

# Oakwood fund Utilities stock pitch.

Presented by: Senior analyst, **Sultan**  
Analyst's **Mpoki & Tom**



# National grid, NGG



National Grid is a British energy company operating in the UK and US. They deliver electricity and gas safely, reliably and efficiently to the customers and communities, all while working towards a clean energy future.

Plc Listed in **LONDON STOCK EXCHANGE** and NYSE

Their vision is to be at the heart of a **clean, fair and affordable** energy future.

it's has an estimate of around 31,000 **employees**

We have been examining more than **50 companies** from utilities sector of UK, US, Europe, Canada and australia. NGG is in the top by most metrics. That's why we have chose it, for our stock pitch.

# Investment idea summary

- **Industry:** Utilities (UK and US, gas and electricity distribution and transmission)
- **LTM Financials:** \$2.2 billion revenue; \$1.3 billion EBITDA; \$1.2 billion FFO
- **Market Cap:** 46.63B; **Enterprise Value:** 101.48B
- **LTM Multiples:**



Trailing P/E	13.11
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Forward P/E	14.14
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PEG Ratio (5 yr expected)	1.84
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Price/Sales (ttm)	1.84
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Price/Book (mrq)	1.50
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Enterprise Value/Revenue	4.84
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Enterprise Value/EBITDA	13.91
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# Utilities sector


Utilities include large companies that offer multiple services such as electricity and natural gas or specialize in just one type of service, such as water. Some utilities rely on clean and renewable energy sources like wind turbines and solar panels to produce electricity.

As of July 2022, the sector had a **market capitalization** of over \$1.58 trillion.

Although utilities are private, for-profit companies, they are part of the public service infrastructure and are heavily regulated. Those who include utilities in their portfolios hold them as long-term investments and commonly use them to generate income through dividends.

## UK

British Gas,  
EDF Energy,  
EON,  
Npower,  
SSE

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- Utilities sector is considered as long-term investment with dividends payments.
  - Utilities are seen as safe assets during market lows, as they have low beta and stable dividend payments
  - However utilities sector companies tend to have big debts as they constantly need massive capital investments - companies in our research have debt/equity ratio from 85% to 750%
  - Most of utilities companies are system important companies meaning that they work with government a lot

# CEO- John pettigrew

- John Mark Pettigrew joined **NGG** as a graduate in 1991. He had just graduated from **cardiff university** at the time, where he earned a **bachelor of science** in economics and a **master's degree** in international economics and banking.
- He has climbed through many **senior management roles** within the company, and he lately joined the board in April 2014
- In November 2015, it was announced that [Steve Holliday](#), the CEO for ten years, would leave in March 2016, and that Pettigrew, its UK executive director at the time, would succeed him.
- Ever since his succession he has lead a **successful sale** of a majority stake in NGG UK Gas Transmission. He also led the **Company's Principal Partnership of COP26** in Glasgow in November 2021





# Main stakeholders

## Top Institutional Holders

Holder	Shares	Date Reported	% Out	Value
Renaissance Technologies, LLC	3,838,554	Dec 30, 2022	0.52%	243,364,329
Bank of America Corporation	3,099,978	Dec 30, 2022	0.42%	196,538,609
Morgan Stanley	1,670,754	Dec 30, 2022	0.23%	105,925,806
Goldman Sachs Group Inc.	1,490,618	Dec 30, 2022	0.20%	94,505,183
JP Morgan Chase & Company	1,311,055	Dec 30, 2022	0.18%	83,120,889
Royal Bank of Canada	1,271,625	Dec 30, 2022	0.17%	80,621,026
Raymond James & Associates, Inc.	1,093,483	Dec 30, 2022	0.15%	69,326,823
Wells Fargo & Company	992,830	Dec 30, 2022	0.14%	62,945,423
Federated Hermes, Inc.	865,662	Dec 30, 2022	0.12%	54,882,972
Envestnet Asset Management	777,130	Dec 30, 2022	0.11%	49,270,043

## Top Mutual Fund Holders

Holder	Shares	Date Reported	% Out	Value
Invesco ETF Tr-Invesco Intl Div Achievers	538,655	Dec 30, 2022	0.07%	34,150,727
DFA International Core Equity Portfolio	270,592	Oct 30, 2022	0.04%	17,155,533
Nuveen Real Asset Income Fd	204,486	Sep 29, 2022	0.03%	12,964,412
John Hancock Tax-Advantaged Dividend Income Fund	201,583	Nov 29, 2022	0.03%	12,780,362
Hennessy Gas Utility Index Fund	243,344	Dec 30, 2022	0.03%	15,428,009
Goldman Sachs Income Builder Fund	118,494	Oct 30, 2022	0.02%	7,512,519
John Hancock Premium Dividend Fund	164,166	Nov 29, 2022	0.02%	10,408,124
DFA Large Cap International Portfolio	94,014	Oct 30, 2022	0.01%	5,960,487
Avantis International Equity ETF	90,335	Dec 30, 2022	0.01%	5,727,239
Nuveen Real Asset Income & Growth Fund	80,490	Dec 30, 2022	0.01%	5,103,066

