



New Jersey Resources (NJR)

Updated December 2nd, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$52	5 Year CAGR Estimate:	9.3%	Market Cap:	\$5.2 B
Fair Value Price:	\$55	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	12/11/2024
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.2%	Dividend Payment Date:	01/02/2025
Dividend Yield:	3.5%	5 Year Price Target	\$70	Years Of Dividend Growth:	28
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Hold

Overview & Current Events

New Jersey Resources provides natural gas and clean energy services, transportation, distribution, asset management and home services through its five main subsidiaries. The company owns both regulated and nonregulated operations. NJR's principal subsidiary, New Jersey Natural Gas (NJNG), owns and operates natural gas transportation and distribution infrastructure serving over half a million customers. NJR Clean Energy Ventures (CEV) invests in and operates solar projects, to provide customers with low-carbon solutions. NRJ Energy Services manages a portfolio of natural gas transportation and storage assets, as well as provides physical natural gas services to customers in North America. The midstream subsidiary owns and invests in several large midstream gas projects. Finally, the home services business provides heating, central air conditioning, water heaters, standby generators, and solar products to residential homes. New Jersey Resources was founded in 1952 and has paid a quarterly dividend since. The company has increased its annual dividend for 28 consecutive years and has a market capitalization of \$5.2 billion. NJR trades on the NYSE and has more than 1,300 employees.

On November 25th, 2024, NJR announced the sale of its 91MW residential solar portfolio for approximately \$133 million, which it will use to pay down debt and for working capital. It is being sold to Spruce Power Holdings Corporation (SPRU).

New Jersey Resources reported fourth quarter 2024 results on November 25th, 2024, for the period ending September 30th, 2024. Fourth quarter net income of \$91.1 million compared favorably to the prior year quarter's \$37.0 million. Consolidated net financial earnings (NFE) amounted to \$88.7 million, compared to net financial earnings (NFE) of \$29.6 million in Q4 2023 and NFE per share of \$0.89 compared to \$0.30 per share one year ago.

NFE for FY 2024 rose 10% compared to 2023 to \$2.95 per share. NJNG added 8,079 new customers in FY 2024.

Management initiated its guidance for fiscal 2025, seeing NFEPS in the range of \$3.05 to \$3.20. New Jersey Natural Gas (NJNG) is expected to contribute 65 to 75 percent of NFEPS in FY 2025, while Clean Energy Ventures (CEV) will contribute 20 to 25 percent. The remaining 6 to 15 percent will be a combination of Storage and Transportation, Energy Services, and Home Services and Other.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
NFEPS	\$1.78	\$1.60	\$1.73	\$2.74	\$1.96	\$2.07	\$2.16	\$2.50	\$2.70	\$2.95	\$3.13	\$3.99
DPS	\$0.90	\$0.96	\$1.02	\$1.09	\$1.17	\$1.27	\$1.32	\$1.48	\$1.56	\$1.68	\$1.80	\$2.30
Shares	86	87	87	88	89.6	95.1	96.2	96.2	98.2	100.0	101.0	108.0

New Jersey Resources measures its performance and its payout ratio using Net financial earnings (NFE) per share. NFE is implemented to eliminate the impact of volatility to GAAP earnings associated with unrealized gains or losses on derivative instruments. In fiscal 2021, the business adopted an accounting policy change around its solar projects. This set the foundation for further investments in solar. Management continues to project a 7% to 9% annual long-term growth rate off a target \$2.83 per share in FY 2025. This figure is lower than our actual 2025 estimate due to the one-time gain from NJR's residential solar portfolio sale. With this sale, CEV will now focus on commercial solar growth. It currently has approximately 386 MW of commercial solar capacity.

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We are projecting 5.0% annual earnings growth over the intermediate term, which would result in NFEPS of \$3.99 in 2030. NJR has a capital plan which includes \$1.3 billion to \$1.6 billion of investments in the next two years. It is investing \$335 million to \$540 million into its CEV segment and \$900 million to \$1,025 million into NJNG over the next two years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.9	21.9	23.7	15.9	23.8	16.3	18.1	17.5	17.9	14.8	16.5	17.5
Avg. Yld.	3.0%	2.7%	2.5%	2.5%	2.5%	3.8%	3.3%	3.2%	3.0%	3.8%	3.5%	3.3%

The current P/E ratio based on forecasted 2025 NFEPS of \$3.13 is 16.5. Over the last ten years and five years, NJR has averaged a P/E ratio of 18.7 and 16.9, respectively. We peg fair value at 17.5 times forecasted NFEPS, implying a valuation tailwind.

