



Spire Inc. (SR)

Updated November 22nd, 2024 by Felix Martinez

Key Metrics

Current Price:	\$71	5 Year CAGR Estimate:	9.5%	Market Cap:	\$4.1 B
Fair Value Price:	\$72	5 Year Growth Estimate:	5.5%	Ex-Dividend Date:	12/11/24
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.2%	Dividend Payment Date:	01/03/25
Dividend Yield:	4.4%	5 Year Price Target	\$94	Years Of Dividend Growth:	22
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Hold

Overview & Current Events

Spire Inc. is a public utility holding company based in St. Louis, Missouri. The company provides natural gas service through its regulated core utility operations while engaging in non-regulated activities that provide business opportunities. The company was previously known as the Laclede Group, trading under the symbol LG. Laclede Gas Company was one of the first twelve industrial companies that made up the Dow Jones Industrial average. The company was first listed on the NYSE on November 14, 1889. In 2009, The Company celebrated 120 years of trading on the exchange. In 2016, shareholders approved renaming the Company to Spire and trading on the NYSE under the new symbol SR. The company has five gas utilities, serving 1.7 million homes and businesses across Alabama, Mississippi, and Missouri. This makes Spire the 5th largest publicly traded natural gas company in the country. The company has a market cap of \$4.1 billion and generated \$2.6 billion in sales in Fiscal Year (FY)2024. Spire has been growing its dividends for 22 straight years.

On November 20th, 2024, the company reported its FY2024 fourth quarter results. The company reported a net income of \$250.9 million (\$4.19 per share), up from \$217.5 million (\$3.85 per share) in fiscal 2023. Adjusted earnings reached \$247.4 million (\$4.13 per share), improving from \$228.1 million (\$4.05 per share) the previous year. The company reaffirmed its long-term adjusted earnings growth target of 5–7% and provided fiscal 2025 earnings guidance of \$4.40 to \$4.60 per share. Key drivers of growth included favorable rate adjustments, improved operational efficiency, and strong performance in the Midstream segment, while challenges included higher interest and depreciation expenses and reduced Gas Marketing earnings compared to an exceptionally strong fiscal 2023. The Gas Utility segment delivered adjusted earnings of \$220.8 million, a notable increase from \$200.5 million in fiscal 2023, supported by new rates in Spire Missouri and Spire Alabama. However, weather-related lower usage at Spire Missouri partially offset these gains. Midstream earnings rose significantly to \$33.5 million, driven by increased storage capacity, new contracts, and acquisitions. Conversely, Gas Marketing earnings fell to \$23.4 million, reflecting normalized market conditions after a strong prior year. Corporate activities recorded reduced losses, attributed to lower costs and an interest rate hedge settlement, despite increased interest expenses.

Looking ahead, Spire projects a 5–7% long-term adjusted earnings growth, fueled by robust infrastructure investments and a 10-year capital plan of \$7.4 billion, primarily in Gas Utilities. Fiscal 2025 capital expenditures are expected to reach \$790 million. In its seasonally weaker fourth quarter, the company reported an adjusted net loss of \$27.6 million, improving from the \$37.6 million loss in the prior year. Key highlights included improved Midstream performance, offset by seasonal losses in the Gas Utility segment and lower Gas Marketing results due to diminished market volatility.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.19	\$3.42	\$3.56	\$3.72	\$3.73	\$3.76	\$4.86	\$3.86	\$4.05	\$4.13	\$4.50	\$5.88
DPS	\$1.84	\$1.96	\$2.10	\$2.25	\$2.37	\$2.49	\$2.60	\$2.74	\$2.88	\$3.02	\$3.17	\$4.05
Shares¹	43.0	44.0	47.0	49.0	50.0	51.0	51.7	52.1	52.6	56.3	56.0	55.7

¹ Share count is in millions.

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Over the last ten years, Spire has grown Earnings per Share (EPS) at a Compound Annual Growth Rate (CAGR) of 2.9%. However, EPS has grown by over 3.7% over the past five years. We expect Spire will grow earnings for the next five years at a CAGR of 5.5%. This will give the company an EPS of \$5.88 in 2030. Most of this growth will come from a growing customer base in the region and increasing utility fees. The dividend growth rate is in line with the company's EPS growth rate. Over the past ten years, the company has been paying a growing dividend rate of 5.7%. We expect Spire to continue to grow its dividend at a slightly lower rate of 5% over the next five years. The most recent increase was 4% that was announced on November 15th 2024.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.3	18.7	20.9	19.9	22.3	16.3	12.6	16.2	13.9	15.8	14.2	16.0
Avg. Yld.	3.4%	3.1%	2.8%	3.1%	2.7%	4.7%	4.3%	4.4%	5.1%	4.5%	4.4%	4.3%

The company has a current valuation of 15.9x earnings, lower than its ten-year average. However, a fair PE of 16x earnings is a good base case. Thus, this suggests that the company has a 0.2% valuation tailwind. The current dividend yield is higher than its ten-year average of 3.8%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