# NGG's Main Competitors.

- American Electric Power (AEP)
- Dominion Energy (D)
- Sempra (SRE)
- Exelon (EXC)
- Public Service Enterprise Group (PEG)
- Chunghwa Telecom (CHT)

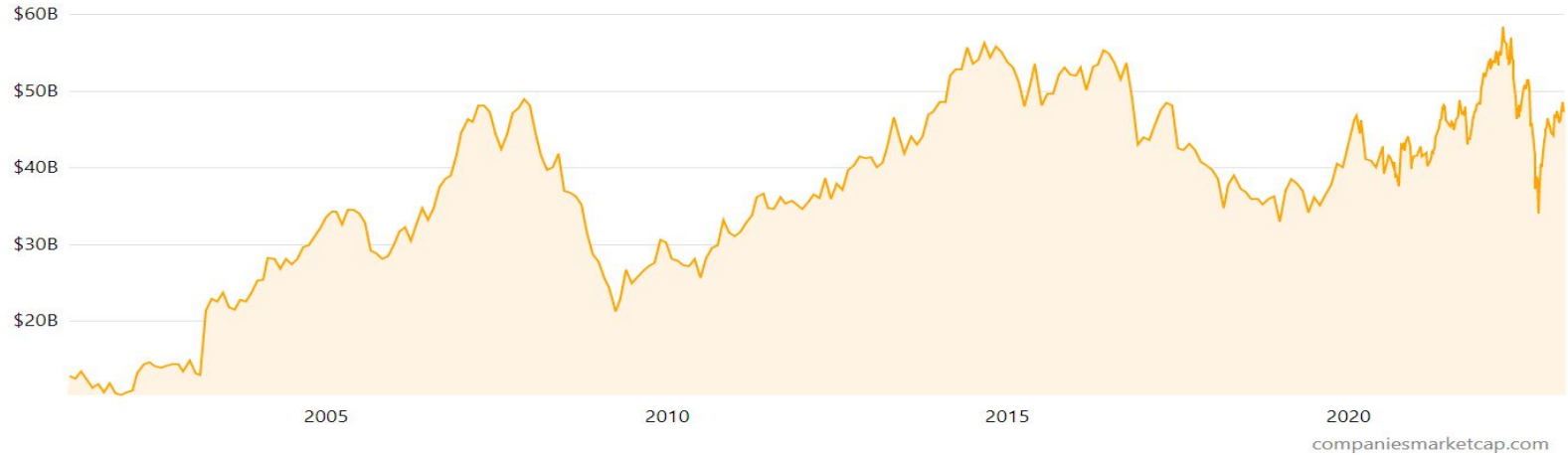
All part of the utility sector.

	National Grid	Natural Gas Transmission Industry	Utilities Sector	NYSE Exchange
Market Cap	\$46.62B	\$17.18B	\$13.05B	\$14.77B
Dividend Yield	3.22%	6.58%	3.67%	3.54%
P/E Ratio	N/A	14.83	101.98	17.67
Price / Sales	1.85	3.31	1,482.09	21.03
Price / Cash	8.60	7.49	23.48	26.54
Price / Book	1.52	1.80	1.90	5.65
Net Income	\$3.21B	\$1.04B	\$470.29M	\$968.93M
7 Day Performance	-1.69%	0.16%	-1.19%	-2.64%
1 Month Performance	-1.34%	0.47%	-1.00%	-1.86%
1 Year Performance	-14.57%	14.56%	-5.22%	-6.92%



