M)**

AVG. DAILY TRADING VOLUME: **2.7(M)**

S&P 500: **6,306**

Valuation Data

BOOK VALUE: **\$63.96**

PRICE TO BOOK: **1.87x**

DIVIDEND: **\$4.26**

Duke Energy (NYSE: DUK)

Maintain Buy Rating & Raising Price Target

Highlights

- Adjusted diluted 1Q25 earnings of \$1.76/share vs. \$1.44/share
- Earnings benefitted from higher rates/riders/electric sales & weather
- Raised annual dividend 2%
- Reaffirmed 2025 adjusted earnings guidance of \$6.17-\$6.42/share
- Maintain BUY rating & raising price target to \$125

Investment Thesis

Wall Street expects the US economy's continued 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 3.6% dividend yield and offers dividend/earnings growth potential going forward. DUK is rated BUY and our price target is \$125/share.

Company Summary

Duke Energy, headquartered in Charlotte NC, is one of the largest energy providers in the US. The company is comprised of three business units; Electric Utilities/Infrastructure, Gas Utilities/Infrastructure, and Other. DUK provides electricity and natural gas to its customers, serving approximately 8.4 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. The gas unit provides natural gas to 1.7 million customers in KY, NC, OH, SC, & TN.

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

DUK reported 1Q25 operating earnings of \$1.76/share vs. \$1.44/share during 1Q24. 1Q25 results improved due to higher profits from the electric utilities & Infrastructure and Gas Utilities & Infrastructure units due to favorable weather conditions, higher sales, and the increased rates for utility customers. Partly offsetting these unit's improvements was a decrease in Other's quarterly performance due to higher interest expense. When comparing the two quarters, total operating revenue rose to \$8.25 billion from \$7.67 billion, total operating expenses increased to \$5.91 billion from \$5.72 billion, and operating income improved to \$2.34 billion from \$1.96 billion. Adjusted operating earnings rose to \$1.76/share from \$1.44/share and benefited from higher electric sales, increased rates for utility customers, and favorable weather patterns. These positives were offset by higher interest expense (\$889 million vs. \$817 million) and depreciation.

SEGMENT RESULTS: 1Q25 vs. 1Q24

ELECTRIC UTILITIES & INFRASTRUCTURE: Segment income rose to \$1.28 billion from \$1.02 billion as results benefited from favorable weather conditions, higher sales, and increased rates for utility customers. These were partly offset by higher interest expense, O&M expense, and depreciation from an increase in DUK's asset base. Operating income improved to \$1.89 billion from \$1.58 billion. These results added \$0.33/share to DUK's overall earnings.

When comparing 1Q25 to 1Q24, total electric sales rose 7.6% to 65,242 GWh due to increases to Wholesale/other (+19.2%), residential (+11.1%), and Commercial (+4.0%). Partly offsetting these gains were declines in Other Sales Energy (-14.7%), Industrial (-4.2%), and Unbilled Sales (-1.2%).

GAS UTILITIES & INFRASTRUCTURE: Segment income improved \$349 million from \$284 million. The increase was due to riders and rate case increases and was partly offset by higher depreciation expense from a larger asset base. Operating income rose to \$487 million from \$397 million. These results added \$0.08/share to DUK's overall earnings.

Gas sales increased at both of DUK's gas local gas distribution companies (LDC) when comparing the two quarters. Piedmont Natural Gas LDC's throughput rose 11.1% to 181.46 dekatherms and Energy Midwest LDC's throughput rose 21.9% to 40.46 Mcf.

OTHER: Includes interest expense on holding company debt, other unallocated corporate costs, and results from DUK's captive insurance company. This unit reported a 1Q25 segment loss of \$260 million compared to a segment



loss of \$203 million during 1Q24. The lower results came from higher interest expense and lower returns on investments. These results hurt DUK's overall earnings by \$0.08/share.

RECENT DEVELOPMENTS:

During the 1Q25 earnings conference call, management reaffirmed 2025 adjusted earning guidance of \$6.17-\$6.42/share and 5%-7% forward earnings growth through 2029 off the 2025 earnings midpoint of \$6.30/share.

Additionally, during the 1Q25 earnings call, DUK said retail electric sales grew 1.8%, on a weather normalized basis, when compared to 1Q24. Residential volumes showed strong growth as did commercial/industrial volumes. Management claimed the improvement was supported by customer additions in NC/SC (+2.3%) and Florida/Indiana (+1.7%).

During 1Q25 DUK raised \$3.2 billion of long term at an average interest rate of 5.0% and issued \$531 million of stock at an average price of \$117/share.

Henry Sideris replaced Lynn Good as CEO of the company. Ted Craver was named Chairman of the Board. Katherine Neebe was named Chief Communications Officer succeeding Oscar Suris. Kodwo Gharty-Tagos succeeded Julie Janson as EVP and CEO of Duke Energy Carolinas, Alex Glenn became EVP and Chief Legal Officer of DUK, and Louis Renjel became EVP and CEO of Duke Energy Florida. Cameron McDonald will join DUK's senior management committee.

