

UConn Student Managed Fund Analyst Report

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NW Natural Holdings (NYSE:NWN)		Recommendation: BUY
Target Price: \$72.59	Market Cap: \$1664.7M	P/E Ratio: 19.2
Current Price: \$47.46	Dividend Yield: 4.9%	EV/EBITDA: 11.4
Stop Loss: \$37.97	Beta: 0.55	EBITDA Margin: 28.9%
52 Week High/Low: \$ 42.37 - 55.97	ROE: 8.2%	Gross Margin: 36.9%

Company Background:

NWN Holdings is a holding company headquartered in Portland, Oregon and owns NW Natural, NW Natural Water Company, LLC, NW Natural Renewables Holdings. Through its subsidiary, Northwest Natural Gas Company, it provides regulated natural gas distribution services to residential, commercial, industrial, and transportation customers in Oregon and Southwest Washington.

Industry Outlook:

The utilities sector includes the stock of companies such as electric, gas, and water utilities. It includes 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 solar panels to produce electricity.

Utilities typically offer investors stable and consistent dividends, with less price volatility relative to the overall equity markets. As a result, utilities tend to perform well during recessions and economic downturns.

Investment Thesis:

- Stable investment holdings
- Excellent operations
- Long-term growth opportunities

Investment Risks:

- **Regulation Risk:** The natural gas industry is subject to regulatory oversight, and changes in regulations or laws could impact the company's operations and financial performance.
- **Environmental Risk:** As a natural gas company, Northwest Natural Gas Company's operations have a significant impact on the environment.
- **Competitive Risk:** The natural gas industry is highly competitive, and Northwest Natural Gas Company faces competition from other natural gas providers and alternative energy sources.

Financial Performance

The sector saw a strong relative performance in 2022 for its defensive characteristics. By mid-year, utilities had gone from being among the weakest-performing sectors in the S&P 500® to ranking among the strongest.

Valuation: Discounted Cash Flow Analysis

DCF ANALYSIS		Sources: S&P Advantage		Sum of PV FCF =		638
Assumptions:				Future Value TV		4,780
Rev Grwth =	5.00%	WACC =	4.90%	PV Terminal Value =		3,587
Op Inc % =	17.02%	Rf =	3.38%	EV =		4,225
Tax Rate =	23.36%	Rm - Rf =	4.78%	less NET Debt		1,646
Depreciation % =	25.00%	Beta =	0.55	Market Value of Equity =		2,579
Capex % =	25.00%	Cost of Equity =	6.01%	Shares Outstanding =		35.525
Change WC =	2.78%	Cost of debt =	4.96%	Estimated Share Value		72.59
TV Growth Assumption =	2.00%	MV	1664.70	Current Price		47.46
				Margin of Safety		34.62%

Sensitivity Analysis						
WACC						
	\$72.59	4.00%	4.50%	5.00%	5.50%	6.00%
TV Growth Rate	1.00%	73.924893	56.600886	43.609956	33.507706	25.427498
	1.50%	94.90219	71.233766	54.329308	41.652309	31.793598
	2.00%	126.36058	91.713922	68.61702	52.119978	39.747851
	2.50%	178.78114	122.42681	88.614107	66.072247	49.970896
	3.00%	283.60716	173.60517	118.6026	85.599874	63.597127

Relative Valuation

Company Name	Market Data			Financial Data				Valuation			P/E x
	Price (\$/share)	Market Cap (\$M)	EV (\$M)	Sales (\$M)	EBITDA (\$M)	EBIT (\$M)	Earnings (\$M)	EV/Sales x	EV/EBITDA x	EV/EBIT x	
Northwest Natural Holding Co	47.2	1,660	3,310	1,037	291	168	86	3.2x	11.4x	19.8x	19.2x
ONE Gas Inc.	78.82	4,520	7,770	2,578	578	350	222	3.0x	13.4x	22.2x	20.4x
Southwest Gas Holdings, Inc.	62.61	4,460	10,580	4,960	446	431	190	2.1x	23.7x	24.5x	23.4x
National Fuel Gas Co	57.18	5,250	7,740	2,298	1,237	859	541	3.4x	6.3x	9.0x	9.7x
Average								2.9x	13.7x	18.9x	18.2x
Median								3.1x	12.4x	21.0x	19.8x

ESG

ESG Risk Rating CORE ?

24.3 Medium Risk

Negligible	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+

- Northwest Natural Gas Company has set a target to reduce greenhouse gas emissions by 30% by 2035

- Northwest Natural Gas Company has a strong commitment to safety and has implemented several measures to ensure the safety of its employees and customers
- Northwest Natural Gas Company has a well-established corporate governance framework and has a strong commitment to ethical behavior and transparency