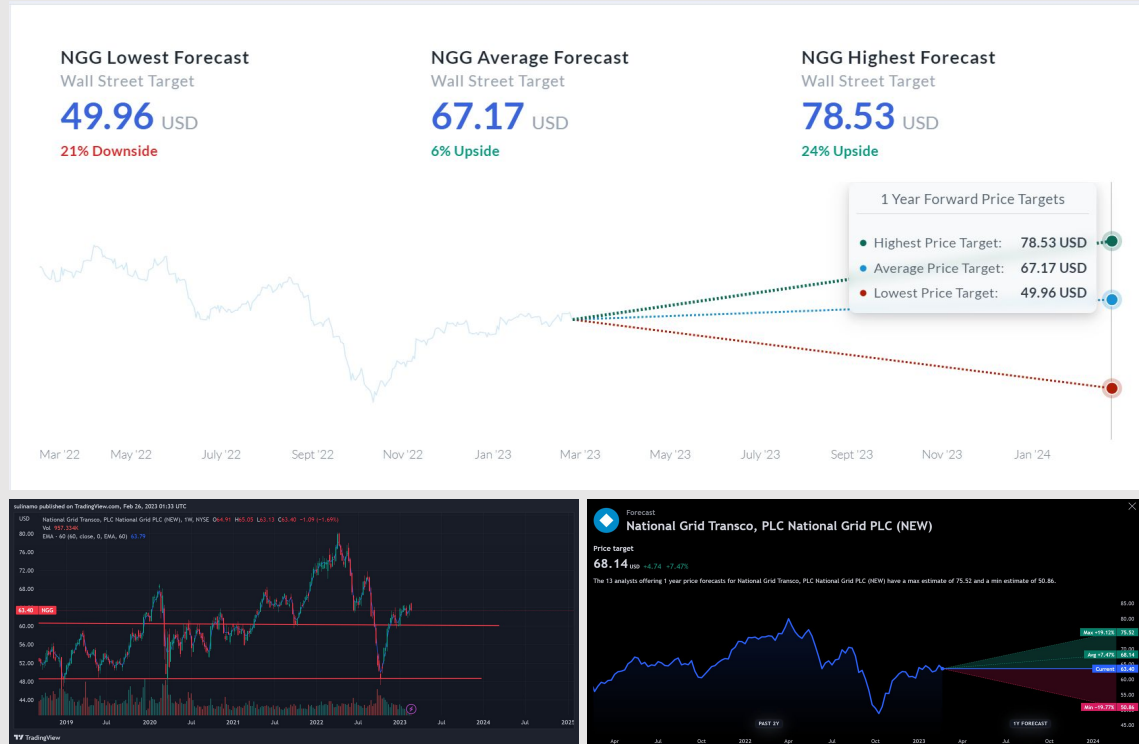
# Market cap.

Market cap history of National Grid from 2001 to 2023

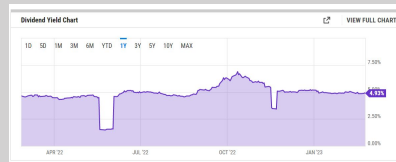
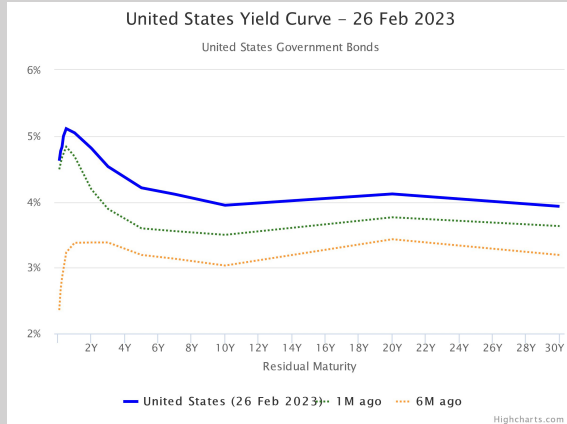


As of February 2023, **NGG** had a market cap of **\$47.22 Billion**. This makes National Grid the world's **343th** most valuable company by market cap according to our data. and when compared within Uk its 15th in ranking.

# Projections



We recommend buy and hold for 1-2 years strategy, as it is relatively stable asset with constant dividend payments equal to US02 Treasuries Returns



- Company is seen undervalued considering lower P/E ratio of (14,3) relative to peers

- P/EG is suggesting that company will maintain stable growth

- however as long-term investment it is low-risk and low-return investment

- We see that as SPX is in massive correction, NGG is relatively stable since May 2021, and since peak on Dec 2021

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high and stable dividends - good in high interest rates period (4,86 with 3,4% industry average)

Investment can gain from both dividends payments (almost as US02Y treasuries - 4,8% return)

and share price growth as analysts predict share price to grow by 6% next year

# SWOT

Strength		
Market Monopoly		
Constant dividend yield		
Large portfolio		
Essential product		



# Strengths

Partnerships with RUN and NEE

Exposure to UK and US markets

Interconnectors with france, norway, netherlands, etc

Relatively good balance sheets compared to industry

Interest payments covered by EBITDA

Weakness		
Low growth in earnings		Will not see share price spikes in near future
High debt levels		Debt is becoming more expensive
Reliance on gas prices		Risks