Safety, Quality, Competitive Advantage, & Recession Resiliency

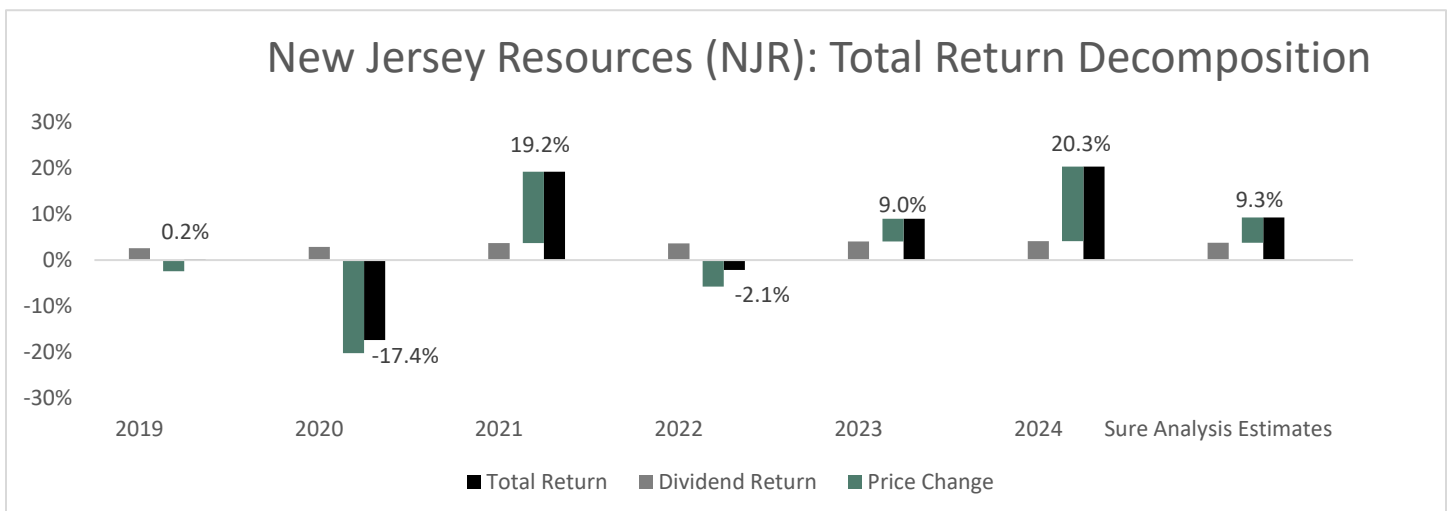
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	51%	60%	59%	40%	60%	61%	61%	59%	58%	57%	58%	58%

The dividend payout ratio for the company on a net financial earnings basis appears to be very safe historically, especially for a utility company which can often safely pay out a large portion of earnings. We expect the company will continue to increase the dividend without a hitch. The company was not horribly affected by the Great Recession given the nature of its business as both earnings and the share price recuperated quickly. Through the COVID-19 pandemic, the company also remained solid. The company does not have a significant competitive advantage; however, its growing solar portfolio can set it apart from other natural gas players. Though the practice of integrating renewable assets in older energy companies has become common practice, NJR was at least ahead of the pack.

Final Thoughts & Recommendation

New Jersey Resources has paid a dividend since 1952 and has raised this dividend every year for the last 28 years. NJR has many growth initiatives in motion and a clear vision of its future, particularly for its natural gas and clean energy ventures. We are forecasting total annual returns of 9.3%, comprised of a 3.5% yield, 5.0% NFEPS growth, and 1.2% P/E multiple expansion. New Jersey Resources is trading at 94% of fair value, and with forecasted total annualized returns of 9.3%, we are downgrading NJR from buy to hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2734	1881	2269	2915	2592	1954	2157	2906	1963	1797
Gross Profit	439	320	343	325	280	371	438	595	610	685
Gross Margin	16.1%	17.0%	15.1%	11.1%	10.8%	19.0%	20.3%	20.5%	31.1%	38.1%
D&A Exp.	76	39	40	39	34	35	38	59	153	167
Operating Profit	61	73	82	86	81	107	111	129	407	458
Operating Margin	9.1%	8.9%	7.5%	6.9%	6.3%	11.7%	13.4%	14.0%	20.7%	25.5%
Net Profit	181	132	132	233	124	163	118	275	265	290
Net Margin	6.6%	7.0%	5.8%	8.0%	4.8%	8.3%	5.5%	9.5%	13.5%	16.1%
Free Cash Flow	71	-212	-78	20	-332	-257	-234	-275	-61.9	-143.9
Income Tax									49.3	84.9

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3284	3719	3929	4144	4373	5316	5722	6261	6537	6982
Cash & Equivalents	5	38	2	1	3	117	5	1	1	1
Accounts Receivable	155	143	196	205	139	134	213	222	98	106
Inventories	171	217	214	199	184	188	213	294	227	238
Goodwill & Int. Ass.		0	41	23	16	15	11	8	8	11
Total Liabilities	2177	2552	2692	2725	2821	3673	4091	4444	4547	4781
Accounts Payable	253	248	258	348	268	238	395	392	204	228
Long-Term Debt	921	1238	1428	1456	1584	2412	2612	2984	3136	3360
Shareholder's Equity	1107	1167	1237	1419	1552	1644	1631	1817	1991	2200
D/E Ratio	1.97	2.19	2.18	1.92	1.82	2.23	2.51	1.64	1.58	1.53

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.6%	3.8%	3.5%	5.8%	2.9%	3.4%	2.1%	4.6%	4.1%	4.3%
Return on Equity	17.5%	11.6%	11.0%	17.6%	8.3%	10.2%	7.2%	15.9%	13.9%	13.8%
ROIC	9.2%	5.9%	5.2%	8.4%	4.1%	4.5%	2.8%	6.1%	5.3%	5.4%
Shares Out.	86	87	87	88	89.6	95.1	96.2	96.5	97.6	99.3
Revenue/Share	31.69	21.69	26.03	33.01	28.93	20.54	22.33	30.12	20.11	18.09
FCF/Share	0.82	-2.44	-0.89	0.23	-3.70	-2.70	-2.42	-2.85	-0.63	-1.45

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

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