SOUTHERN COMPANY NYSE-SO

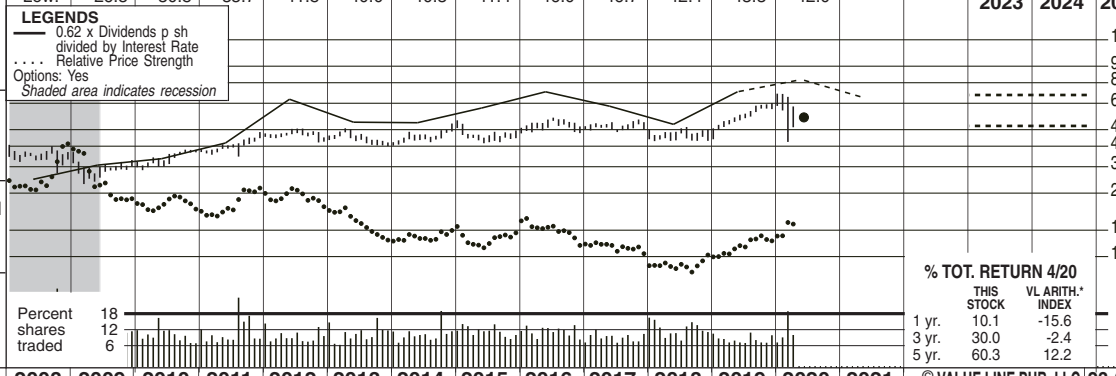
RECENT PRICE **54.92** | P/E RATIO **17.7** (Trailing: 17.0 / Median: 16.0) | RELATIVE P/E RATIO **1.07** | DIV'D YLD **4.7%** | VALUE LINE

TIMELINESS 3 Raised 3/2/18
SAFETY 2 Lowered 2/21/14
TECHNICAL 1 Raised 5/15/20
BETA .90 (1.00 = Market)

High:	37.6	38.6	46.7	48.6	48.7	51.3	53.2	54.6	53.5	49.4	64.3	71.1
Low:	26.5	30.8	35.7	41.8	40.0	40.3	41.4	46.0	46.7	42.4	43.3	42.0

Target Price Range 2023 | 2024 | 2025

LEGENDS
— 0.62 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)
$40-$94	$67 (20%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+25%)	10%
Low	50	(-10%)	3%

Institutional Decisions

	2Q2019	3Q2019	4Q2019
to Buy	592	592	661
to Sell	507	531	564
Hld's(000)	612834	623889	633480

% TOT. RETURN 4/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	10.1	-15.6
3 yr.	30.0	-2.4
5 yr.	60.3	12.2

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
16.05	18.28	19.24	20.12	22.04	19.21	20.70	20.41	19.06	19.26	20.34	19.18	20.09	22.86	22.73	20.34	*18.85*	*19.80*	Revenues per sh	*22.75*
3.65	4.03	4.01	4.22	4.43	4.43	4.51	4.91	5.18	5.27	5.28	5.47	5.69	6.64	6.41	6.33	*6.40*	*6.75*	"Cash Flow" per sh	*7.75*
2.06	2.13	2.10	2.28	2.25	2.32	2.36	2.55	2.67	2.70	2.77	2.84	2.83	3.21	3.00	3.17	*3.10*	*3.25*	Earnings per sh A	*3.75*
1.42	1.48	1.54	1.60	1.66	1.73	1.80	1.87	1.94	2.01	2.08	2.15	2.22	2.30	2.38	2.46	*2.54*	*2.62*	Div'd Decl'd per sh B ■	*2.86*
2.85	3.20	4.01	4.65	5.10	5.70	4.85	5.23	5.54	6.16	6.58	6.22	7.38	7.37	7.74	7.17	*8.70*	*7.45*	Cap'l Spending per sh	*6.50*
13.86	14.42	15.24	16.23	17.08	18.15	19.21	20.32	21.09	21.43	21.98	22.59	25.00	23.98	23.92	26.11	*26.65*	*27.30*	Book Value per sh C	*30.75*
741.50	741.45	746.27	763.10	777.19	819.65	843.34	865.13	867.77	887.09	907.78	911.72	990.39	1007.6	1033.8	1053.3	*1060.0*	*1060.0*	Common Shs Outst'g D	*1090.0*
14.7	15.9	16.2	16.0	16.1	13.5	14.9	15.8	17.0	16.2	16.0	15.8	17.8	15.5	15.1	17.6	*Bold figures are*		Avg Ann'l P/E Ratio	*16.0*
.78	.85	.87	.85	.97	.90	.95	.99	1.08	.91	.84	.80	.93	.78	.82	.95	*Value Line*		Relative P/E Ratio	*.90*
4.7%	4.4%	4.5%	4.4%	4.6%	5.5%	5.1%	4.6%	4.3%	4.6%	4.7%	4.8%	4.4%	4.6%	5.3%	4.4%	*estimates*		Avg Ann'l Div'd Yield	*4.7%*

