



Constellation Energy, Corp.

Full Power Ahead: Constellation's Nuclear Growth

Constellation Energy remains a leading clean-energy producer benefiting from strong nuclear performance and growing demand from AI data centers and carbon-free electric trends. Recent results showed steady earnings growth and reaffirmed guidance. The announced \$26.6 billion Calpine acquisition expanded its renewable and gas portfolio, positioning it as the nation's largest carbon-free power provider. **We rate \$CEG with a BUY rating and a price target of \$422.**

Thesis Point 1 A part of Constellation Energy's strategy is to take control of the current demand for clean energy sources in the United States. Many corporations and investors are advocating for the reduction of greenhouse gas emissions across all sectors of the economy. Nuclear energy is currently the largest source of zero-emissions of electricity in the US. It accounts for over 50% of the nation's carbon free power. According to the department of energy, data centers are the most energy intensive building types and require 10 to 50 times more energy per floor space than a traditional office building. Corporations such as Microsoft, Meta, Google, and Amazon are looking for energy storage in the US that can supply their large scale of AI infrastructure. These long-term strategic partnerships with both private and public corporations show how the company can generate revenue in decades to come and maintain stable pricing on their services. As the AI market continues to trend upward, the data center's global market is projected to generate \$93.60 billion in revenue in 2032 compared to \$17.73 billion in 2025. This is a 23.68% CAGR during the forecasting period. With this growth in the utilities sector and the current shift to cleaner energy production, Constellation Energy will stand as a leading company in the renewable energy market in the upcoming years.

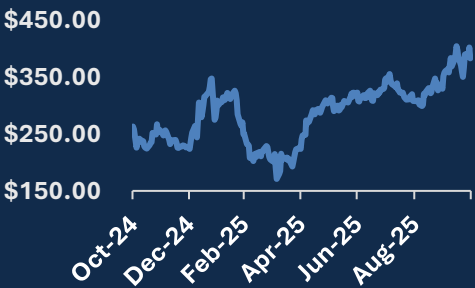
Thesis Point 2 In January of 2025, Constellation Energy Corp announced the acquisition of Calpine Corp in stock and cash. The deal consisted of an equity purchase price of \$16.4 billion and a total net purchase of \$26.6 billion. The acquisition is set to be completed within the 2026 fiscal year. This agreement is set to create the largest clean energy corporation and will provide a new opportunity to serve customers with a broader array of sustainable and energy products. Calpine is currently the largest producer of energy for low emissions of natural gas generation and has a wide renewable energy portfolio. The adoption of these offers will only strengthen Constellation's position in the clean energy market. The combination of these two businesses creates a premier coast-to-coast generation fleet with market diversification in some of the fastest growth markets. Constellation Energy is currently the top clean energy producer in the US by providing 10% of the nation's emissions of free energy. This formation will then create the nation's largest competitive retail electric supplier, offering sustainable energy to 2.5 million homes and businesses nationwide. The creation of data centers has continued to rise with the growth of AI and data centers could account for 44% of electricity load growth by 2028. Along with the increase in demand for a cleaner way to create sustainable energy, this acquisition will allow Constellation to maintain their market growth in the utilities sector.

Company Overview Constellation Energy Corp produces carbon free energy and is a supplier of energy products and services in the United States. The company offers electricity, natural gas, energy-related products, and sustainable solutions. Constellation Energy mostly derives its output from nuclear, about 86% aggregate. It has about 31,676 megawatts of generating capacity for nuclear, wind, solar, natural gas, and hydroelectric assets. Constellation Energy has around 14,000 employees and serves over 2 million customers across the United States. The company was incorporated in 2021 and is headquartered in Baltimore, Maryland. Constellation was created as a spin-off from Exelon's generation assets. The company's mission is to eliminate 100% greenhouse gas emissions by 2040.

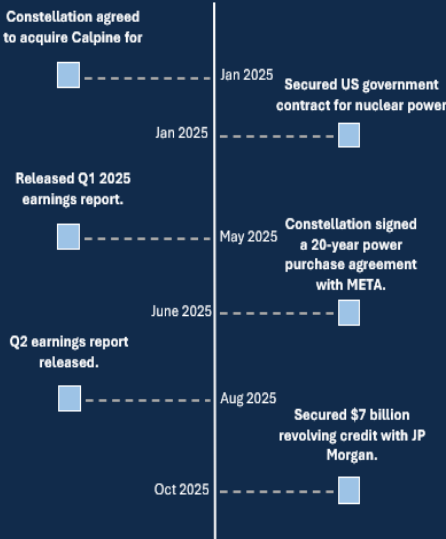


TICKER:	\$CEG
RATING:	BUY
PRICE:	\$377.00
PRICE TARGET:	\$422.20
MARKET CAP:	\$117.77B
52-W RANGE:	\$161.35 - \$412.70
P/E:	39.27x
IMPLIED UPSIDE:	16.69%

