# SEMPRA ENERGY NYSE-SRE

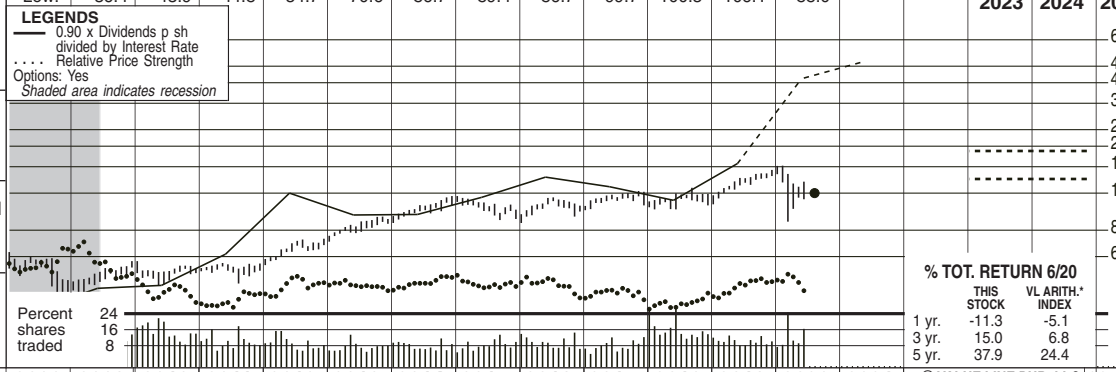
RECENT PRICE **120.17** | P/E RATIO **16.7** (Trailing: 17.9 / Median: 20.0) | RELATIVE P/E RATIO **0.81** | DIV'D YLD **3.6%** | VALUE LINE

**TIMELINESS** 1 Raised 7/24/20
**SAFETY** 2 Raised 7/29/16
**TECHNICAL** 3 Raised 6/5/20
**BETA** .95 (1.00 = Market)

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 57.2 | 57.2 | 56.0 | 72.9 | 93.0 | 116.3 | 116.2 | 114.7 | 123.0 | 127.2 | 154.5 | 161.9 |
| Low: | 36.4 | 43.9 | 44.8 | 54.7 | 70.6 | 86.7 | 89.4 | 86.7 | 99.7 | 100.5 | 106.1 | 88.0 |

**Target Price Range** 2023 | 2024 | 2025

**LEGENDS**
— 0.90 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
*Shaded area indicates recession*




**18-Month Target Price Range**

| Low-High | Midpoint (% to Mid) |
|---|---|
| $96-$219 | $158 (30%) |

**2023-25 PROJECTIONS**

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 190 | (+60%) | 15% |
| Low | 140 | (+15%) | 8% |

**Institutional Decisions**

| | 3Q2019 | 4Q2019 | 1Q2020 |
|---|---|---|---|
| to Buy | 368 | 424 | 331 |
| to Sell | 293 | 276 | 425 |
| Hld's(000) | 253080 | 248880 | 245315 |

**% TOT. RETURN 6/20**

| | THIS STOCK | VL ARITH.* INDEX |
|---|---|---|
| 1 yr. | -11.3 | -5.1 |
| 3 yr. | 15.0 | 6.8 |
| 5 yr. | 37.9 | 24.4 |

| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | © VALUE LINE PUB. LLC | 23-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 40.18 | 45.64 | 44.89 | 43.79 | 44.21 | 32.88 | 37.44 | 41.83 | 39.80 | 43.18 | 44.80 | 41.20 | 40.71 | 44.59 | 42.69 | 37.12 | *38.00* | *36.90* | Revenues per sh | *41.25* |
| 6.58 | 5.96 | 6.74 | 6.93 | 7.40 | 7.94 | 7.76 | 8.58 | 8.92 | 8.87 | 9.41 | 10.32 | 9.50 | 10.57 | 11.07 | 11.14 | *12.65* | *12.95* | "Cash Flow" per sh | *15.75* |
| 3.93 | 3.52 | 4.23 | 4.26 | 4.43 | 4.78 | 4.02 | 4.47 | 4.35 | 4.22 | 4.63 | 5.23 | 4.24 | 4.63 | 5.48 | 5.97 | *7.20* | *7.75* | Earnings per sh A | *9.50* |
| 1.00 | 1.16 | 1.20 | 1.24 | 1.37 | 1.56 | 1.56 | 1.92 | 2.40 | 2.52 | 2.64 | 2.80 | 3.02 | 3.29 | 3.58 | 3.87 | *4.18* | *4.50* | Div'd Decl'd per sh B ■ | *5.60* |
| 4.62 | 5.46 | 7.28 | 7.70 | 8.47 | 7.76 | 8.58 | 11.85 | 12.20 | 10.52 | 12.68 | 12.71 | 16.85 | 15.71 | 13.82 | 12.71 | *18.10* | *16.00* | Cap'l Spending per sh | *12.00* |
| 20.78 | 23.95 | 28.66 | 31.87 | 32.75 | 36.54 | 37.54 | 41.00 | 42.42 | 45.03 | 45.98 | 47.56 | 51.77 | 50.41 | 54.35 | 60.58 | *72.40* | *77.00* | Book Value per sh C | *88.75* |
| 234.18 | 257.19 | 262.01 | 261.21 | 243.32 | 246.51 | 240.45 | 239.93 | 242.37 | 244.46 | 246.33 | 248.30 | 250.15 | 251.36 | 273.77 | 291.71 | *300.00* | *325.00* | Common Shs Outst'g D | *340.00* |
| 8.6 | 11.8 | 11.5 | 14.0 | 11.8 | 10.1 | 12.6 | 11.8 | 14.9 | 19.7 | 21.9 | 19.7 | 24.4 | 24.3 | 20.4 | 22.5 | *Bold figures are* | | Avg Ann'l P/E Ratio | *17.5* |
| .45 | .63 | .62 | .74 | .71 | .67 | .80 | .74 | .95 | 1.11 | 1.15 | .99 | 1.28 | 1.22 | 1.10 | 1.21 | *Value Line* | | Relative P/E Ratio | *.95* |
| 2.9% | 2.8% | 2.5% | 2.1% | 2.6% | 3.2% | 3.1% | 3.6% | 3.7% | 3.0% | 2.6% | 2.7% | 2.9% | 2.9% | 3.2% | 2.9% | *estimates* | | Avg Ann'l Div'd Yield | *3.4%* |

**CAPITAL STRUCTURE as of 3/31/20**
**Total Debt** $28019 mill. **Due in 5 Yrs** $12723 mill.
**LT Debt** $20198 mill. **LT Interest** $798 mill.
Incl. $1275 mill. capitalized leases.
(LT interest earned: 3.3x)
**Leases, Uncapitalized** Annual rentals $75 mill.
**Pension Assets-12/19** $2662 mill.
**Oblig** $3768 mill.
**Pfd Stock** $2278 mill. **Pfd Div'd** $142 mill.
17.25 mill. shs. 6% mandatorily convertible pfd.;
5.75 mill. shs. 6.75% mandatorily convertible pfd.;
811,073 shs. 6% cum., $25 par.
**Common Stock** 292,533,413 shs. **as of 4/29/20**
**MARKET CAP: $35 billion (Large Cap)**

