

November 19 2019

SMIF Analyst Team

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NYSE: VST RECOMMENDATION: BUY

Current Price: **\$26.11** Intrinsic Value: **\$54.03** Target Price: **\$58.92**

Company Profile

Vistra Energy is a premier, Fortune 500 Energy Company headquartered in Irving, Texas, bringing electricity and gas services to nineteen states and the District of Columbia, including six of the seven competitive retail markets in the United States. Established on November 7, 2016, the company is the largest competitive residential electricity provider in the country as it serves over 5 million residential, commercial, and industrial retail customers. Vistra Energy is also the largest competitive power generator in the United States with a diverse portfolio of natural gas, nuclear, coal, solar, and battery energy storage facilities.

Key Financials

Sector	Utilities
Market Cap	\$12.7 Billion
52 Wk H/L	27.96/20.84
Beta	0.71
IPO Date	May '17
Div %	1.91%
P/E	25x
P/B	1.63
P/FCF	7.2
WACC	7.39%
ROE	11%
ROA	3%
Est. 2019 Revenue	\$11.8 Bil.
Est. 2019 EPS	\$1.50

Historical Total Return



Investment Thesis

Undervaluation – Vistra Energy stock is considerably undervalued from a free cash flow perspective. High conversion levels of EBITDA to FCF have shown to be expanding at a sustainable rate.

Acquisition Strength - Vistra Energy’s selective, value-accretive acquisition strategy has doubled their customer base, making the company the largest independent electricity retailer in the United States.

Industry Position - Strong synergies within the portfolio allow the company to mitigate risk and maintain its position as one of the lowest-cost providers in the industry.

Company Overview

Vistra Energy Overview

Vistra Energy is a holding company comprised of subsidiaries including TXU Energy, Luminant, and Dynegy; recent acquisitions include Crius Energy Trust and Ambit Energy. The company operates an integrated retail and generation business. Through its subsidiaries, it engages in electricity generation, wholesale electricity sales and purchases, commodity risk management, and retail sales to end users. It operates through segments: Retail, Electricity Reliability Council of Texas, Inc. (ERCOT), PJM Interconnection, LLC (PJM), New York Independent System Operator (NYISO, NY/NE), Independent System Operator New England (ISO-NE), Midcontinent Independent System Operator, Inc. (MISO), and Asset Closure. The current generation fleet totals approximately 41,000 MWh of generation capacity with a portfolio of natural gas, nuclear, coal, and solar facilities.



TXU Energy is a market-leading competitive retail electricity provider, powering more Texan commercial and residential properties. Since the opening of competitive retail markets in Texas, TXU Energy has consistently gained market share while increasing customer retention.



Luminant is a competitive power generation business, including wholesale marketing and trading, mining, and development operations. While providing reliable, affordable electricity to customers, Luminant has set new environmental standards in environmental stewardship and innovation resulting in cleaner air, water, and land.



Dynegy is an electric company headquartered in Houston, Texas that owns and electrical infrastructure throughout the Midwest and Northeast. In October 2017, Vistra Energy announced it would buy Dynegy for \$1.7 billion, allowing the two to combine assets, establish economies of scale, and extrapolate operating efficiencies.



Ambit Energy is a multi-level marketing company that provides electricity and natural gas services in energy markets in the United States. It provides energy to seventeen states, all in deregulated markets, and began operating in Japan in May 2017, and Canada in November 2017.



Crius Energy is an independent energy retailer that markets and sells electricity and natural gas to residential and small to medium-size commercial customers in the United States.

Company Overview

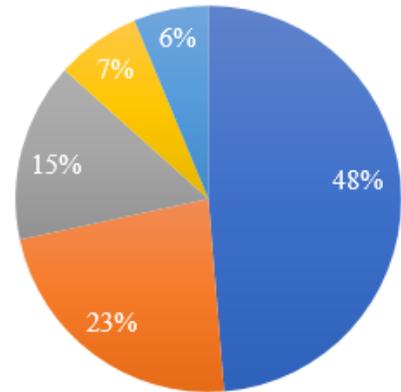
Revenue Breakdown

Vistra Energy operations is divided into five reportable business segments: Retail, ERCOT, PJM, NY/NE, MISO

The **Retail** segment engages in retail sales of electricity and related services to residential, commercial and industrial customers. The company serves 19 states and 5 million customers.

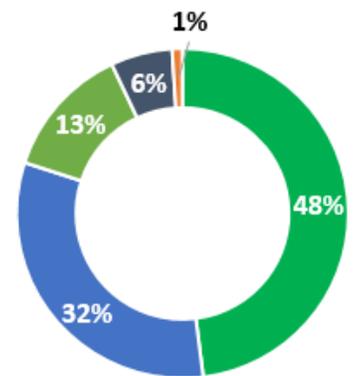
The **Wholesale** segments are engaged in electricity generation, wholesale energy sales and purchases, commodity risk management activities, fuel production, and fuel logistics management. All of which are largely within their respective regional transmission organizations or independent system operators' market. Vistra operates in 6 out of 7 of the wholesale electricity markets in the United States.