CAPITAL STRUCTURE as of 3/31/20
Total Debt $47754 mill. **Due in 5 Yrs** $12821 mill.
LT Debt $44235 mill. **LT Interest** $1583 mill.
(LT interest earned: 3.4x)
Leases, Uncapitalized Annual rentals $289 mill.
Pension Assets-12/19 $14057 mill.
Oblig $14788 mill.
Pfd Stock $291 mill. **Pfd Div'd** $15 mill.
Incl. 10 mill. shs. 5.83% cum. pfd. ($25 stated value); 475,115 shs. 4.2%-5.44% cum. pfd. ($100 par).

Common Stock 1,055,955,711 shs.
MARKET CAP: $58 billion (Large Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
17456	17657	16537	17087	18467	17489	19896	23031	23495	21419	*20000*	*21000*	Revenues ($mill)	*24300*
2040.0	2268.0	2415.0	2439.0	2567.0	2647.0	2757.0	3269.0	3096.0	3354.0	*3310*	*3495*	Net Profit ($mill)	*4200*
33.5%	35.0%	35.6%	34.8%	33.8%	33.4%	28.5%	25.2%	21.3%	15.9%	*15.5%*	*15.5%*	Income Tax Rate	*15.5%*
13.7%	10.2%	9.4%	11.6%	13.9%	13.2%	11.9%	7.6%	6.8%	6.0%	*8.0%*	*6.0%*	AFUDC % to Net Profit	*5.0%*
51.2%	50.0%	49.9%	51.5%	49.5%	52.8%	61.5%	64.5%	62.0%	60.1%	*60.5%*	*61.5%*	Long-Term Debt Ratio	*60.0%*
45.7%	47.1%	47.3%	45.8%	47.3%	44.0%	35.7%	35.0%	37.6%	39.5%	*39.0%*	*38.0%*	Common Equity Ratio	*39.5%*
35438	37307	38653	41483	42142	46788	69359	68953	65750	69594	*72375*	*76125*	Total Capital ($mill)	*84300*
42002	45010	48390	51208	54868	61114	78446	79872	80797	83080	*88775*	*93025*	Net Plant ($mill)	*103500*
7.0%	7.2%	7.3%	6.8%	7.1%	6.6%	4.9%	5.9%	5.9%	6.0%	*5.5%*	*6.0%*	Return on Total Cap'l	*6.0%*
11.8%	12.2%	12.5%	12.1%	12.1%	12.0%	10.3%	13.3%	12.4%	12.1%	*11.5%*	*12.0%*	Return on Shr. Equity	*12.5%*
12.2%	12.5%	12.8%	12.5%	12.5%	12.6%	11.0%	13.4%	12.5%	12.1%	*11.5%*	*12.0%*	Return on Com Equity E	*12.5%*
3.0%	3.4%	3.6%	3.2%	3.2%	3.1%	2.5%	3.9%	2.6%	2.8%	*2.0%*	*2.5%*	Retained to Com Eq	*3.0%*
77%	73%	73%	75%	75%	76%	78%	72%	79%	77%	*82%*	*80%*	All Div'ds to Net Prof	*75%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	-2.6	+3.6	-8.5
Avg. Indust. Use (MWH)	3016	3048	2947
Avg. Indust. Revs. per KWH (¢)	6.18	6.04	6.03
Capacity at Yearend (Mw)	46936	45824	41940
Peak Load, Summer (Mw) F	34874	36429	34209
Annual Load Factor (%)	61.4	61.2	60.3
% Change Customers (yr-end)	+1.0	+1.0	-8.9
Fixed Charge Cov. (%)	318	280	281

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	.5%	2.5%	*Nil*
"Cash Flow"	4.0%	4.5%	*3.0%*
Earnings	3.0%	3.0%	*3.0%*
Dividends	3.5%	3.5%	*3.0%*
Book Value	3.5%	3.0%	*3.5%*

