

CONSOLIDATED EDISON, INC.



(as at May 31, 2020)

Business Description:

Consolidated Edison, Inc., through its subsidiaries, engages in regulated electric, gas, and steam delivery businesses in the United States. The company offers electric services to customers in New York City and Westchester County; gas to customers in Manhattan, the Bronx, parts of Queens, and Westchester County; and steam to customers in parts of Manhattan. It also supplies electricity to southeastern New York, and northern New Jersey; and gas to customers in southeastern New York. The company operates transmission lines, transmission substations, distribution substations, in-service line transformers, overhead distribution lines and underground distribution lines. The company was founded in 1823 and is headquartered in New York, NY.

Investment Thesis:

- **Capital Discipline:**
 - Consolidated Edison is one of the largest investor-owned energy delivery companies in the United States, and has a tremendous track record of returning cash to shareholders. As of 2019, their dividend increased for the 45th consecutive year.
 - A core pillar of Consolidated Edison's value-creation strategy is to provide steady earnings while maintaining a robust balance sheet.
- **Low Risk Business:** The largest contributor to the company's earnings is their regulated utilities business.
- **Asset Synergies:** Consolidated Edison possesses certain scale advantages that are difficult to replicate. These stem largely from operating co-owned and co-located assets largely in the Northeastern United States.
- **Safety, sustainability and service:** Consolidated Edison is focused on serving its customers and community while reducing its carbon footprint, promoting workplace safety and optimizing costs. After conducting a company-wide strategic review in 2009, the company is now dedicated to growing its presence in the renewable energy space.

Industry Trends:

- **Progressive Climate Goals:** As climate change threats continue to grow, New York State and New York City are pursuing ambitious environmental goals. Both the city and state have committed to achieving a 40% reduction in greenhouse gas (GHG) emissions by 2030 and an 80% reduction by 2050. As part of this commitment, both governments support the Clean Energy Standard (CES) goal of delivering 50% of electricity from renewables by 2030, as well as goals for energy efficiency, electric vehicles, and energy storage. Consolidated Edison is growing their presence in renewables and will significantly contribute to these climate goals.

- New York Order:

- New York Order is a collaborative initiative that will support energy efficiency businesses and further energy efficiency opportunities for market innovation.
- 2025 statewide energy efficiency end-user savings target of 185 TBtu (trillion British thermal units) in buildings and industrial facilities below the 2025 energy-use forecast
 - Savings would deliver nearly one-third of greenhouse gas emissions reductions needed to meet the 40% reduction goal by 2030
- New York's electric and gas utilities tasked with achieving more in both scale and innovation through energy efficiency activities, including the electrification of heating

- **Technological Advancements:** The energy landscape will be impacted by several key technological innovations, including demand management, solar photovoltaic, energy storage, electric vehicles, data and analytics, and electrification of space-heating. In each area, Consolidated Edison expects technological innovations to significantly shape public policy and customer expectations, which will in turn change the energy industry. In particular, it expects that these innovations will change how electricity is generated and used, advance clean energy goals, improve grid resiliency, and defer traditional transmission and distribution infrastructure investments to meet growing energy demand.

Competition:

- It is less likely that another company would be authorized to provide utility delivery service of electricity, natural gas or steam where the company already provides service. This creates a monopoly for Consolidated Edison in the regions they operate.

Barriers to Entry:

- Highly regulated at both the Federal and State levels
- Capital intensive in nature
- Highly complex portfolio of utility assets that are difficult to replicate.

Officers and Directors:

John McAvoy, Chairman, President and CEO; **Robert Hoglund**, Senior VP and CFO; **Deneen Donnley**, Senior VP and General Counsel

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Financial Summary:

Income Statement (USD millions, full year ended December 31st)

	2015	2016	2017	2018	2019
Total Revenue	12,554	12,075	12,033	12,337	12,574
Operating Income	2,427	2,575	2,774	2,664	2,676
EBITDA	3,581	3,855	4,067	4,040	4,411
Net Income	1,193	1,245	1,525	1,382	1,440
Common Stock Dividends	(733)	(763)	(803)	(842)	(924)

Balance Sheet

Cash	944	776	797	895	981
Long Term Debt	12,006	14,735	14,731	17,495	18,527
Total Equity	13,052	14,306	15,425	16,726	18,213
Net Debt:Total Equity	84.8%	97.6%	90.3%	99.2%	96.3%

Statement of Cash Flow

Cash Flows from Operations	3,277	3,459	3,367	2,695	3,134
Cash Flows from Investing	(3,657)	(4,976)	(3,710)	(5,471)	(3,782)
Cash Flows from Financing	629	1,345	357	2,938	859

Key Ratios and Figures (%)

Operating Margin	19.3%	20.5%	21.7%	20.5%	21.3%
Return on Equity	9.3%	9.1%	10.3%	8.6%	7.7%
Return on Invested Capital	6.1%	5.9%	6.7%	5.8%	5.6%

Source: Yahoo Finance; MorningStar



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PIC3244-E(06/20)