- RETAIL
- ERCOT
- PJM
- NY/NE
- MISO



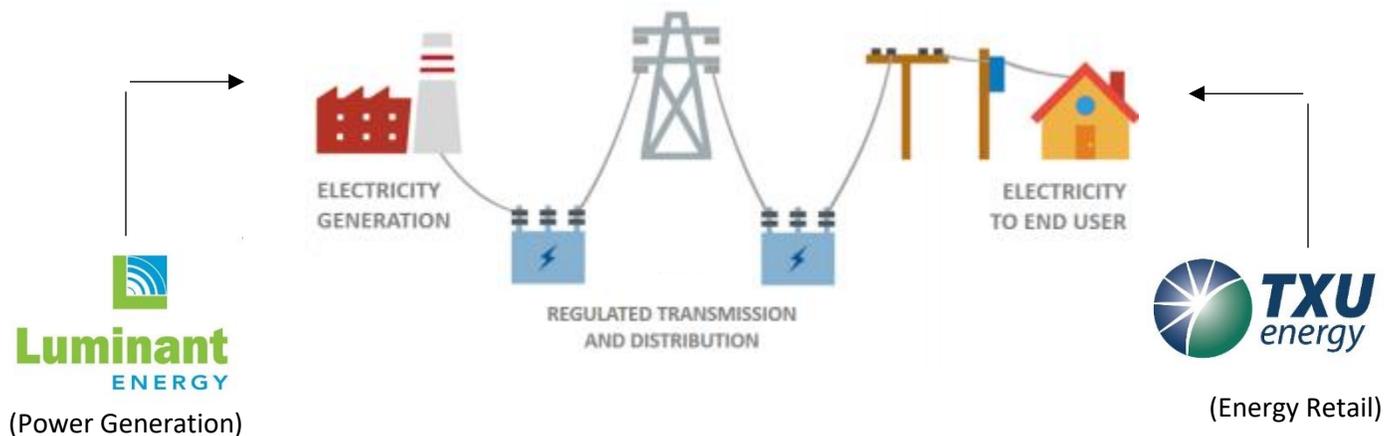
Generation Capacity

- Natural Gas & Oil
- Coal
- Natural Gas (CCGT)
- Nuclear
- Solar

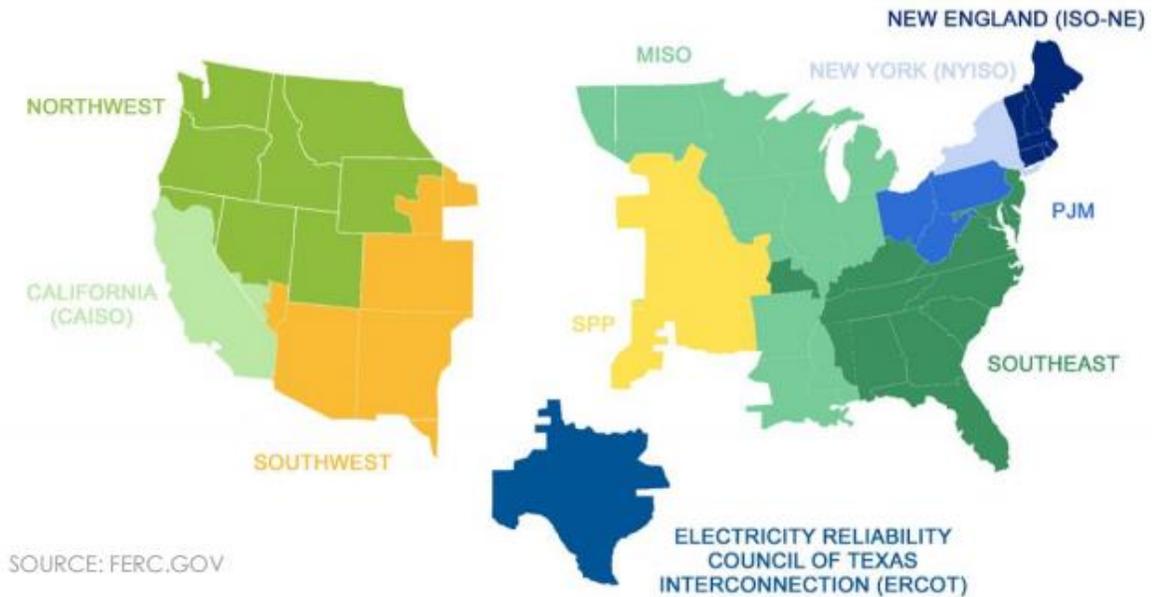


Integrated Business Model

An integrated business model distinguishes the company from peers in the competitive electricity industry. Through the combination of a diversified generation fleet and wholesale commodity risk management capabilities with its retail platform, Vistra mitigates price volatility in its market



Company Overview



ERCOT | Electric Reliability Council of Texas | 25 Million Customers

ERCOT is an ISO that manages the flow of electricity from approximately 78,000 MW of installed capacity to approximately 25 million Texas customers, representing approximately 90% of the state's electric load.

PJM | Pennsylvania, Jersey, Maryland Interconnection | 65 Million Customers

PJM is an RTO that manages the flow of electricity from approximately 178,000 MW of generation capacity to approximately 65 million customers in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

NY/NE | New York / New England Independent System Operator | 35 Million Customers

NYISO and ISO-NE are ISOs that manage the flow of electricity from approximately 39,000 MW of generation capacity to approximately 20 million New York customers and approximately 31,000 MW of installed generation capacity to approximately 15 million customers in the states of Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island and Maine.

MISO | Midcontinent Independent System Operator | 42 Million Customers

MISO is an RTO that manages the flow of electricity from approximately 200,000 MW of installed capacity to approximately 42 million customers in all or parts of Iowa, Minnesota, North Dakota, Wisconsin, Michigan, Kentucky, Indiana, Illinois, Missouri, Arkansas, Mississippi, Texas, Louisiana, Montana, South Dakota and Manitoba, Canada.

Investment Thesis

Strategic Retail Acquisitions

After years of maintaining its market-leading position in Texas through TXU Energy, Vistra started to expand its retail business in 2019, becoming the leading residential load provider in the nation.

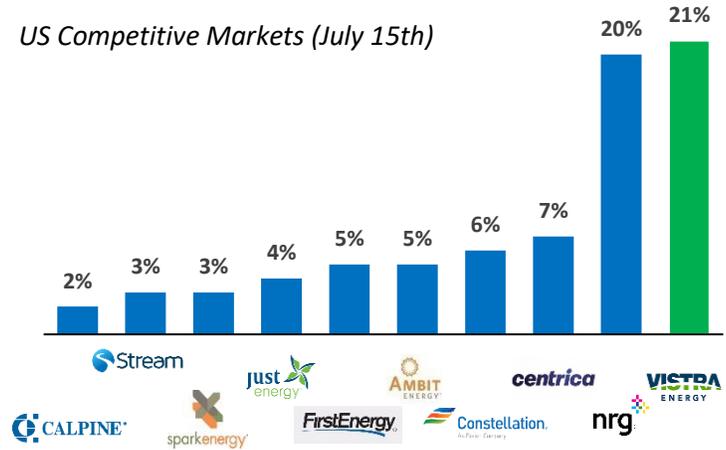
As of February 2019, the company’s retail segment operated in 5 different states and served 2.8 million customers in the United States. On July 15th Vistra completed the acquisition of Crius Energy Trust. The transaction enabled the company to expand its retail presence to 19 states and the District of Columbia while growing to 3.7 million customers.

Following the successful incorporation of Crius, Another important acquisition was completed. On August 20, 2019, Vistra Energy added Ambit Energy to its highest margin segment, expanding the company’s customer base to around five million customers.

The recent additions to Vistra’s retail portfolio have immediately impacted sales for the year.