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | | 23-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9003.0 | 10036 | 9647.0 | 10557 | 11035 | 10231 | 10183 | 11207 | 11687 | 10829 | *11400* | *12000* | Revenues ($mill) | *14000* |
| 1008.0 | 1088.0 | 1079.0 | 1060.0 | 1162.0 | 1314.0 | 1065.0 | 1169.0 | 1607.0 | 1825.0 | *2400* | *2590* | Net Profit ($mill) | *3410* |
| 26.5% | 25.3% | 18.2% | 26.5% | 19.7% | 19.2% | 14.4% | 24.5% | 20.1% | 17.9% | *18.0%* | *18.0%* | Income Tax Rate | *18.0%* |
| 11.3% | 15.2% | 17.2% | 11.2% | 14.4% | 15.3% | 22.2% | 21.9% | 12.6% | 10.0% | *8.0%* | *7.0%* | AFUDC % to Net Profit | *6.0%* |
| 49.4% | 50.4% | 52.8% | 50.5% | 51.7% | 52.6% | 52.7% | 56.4% | 55.7% | 51.0% | *48.0%* | *48.5%* | Long-Term Debt Ratio | *48.5%* |
| 49.6% | 49.2% | 46.7% | 49.4% | 48.2% | 47.3% | 47.3% | 43.5% | 38.4% | 43.4% | *47.0%* | *51.5%* | Common Equity Ratio | *51.5%* |
| 18186 | 20015 | 22002 | 22281 | 23513 | 24963 | 27400 | 29135 | 38769 | 40734 | *46175* | *48675* | Total Capital ($mill) | *58500* |
| 19876 | 23572 | 25191 | 25460 | 25902 | 28039 | 32931 | 36503 | 36796 | 36452 | *40200* | *43625* | Net Plant ($mill) | *49900* |
| 6.8% | 6.7% | 6.1% | 6.0% | 6.1% | 6.4% | 5.0% | 5.1% | 5.1% | 5.5% | *6.0%* | *6.5%* | Return on Total Cap'l | *7.0%* |
| 10.9% | 10.9% | 10.4% | 9.6% | 10.2% | 11.1% | 8.2% | 9.2% | 9.4% | 9.1% | *9.5%* | *10.0%* | Return on Shr. Equity | *10.5%* |
| 11.1% | 11.0% | 10.4% | 9.6% | 10.3% | 11.1% | 8.2% | 9.2% | 10.0% | 9.5% | *10.0%* | *10.0%* | Return on Com Equity E | *10.5%* |
| 7.0% | 6.5% | 5.1% | 4.1% | 5.0% | 5.8% | 2.9% | 3.3% | 4.1% | 3.9% | *4.0%* | *4.0%* | Retained to Com Eq | *4.5%* |
| 37% | 41% | 52% | 58% | 52% | 48% | 65% | 65% | 62% | 62% | *61%* | *58%* | All Div'ds to Net Prof | *58%* |

**ELECTRIC OPERATING STATISTICS**

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| % Change Retail Sales (KWH) | -.2 | -3.2 | -4.3 |
| Avg. Indust. Use (MWH) | NA | NA | NA |
| Avg. Indust. Revs. per KWH (¢) | NA | NA | NA |
| Capacity at Peak (Mw) | NMF | NMF | NMF |
| Peak Load, Summer (Mw) | NMF | NMF | NMF |
| Annual Load Factor (%) | NMF | NMF | NMF |
| % Change Customers (yr-end) | +.8 | +.9 | +.8 |
| Fixed Charge Cov. (%) | 264 | 186 | 181 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '17-'19 to '23-'25 |
|---|---|---|---|
| Revenues | .5% | -.5% | *Nil* |
| "Cash Flow" | 4.0% | 4.0% | *6.5%* |
| Earnings | 2.0% | 4.0% | *10.0%* |
| Dividends | 10.0% | 7.5% | *7.5%* |
| Book Value | 5.0% | 4.5% | *8.5%* |

| Cal-endar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2017 | 3031 | 2533 | 2679 | 2964 | 11207 |
| 2018 | 2962 | 2564 | 2940 | 3221 | 11687 |
| 2019 | 2898 | 2230 | 2758 | 2943 | 10829 |
| 2020 | 3029 | *2371* | *2900* | *3100* | *11400* |
| 2021 | *3200* | *2500* | *3050* | *3250* | *12000* |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2017 | 1.75 | 1.20 | .22 | 1.46 | 4.63 |
| 2018 | 1.43 | 1.27 | 1.23 | 1.55 | 5.48 |
| 2019 | 1.78 | .85 | 2.00 | 1.34 | 5.97 |
| 2020 | 2.30 | *1.55* | *1.60* | *1.75* | *7.20* |
| 2021 | *2.25* | *1.75* | *1.80* | *1.95* | *7.75* |

| Cal-endar | QUARTERLY DIVIDENDS PAID B ■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2016 | .70 | .755 | .755 | .755 | 2.97 |
| 2017 | .755 | .8225 | .8225 | .8225 | 3.22 |
| 2018 | .8225 | .895 | .895 | .895 | 3.51 |
| 2019 | .895 | .9675 | .9675 | .9675 | 3.80 |
| 2020 | .9675 | 1.045 | 1.045 | | |