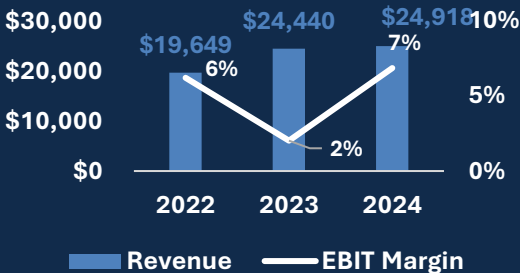
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Risk 1: Market & Financial Factors

Constellation is exposed to commodity risk for natural gas and the unhedged portion of their generation portfolio. This factor causes the company’s earnings and cash flows to be exposed to variability of prices in the spot market. Most of the generating facilities rely on nuclear fuel, natural gas, and oil to operate. The supply market for these commodities is subject to price fluctuations, availability, tariffs, and geopolitical risk. The ongoing Russia and Ukraine war has yielded sanctions and legislation by the US which has impacted to imports and exports of Russian nuclear fuel. Constellations are also exposed to the possibility of emerging technologies that could transform the energy industry and market.

Risk 2: Legislative, Regulatory, and Legal Factors

Constellation is highly regulated and could be negatively affected by new legislation. If regulatory efforts to preserve the environment are overturned, that could result in the retirement of nuclear plants. Changes would require the business to change their business planning models and operations. Constellation is involved in legal proceedings, claims, and litigation arising from business operations. Adverse outcomes in these proceedings could require significant expenditures, resulting in loss of revenue, or restrict existing business activities.

Catalysts: Constellation’s Climate Commitment

Constellation’s dominance in the carbon-free energy industry has demonstrated their dedication for producing nuclear energy in the US. The company currently outpaces all competitors in the industry by having the largest nuclear generator capacity of 22.1 GWs while compared to competitors that have a capacity of 6.3 GWs. Constellation is the largest producer of carbon-free generation and is the best operator of nuclear power plants in the U.S. With a long-term plan of being 100% carbon free by 2040, the company is committed to investing in R&D to meet these goals. Management noted that with bipartisan support for clean energy in the future, consumer demand will only increase.

Valuation

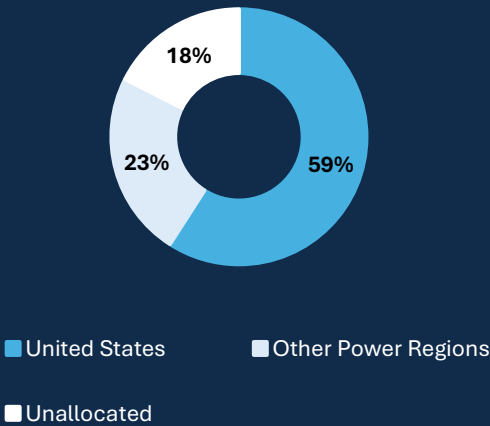
DCF Analysis (\$mm)						
	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2025	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/31/2030
Revenue	11,220	11,902	12,616	13,338	14,042	14,704
Revenue Growth	6%	6%	6%	6%	5%	5%
Americas	8,000	8,160	8,344	8,552	8,787	9,051
Rest of World	1,520	1,702	1,885	2,065	2,235	2,391
China Mainland	1,700	2,040	2,387	2,721	3,020	3,262
EBIT	2,300	2,500	2,649	2,801	2,949	3,088
EBIT Margin	20%	21%	21%	21%	21%	21%
Tax Expense	650	750	795	840	885	926
Effective Tax Rate	28%	30%	30%	30%	30%	30%
NOPAT	1,650.00	1,749.65	1,854.52	1,960.64	2,064.24	2,161.51
D&A	470	512	533	554	572	588
Capex	730	833	852	867	878	882
Changes in NWC	228	119	79	33	(18)	(74)
UFCF	1,162	1,309	1,457	1,614	1,776	1,941
PV of FCF	1,143	1,215	1,242	1,264	1,279	1,284

Using the perpetuity growth method, our valuation assumes a terminal growth rate of 3%. We project a CAGR revenue of 5% driven by steady growth in data center demand and successful integration of the Calpine acquisition. EBIT margins are maintained around 17-18% mirroring historical performance.

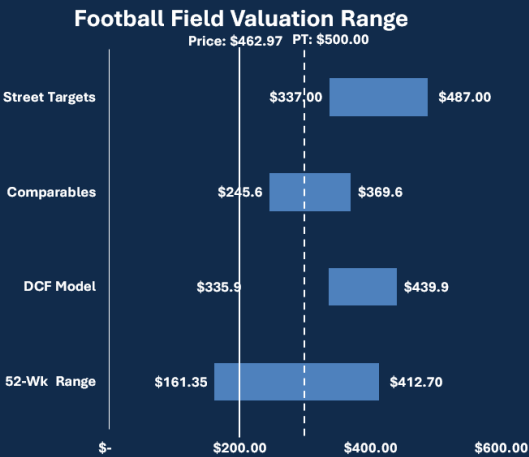
Conclusion

We rate Constellation Energy as a BUY. Although the company has risks in the commodity industry with natural gas prices fluctuating with current events, the company has consistent revenue growth and plans to expand with their recent acquisition with Calpine. As AI progresses and data centers need to be built the company will take advantage of this opportunity. Our price target is \$422 and implies approximately 17% upside.