Cal-endar	QUARTERLY REVENUES (mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	5771	5430	6201	5629	23031
2018	6372	5627	6159	5337	23495
2019	5412	5098	5995	4914	21419
2020	5018	*4482*	*5500*	*5000*	*20000*
2021	*5200*	*4800*	*5800*	*5200*	*21000*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.73	.73	1.08	.67	3.21
2018	.99	.71	1.13	.17	3.00
2019	.75	.85	1.25	.32	3.17
2020	.81	*.64*	*1.25*	*.40*	*3.10*
2021	*.85*	*.70*	*1.30*	*.40*	*3.25*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.5425	.56	.56	.56	2.22
2017	.56	.58	.58	.58	2.30
2018	.58	.60	.60	.60	2.38
2019	.60	.62	.62	.62	2.46
2020	.62	.64			

BUSINESS: The Southern Company, through its subs., supplies electricity to 4.3 mill. customers in GA, AL, and MS. Also has a competitive generation business. Acq'd AGL Resources (renamed Southern Company Gas, 4.3 mill. customers in GA, NJ, IL, VA, & TN) 7/16. Sold Gulf Power 1/19. Electric rev. breakdown: residential, 37%; commercial, 30%; industrial, 19%; other, 14%. Retail revs. by state: GA, 56%; AL, 38%; MS, 6%. Generating sources: gas, 47%; coal, 20%; nuclear, 15%; other, 9%; purchased, 9%. Fuel costs: 34% of revs. '19 reported depr. rates (util.): 2.6%-3.7%. Has 27,900 empls. Chairman, Pres. and CEO: Thomas A. Fanning. Inc.: DE. Address: 30 Ivan Allen Jr. Blvd., N.W., Atlanta, GA 30308. Tel.: 404-506-0747. Internet: www.southerncompany.com.

Southern Company's Georgia Power subsidiary believes it can complete its nuclear construction project on schedule and on budget, despite the disruption caused by coronavirus. The utility is adding two units (45.7%-owned) at the site of the Vogtle station. Units 3 and 4 are scheduled to be completed by November of 2021 and 2022, respectively. As of March 31st, the expected capital cost to complete the project was $2.2 billion. This includes the company's entire cost contingency, which is expected to absorb the effects of the coronavirus-related workforce reduction of 20%. But there is no margin for error in the construction cost if other unanticipated problems emerge.

The weak economy will hurt kilowatt-hour sales and the company's profitability. Management estimates a $250 million-$400 million reduction in margin, mostly in the second and third quarters. Accordingly, we have lowered our 2020 earnings estimate by $0.10 a share, to $3.10. This is the low end of Southern Company's targeted range of $3.10-$3.22, which was issued in February. At least the company is benefiting from rate increases at Georgia Power, Atlanta Gas Light, and Nicor Gas (in Illinois).

We estimate an earnings increase in a mid-single-digit range in 2021. The economy should be in better shape next year. Georgia Power will also benefit from the second phase ($181 million) of a three-year rate increase. Even so, we trimmed our estimate by $0.10 a share, as any economic growth will come of a lower base.

The board of directors raised the dividend in the second quarter. The increase was $0.02 a share (3.2%) quarterly, continuing the practice of the past three years. We project similar dividend growth over the 2023-2025 period.

Southern Company stock was the top performer in the electric utility industry in 2019, but has moved in line with the group so far this year. The price has declined 14%. The dividend yield is roughly one percentage point above the utility mean. However, total return potential for the 18-month and 3- to 5-year periods is unexciting. What's more, investors must be willing to accept the risks associated with the nuclear construction project.

Paul E. Debbas, CFA *May 15, 2020*

(A) Diluted EPS. Excl. nonrec. gain (losses): '09, (25¢); '13, (83¢); '14, (59¢); '15, (25¢); '16, (28¢); '17, ($2.37); '18, (78¢); '19, $1.30. Next earnings report due late July. **(B)** Div'ds paid in early Mar., June, Sept., and Dec. ■ Div'd reinvest. plan avail. **(C)** Incl. def'd charges. In '19: $17.64/sh. **(D)** In mill. **(E)** Rate base: AL, MS, fair value; FL, GA, orig. cost. Allowed return on common equity (blended): 12.5%; earned on avg. com. eq., '19: 13.0%. Regulatory Climate: GA, AL Above Average; MS, FL Average. **(F)** Winter peak in '18.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	30
Earnings Predictability	85

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