

Exelon (EXC)

Rating: Hold	Price \$44.26	Yield 3.6%	Market Cap. \$44.7B	52-Week Range \$48.11 – \$35.94
Data as of 07/30/2025				

Sector	Utilities
Subsector	Utilities
Investment Category	Small & Mid-Cap
Price Movement	Below Average

Company Overview

Exelon was formed in 2000 and is headquartered in Chicago, Illinois. Exelon delivers electricity and natural gas to roughly 10 million customers in several states. Its service territory includes major cities such as Chicago, Philadelphia, Baltimore and Washington, D.C. With the 2022 spinoff of its power-generation and marketing business (Constellation Energy), Exelon is now a fully regulated utility business.	
Standard & Poor's/Moody's	A-/Baa2
MSCI ESG Rating	AA/Leader

Dividend Outlook (1-Year): Rising

Annualized Payment	1.60
Last Change	5% (Feb 12, 2025)
Consec. Yrs Increased	3
Paid Since	1902
5-Yr. Trailing Growth	1%
Long-Term Growth Est.	6%
Payout Ratio ('25)	60%
Dividends Paid	Mar, Jun, Sep, Dec

Commentary: We expect Exelon to grow its dividend at a rate similar to its earnings growth to maintain a payout ratio (the percentage of earnings paid out in dividends) of around 60%.

Valuation & Earnings

	'24A	'25E	'26E
Earnings Per Share	2.50	2.65	2.80
P/E	17.7x	16.7x	15.8x
PEGY	1.8x	1.7x	1.6x
LT EPS Growth Est.			6%
Est. Earnings Date	October 30, 2025		

Annualized Total Returns	1yr	3yr	5yr
Exelon	24%	2%	14%
S&P Utilities Index	22%	8%	10%
S&P 500 Index	19%	17%	16%

Data as of 7/30/2025. Source: FactSet. Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.

Investment Summary

We rate shares of Exelon (EXC) a Hold. We like its decision to become a fully regulated utility via the spinoff of Constellation Energy, its former power-generation and marketing business. However, we believe most of Exelon's utilities operate in states that provide less favorable regulatory treatment of utilities. Exelon has made some progress in improving its relationships with regulators. With the spinoff of Constellation Energy, we believe shares reflect the benefits of its now fully regulated utility business. However, we see these benefits offset by operating in states that provide more challenging utility regulation compared with peers.

Outlook

Spinoff of Power and Marketing Business Improves Focus - Exelon's spinoff of its power-generation and marketing business (Constellation Energy) will improve the stability of its earnings in our view. Companies that derive their earnings almost completely from regulated utility operations tend to trade at higher price-to-earnings ratios than those that operate in unregulated power production and marketing.

Regulation Can Be Challenging in States Where EXC Operates Utilities - Many of the states in which Exelon operates have historically tended to treat utilities less favorably than average. Exelon has done a good job of improving regulatory relationships and has seen some benefits in terms of how quickly it can recover costs associated with its investments. However, we believe operating in Maryland, Illinois, New Jersey and Washington, D.C., presents greater regulatory risk than average despite some improvement recently. On the other hand, Pennsylvania tends to offer utilities more supportive regulatory treatment.

Valuation and Recent Performance - Shares trade at 15.8 times our 2026 earnings estimate, slightly below the 17.4 times peer average. We believe this is appropriate given our view that EXC faces less supportive utility regulation in most of the states it operates in compared with most peers. Shares have underperformed peers over the past three years despite Exelon sharpening the focus on its utilities after the spinoff of its generation and marketing business.

Risks - The primary downside risks include adverse regulatory decisions, a weaker growth outlook and rising interest rates. The primary upside risks include faster-than-expected growth and declining interest rates.

Key Developments

7/31/25: Exelon reported second-quarter operating earnings per share (EPS) of \$0.39, which was above the \$0.37 analyst consensus estimate but down from \$0.47 in the second quarter of 2024. The company maintained 2025 operating EPS guidance of \$2.64-\$2.74. Exelon reaffirmed its long-term annual EPS growth-rate expectation of 5%-7%.