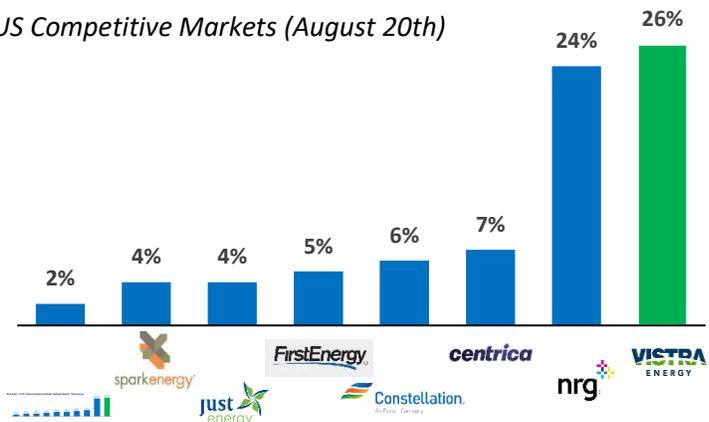
Total US Residential Market Share

US Competitive Markets (July 15th)



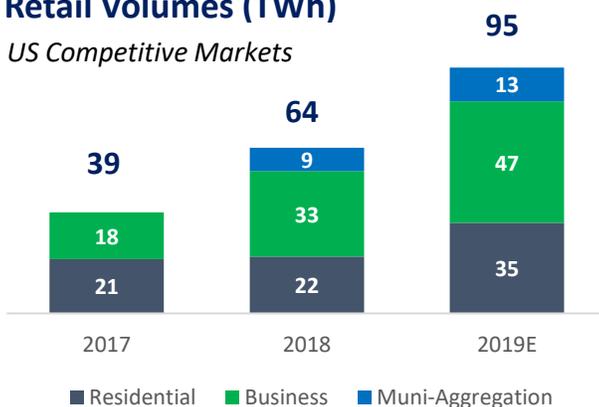
Total US Residential Market Share

US Competitive Markets (August 20th)

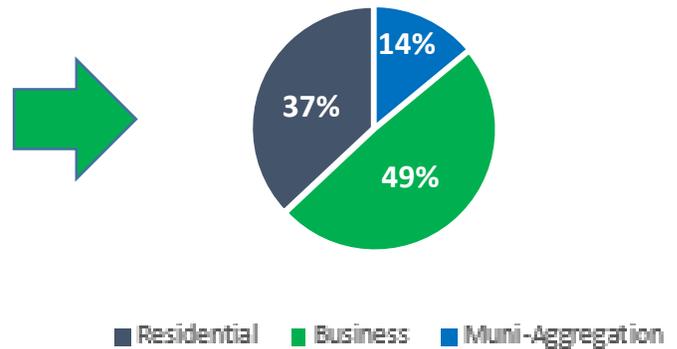


Retail Volumes (TWh)

US Competitive Markets



Retail Load Mix



Investment Thesis

Operating Efficiency

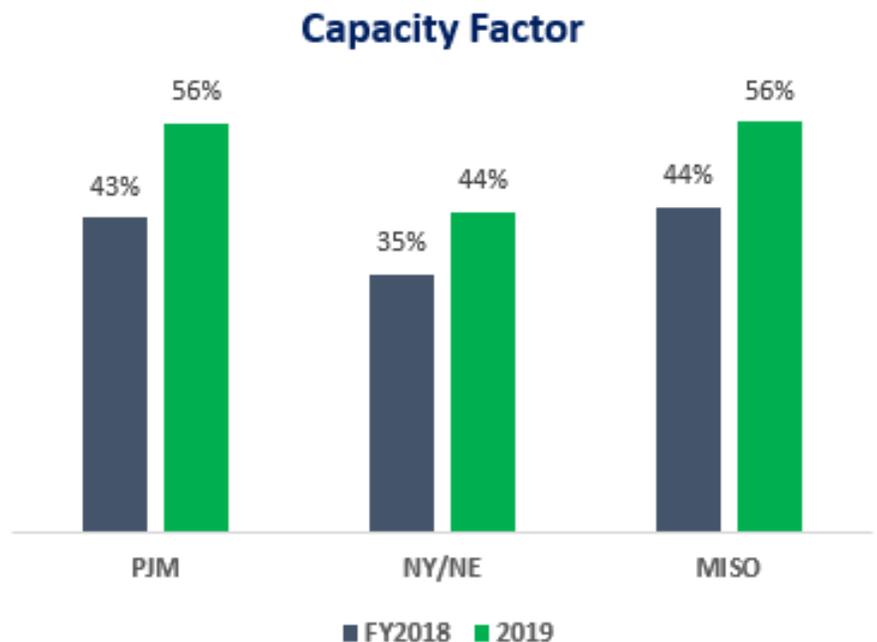
Since its IPO, Vistra Energy has leveraged its integrated business model and strong market position combined with value-creation acquisitions to drive operating efficiency. Over the past three years the company has demonstrated a sustainable ability to generate high levels of cash flows from operations along with continuously improving margins. Fiscal year 2019 became an important year for the company as it started to generate positive earnings per share accompanied by share buybacks and dividend payments.

Operational			
	<i>FY 2017</i>	<i>FY 2018</i>	<i>9 Months Ended 2019</i>
Gross Margin	46%	45%	52%
Operating Margin	4%	5%	19%
Profit Margin	-5%	-1%	8%
EPS	(0.59)	(0.11)	\$1.03
CFO	\$1,386	\$1,471	\$3,093

Capacity Utilization

One year following the merger with Dynegy, the synergy between the two companies proved to be another driver for growth. During 2019, the PJM, NY/NE, and MISO segments are seeing huge improvements when it comes to the utilization of its power generating facilities.

The capacity factor, which accounts for total production volumes out of total capacity per segment, have significantly increased across all these segments indicating higher efficiency and demand levels.

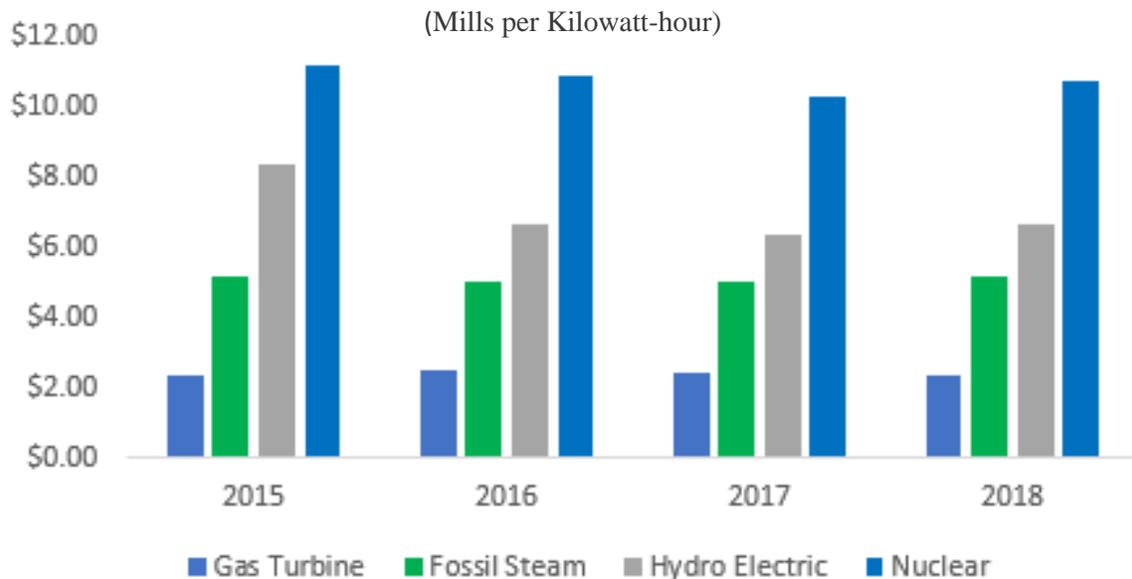


Investment Thesis

Low Cost Structure

Given Vistra Energy’s diversified portfolio of power generation facilities, our analysis highlights an efficient low-cost structure adopted by the company. Data from the U.S. Energy Information Administration (EIA) confirms that the majority of Vistra Energy’s power is produced in the low-tier cost of electric utilities in the country.

