

CRODA INTERNATIONAL PLC



BUY. HOLD. AND PROSPER.®

(as at May 31, 2020)

Business Description

Consolidated Edison, Inc., through its subsidiaries, engages in regulated electric, gas, and steam delivery businesses in the United States. The company offers electric services to customers in New York City and Westchester County; gas to customers in Manhattan, the Bronx, parts of Queens, and Westchester County; and steam to customers in parts of Manhattan. It also supplies electricity to southeastern New York, and northern New Jersey; and gas to customers in southeastern New York. The company operates transmission lines, transmission substations, distribution substations, in-service line transformers, overhead distribution lines and underground distribution lines. The company was founded in 1823 and is headquartered in New York, NY.

Capital Discipline:

- Consolidated Edison is one of the largest investor-owned energy delivery companies in the United States, and has a tremendous track record of returning cash to shareholders. As of 2019, their dividend increased for the 45th consecutive year.
- A core pillar of Consolidated Edison's value-creation strategy is to provide steady earnings while maintaining a robust balance sheet.

Low Risk Business: The largest contributor to the company's earnings is their regulated utilities business.

Asset Synergies: Consolidated Edison possesses certain scale advantages that are difficult to replicate. These stem largely from operating co-owned and co-located assets largely in the Northeastern United States.

Safety, sustainability and service: Consolidated Edison is focused on serving its customers and community while reducing its carbon footprint, promoting workplace safety and optimizing costs. After conducting a company-wide strategic review in 2009, the company is now dedicated to growing its presence in the renewable energy space.

INDUSTRY TRENDS

Progressive Climate Goals: As climate change threats continue to grow, New York State and New York City are pursuing ambitious environmental goals. Both the city and state have committed to achieving a 40% reduction in greenhouse gas (GHG) emissions by 2030 and an 80% reduction by 2050. As part of this commitment, both governments support the Clean Energy Standard (CES) goal of delivering 50% of electricity from renewables by 2030, as well as goals for energy efficiency, electric vehicles, and energy storage. Consolidated Edison is growing their

presence in renewables and will significantly contribute to these climate goals.

New York Order:

- New York Order is a collaborative initiative that will support energy efficiency businesses and further energy efficiency opportunities for market innovation.
- 2025 statewide energy efficiency end-user savings target of 185 TBtu (trillion British thermal units) in buildings and industrial facilities below the 2025 energy-use forecast
 - Savings would deliver nearly one-third of greenhouse gas emissions reductions needed to meet the 40% reduction goal by 2030
 - New York's electric and gas utilities tasked with achieving more in both scale and innovation through energy efficiency activities, including the electrification of heating

Technological Advancements: The energy landscape will be impacted by several key technological innovations, including demand management, solar photovoltaic, energy storage, electric vehicles, data and analytics, and electrification of space-heating. In each area, Consolidated Edison expects technological innovations to significantly shape public policy and customer expectations, which will in turn change the energy industry. In particular, it expects that these innovations will change how electricity is generated and used, advance clean energy goals, improve grid resiliency, and defer traditional transmission and distribution infrastructure investments to meet growing energy demand.

Barriers to Entry:

- Highly regulated at both the Federal and State levels
- Capital intensive in nature
- Highly complex portfolio of utility assets that are difficult to replicate

Competition

It is less likely that another company would be authorized to provide utility delivery service of electricity, natural gas or steam where the company already provides service. This creates a monopoly for Consolidated Edison in the regions they operate.

Officers and Directors

John McAvoy, Chairman, President and CEO; Robert Hoglund, Senior VP and CFO; Deneen Donnley, Senior VP and General Counsel



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Financial Summary:

| Income Statement (\$USD Millions) | | | | | |
|-----------------------------------|---------|---------|---------|---------|---------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Total Revenue | 12,554 | 12,075 | 12,033 | 12,337 | 12,574 |
| Operating Income | 2,427 | 2,575 | 2,774 | 2,664 | 2,676 |
| EBITDA | 3,581 | 3,855 | 4,067 | 4,040 | 4,411 |
| Net Income | 1,193 | 1,245 | 1,525 | 1,382 | 1,440 |
| Common Stock Dividends | (733) | (763) | (803) | (842) | (924) |
| | | | | | |
| Balance Sheet | | | | | |
| Cash | 944 | 776 | 797 | 895 | 981 |
| Long Term Debt | 12,006 | 14,735 | 14,731 | 17,495 | 18,527 |
| Total Equity | 13,052 | 14,306 | 15,425 | 16,726 | 18,213 |
| Net Debt:Total Equity | 84.8% | 97.6% | 90.3% | 99.2% | 96.3% |
| | | | | | |
| Cash Flow Statement | | | | | |
| Cash from Operations | 3,277 | 3,459 | 3,367 | 2,695 | 3,134 |
| Cash from Investing | (3,657) | (4,976) | (3,710) | (5,471) | (3,782) |
| Cash from Financing | 629 | 1,345 | 357 | 2,938 | 859 |
| | | | | | |
| Key Ratios | | | | | |
| Operating Margin | 19.3% | 20.5% | 21.7% | 20.5% | 21.3% |
| Return on Equity | 9.3% | 9.1% | 10.3% | 8.6% | 7.7% |
| Return on Invested Capital | 6.1% | 5.9% | 6.7% | 5.8% | 5.6% |
| | | | | | |

Source: Yahoo Finance; MorningStar



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PIC3237-E(06/20)