Company: Entergy Corporation		Ticker: ETR	Current Price: $ 73.98	Sector:	Utilities	Industry:	Electric Utilities
Target Price:	$ 82.19	CY P/E:	76.45	Beta:	0.56	Market Cap:	$ 13,241,088,360
Stop Loss:	$ 62.88	Forward P/E:	76.30	Credit Rating:	BBB+	Avg Vol:	1,115,270
52 Week High / Low:	$64.01 / $82.09	EPS:	$ 0.97	Rating Outlook:	BBB	Dividend Yield:	4.43%

Company Background:

Entergy Corporation, together with its subsidiaries, engages in the generation and distribution of electricity in the United States. It operates in two segments, Utility and Entergy Wholesale Commodities. The Utility segment generates, transmits, distributes, and sells electric power in portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and distributes natural gas. The Entergy Wholesale Commodities segment is engaged in the ownership, operation, and decommissioning of nuclear power plants located in the northern United States; sells the electric power to wholesale customers; offers services to other nuclear power plant owners; and owns interests in non-nuclear power plants that sell the electric power to wholesale customers. This segment sells energy to retail power providers, utilities, electric power co-operatives, power trading organizations, and other power generation companies. It generates electricity through gas/oil, nuclear, coal, wind, and hydro power. The companys power plants have approximately 30,000 megawatts (MW) of aggregate electric generating capacity, including approximately 10,000 MW of nuclear-fueled capacity. It delivers electricity to 2.8 million utility customers in Arkansas, Louisiana, Mississippi, and Texas. The company was founded in 1989 and is based in New Orleans, Louisiana.

Industry Outlook:

Revenues for electric utilities have been boosted by hotter-than-normal summer weather over the past several years. Year to date through August 13, 2016, cooling-degree-day counts were higher than normal and near last year's levels. In 2015, cooling-degree-days were 19% higher than normal, and given the warm weather so far this summer, weather-related summer electric usage will likely remain at high levels in 2016. Electric utilities rate increases are also expected to benefit revenues in 2016. Rate-case activity has been relatively strong over the past five years, with an annual average of about 57 cases and $2.6 billion in rate increases. S&P Global Market Intelligence expects about 50 cases to be decided this year (21 had been decided through June 30), with a total revenue increase of over $2.2 billion from 2015 (there was a total increase of $425 million through June 30).

Investment Thesis:

Several NT catalysts should lead to a multiple re-rate closer to regulated peers. In my view, very few values remain in the sector, and ETR has emerged as one of them: (1) Fitzpatrick sale; (2) Likely shutdown of Indian Point following PSC Order on Fitzpatrick; (3) Upside to above-average regulated earnings growth; (4) Limited merchant exposure from remaining nuclear assets, potentially even regulated CapEx upside from Nuclear Sustainability Plan. Shedding merchant nuclear exposure highlights ETR's premium regulated utilities; one of few names within the utility sector where I believe valuation isn't reflecting potentially critical event-driven items.

Investment Risks:

Commodity price risk. If natural gas prices fall (rise), wholesale power prices will likely fall (rise), limiting (raising) Power margins. ETR is still inherently a long natural gas call with gas the marginal price setter in New England and New York. The remaining risks center on the regulated utilities and transmission assets, which encompass traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what would be reasonably expected.

Base Case:

The base case utility investment plan is relatively solid and low risk, in my view. ETR's $16bn utility investment plan is relatively low risk, providing good visibility into the regulated earnings growth trajectory, and where there could be room for upside. The CapEx profile drives utility ratebase toward a relatively balanced split between generation, transmission, and distribution. **Generation**: In addition to baseline generation maintenance, ETR has demonstrated improving resource planning capabilities, winning RFPs with self-build resources. **Transmission**: Primarily driven by NERC/SERC reliability requirements and infrastructure replacement, and not including any heroic assumptions around economic projects that we would likely discount given higher justification hurdles – Transmission CapEx through 2018 is mostly for projects in advanced stages of development. **Distribution**: Primarily driven by maintenance and reliability, although it can be seen advanced metering infrastructure in ETR's investment plans starting in 2016 and continuing through the decade. As a reminder, ETR has not kept up with peers rolling out advanced meters, so there's work to be done; and worth noting a lot of the work is IT and communication infrastructure – management has learned from the mistakes of others and wants to make sure benefits are apparent when these meters are deployed.