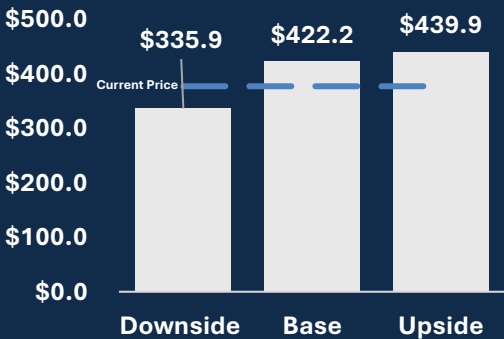
Revenue Segments



Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$8,639
Growth	3.00%
Terminal Value	\$145,912
PV of Terminal Value	\$97,924
PV of Projection Period	\$39,287
PV of Terminal Value	\$97,924
Implied TEV	\$137,211
(-) Debt	\$7,286
(+) Cash	\$1,974
Implied Equity Value	\$131,899
Basic Shares Outstanding	312
Implied Share Price	\$422.20
Upside/Downside	11.99%



Risk vs. Reward - DCF Cases



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	23,568	24,700	25,599	26,930	28,688	5.0%
EBITDA	5,396	5,300	5,888	6,261	6,742	5.7%
EBIT	4,273	4,300	4,864	5,117	5,451	6.3%
NOPAT	3,720	3,725	3,648	3,889	4,197	3.1%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	22.9%	21.5%	23.0%	23.3%	23.5%	22.8%
EBIT Margin	18.1%	17.4%	19.0%	19.0%	19.0%	18.5%
Revenue Growth	-5.4%	4.8%	3.6%	5.2%	6.5%	3.0%
EBIT Growth	150.2%	0.6%	13.1%	5.2%	6.5%	35.1%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	13.3x	15.2x	15.7x	15.2x	14.6x	14.8x
EV/Sales	5.2x	5.0x	4.8x	4.6x	4.3x	4.8x
EV/EBITDA	22.8x	23.2x	20.9x	19.7x	18.3x	21.0x
FCF Yield	7.5%	6.6%	6.4%	6.6%	6.9%	6.8%

Comparable Companies

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
NextEra Energy, Inc.	\$176,667	\$278,263	24.2x	\$25,899	\$14,643
American Electric Power Company, Inc.	\$63,389	\$110,672	19.8x	\$20,667	\$8,573
The Southern Company	\$109,697	\$182,585	22.5x	\$28,363	\$13,364
Exelon Corporation	\$48,308	\$96,435	17.3x	\$23,766	\$7,712
Constellation Energy Corp.	\$126,196	\$132,890	38.3x	\$24,820	\$6,355

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
NextEra Energy, Inc.	19.0x	62.0%	56.5%	32.1%	0.2%
American Electric Power Company, Inc.	12.9x	48.8%	41.5%	25.4%	5.9%
The Southern Company	13.7x	48.7%	47.1%	27.8%	8.5%
Exelon Corporation	12.5x	41.8%	32.4%	19.9%	4.5%
Constellation Energy Corp.	20.9x	21.8%	25.6%	15.1%	5.4%

High	20.91x	62.0%	56.5%	32.1%	8.5%
75th Percentile	19.00x	48.8%	47.1%	27.8%	5.9%
Average	15.80x	44.6%	40.6%	24.1%	4.9%
Median	13.66x	48.7%	0.0%	25.4%	5.4%
25th Percentile	12.91x	41.8%	32.4%	19.9%	4.5%
Low	12.50x	21.8%	25.6%	15.1%	0.2%

Constellation Energy Corp.

Implied Enterprise Value (25th Percentile)	\$	82,043
Implied Enterprise Value (Median)	\$	86,825
Implied Enterprise Value (75th Percentile)	\$	120,765

Implied Share Price (25th Percentile)	\$	245.61
Implied Share Price (Median)	\$	260.92
Implied Share Price (75th Percentile)	\$	369.56

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.13
Risk Free Rate	4.39%
Cost of Equity	8.75%
Weighted Average Cost of Debt	4.00%
Tax Rate	25.00%
Cost of Debt	0.17%
Total Equity	\$117,777
Total Debt	\$5,312
Equity/Total Capitalization	94.17%
Debt/Total Capitalization	5.83%
WACC	8.92%

Downside Case: The downside case implies a 15x multiple. This assumes that legislative, legal issues, and negative synergies with Calpine, do not impact revenue growth. Revenue growth assumption slows to 7.5% in 2030. Price target is \$335.

Upside Case: Our upside case implies a 20x multiple, assuming positive synergies with recent acquisition, continued revenue growth, and expansion to AI data centers. Revenue growth increases to 11% giving us a price target of \$440.

Disclosures and Ratings: Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.