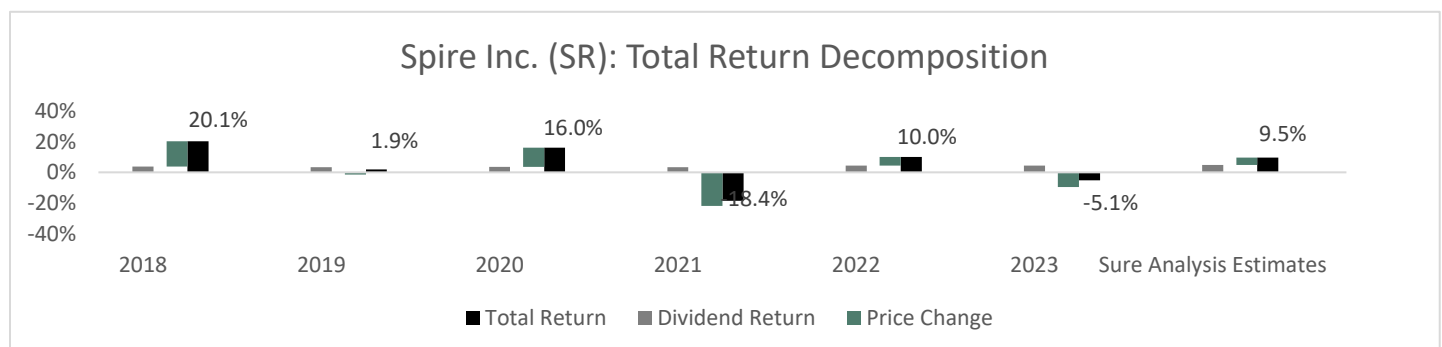
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	57.7%	57.3%	59.0%	60.5%	63.5%	66.2%	53.5%	71.0%	71.1%	73.1%	70%	69%

Spire's competitive advantage is its state-regulated utility business, which requires excessive capital expenses for infrastructure and poses high entry barriers to potential competitors in the area. During the Great Recession of 2008-2009, the company grew earnings from \$2.31 in 2007 to \$2.64 in 2008 and \$2.92 in 2009. The dividend was well covered, and the company increased its dividend by 2.7% in 2008. This shows the dividend safety and the resilience of this company. However, in 2010, earnings did drop by (14%) to \$2.52 per share. The drop-in earnings did not affect the dividend payment that year. The company had a dividend payout ratio of 69% and increased the dividend by 2.6% that year. The company has a stable balance sheet with a debt-to-equity ratio of 1.5. The company's interest coverage increases to a ratio of 2.5. Spire's dividend payout ratio has been stable in the 60% area. However, the current 70% dividend payout ratio is higher than we would like to see for utility companies like Spire.

Final Thoughts & Recommendation

The company is a safe investment, as most utility companies are. However, SR is fair valued at the current price relative to our fair price estimate of \$72. Thus, we see a 5-year projected annual return of 9.5%. This return will come from the 4.4% dividend yield and the 5.5% earnings growth. Thus, we rate Spire as a hold at the current price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,976	1,537	1,741	1,965	1,952	1,855	2,236	2,199	2,666	2593
Gross Profit	545	544	632	616	638	701	823	825	888	982
Gross Margin	27.6%	35.4%	36.3%	31.3%	32.7%	37.8%	36.8%	37.5%	33.3%	37.9%
D&A Exp.	131	138	154	168	182	197	213	237	255	278
Operating Profit	273	282	341	294	302	355	450	408	419	488
Operating Margin	13.8%	18.4%	19.6%	15.0%	15.5%	19.1%	20.1%	18.6%	15.7%	18.8%
Net Profit	137	144	162	214	185	89	272	221	218	251
Net Margin	6.9%	9.4%	9.3%	10.9%	9.5%	4.8%	12.2%	10.0%	8.2%	9.7%
Free Cash Flow	33	35	-150	-43	-372	-169	-375	-497	-222	51
Income Tax	62	70	78	-27	35	12	69	59	39	59

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5,290	6,064	6,547	6,844	7,619	8,241	9,356	10,084	10,310	10860
Cash & Equivalents	14	5	7	4	6	4	4	7	6	5
Accounts Receivable	138	128	141	152	140	132	338	211	192	196
Inventories	215	202	226	210	197	192	305	422	280	264
Goodwill & Int. Ass.	946	1,165	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1172
Total Liabilities	3,717	4,296	4,555	4,588	5,076	5,719	6,698	7,252	7,396	7628
Accounts Payable	147	211	257	290	302	243	410	617	253	237
Long-Term Debt	2,190	2,469	2,572	2,629	2,866	3,132	3,667	4,277	4,666	4693
Shareholder's Equity	1,574	1,768	1,991	2,255	2,301	2,280	2,416	2,577	2,675	2991
D/E Ratio	1.39	1.40	1.29	1.17	1.13	1.24	1.38	1.52	1.60	1.45

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.6%	2.5%	2.6%	3.2%	2.6%	1.1%	3.1%	2.3%	2.1%	2.4%
Return on Equity	8.9%	8.6%	8.6%	10.1%	8.1%	3.9%	11.6%	8.8%	8.3%	8.2%
ROIC	3.7%	3.6%	3.7%	4.5%	3.6%	1.6%	4.5%	3.3%	3.0%	3.2%
Shares Out.	43.0	44.0	47.0	49.0	50.0	51.0	51.7	52.1	52.6	56.3
Revenue/Share	45.64	34.70	37.04	39.86	38.43	36.17	43.24	42.20	50.69	46.06
FCF/Share	0.75	0.79	-3.19	-0.87	-7.33	-3.28	-7.25	-9.54	-4.23	0.91

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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