Earnings were down from a year ago largely due to lower earnings at its Illinois utility and storm costs at its Pennsylvania utility. Importantly, the company remains on course to meet its financial guidance for the year. We believe Exelon is making progress with most of its state regulators and is executing the necessary capital investments to support its long-term growth outlook. The company is also executing its financing plan, which should help the company mitigate interest-rate volatility. However, we continue to believe that the regulatory treatment the company receives is somewhat less favorable than that of peers, especially in Illinois, after being awarded an allowed return on its investments that was well below the industry average. We continue to monitor the state for any changes in regulators' support for utilities.

2/12/25 (summarized): Exelon increased its dividend by 5.3% to an annualized rate of \$1.60, up from the prior rate of \$1.52. This increase is roughly in line with our annual dividend growth estimate of 6%. We expect Exelon to grow its dividend at a rate similar to its earnings growth to maintain a payout ratio (the percentage of earnings paid out in dividends) of around 60%. The new dividend will be payable on March 14, 2025.

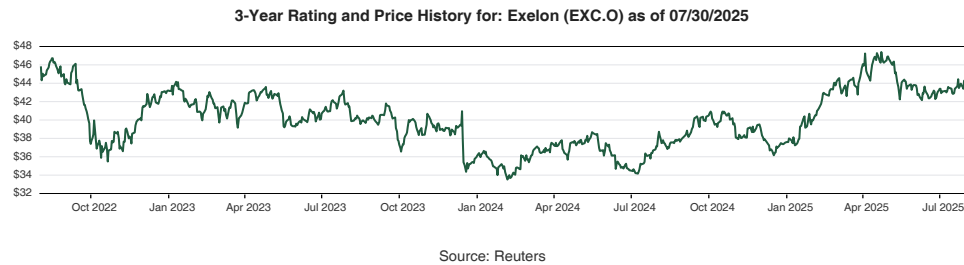
Analyst: Mike Doyle, CFA

Please see important disclosures and analyst certification on page 2 of the report.

Analyst Certification

I certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers; and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. Mike Doyle, CFA

Required Research Disclosures



July 31, 2025	BUY	HOLD	SELL
Stocks	54%	45%	0%
Investment Banking Services	4%	6%	0%

The table lists the percent of stocks we follow globally in each of our rating categories. Investment banking services indicate the percentage of those companies where the firm has acted in furtherance of a public offering of the issuer within the past 12 months.

- Initiated (HOLD) 12/17/10.....(H) 12/17/10-04/23/14...(S) 04/23/14-07/31/14...(H) 07/31/14-
- Analysts receive compensation that is derived from revenues of Edward Jones as a whole which include, but are not limited to, investment banking services revenue.

Opinion Rating Definitions: **Buy (B)** - We believe the valuation is attractive and total return potential is above average over the next 3-5 years compared with industry peers. **Hold (H)** - We believe the stock is fairly valued and total return potential is about average over the next 3-5 years compared with industry peers or a special situation exists, such as a merger, that warrants no action. **Sell (S)** - We believe the stock is overvalued and total return potential is below average over the next 3-5 years compared with industry peers. In some cases we expect fundamentals to deteriorate considerably and/or a recovery is highly uncertain. **FYI (FYI)** - For informational purposes only; factual, no opinion. **Under Review (UR)** – Our rating, estimates, and opinion for this company are under review and should not be relied upon for making investment decisions until updated.

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- Dividend Outlook (1-Year): Rising – We believe the dividend is likely to increase based on historical trends, the current payout ratio, and/or expected future earnings and cash flow; Stable – We believe the dividend is stable at the current level and is unlikely to increase or decrease; At Risk – We believe the dividend is at risk of being reduced or eliminated; No Dividend – This company does not pay a dividend.
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- Price Movement: Above Average (AA) – This stock will likely be more volatile than the average stock in the S&P 500 Index. These companies are often growing faster than the average company and/or are in industries that are more sensitive to the economy. Average (A) – This stock will likely experience volatility similar to the average stock in the S&P 500 Index. Below Average (BA) – This stock will likely be less volatile than the average stock in the S&P 500 Index. These companies are often more mature, grow more slowly than the average company, and/or are in industries that are less sensitive to the economy.
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