Average Power Plant Operating Expenses for US Electric Utilities



Low Leverage Compared to Peers

	Comparables						
	LTD To Cap%	P/B	P/S	P/CF	LTM Revenues	LTM EBITDA	Mkt Cap
Public Service Enterprise Group	47%	2.05	3.05	9.80	\$10,066.0	\$3,895.0	\$30,647.0
Clearway Energy Inc.	52%	2.08	-	-	\$1,026.0	\$733.0	\$2,106.0
Entergy Corporation	57%	2.32	2.04	8.50	\$10,928.0	\$3,322.4	\$23,273.0
Vistra Energy	58%	1.65	1.15	5.43	\$11,512.0	\$3,503.0	\$13,130.0
CMS Energy Corporation	67%	3.48	2.50	9.91	\$6,879.0	\$2,081.0	\$17,245.0
First Energy	69%	3.47	2.24	9.59	\$10,874.0	\$3,542.0	\$25,254.2
The AES Corporation	71%	3.89	1.18	5.00	\$10,380.0	\$3,230.0	\$12,222.3
PG&E Corporation	73%	0.04	0.24	0.85	\$16,474.0	\$4,306.0	\$3,545.8
NRG Energy	121%	0.00	1.15	9.11	\$9,618.0	\$1,674.0	\$9,915.3

Investment Thesis

Market and Industry Position

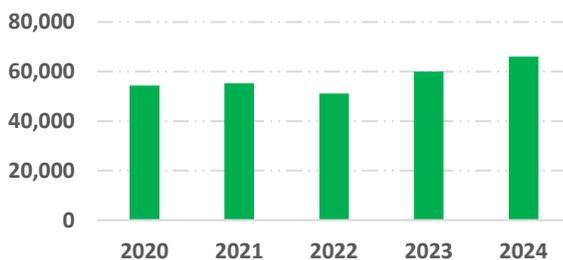
Texas Domination – Upon Inception, Vistra Energy was both the largest power generator and electricity retailer in Texas. After its merger with Dynegy and the acquisitions of Ambit Energy and Crius Energy Trust, Vistra Energy integrated their retail customers and power generation infrastructure into their portfolio. This, along with strong organic growth in metropolitan areas, has pushed Vistra Energy’s market share up from 24% in 2018 to 32% in 2019. Texas has a number of advantages over other deregulated markets in the United States. The ERCOT market is essentially an island; the state of Texas, along with New York and California, is covered by its own Independent System Operator run by an independent board of Texans. The Texas legislature has maintained a business-friendly environment since deregulated markets opened in 2002.

Retail

As of December 31, 2018, Vistra Energy provided electricity to 23% of residential customers and 20% of commercial customers in ERCOT. Their dominant position within ERCOT allows Vistra Energy to run promotion and offer customers services not found anywhere else in the market. Customer retention is high for Vistra Energy due to the innovative products and solutions they provide to their customers such as *Free Nights* and *Solar Day* residential plans.

Customer acquisition is very expensive for utility firms, coming in between \$75-\$150 per person. The cheapest way for Vistra Energy to acquire new customers is through organic growth. Texas has issued the most residential and commercial building permits in the United States since 2016 and is predicted to do so through 2024. Vistra Energy has positioned itself to be the electricity provider for between 30-40% of all new residential and commercial properties within ERCOT.

Organic Growth



Wholesale/Generation:

Vistra Energy has enjoyed the benefit of significant economies of scale within ERCOT. Their best-in-class power plant operations have allowed them to build towards the lowest cost structure in the industry. The merger with Dynegy brought in a leading CCGT generation fleet in Texas, expanding Vistra Energy’s premier integrated ERCOT model. There is a limited amount of generation infrastructure in the state and Vistra Energy has built a diverse portfolio dominating total production capacity in ERCOT.

Facility	Location	RTO/ISO	Primary Fuel
Ennis	TX	ERCOT	CCGT
Forney	TX	ERCOT	CCGT
Hays	TX	ERCOT	CCGT
Lamar	TX	ERCOT	CCGT
Midlothian	TX	ERCOT	CCGT
Odessa	TX	ERCOT	CCGT
Wise	TX	ERCOT	CCGT
Coleto Creek	TX	ERCOT	Coal
Martin Lake	TX	ERCOT	Coal
Oak Grove	TX	ERCOT	Coal
DeCordova	TX	ERCOT	Natural Gas
Graham	TX	ERCOT	Natural Gas
Lake Hubbard	TX	ERCOT	Natural Gas
Morgan Creek	TX	ERCOT	Natural Gas
Permian Basin	TX	ERCOT	Natural Gas
Stryker Creek	TX	ERCOT	Natural Gas
Trinidad	TX	ERCOT	Natural Gas
Wharton	TX	ERCOT	Natural Gas
Comanche Park	TX	ERCOT	Nuclear
Upton 2	TX	ERCOT	Solar
Upton 2 Battery Storage	TX	ERCOT	Battery Storage

Investment Thesis

Market and Industry Position

National & International Footprint – The merger with Dynege and acquisitions of Ambit Energy and Crius Energy Trust has expanded the reach of Vistra Energy from five states in 2017 to nineteen states in 2019. Their customer base has almost tripled since inception through strategic acquisitions and organic growth in deregulated markets. At the close of the Ambit Energy acquisition on November 1, Vistra Energy added ~\$125 million of annual adjusted EBITDA and grew their retail volume by 6.9 TWh year-over-year for the third quarter of 2019. Through Ambit, Vistra Energy is now an active electricity retailer in both Canada and Japan.

Japan



Japan is home to about 84 million residential and small commercial customers who combine for a deregulated power market valued at more than \$70 billion. The expansion into Japan is seen as an unprecedented growth opportunity; Vistra Energy has the cash on hand to efficiently and effectively acquire market share. Ambit Energy is offering its services to nine utility areas throughout Japan:

Utility Area	Potential Customers	Annual Revenue
Chubu	10,647,000	\$9,407,060,769
Chugoku	5,243,000	\$3,672,850,806
Hokuriko	2,106,000	\$1,313,294,370
Kansai	13,600,000	\$12,061,617,426
Kyushu	8,633,000	\$6,969,838,426
Shikoku	2,849,000	\$2,218,583,889
Tohoku	7,715,000	\$6,798,146,380
Tokyo	29,200,000	\$27,721,176,000
Total	79,993,000	70,162,568,066

Canada



Ambit Energy entered Canada on November 1, 2017 with an open enrollment period. Alberta, Canada was the first territory that Ambit Energy offered electricity in. Electricity was be offered to a population of 224,000 residential and small commercial customers in the ATCO Electric service territory. Natural gas will be serviced to a potential 1.1 million customers in the ITCO gas service territory.