DUK received approval in March for a license renewal for the Oconee nuclear station, located in SC, and applied to the US Nuclear Regulatory Commission for a license renewal for the Robinson Nuclear Power Plant in SC.

Duke Energy Carolina is requesting a 7.7% rate increase from the Public Service Commission of SC which could cause a 5.4% rate increase for commercial customers and a 5.2% increase for commercial customers.

Duke Energy Florida submitted a 2025 Solar Base Rate Adjustment to the Florida Public Service Commission outlining plans to for 4 solar energy sites DUK during 2025 in Madison County, Sumter County, Hernando County, and Jefferson County.

GE Verona (GEV) will sell 11 Verona natural gas turbines to Duke Energy for DUK's integrated resource plans. This is an addition to 8 previous Verona turbines purchased by DUK.



OUR THOUGHTS

In our opinion, a good 1Q25 earnings report as the company reported adjusted and operating earnings of \$1.76/share vs. \$1.44/share during 1Q24. The improvement came from favorable weather conditions, higher sales, and the increased rates for utility customers. During the 1Q25 earnings conference call, management stated several positive factors could increase earnings. DUK said load growth could be 1.5%-2.0% in 2025 and may accelerate in 2027 as economic development projects come on-line. The company expects to file with regulatory authorities to merge its Carolina operating utilities which may produce future cost savings. Management reaffirmed 2025 adjusted earnings guidance of \$6.17-\$6.42/share and 5%-7% earnings growth through 2029. Additionally, DUK forecasted cap-ex spending of \$83 billion over the next 5 years to strengthen existing grid systems and provide electricity for increasing customer demands.

We continue to rate DUK a BUY for income/growth investors. Should DUK successfully grow forward earnings, by 5%-7% through 2029, shareholders could see annual dividend increases by the Board of Directors. In fact, the Board recently increased the annual dividend 2% to \$4.26/share from \$4.18/share. Forward earnings growth and annual dividend increases could raise investor demand for DUK's stock and push its share price higher. We are raising our price target to \$125/share equating to 1.95x DUK's book value of \$63.96/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 failure to maintain accepted accounting standards could be risks to DUK and our price target for its stock.

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

	1Q24	2Q24	3Q24	4Q24	FY24	1Q25	2Q25e	3Q25e	4Q25e	FY25e
Operating Revenues:										
Regulated electric	\$6,732	\$6,746	\$7,775	\$6,534	\$27,787	\$7,064	\$6,823	\$7,924	\$6,652	\$28,463
Regulated natural gas	866	347	298	741	2,252	1,105	362	311	763	2,541
Non-regulated electric/other	73	79	81	85	318	80	84	82	86	332
Total Operating revenues	7,671	7,172	8,154	7,360	30,357	8,249	7,269	8,317	7,501	31,336
Operating Expenses:										
Fuel electric gen. & purchased power-reg	2,335	2,228	2,644	1,999	9,206	2,099	2,167	2,697	2,027	8,990
Cost of natural gas & coal sold	232	78	70	185	565	374	77	72	198	721
Operation, maintenance, & other	1,379	1,320	1,409	1,281	5,389	1,499	1,345	1,426	1,308	5,578
Depreciation & Amortization	1,387	1,409	1,516	1,481	5,793	1,512	1,414	1,558	1,521	6,005
Property & other taxes	386	393	383	304	1,466	428	425	398	324	1,575
Impairment charges	1	43	5	1	38					
Total Operating expenses	5,720	5,471	6,017	5,249	22,457	5,912	5,428	6,151	5,378	22,869
Gains/losses sale of other assets (net)	12	6	7	1	26	6	8	12	9	35
Operating Income	1,963	1,707	2,144	2,112	7,926	2,343	1,849	2,178	2,132	8,502
Equity in earnings of unconsolidated affiliates	17	21	15	-62	-9	11	7	16	32	66
Impairments/Gains on unconsol affiliates sales										
Other Income/Expenses	169	167	166	159	661	132	144	183	165	624
Total other income/expenses	186	188	181	97	652	142	151	199	197	689
Interest expense	817	824	872	871	3,384	889	885	878	892	3,544
Income from Cont Ops before Income Taxes	1,332	1,071	1,453	1,338	5,194	1,597	1,036	1,499	1,437	5,569
Income tax expense	178	140	163	109	590	193	134	194	186	707
Income from Cont Operations	1,154	931	1,290	1,229	4,604	1,404	902	1,305	1,251	4,862
Income (loss) from Discontinued Ops	-3	-10	-25		10					
Net Income	1,151	921	1,315	1,229	4,614	1,404	902	1,305	1,251	4,862
Net Income/loss attributable to non-controlling interest	-13	-21	-34	-22	-90	-25	-22	-26	-23	-96
Income from disc. Operations										
Discontinued Operations				-2						
Preferred Dividends	-39	-14	-39	-14	-106	14	39	14	39	106
Preferred Redemption Costs			-16		-16					
Net Income attributable to Duke Energy	1,099	886	1,226	1,191	4,402	1,365	851	1,265	1,189	4,670
Diluted EPS	\$1.44	\$1.13	\$1.60	\$1.54	\$5.71	\$1.76	\$1.10	\$1.63	\$1.53	\$6.02
Diluted EPS	\$1.44	\$1.13	\$1.60	\$1.54	\$5.71	\$1.76	\$1.10	\$1.63	\$1.53	\$6.02
Adjustments		\$0.05	\$0.02	\$0.12	\$0.29		\$0.05	\$0.03	\$0.14	\$0.22
Adjusted Diluted EPS	\$1.44	\$1.18	\$1.62	\$1.66	\$5.90	\$1.76	\$1.15	\$1.66	\$1.67	\$6.24