Opportunities		
Selling Rhode island gas transmission ways		Decreasing reliance on gas prices and exposure to non-green energy
Partnerships with RUN, NEE, UK and US gov		Brand awareness, diversified sources of Cash flows
Investing in Renewable energy (solar, wind, Nitrogen)		Keeping up to date with industry trends, gaining market share





# Opportunities

Investments in Interconnectors

Batteries - technology that may help store electricity more efficiently may lead to revolution in industry

Partnerships - NEE, RUN

Monopoly - as grid is working as system making operator in UK, it transmits

Demand for electricity will never go down in foreseen future

Solar panels are facing massive demand at the beginning of 2023, and are predicted to grow for next N years as we can see from RUN statements, which is opportunity

- Combined transaction agreed with PPL Corporation: – Acquisition of Western Power Distribution (WPD) for equity value of £7.8bn – UK's largest electricity distribution network operator – Sale of our Rhode Island business for equity value of \$3.8bn (£2.7bn1 ) • Announcing an intention to sell a majority stake in our UK Gas Transmission

business • Two complementary businesses – a compelling combination WPD – Low cost and local delivery strength –

Customer focus and strong operational performance National Grid – Engineering expertise – Experience in modernising electricity distribution networks



## SWOT

### Opportunities

#### renewable energy

A 2022 industry outlook report by Deloitte identified five trends for the utilities industry which include enhanced competition, expansions in infrastructure, greater electrification of transportation, an emphasis on disaster readiness, and traditional energy players entering the renewable energy field.

According to Fidelity utility sector portfolio manager Douglas Simmons, the fundamentals of utilities in 2022 look very robust overall, driven by the ongoing shift toward renewable energy sources and away from fossil fuels.

Threats		
High interest rates		Expensive debt service
High inflation		Dividend yield increase required
Geopolitical shocks		Energy costs spikes



# Threats

Geopolitical shocks influence gas and electricity prices

severe weather influence wind farms, pylons and cables, etc.

ESG

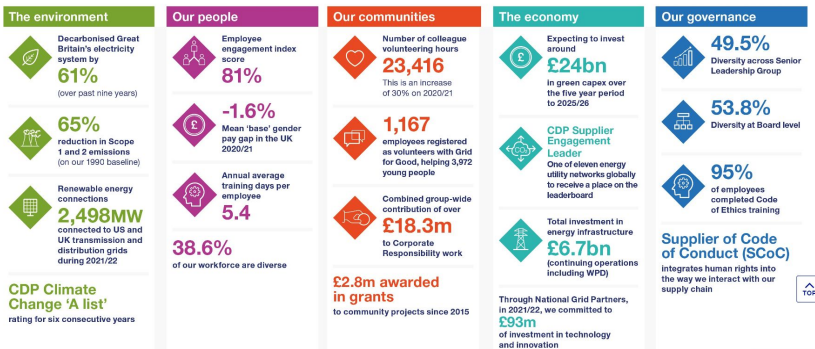
Climate change - may affect solar panels

Energy crisis

Long-term high interest rates are threat to the company as it has high debt levels and serving debt is becoming more expensive

Also if inflation will stay high company will need to increase dividends to attract investments, which is expensive

ESG



## S&P Global Ratings

### S&P Global Ratings

In Sept 2022 S&P Global Ratings assigned National Grid plc an ESG evaluation score of 83/100. This reflects a robust governance structure, strong preparedness for disruptions, and overall effective management of environmental and social risks.



### Institutional Shareholder Services

In 2022, National Grid were awarded Prime Status by ISS in relation to its Corporate ESG Performance. National Grid fulfils ambitious absolute ESG requirements and scores above peers in its' industry index group.



FTSE4Good

### FTSE4Good

National Grid is a longstanding constituent of the FTSE4GOOD Index Series, which is designed to measure the performance of companies demonstrating strong ESG practices.



### Bloomberg Gender Equality Index

National Grid is one of 484 companies across 45 countries to be included in the 2023 Bloomberg Gender-Equality Index (GEI), which aims to track the performance of public companies committed to transparency in gender-data reporting.



### Workforce Disclosure Initiative

National Grid is one of the 173 companies who took part in the 2021 Workforce Disclosure Initiative which aims to improve transparency and accountability on workforce composition across operations and supply chains.



### Carbon Disclosure Project

In 2022 National Grid received an A-list rating for its Climate Change related disclosure. Environmental transparency and accountability are vital to ensuring National Grid deliver its environmental commitments.