Facility	Location	RTO/ISO	Primary Fuel
Fayette	PA	PJM	Natural Gas
Hanging Rock	OH	PJM	Natural Gas
Hopewell	VA	PJM	Natural Gas
Kendall	IL	PJM	Natural Gas
Liberty	PA	PJM	Natural Gas
Ontelaunee	PA	PJM	Natural Gas
Sayreville	NJ	PJM	Natural Gas
Washington	OH	PJM	Natural Gas
Kincaid	IL	PJM	Coal
Miami Fort 7 & 8	OH	PJM	Coal
Zimmer	OH	PJM	Coal
Calumet	IL	PJM	Natural Gas
Dicks Creek	OH	PJM	Natural Gas
Miami Fort (CT)	OH	PJM	Oil
Pleasants	WV	PJM	Natural Gas
Richland	OH	PJM	Natural Gas
Stryker	OH	PJM	Oil
Bellingham	MA	ISO-NE	Natural Gas
Bellingham NEA	MA	ISO-NE	Natural Gas
Blackstone	MA	ISO-NE	Natural Gas
Casco Bay	ME	ISO-NE	Natural Gas
Independence	NY	NYISO	Natural Gas
Lake Road	CT	ISO-NE	Natural Gas
MASSPOWER	MA	ISO-NE	Natural Gas
Milford	CT	ISO-NE	Natural Gas
Baldwin	IL	MISO	Coal
Havana	IL	MISO	Coal
Hennepin	IL	MISO	Coal
Coffeen	IL	MISO/PJM	Coal
Duck Creek	IL	MISO/PJM	Coal
Edwards	IL	MISO/PJM	Coal
Newton	IL	MISO/PJM	Coal
Joppa/EEI	IL	MISO	Coal
Joppa CT 1-3	IL	MISO	Natural Gas
Joppa CT 4-5	IL	MISO	Natural Gas
Moss Landing	CA	CAISO	Natural Gas
Oakland	CA	CAISO	Oil

Valuation

Discounted Cash Flow Analysis

In our analysis of the company, we decided to conduct a Discounted Cash Flow analysis to determine the intrinsic value of Vistra Energy. With a cost of debt of 5.68% and a 23% tax rate, we calculated an after tax cost of debt of 4.37%. With the after tax cost of debt of 4.37% and the cost of equity of 9.75%, we calculated a WACC of 7.39% assuming a capital structure of 58% debt and 42% equity.

DCF	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
EBIT	491	1,473	1,553	1,564	1,416	1,583	1,680
Tax Rate	23%	23%	23%	23%	23%	23%	23%
NOPAT	378	1,134	1,196	1,204	1,091	1,219	1,294
(+) Depreciation & Amort.	1,521	1,543	1,498	1,513	1,459	1,456	1,452
NWC	-190	1156	13	10	-226	-173	(142)
Stock Compensation	73	74	76	77	79	81	82
(+) Change in NWC		1,346	(1,143)	(3)	(236)	53	32
(-) CAPEX		(857)	(618)	(723)	(573)	(559)	(658)
Unlevered FCF		3,241	1,009	2,069	1,820	2,249	2,201
PV of UFCF		3,182	921	1,756	1,436	1,650	1,501
Discount Period - Month		3	15	27	39	51	63
Discount Period - Year		0.25	1.25	2.25	3.25	4.25	5.25

Assumptions	
Terminal Growth Rate	1.75%
Risk Free Rate	1.66%
Average Cost of Debt	5.68%
After Tax Cost of Debt	4.37%
Expected Return for Market	13%
Risk Premium	11%
2Yr Beta	0.71
Tax Assumption	23%
Cost of Equity	9.75%
Current Price	\$26.00
WACC	7.39%
Market Cap Today	13,130,000,000
Debt/Capital	58%
Equity/Capital	42%
Shares Outstanding	505

Intrinsic Value Calculation	
Terminal Value of UFCF	39,098
Sum of PV of UFCF	10,417
PV of Terminal UFCF	26,888
Enterprise Value	37,305
(-) Debt	10,728
(+) Cash	707
Equity Value	27,284
Intrinsic Value	\$ 54.03
Implied Return	108%
Year 1	\$ 59.30
Year 2	\$ 65.08
Implied Return	150%

Valuation Summary			
	Bear	Base	Bull
VST Intrinsic Value	\$32.09	\$ 54.03	\$62.27
Discount to Market	23%	108%	139%
Current Price	\$26.00		

We conducted two sensitivity analyses that test the sensitivity of our WACC to our terminal year growth rate and our terminal year growth rate to the debt ratio we calculated to see the effect on how a changing capital structure may help or harm Vistra Energy.

		WACC								
		6.75%	7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	8.50%	8.75%
Terminal Growth	1.35%	59.29	55.93	52.85	50.01	47.41	44.99	42.76	40.68	38.74
	1.45%	60.45	56.97	53.79	50.88	48.19	45.71	43.42	41.29	39.30
	1.55%	61.65	58.05	54.77	51.77	49.01	46.46	44.10	41.92	39.88
	1.65%	62.89	59.17	55.78	52.69	49.84	47.23	44.81	42.56	40.48
	1.75%	64.19	60.34	56.84	53.64	50.71	48.02	45.53	43.23	41.09
	1.85%	65.53	61.55	57.93	54.63	51.61	48.84	46.28	43.92	41.73
	1.95%	66.94	62.80	59.06	55.65	52.54	49.68	47.05	44.62	42.38
	2.05%	68.40	64.11	60.23	56.71	53.50	50.55	47.85	45.35	43.05
	2.15%	69.93	65.47	61.45	57.81	54.49	51.46	48.67	46.11	43.74

Valuation

		Debt Ratio								
		25.00%	30.00%	35.00%	40.00%	46.00%	50.00%	55.00%	60.00%	65.00%
Terminal Growth	1.35%	62.72	59.05	55.70	52.64	49.29	47.23	44.83	42.61	40.54
	1.45%	63.99	60.19	56.74	53.58	50.13	48.01	45.55	43.26	41.14
	1.55%	65.32	61.38	57.81	54.55	51.00	48.82	46.29	43.94	41.77
	1.65%	66.69	62.62	58.92	55.56	51.90	49.65	47.05	44.64	42.41
	1.75%	68.13	63.90	60.08	56.60	52.82	50.52	47.84	45.36	43.08
	1.85%	69.63	65.24	61.28	57.68	53.79	51.41	48.65	46.11	43.76
	1.95%	71.19	66.63	62.53	58.81	54.78	52.33	49.49	46.88	44.46
	2.05%	72.83	68.09	63.83	59.97	55.81	53.28	50.36	47.67	45.19
	2.15%	74.53	69.60	65.18	61.19	56.88	54.27	51.25	48.49	45.93

EV/EBITDA

To calculate our terminal years stock price, we completed an EV to EBITDA model which was used to calculate the target price for Vistra Energy. We also provided a Bull, Bear and Base case scenario for 2019, 2020, and 2021 which incorporates a 2-year holding period policy. Currently, VST has an EV to EBITDA multiple of 9.43x. Assuming the market realizes the value in VST and the multiple raises to 9.52x, in 2020 we can expect a share price of \$40.63 or a realized return of 56% and a share price for 2021 of \$43.48 with a realized return of 67%. For 2020, our Bear case gets us a return of 38%. For 2021 our Bear case gets us a return of 41%.

