# CENTERPOINT EN'RGY NYSE-CNP

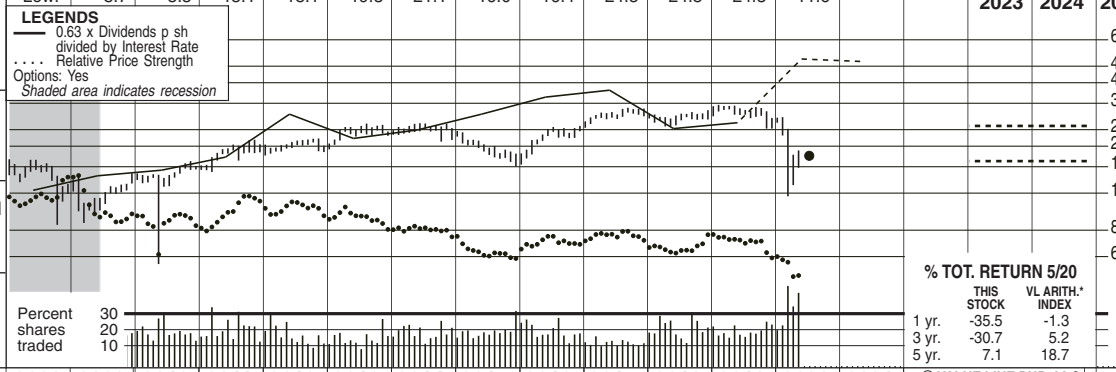
| RECENT PRICE | P/E RATIO | | RELATIVE P/E RATIO | DIV'D YLD | |
|---|---|---|---|---|---|
| 18.05 | 13.4 | (Trailing: 10.2 Median: 18.0) | 0.68 | 3.3% | VALUE LINE |

**TIMELINESS** 4 Lowered 5/29/20
**SAFETY** 3 Lowered 12/18/15
**TECHNICAL** 3 Raised 5/29/20
**BETA** 1.15 (1.00 = Market)

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 14.9 | 17.0 | 21.5 | 21.8 | 25.7 | 25.8 | 23.7 | 25.0 | 30.5 | 29.6 | 31.4 | 27.5 |
| Low: | 8.7 | 5.5 | 15.1 | 18.1 | 19.3 | 21.1 | 16.0 | 16.4 | 24.5 | 24.8 | 24.3 | 11.6 |

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

**LEGENDS**
— 0.63 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) |
|---|---|
| $13-$34 | $24 (30%) |

**2023-25 PROJECTIONS**

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 25 | (+40%) | 11% |
| Low | 17 | (-5%) | 3% |

**Institutional Decisions**

| | 3Q2019 | 4Q2019 | 1Q2020 |
|---|---|---|---|
| to Buy | 274 | 259 | 266 |
| to Sell | 307 | 305 | 293 |
| Hld's(000) | 402169 | 421555 | 413899 |

**% TOT. RETURN 5/20**

| | THIS STOCK | VL ARITH.* INDEX |
|---|---|---|
| 1 yr. | -35.5 | -1.3 |
| 3 yr. | -30.7 | 5.2 |
| 5 yr. | 7.1 | 18.7 |

| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | © VALUE LINE PUB. LLC | 23-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 27.63 | 31.33 | 29.71 | 29.82 | 32.71 | 21.14 | 20.69 | 19.83 | 17.43 | 18.90 | 21.51 | 17.18 | 17.48 | 22.30 | 21.13 | 24.49 | *13.05* | *13.60* | Revenues per sh | *12.50* |
| 2.56 | 2.72 | 3.47 | 3.39 | 3.42 | 2.94 | 3.14 | 3.43 | 3.89 | 3.54 | 3.85 | 3.40 | 3.68 | 4.03 | 3.24 | 4.12 | *3.55* | *3.80* | "Cash Flow" per sh | *4.00* |
| .61 | .67 | 1.33 | 1.17 | 1.30 | 1.01 | 1.07 | 1.27 | 1.35 | 1.24 | 1.42 | 1.08 | 1.00 | 1.57 | .74 | 1.49 | *1.35* | *1.45* | Earnings per sh A | *1.65* |
| .40 | .40 | .60 | .68 | .73 | .76 | .78 | .79 | .81 | .83 | .95 | .99 | 1.03 | 1.35 | 1.12 | .86 | *.74* | *.64* | Div'd Decl'd per sh B ■ | *.80* |
| 1.72 | 2.23 | 3.21 | 3.45 | 2.95 | 2.96 | 3.55 | 3.06 | 2.84 | 3.00 | 3.20 | 3.68 | 3.28 | 3.31 | 3.29 | 4.99 | *4.75* | *4.85* | Cap'l Spending per sh | *4.25* |
| 3.59 | 4.18 | 4.96 | 5.61 | 5.89 | 6.74 | 7.53 | 9.91 | 10.06 | 10.09 | 10.60 | 8.05 | 8.03 | 10.88 | 12.53 | 13.10 | *11.20* | *12.10* | Book Value per sh C | *15.50* |
| 308.05 | 310.33 | 313.65 | 322.72 | 346.09 | 391.75 | 424.70 | 426.03 | 427.44 | 429.00 | 429.00 | 430.00 | 430.68 | 431.04 | 501.20 | 502.24 | *545.00* | *545.00* | Common Shs Outst'g D | *640.00* |
| 17.8 | 19.1 | 10.3 | 15.0 | 11.3 | 11.8 | 13.8 | 14.6 | 14.8 | 18.7 | 17.0 | 18.1 | 21.9 | 17.9 | NMF | 19.5 | *Bold figures are* | | Avg Ann'l P/E Ratio | *13.0* |
| .94 | 1.02 | .56 | .80 | .68 | .79 | .88 | .92 | .94 | 1.05 | .89 | .91 | 1.15 | .90 | NMF | 1.04 | *Value Line* | | Relative P/E Ratio | *.70* |
| 3.7% | 3.1% | 4.4% | 3.9% | 5.0% | 6.4% | 5.3% | 4.3% | 4.0% | 3.6% | 3.9% | 5.1% | 4.7% | 4.8% | 4.1% | 3.0% | *estimates* | | Avg Ann'l Div'd Yield | *3.8%* |

**CAPITAL STRUCTURE as of 3/31/20**
**Total Debt** $15256 mill. **Due in 5 Yrs** $8828 mill.
**LT Debt** $13830 mill. **LT Interest** $698 mill.
Incl. $710 mill. securitized transition & system restoration bonds.
(LT interest earned: 2.7x)
**Leases, Uncapitalized** Annual rentals $6 mill.
**Pension Assets-12/19** $2005 mill. **Oblig** $2453 mill.
**Pfd Stock** $1778 mill. **Pfd Div'd** $117 mill.
800,000 shs. 6.125%, cum., 977,500 shs. 7%, cum., all with liquidation value of $1000.
**Common Stock** 502,656,951 shs. **as of 5/1/20**
**MARKET CAP: $9.1 billion (Large Cap)**

