



## Southern (SO:NYS) Fundamental Valuation Report

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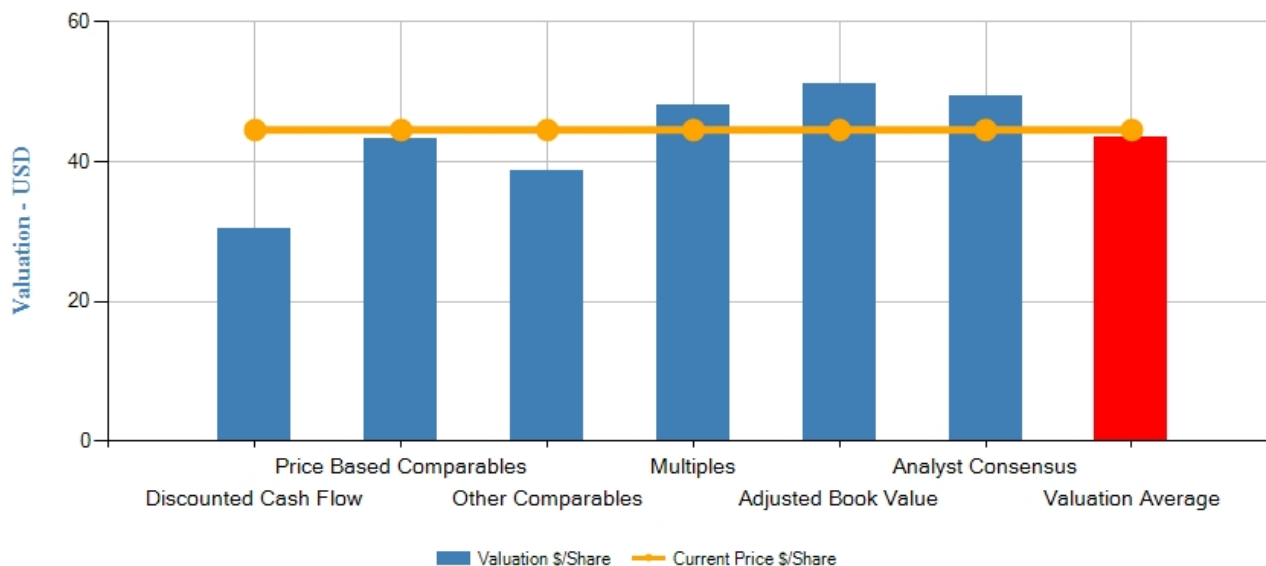
**Valuation Summary:** Southern \$44.56 (USD) Close Price as of 15/02/2018

Based on the analysis conducted in this report, **Southern**, (SO:NYS) is found to be **Undervalued**.

Company	Southern
Symbol:Exchange	SO:NYS
Industry	Utilities:Utilities-Regulated Electric
Close Price/Date	\$44.56 (USD) 15/02/2018
Weighted Average Valuation	<b>\$48.98 (USD)</b>
Summary	SO:NYS is found to be <b>Undervalued</b> by 9.9% using the 3 valuation models shown below.
Valuation Models Used (in order of importance)	Analyst Consensus: \$49.38 (USD) Adjusted Book Value: \$51.23 (USD) Comparables: \$43.31 (USD)
Valuation Methods Analysis	This company is:
Cash Flow Basis:	<b>Overvalued</b> on a Cash Flow Valuation basis
Comparable Company Basis:	<b>Fairly valued</b> on a Comparable Valuation basis
Asset Basis:	<b>Undervalued</b> on an Asset Valuation basis

## Valuation Details

### Southern Valuations



We have up to 6 valuation points for each company. Details are at the bottom of the report.