Financial Performance

($millions)	2011	2012	2013	2014	2015	LTM 6/30/16
Revenue	$11,229.07	$ 10,302.08	$11,390.95	$ 12,494.92	$11,513.25	$ 10,952.35
EBIT	$ 2,013.23	$ 1,656.71	$ 1,742.97	$ 2,206.64	$ 1,636.40	$ 1,618.06
EBITDA	$ 3,568.09	$ 3,243.59	$ 3,512.94	$ 4,061.91	$ 3,473.37	$ 3,391.36
Net Income	$ 1,346.44	$ 846.67	$ 711.90	$ 940.72	$ (176.60)	$ 173.83
Revenue Growth %	-2%	-8%	11%	10%	-8%	-5%
EBITDA%	32%	31%	31%	33%	30%	31%
Operating Profit %	18%	16%	15%	18%	14%	15%
Net Income Margin	12%	8%	6%	8%	-2%	2%
Total Debt/(EBITDA-CAPEX)	37.9	NM	18.0	9.4	26.0	NM
EPS	$7.55	$4.76	$3.99	$5.22	-$0.99	$0.97
PE Ratio	9.80	15.54	18.54	14.17	-74.73	76.27
Current Ratio	0.73	0.90	0.97	1.14	1.32	0.96
ROE	15.4	9.3	10.2	9.6	11.2	12.0
ROA	3.4	2.0	2.2	2.0	2.4	2.7
Dividend Per share	3.32	3.32	3.32	3.32	3.34	3.38
FCF	$33.60	$ (1,235.50)	$60.53	$699.65	$236.47	$ (835.50)

Discounted Cash Flow

	2011-2016	2016-2020
Avg Revenue growth	1%	25%
Avg EBITDA Margin	28%	34%
Avg Net Income Margin	23%	27%
Avg Debt/Equity	16%	54%
Avg FCF / Margin	7%	NM
Cost of Debt		4.83%
Tax Rate		59%
Cost of Equity		5.80%
WACC		3.84%
Perpetuity growth rate		3.00%

Analyst Opinion:

Buy:	Hold: 18	Sell:0
	Rating	Target
S&P Net Advantage	Hold	$83
Value Line	Timeliness:3	$70-105

Relative Valuation

	Entergy	First Energy	American Electr	PG&E	Industry Avg.*
Forward P / E	11.28	12.7	17.2	16.17	15.18
P/B	1.49	1.30	1.87	1.90	1.65
Dividend Yield	4.43%	4.35%	3.49%	3.20%	4.19%
PEG Ratio	1.06	NM	NM	1.00	1.63
TTM EPS	0.98	$ (1.40)	4.05	1.53	1.06
Revn Grth	0.92%	1.01%	0.93%	0.97%	0.97%
EBITDA Grth	0.47%	0.97%	0.96%	0.83%	0.96%
Operating Margin	30.48	12.14	6.45	16.52	10.11
Debt / Equity	54%	6.70%	93%	34%	NA
Market Cap	1,3541b	1,3734b	31,228b	30,568b	23,827b
Revenue TTM	10,952b	14,934b	15,741b	16,860b	16,860b
EBITDA TTM	1,910b	2,835b	5,194b	4,077b	5,027b
Price / Cash Flow	4.61	3.71	6.21	5.68	4.61

*Industry Avg. includes companies listed and Exelon Corporation, OGE Energy, EDP, Endesa, RWE, Enel, The Southern Co.

Total Return

	ETR	Con Utilities	S&P 500
YTD	7.78	8.67	7.50
1 Year	17.60	8.64	8.39
Last 2 Years	9.17	17.00	9.22
Last 5 Years	75.24	25.96	75.25

	ETR	Industry
Governance Disclosure Score	66.07	60.37
ESG Disclosure:	46.04	33.43
Social Disclosure Score	59.38	35.00
Environmental Disclosure Score	32.41	22.34

Prepared by Cory Lynch (Oct 1, 2016) using Bloomberg, Value Line, S&P Net Advantage, Capital IQ, Thomson One Banker, Morning Star, Yahoo Finance