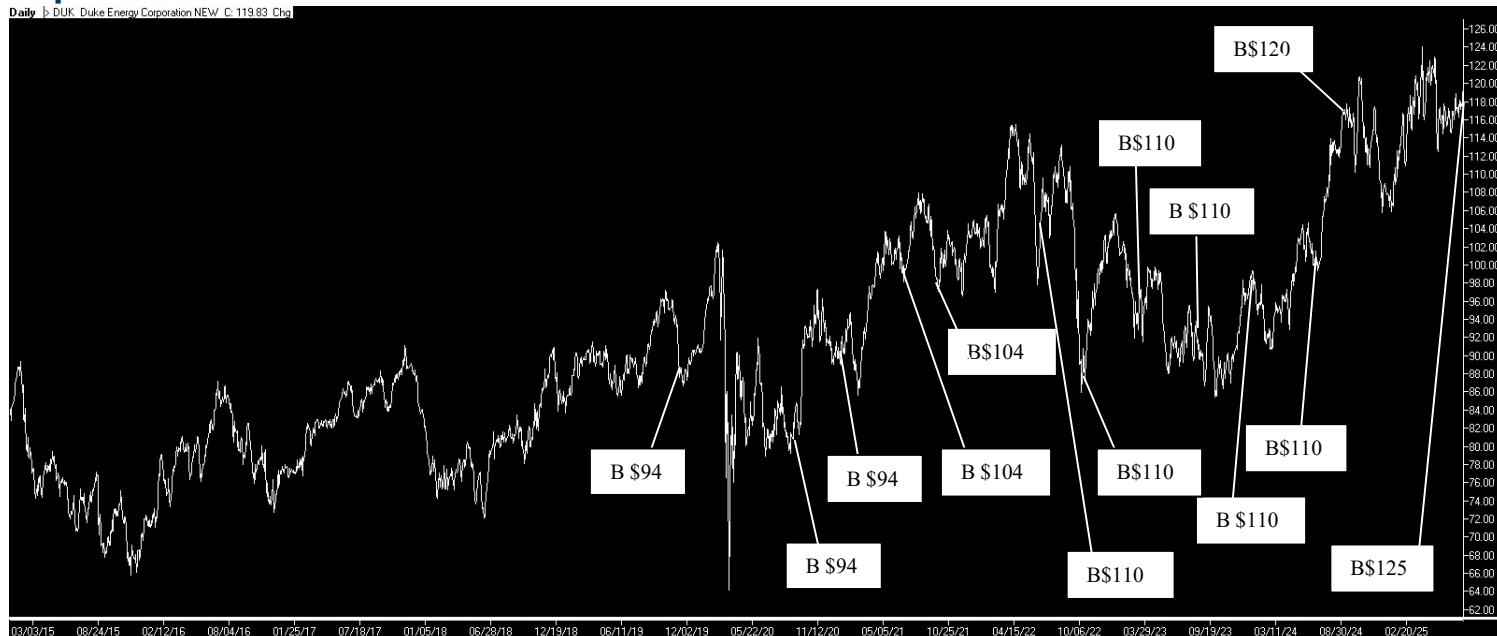


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Important Disclosures

Daily | B DUK Duke Energy Corporation NEW | C: 119.93 | Chg



7/1/25 Raise Price Target to \$125
9/11/24 Raise Price Target to \$120
6/28/22 Raise Price Target to \$110
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

\$125 price target equates to 1.95x book value/share of \$63.96/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,. 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 cause a decline in DUK's share price. Additionally, negative equity/credit markets, large selling volumes in DUK's stock, terrorist attacks, wars, geopolitical issues, US political/environmental issues, failure to comply with Sarbanes Oxley guidelines, or maintain accepted accounting standards could be risks to our price target.

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Analyst owns/controls family account containing shares of Duke Energy



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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) 33.3%, (2) 66.7%, (3) 0%

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