**BUSINESS:** Sempra Energy is a holding co. for San Diego Gas & Electric Company, which sells electricity & gas mainly in San Diego County, & Southern California Gas Company, which distributes gas to most of Southern California. Owns 80% of Oncor (acq'd 3/18), which distributes electricity in Texas. Customers: 5.2 million electric, 6.9 million gas. Electric revenue breakdown not available. Purchases most of its power; the rest is gas. Has nonutility subsidiaries, incl. IEnova (67% owned) in Mexico. Sold commodities business in '10. Power costs: 25% of revenues. '19 reported deprec. rates: 2.5%-6.6%. Has 14,000 employees. Chairman, President & CEO: Jeffrey W. Martin. Inc.: CA. Address: 488 8th Ave., San Diego, CA 92101. Tel.: 619-696-2000. Internet: www.sempra.com.

**Sempra Energy has completed the sales of its South American utilities.** For the past two years, the company has been selling assets in order to narrow its operational and geographic focus, concentrating on the United States and Mexico. The divestitures of the utilities in Chile and Peru completed this process. The two sales raised $5.8 billion, which will be used for debt reduction at the parent level and capital spending. The aftertax gain on the sales is estimated at $1.7 billion-$1.8 billion. This will be excluded from our earnings presentation as income from discontinued operations. The profits from these utilities while Sempra still owned them is also included in discontinued operations, but the company is including this in its 2020 earnings guidance of $6.70-$7.50 a share. This will probably contribute $0.25 a share, give or take a few cents. Management is guiding Wall Street toward the upper end of the range. Note that the weak economy does not have a major effect on Sempra's results because utilities in California operate under a regulatory mechansim that decouples sales and volume.

**The Cameron liquefied natural gas facility on the Gulf Coast is close to completion.** The first two trains are up and running, and the third should begin operating in the current quarter. This is expected to provide net profit of $400 million-$450 million annually, beginning in 2021. In this segment, Sempra does not take commodity or volumetric risk, and has long-term contracts with creditworthy counterparties.

**Earnings will likely advance solidly this year and next.** Sempra's utilities in California and Texas are benefiting from rate relief. As mentioned above, the Cameron facility will make a significant contribution next year. Our 2021 earnings estimate of $7.75 a share is within the company's targeted range of $7.50-$8.10. The share count will likely rise in 2021.

**This timely stock has a dividend yield that is about average for a utility.** The share price has fallen 21% this year, more than most utility issues. Total return potential is above average for the 18-month span but unspectacular for the 3- to 5-year period.

*Paul E. Debbas, CFA* *July 24, 2020*

(A) Diluted EPS. Excl. nonrec. gains (losses): '09, (26¢); '10, ($1.05); '11, $1.15; '12, (98¢); '13, (30¢); '15, 14¢; '16, $1.23; '17, (17¢); '18, ($2.06); '19, 16¢; gain (losses) from disc. ops.: '06, $1.21; '07, (10¢); '19, 95¢; '20, *$6.65*. Next earnings report due early Aug. (B) Div'ds paid mid-Jan., Apr., July, Oct. ■ Div'd reinvestment plan avail. (C) Incl. intang. In '19: $13.37/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate all'd on com. eq.: SDG&E in '20: 10.2%; SoCalGas in '20: 10.05%; earned on avg. com. eq., '19: 10.4%. Regulatory Climate: Average.

| | |
|---|---|
| Company's Financial Strength | A |
| Stock's Price Stability | 85 |
| Price Growth Persistence | 75 |
| Earnings Predictability | 70 |

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