## Discounted Cash Flow and Sensitivity Analysis for SO:NYS

Using a discounted cash flow model we generated an intrinsic value of **\$30.31 (USD)** for **SO:NYS**

### Sensitivity Analysis

(showing how changes in the input variables impact the DCF calculation)

SO:NYS	Current Values	Valuation If Dropped *		Valuation If Raised *	
		1%	5%	1%	5%
Calculated Value:	\$30.31	1%	5%	1%	5%
WACC (or Ke)	2.60	\$81.99		\$7.49	
Terminal Growth Rate	0.00	\$9.17		\$77.84	
Tax Rate	0.27		\$36.59		\$24.03
Cash Flow	8,770,800,000		\$18.13		\$42.50
Capital Expenditures	-6,190,400,000		\$22.00		\$38.63
Long Term Debt	45,474,000,000		\$32.58		\$28.05

\* Changes are absolute: ex WACC from 8% to 7%

## Comparables Model

Using similar companies and price based ratios we generated a valuation of **\$43.31 (USD)** for **SO:NYS**. We also generated a valuation of **\$38.65 (USD)** using other metrics and comparables. The comparable companies were American Electric Power (AEP:NYS), CMS Energy (CMS:NYS), Consolidated Edison (ED:NYS), Edison Intl (EIX:NYS) and WEC Energy Group (WEC:NYS)

Company SO:NYS	End Date Value	Price Based on Comps	Adjustment Factor (%)
Earnings/Share	\$0.52 (USD)	\$10.14 (USD)	26.6
Book Value/Share	\$24.00 (USD)	\$47.32 (USD)	12.3
Sales/Share	\$22.52 (USD)	\$45.71 (USD)	28.1
Cash Flow/Share	\$5.83 (USD)	\$43.09 (USD)	13.0
EBITDA/Share	\$0.00 (USD)	\$0.00 (USD)	20.2

SO:NYS	Ratios Used	Average Values	AEP:NYS	CMS:NYS	ED:NYS	EIX:NYS	WEC:NYS
85.69	PE Ratio	19.50	17.41	26.67	19.42	13.85	20.17
1.86	PB Ratio	1.97	1.82	2.78	1.58	1.58	2.10
1.98	PS Ratio	2.03	2.13	1.87	1.93	1.65	2.57
7.64	PCF Ratio	7.39	7.77	7.20	7.07	5.74	9.14
15.47	EV to EBITDA	9.69	9.90	10.27	9.76	7.61	10.90

## Multiples

Using a multiples approach we generated a valuation of **\$48.00 (USD)** for **SO:NYS**

Company SO:NYS	End Date Value	Price Based on Comps	Adjustment Factor
Earnings/Share	\$0.52 (USD)	\$10.04 (USD)	0
Book Value/Share	\$24.00 (USD)	\$49.20 (USD)	0
Sales/Share	\$22.52 (USD)	\$52.37 (USD)	0
Cash Flow/Share	\$5.83 (USD)	\$43.77 (USD)	0
EBITDA/Share	\$7.70 (USD)	\$84.62 (USD)	0

Ratios	Ratio Average
PE Ratio	19.31
PB Ratio	2.05
PS Ratio	2.33
PCF Ratio	7.50
EV to EBITDA	10.99

## Adjusted Book Value versus Historical Price to Book

The average the Price to Book ratio for **SO:NYS** for the last 10 years was **2.05**

We ran the Adjusted Book Value for **SO:NYS** and generated a book value of **\$25.00 (USD)** By multiplying these we get an adjusted valuation of **\$51.23 (USD)**

## Analyst Data

In the Stockcalc database there are 4 analysts that provide a valuation for **SO:NYS**. The 4 analysts have a consensus valuation for **SO:NYS** for 2018 of **\$49.38 (USD)**.