EV/EBITDA	FY 2018	FY 2019			FY 2020			FY 2021		
		Bear	Base	Bull	Bear	Base	Bull	Bear	Base	Bull
Enterprise Value	21,665.7	27,375.3	28,434.6	28,913.3	27,691.6	28,768.2	30,059.9	26,839.3	29,008.4	30,238.5
(-) Debt	11,065.0	11,512.0	11,512.0	11,512.0	11,284.1	11,284.1	11,284.1	10,037.0	10,037.0	10,037.0
(+) Cash	636.0	1,885.8	1,885.8	1,885.8	1,740.2	1,740.2	1,740.2	1,753.8	1,753.8	1,753.8
(-) Adjustments	57.0									
Market Capitalization	11,289.7	17,749.1	18,808.3	19,287.1	18,147.7	19,224.3	20,516.0	18,556.1	20,725.2	21,955.3
EBITDA	2,298.0	2,934.7	3,015.9	3,036.4	2,968.6	3,051.3	3,156.8	2,877.3	3,076.8	3,175.5
EV/EBITDA Multiple	9.43	9.33	9.43	9.52	9.33	9.43	9.52	9.33	9.43	9.52
Shares Outstanding	505.0	505.0	505.0	505.0	505.0	505.0	505.0	505.0	505.0	505.0
EV/Share	\$ 22.36	\$ 35.15	\$ 37.25	\$ 38.20	\$ 35.94	\$ 38.07	\$ 40.63	\$ 36.75	\$ 41.04	\$ 43.48
		35%	43%	47%	38%	46%	56%	41%	58%	67%

Valuation

		2021 EBITDA						
		2637	2776	2922	3076	3230	3391	3561
EV/EBITDA Multiple	8	25.38	27.58	29.89	32.33	34.77	37.32	40.01
	8.5	27.99	30.33	32.79	35.38	37.96	40.68	43.54
	9	30.60	33.08	35.68	38.42	41.16	44.04	47.06
	9.5	33.21	35.82	38.57	41.47	44.36	47.40	50.59
	10	35.82	38.57	41.47	44.51	47.56	50.76	54.11
	10.5	38.44	41.32	44.36	47.56	50.76	54.11	57.64
	11	41.05	44.07	47.25	50.60	53.95	57.47	61.17

Dividend Discount Model

Additionally, we ran a dividend discount model that calculates the price of the company based on the future expected dividends. Vistra began paying out a dividend this year at a price of \$0.50/share. The company aims to increase dividends at an annual target of 6-8%. Going forward we decided to assume an annual growth rate of 8%, on the higher end of their guidance. Using the WACC of 7.39%, our calculations give us a 2 year target price of \$35.90 or an expected return of 62%. We have also provided a sensitivity analysis for the DDM that tests the growth rate with the cost of equity as the discount rate.

CAPM	Rf	Beta	MRP	Div Growth
9.75%	1.50%	0.71	8.5%	8%

Price
\$ 35.90

2019	2020	2021	2022	2023	2024
\$ 0.50	\$ 0.54	\$ 0.58	\$ 0.63	\$ 0.68	\$ 0.73

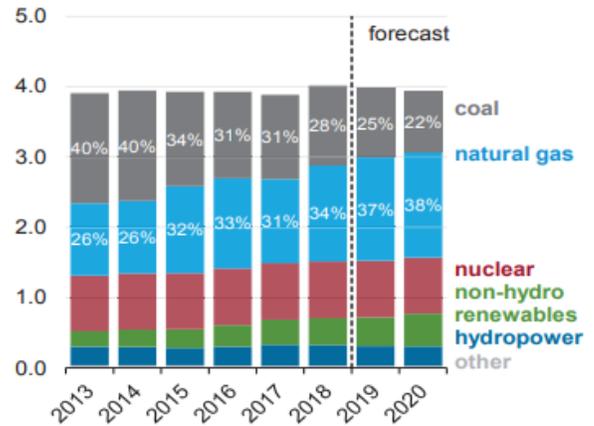
		CAPM						
		9.20%	9.30%	9.40%	9.50%	9.60%	9.70%	9.80%
Dividend Growth	7.25%	31.63	30.09	28.69	27.41	26.25	25.18	24.19
	7.50%	36.54	34.51	32.69	31.06	29.58	28.23	27.01
	7.75%	43.14	40.35	37.91	35.74	33.81	32.08	30.51
	8.00%	52.49	48.45	44.99	41.99	39.37	37.05	34.99
	8.25%	66.76	60.40	55.15	50.74	46.98	43.74	40.92
	8.50%	91.23	79.83	70.96	63.86	58.06	53.22	49.13
	8.75%	142.90	116.92	98.93	85.74	75.66	67.69	61.24

Industry Outlook

Shift in Fuels Used to Generate Electricity

The electricity generation sector is seeing a notable shift in fuels used to generate electricity. This is driven in part by historically low natural gas prices. Increased natural gas-fired electricity generation is becoming a larger portion of the market. This is also leading to the retirement of less efficient existing coal and nuclear plants. In 2020, natural gas generation is projected to make up nearly 40% of all electricity generation.

U.S. electricity generation by fuel, all sectors
billion kilowatthours

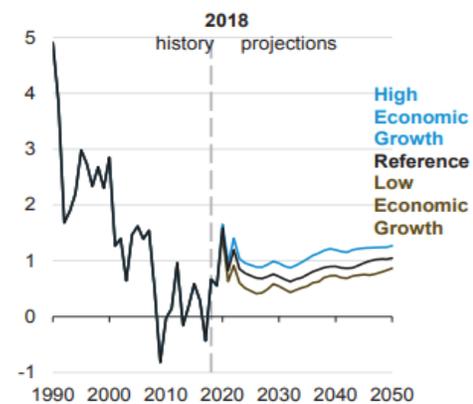


Source: US Energy Information Administration

Energy Demand

Near-term electricity demand usually increases or decreases as a result of weather fluctuations whereas long-term projections typically assume long-term average weather patterns. As a result, economic growth tends to drive long-term demand trends. This growth can also be offset by increases in energy efficiency in appliances and devices. The annual growth rate in electricity demand is expected to

Electricity use growth rate
percent growth (three-year rolling average)



Residential Electricity Rates

Rates are expected to increase slightly for residential power consumers. The EIA (US Energy Information Administration) is estimating that the annual growth in residential electricity prices will be 1.2% this year. At about the halfway point, May 2019, the average rate had risen 1.3% year-over-year. One of the main reasons rates have remained relatively stable and increased slightly is demand for power. Electricity demand is just as high as ever. The global demand rose 4% last year and is expected to keep rising. In August of this year, Texas set new peak demand records due to sustained high temperatures.