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | | 23-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8785.0 | 8450.0 | 7452.0 | 8106.0 | 9226.0 | 7386.0 | 7528.0 | 9614.0 | 10589 | 12301 | *7100* | *7400* | Revenues ($mill) | *8000* |
| 442.0 | 546.0 | 581.0 | 536.0 | 611.0 | 465.0 | 432.0 | 679.0 | 368.0 | 871.0 | *900* | *990* | Net Profit ($mill) | *1100* |
| 37.3% | 33.6% | 33.4% | 31.4% | 31.0% | 35.1% | 37.0% | 36.1% | 28.4% | 14.9% | *15.0%* | *15.0%* | Income Tax Rate | *15.0%* |
| 2.7% | 1.6% | 2.6% | 3.5% | 4.1% | 4.7% | 3.5% | 2.9% | 5.4% | 6.7% | *7.0%* | *6.0%* | AFUDC % to Net Profit | *5.0%* |
| 73.8% | 67.2% | 66.0% | 64.4% | 63.8% | 69.5% | 68.5% | 63.6% | 51.9% | 63.0% | *59.0%* | *58.5%* | Long-Term Debt Ratio | *57.0%* |
| 26.2% | 32.8% | 34.0% | 35.6% | 36.2% | 30.5% | 31.5% | 36.4% | 37.5% | 29.1% | *29.0%* | *30.5%* | Common Equity Ratio | *40.0%* |
| 12199 | 12863 | 12658 | 12146 | 12557 | 11362 | 10992 | 12883 | 16740 | 22603 | *20900* | *21725* | Total Capital ($mill) | *24700* |
| 11732 | 12402 | 13597 | 9593.0 | 10502 | 11537 | 12307 | 13057 | 14044 | 20945 | *22600* | *24225* | Net Plant ($mill) | *28700* |
| 6.1% | 6.4% | 6.8% | 6.3% | 6.7% | 6.1% | 5.8% | 6.8% | 3.4% | 5.1% | *6.0%* | *6.0%* | Return on Total Cap'l | *6.0%* |
| 13.8% | 12.9% | 13.5% | 12.4% | 13.4% | 13.4% | 12.5% | 14.5% | 4.6% | 10.4% | *10.5%* | *11.0%* | Return on Shr. Equity | *10.5%* |
| 13.8% | 12.9% | 13.5% | 12.4% | 13.4% | 13.4% | 12.5% | 14.5% | 5.3% | 11.5% | *12.5%* | *12.5%* | Return on Com Equity E | *10.5%* |
| 3.8% | 5.0% | 5.5% | 4.2% | 4.5% | 1.1% | NMF | 4.7% | NMF | 2.7% | *6.0%* | *7.0%* | Retained to Com Eq | *5.5%* |
| 72% | 62% | 60% | 66% | 67% | 92% | 103% | 68% | NMF | 80% | *60%* | *52%* | All Div'ds to Net Prof | *51%* |

**ELECTRIC OPERATING STATISTICS**

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| % Change Retail Sales (KWH) | +2.1 | +2.0 | +6.7 |
| Avg. Indust. Use (MWH) | NA | NA | NA |
| Avg. Indust. Revs. per KWH (¢) | NA | NA | NA |
| Capacity at Peak (Mw) | NA | NA | NA |
| Peak Load, Summer (Mw) | NA | NA | NA |
| Annual Load Factor (%) | NA | NA | NA |
| % Change Customers (avg.) | +1.7 | +1.7 | +7.9 |
| Fixed Charge Cov. (%) | 269 | 167 | 152 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '17-'19 to '23-'25 |
|---|---|---|---|
| Revenues | -2.0% | 3.5% | *-9.5%* |
| "Cash Flow" | 1.5% | - - | *1.0%* |
| Earnings | 1.0% | -1.0% | *4.5%* |
| Dividends | 4.5% | 5.0% | *-5.5%* |
| Book Value | 7.0% | 3.5% | *4.0%* |

| Cal-endar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun. 30 | Sep. 30 | Dec. 31 | Full Year |
|---|---|---|---|---|---|
| 2017 | 2735 | 2143 | 2098 | 2638 | 9614.0 |
| 2018 | 3155 | 2186 | 2212 | 3036 | 10589 |
| 2019 | 3531 | 2798 | 2742 | 3230 | 12301 |
| 2020 | 2167 | *1500* | *1500* | *1933* | *7100* |
| 2021 | *2250* | *1550* | *1550* | *2050* | *7400* |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun. 30 | Sep. 30 | Dec. 31 | Full Year |
|---|---|---|---|---|---|
| 2017 | .44 | .31 | .39 | .43 | 1.57 |
| 2018 | .38 | d.17 | .35 | .18 | .74 |
| 2019 | .28 | .33 | .47 | .41 | 1.49 |
| 2020 | .56 | *.25* | *.34* | *.20* | *1.35* |
| 2021 | *.50* | *.30* | *.40* | *.25* | *1.45* |

| Cal-endar | QUARTERLY DIVIDENDS PAID B ■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2016 | .2575 | .2575 | .2575 | .2575 | 1.03 |
| 2017 | .2675 | .2675 | .2675 | .2675 | 1.07 |
| 2018 | .2775 | .2775 | .2775 | .2775 | 1.11 |
| 2019 | .2875 | .2875 | .2875 | .2875 | 1.15 |
| 2020 | .29 | .15 | | | |