### Sustainalytics\*

As of Aug 2022, National Grid received an ESG Risk Rating of 17.0 from Sustainalytics and was assessed to be at Low Risk of experiencing material financial impacts from ESG factors.



### MSCI^

As of 2022, National Grid had an AAA ESG rating, highlighting it as an industry leader in managing its most significant ESG risks and opportunities.



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# ESG

Whole system approach is used for UK to achieve Net-zero by 2050

By 2026 commit to:

Zero Achieve zero-waste to landfill across our construction projects.

60% Increase our operational and office recycling rates from 45% and 46% (respectively) to 60%

20% Reduce the waste tonnage and water use (from a 2019/20 baseline) at our offices by 20%.

Align our Procurement Strategy to internationally recognised standards, e.g. ISO20400 Sustainable Sourcing Standard.

Pilot and implement circular economy principles by aligning our business to internationally recognised standards, e.g. BS 8001 – circular economy standards.

<https://www.nationalgrid.com/electricity-transmission/document/136551/download>

10% Increase environmental value of non-operational land by 10% against a natural capital and biodiversity baseline. 10% Deliver net gain of least 10% or greater in environmental value (including biodiversity) on all construction projects (including those delivered by third parties)



# Venture investments of National grid

Interconnectors

LNG

renewable energy

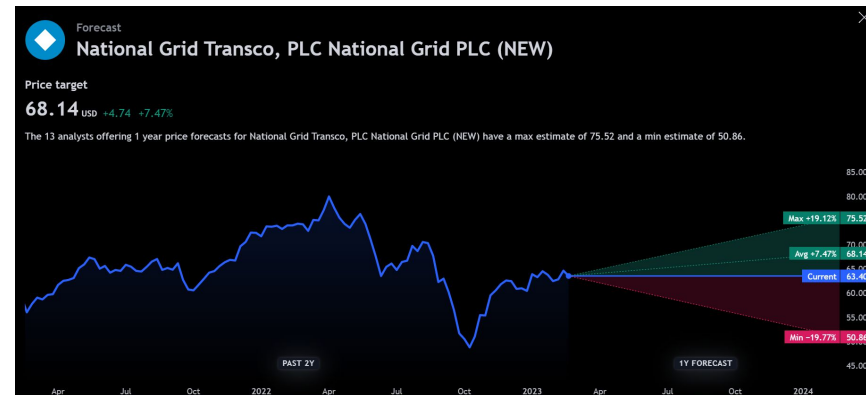
energy transmission projects

battery energy storage systems



# Analysis

15 analysts from Tradingview offer average stock price in 1 year at 68\$ which is seen as a fair price considering P/E ratio



Lowest is 50\$ which is the same as we see on graph as lowest support level, we can get there if we break support level at 60\$



Company has constantly growing revenues and growing profit margins wh

Company usually beats earnings estimates

P/E is lower than average for the industry

P/EG is suggesting that company will maintain stable growth

however as long-term investment it is low-risk and low-return investmen



Our £7.8bn acquisition of Western Power Distribution, the UK's largest electricity distribution network operator, selling our Rhode Island gas and electricity business for an Equity Value of \$3.8bn (£2.7bn) and initiating a sale process for a majority stake in our UK Gas transmission and metering business, will enhance our role in the energy transition and drive long term shareholder value

We own, manage and maintain the 400,000 volt (400kV) and 275,000 volt (275kV) electricity transmission system in England and Wales.



# Citation.

Utilities sector,- [https://www.investopedia.com/terms/u/utilities\\_sector.asp](https://www.investopedia.com/terms/u/utilities_sector.asp)

NGG- <https://www.nationalgrid.com/about-us>, [https://en.wikipedia.org/wiki/National\\_Grid\\_plc](https://en.wikipedia.org/wiki/National_Grid_plc),

Stakeholders,- <https://finance.yahoo.com/quote/NGG/holders?p=NGG>

Ceo's background-

<https://www.nationalgrid.com/about-us/our-leadership-team/the-board/john-pettigrew#:~:text=Skills%20and%20competencies%3A%20John%20joined.m,anagement%20of%20the%20Group's%20business> [https://en.wikipedia.org/wiki/John\\_Pettigrew\\_\(businessman\)](https://en.wikipedia.org/wiki/John_Pettigrew_(businessman))

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competitors- <https://www.owler.com/company/nationalgrid/competitors>,  
<https://www.marketbeat.com/stocks/NYSE/NGG/competitors-and-alternatives/>