Location

Location is a major factor for whether electricity prices are rising, falling or remaining stable. As of May 2019, the average price per kilowatt hour in the U.S. was 13.32 cents. However, the price range from state-to-state was huge and the annual increase was across the board. In deregulated areas whether electricity prices will increase and by how much largely depends on energy provider.

Risks

Fuel Costs

Vistra relies on natural gas, coal and oil to fuel the majority of their power generation facilities. Volatility in market prices for fuel and electricity may result from many factors including supply and demand for these energy commodities and general economic conditions. Vista sells a substantial portion of their expected power sales in the next one to two years in order to lock in long-term prices. These contracts do not allow them to pass through changes in fuel costs. Vistra mitigates this risk by hedging against fuel prices. The company has a commodity risk management group that enters into electricity, gas and other commodity derivative contracts to reduce exposure to changes in prices primarily to hedge future revenues and fuel costs for our generation facilities and purchased power costs.

Failure to Integrate Acquisitions

The success of all mergers and acquisitions will depend on Vistra's ability to realize the anticipated benefits and synergies from integrating assets with their generation business segments. To realize these anticipated benefits, the businesses must be successfully combined. If the combined businesses are not able to achieve their objectives, or on a timely basis, the anticipated benefits of acquisitions may not be realized fully or at all. An inability to realize the full extent of the anticipated benefits of acquisitions, as well as any delays encountered in the integration process, could have an adverse effect on financial condition, results of operations and cash flows.

Regulatory Risk

Vistra's businesses are subject to ongoing complex governmental regulations and legislation that have impacted, and may in the future impact businesses, liquidity, and financial condition. Although they attempt to comply with changing legislative and regulatory requirements, there is a risk that they will fail to adapt to any such changes successfully or on a timely basis.

Lower Power Margins

Electricity prices are subject to market fluctuations. Vistra Energy is subject to downside risk from lower power margins once it operates in a very competitive market. They mitigate this by selling a substantial portion of their expected power sales in the next one to two years in order to lock in long-term prices.

Management

Curtis A. Morgan | Chief Executive Officer



Since October 2016, Mr. Morgan has served as president and chief executive officer of Vistra Energy. Prior to joining Vistra Energy, Morgan was an operating partner at Energy Capital Partners, a private equity firm focused on investing in North America’s energy infrastructure. During his 35-year career, Morgan has held leadership responsibilities in nearly every major U.S. power market. Prior to joining Energy Capital, he served as the president and CEO of both EquiPower Resources Corp. and FirstLight Power Resources, Inc. He recently served as a director of Summit Midstream General Partner at Summit Midstream Partners. He has also held leadership positions at NRG Energy, Mirant Corporation, Reliant Energy and BP Amoco.

Jim Burke | Chief Operating Officer



Burke previously served as chairman and CEO of TXU Energy, the leading competitive retailer in Texas and a subsidiary of Vistra Energy and its predecessor company, Energy Future Holdings. Burke led TXU Energy from August 2005 to October 2016 after joining in late 2004 as senior vice president of TXU Energy’s residential markets. Prior to joining TXU Energy, Burke was president and chief operating officer of Gexa Energy, a Houston-based retailer that was subsequently acquired by FPL in 2005. Burke is a graduate of Tulane University, earning a bachelor’s degree in economics and a master’s of business administration in finance and general management. He is a licensed certified public accountant and has also earned the designation as a chartered financial analyst.

David Campbell | Chief Financial Officer



Prior to joining Vistra in June 2019, Campbell served as president and CEO of InfraREIT and president and CEO of Sharyland Utilities. Campbell originally joined TXU Corp. (a predecessor of Vistra and Energy Future Holdings) in 2004 as executive vice president of planning, strategy, and risk, and became CFO of TXU Corp. in 2006 and CEO of Luminant in 2008. Before joining TXU, he was a partner in the Dallas office of McKinsey & Company, where he led the Texas and Southern Region hubs of McKinsey’s corporate finance and strategy practice. Campbell earned a B.A. from Yale University and a J.D. from Harvard Law School. Also, he graduated with a master’s degree from Oxford University, where he studied as a Rhodes Scholar.

Income Statement

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Total Revenue	5,978	5,370	5,164	5,430	9,144	11,869	11,752	12,104	11,913	12,133	12,356
Fuel & Purchased Power	2,842	2,692	2,802	2,935	5,036	6,172	6,111	6,294	6,314	6,430	6,549
Selling General & Admin Exp.	708	676	690	600	926	1,068	1,028	1,029	983	971	958
Depreciation & Amort	1,270	852	675	689	1,384	1,543	1,488	1,513	1,459	1,456	1,452
Other Operating Exp.	903	500	590	973	1,297	1,813	1,561	1,704	1,741	1,693	1,718
Total Operating Exp.	5,723	4,720	4,757	5,207	8,653	10,396	10,199	10,540	10,487	10,549	10,676
Operating Income	255	650	407	223	491	1,473	1,553	1,564	1,416	1,583	1,680
Interest Expense, Total	(522)	(1,285)	(1,107)	(181)	(530)	(521)	(458)	(397)	(336)	(275)	(214)
Interest and Invest Income	-	1	4	15	18	-	-	-	-	-	-
Income(Loss) from Affiliates	-	-	-	-	17	-	-	-	-	-	-
Other Non-Operating Inc. (Exp.)	(1,229)	2	(9)	3	(10)	-	-	-	-	-	-
Restructuring Charges	-	-	-	(25)	-	-	-	-	-	-	-
Impairment of Goodwill	(1,600)	(2,200)	-	-	-	-	-	-	-	-	-
Gain (Loss) On Sale Of Assets	-	-	-	4	3	-	-	-	-	-	-
Asset Write-down	(4,333)	(2,623)	(45)	(2)	-	-	-	-	-	-	-
Other Unusual Items	(520)	(101)	22,101	213	(90)	-	-	-	-	-	-
Income Tax Expense	(2,320)	(879)	(1,337)	504	(45)	(219)	(252)	(268)	(248)	(301)	(337)
Net Income to Company	(6,229)	(4,677)	22,688	(254)	(56)	733	843	899	832	1,007	1,129
Minority Int. in Earnings	-	-	-	-	2	-	-	-	-	-	-
Net Income	(6,229)	(4,677)	22,688	(254)	(54)	733	843	899	832	1,007	1,129
Pref. Dividends and Other Adj. NI to Common Inc/Extra Items	-	-	22,851	-	-	-	-	-	-	-	-
	(6,229)	(4,677)	(163)	(254)	(54)	733	843	899	832	1,007	1,129
Per Share Items											
Basic EPS	NA	NA	(0.4)	(0.6)	(0.1)	1.5	1.7	1.8	1.8	2.0	2.2
Weighted Avg. Basic Shares Out	NA	NA	427.6	427.8	505.0	505.0	505.0	505.0	505.0	505.0	505.0
Diluted EPS	NA	NA	(0.4)	(0.6)	(0.1)	1.5	1.7	1.8	1.6	2.0	2.2
Weighted Avg. Diluted Shares Out	NA	NA	427.6	427.8	505.0	505.0	505.0	505.0	505.0	505.0	505.0