**BUSINESS:** CenterPoint Energy, Inc. is a holding company for Houston Electric, which serves 2.5 million customers in Houston and environs, Indiana Electric, which serves 148,000 customers, and gas utilities with 4.6 million customers in Texas, Minnesota, Arkansas, Louisiana, Oklahoma, Indiana, and Ohio. Owns 53.7% of Enable Midstream Partners. Has nonutility operations that are in the process of being sold. Acquired Vectren 2/19. Electric revenue breakdown not available. Fuel costs: 46% of revenues. '19 depreciation rate: 4.3%. Has 14,300 employees. Chairman: Milton Carroll. Interim President & CEO: John W. Somerhalder II. Inc.: TX. Address: 1111 Louisiana, P.O. Box 4567, Houston, TX 77210-4567. Tel.: 713-207-1111. Internet: www.centerpointenergy.com.

**CenterPoint Energy has received a significant equity infusion.** Various investors purchased $675 million of common stock and $725 million of mandatorily convertible preferred stock. The company expects this to cover its expected equity needs through 2022. Two board members were added, and will be part of a five-man committee that will make recommendations to the board of directors by October.

**The stock reacted favorably to the news.** The price rose more than 10% on the day of the announcement. Even so, the quotation is down 34% so far this year—much more than most utility issues. A sizable decline in the value of CenterPoint's 53.7% stake in Enable Midstream Partners, a natural gas master limited partnership, is reflected in the quotation. In fact, in the first quarter CenterPoint took a $1.2 billion aftertax charge to write down its stake in Enable and a separate $185 million goodwill writedown at Vectren, which it bought in early 2019. The equity is also feeling the effects of a harsh rate order at Houston Electric and a cut in the quarterly dividend from $0.29 a share to $0.15. Note that CenterPoint is operating with interim chief executive and chief financial officers.

**Two asset sales were completed in the second quarter.** CenterPoint sold its infrastructure services business for aftertax proceeds of $670 million. The sale of its energy services operation brought in $286 million, nearly $100 million less than previously expected due to changes in commodity prices. The cash is being used for debt retirement. These are accounted for as discontinued operations. The sales will be modestly dilutive to earnings.

**In light of everything mentioned above, the direct effects of the weak economy aren't a big investment consideration.** CenterPoint will defer for future recovery most (if not all) of its coronavirus-related costs. However, the company estimates the reduction in commercial and industrial kilowatt-hour sales will hurt share net by $0.05-$0.08 in 2020.

**The untimely stock is of little interest to near-term investors.** The dividend yield is a cut below the utility mean. There is some appeal for the 18-month span, but not so much for the 3- to 5-year period.

*Paul E. Debbas, CFA* *June 12, 2020*

(A) Diluted EPS. Excl. extraord. gains (losses): '04, ($2.72); '05, 9¢; '11, $1.89; '12, (38¢); '13, (52¢); '15, ($2.69); '17, $2.56; '20, $2.71; losses on disc. ops.: '04, 37¢; '05, 1¢; '20, 29¢. Next earnings report due early Aug. (B) Div'ds historically paid in early Mar., June, Sept. & Dec. 5 declarations in '17, 3 in '19. ■ Div'd reinvest. plan avail. (C) Incl. intang. In '19: $15.14/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. (elec.) in '20: 9.4%; (gas): 9.45%-11.25%; earned on avg. com. eq., '19: 11.6%. Regulatory Climate: Avg.

| | |
|---|---|
| Company's Financial Strength | B+ |
| Stock's Price Stability | 75 |
| Price Growth Persistence | 35 |
| Earnings Predictability | 45 |

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