### SO:NYS Southern

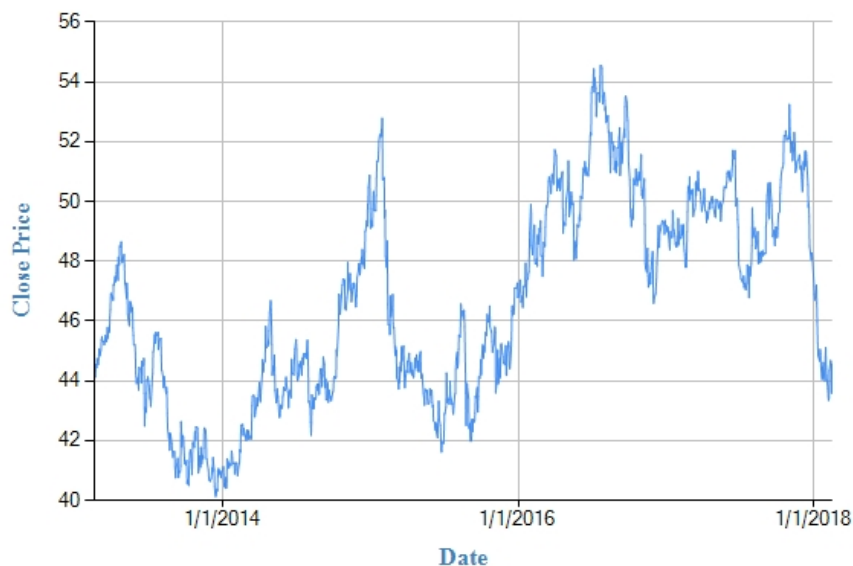
Analyst Recommendation					
Buy	Hold	Sell	Rating (of 5)	Guidance	As Of
2	3	0	3.8333	Outperform	2018-2-14

Current Price: not available

Analyst Consensus			
USD Millions	2017	2018	2019
Mean EPS	2.95	3.02	3.13
# EPS Analysts	5	5	3
Mean Revenue	23,651.20	24,056.80	23,752.00
# Revenue Analysts	3	3	2
Mean Target Price		49.38	
Mean Cash Flow	6.45	6.70	7.07
Mean EBITDA	8,415.00	8,653.00	8,770.80
Mean Net Income	2,961.30	3,090.70	3,232.00
Mean Debt Outstanding	-48,595.80	-51,128.60	-54,259.90
Mean Tax Rate	30.40	20.60	20.50
Mean Growth Rate		4.46	
Mean Capital Expenditure	9,000.00	8,540.00	7,880.00

## Company Overview (SO:NYS USD)

Price	44.56
Range	43.73 - 44.57
52 week	43.34 - 53.25
Open	43.85
Vol / Avg.	8.25M/2.19M
Mkt cap	44.72B
P/E	85.69
Div/yield	2.32/0.05
EPS	2.55
Shares	1B
Beta	0.21



## Detailed Company Description

Southern Co is an electricity generating company that distributes electricity and natural gas to approximately 9 million customers in nine states. It provides services in few of the Southeastern states. It also owns about 50 GW of generating capacity.

## Explanation of Valuation Models

We have up to 6 valuation points for each company in the database.

The **Discounted Cash Flow (DCF)** valuation is a cash flow model where cash flow projections are discounted back to the present to calculate value per share. DCF is a common valuation technique especially for companies undergoing irregular cash flows such as resource companies (mining, forestry, oil and gas) going through price cycles or smaller companies about to generate cash flow (junior exploration companies, junior pharma, technology firms...).

The **Price Comparables** valuation is the result of valuing the company we are looking at on the basis of ratios from selected comparable companies: Price to Earnings, Price to Book, Price to Sales, Price to Cash Flow, Enterprise Value (EV) to EBITDA. Each of these ratios for the selected comparable companies are averaged and multiplied by the values for the company we are interested in to calculate a value per share for our selected company.

We have included the **Other Comparables** as a way to value companies that cannot be valued using Earnings based ratios. This technique is very useful for companies still experiencing negative cash flows such as mining exploration firms. We use Cash/Share, Book Value/Share, MarketCap, 1 Year Return, NetPPE as the ratios here. Each of these ratios for the selected comparable companies are averaged and multiplied by the values for the company we are interested in to calculate a value per share for our selected company.

**Multiples** are similar to Price comparables where we look at current or historic ratios for the company in question to assess what it should be worth today based on those historic ratios. We use the same 5 ratios as in the price comparables and value the company with its historic averages.

With **Adjusted Book Value (ABV)** we calculate the book value per share for the company based on its balance sheet and multiply that book value per share by its historical price to book ratio to calculate a value per share.

If we have **Analyst coverage** for the company we use the consensus target price here.

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