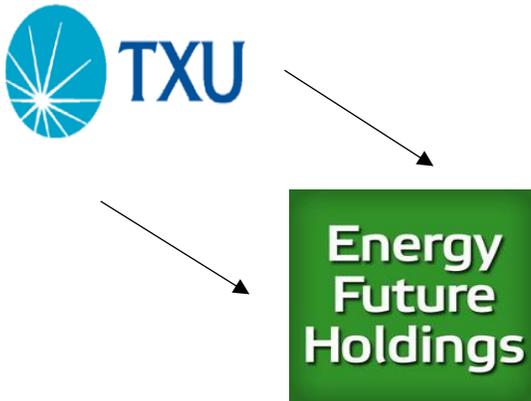
Balance Sheet

Balance Sheet												
Balance Sheets as of:												
Currency	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Sep-30-2019	2019E	2020F	2021F	2022F	2023F	2024F
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
ASSETS												
Cash And Equivalents	1,843	1,400	843	1,487	636	707	1,888	1,740	1,754	1,500	1,531	1,534
Trading Asset Securities	-	-	-	-	22	-	-	-	-	-	-	-
Accounts Receivable	588	533	612	582	1,087	1,419	1,287	1,274	1,313	1,292	1,316	1,340
Inventory	468	428	285	253	412	430	724	716	738	726	740	753
Prepaid Exp.	-	-	75	72	152	291	168	167	180	172	178	182
Restricted Cash	2	519	57	59	96	46	45	44	43	42	42	41
Other Current Assets	575	570	563	220	1,069	1,235	1,266	1,298	1,330	1,363	1,397	1,432
Total Current Assets	3,476	3,450	2,473	2,673	3,435	4,128	5,375	5,240	5,358	5,096	5,204	5,282
Gross Property, Plant & Equipment	15,971	11,755	4,337	4,944	15,705	16,186	15,600	14,654	14,213	13,374	12,463	11,632
Accumulated Depreciation	(3,948)	(2,654)	(54)	(282)	(1,284)	(2,241)	(2,283)	(2,286)	(2,309)	(2,332)	(2,355)	(2,379)
Net Property, Plant & Equipment	12,023	9,101	4,277	4,662	14,421	13,945	13,317	12,568	11,904	11,042	10,108	9,253
Net Nuclear Fuel	285	248	168	158	191	180	178	179	181	182	183	185
Goodwill	2,332	1,907	1,907	1,907	2,068	2,287	2,287	2,287	2,287	2,287	2,287	2,287
Other Intangibles	1,336	1,179	3,205	2,530	2,493	2,595	2,608	2,621	2,634	2,647	2,661	2,674
Long-term Investments	11	8	21	29	186	123	129	136	142	150	157	165
Deferred Tax Assets, LT	-	-	1,122	710	1,338	1,155	1,155	1,155	1,155	1,155	1,155	1,155
Other Long-Term Assets	1,880	1,520	1,996	1,931	1,894	2,030	2,050	2,071	2,092	2,112	2,134	2,155
Total Assets	21,343	15,658	15,167	14,800	26,024	26,443	27,119	26,257	25,753	24,672	23,888	23,155
LIABILITIES												
Accounts Payable	545	514	479	473	945	916	1,042	1,020	1,104	1,051	1,073	1,085
Accrued Exp.	224	218	161	158	289	240	401	397	409	410	417	425
Short-term Borrowings	-	-	-	-	339	600	606	612	618	624	631	637
Curr. Port. of LT Debt	22	1,441	73	52	193	234	234	1,253	1,253	1,253	1,253	1,253
Curr. Port. of Cap. Leases	-	-	-	-	-	19	19	19	19	19	19	19
Curr. Income Taxes Payable	17	11	31	58	10	18	10	19	19	19	19	19
Def. Tax Liability, Curr.	90	-	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities	604	628	758	610	1,889	1,888	1,907	1,926	1,945	1,965	1,984	2,004
Total Current Liabilities	1,502	2,812	1,504	1,351	3,625	3,915	4,219	5,227	5,348	5,322	5,377	5,423
Long-Term Debt	33,885	32,914	4,577	4,379	10,906	10,728	10,672	9,419	8,166	6,912	5,659	4,406
Capital Leases	-	-	-	-	141	122	122	103	84	65	46	27
Pension & Other Post-Retire Benefits	-	-	-	168	270	296	299	302	305	308	311	314
Def. Tax Liability, Non-Curr.	982	213	-	-	10	10	0	-	-	-	-	-
Other Non-Current Liab., Total	3,203	2,603	2,489	2,362	3,346	3,561	3,597	3,633	3,669	3,706	3,743	3,780
Total Liabilities	39,552	38,542	8,570	8,258	18,157	18,651	18,908	17,571	17,571	16,313	15,136	13,951
Common Stock	(18,174)	(22,851)	4	4	5	5	5	5	5	5	5	5
Additional Paid in Capital	-	-	7,742	7,765	9,329	9,708	9,176	7,695	7,404	6,750	6,138	5,460
Retained Earnings	-	-	(1,155)	(1,410)	(1,449)	(936)	(936)	(93)	806	1,638	2,945	3,774
Treasury Stock	-	-	-	-	(951)	(951)	-	-	-	-	-	-
Comprehensive Inc. and Other	(35)	(33)	6	(17)	(22)	(34)	(34)	(34)	(34)	(34)	(34)	(34)
Total Common Equity	(18,209)	(22,884)	6,697	6,342	7,863	7,792	8,211	7,573	8,181	8,359	8,752	9,205
Minority Interest	-	-	-	-	4	-	-	-	-	-	-	-
Total Equity	(18,209)	(22,884)	6,697	6,342	7,867	7,792	8,211	7,573	8,181	8,359	8,752	9,205
Total Liabilities And Equity	21,343	15,658	15,167	14,800	26,024	26,443	27,119	26,257	25,753	24,672	23,888	23,155

Cash Flows

Cash Flow	For the Fiscal Period Ending										
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	2019E	2020F	2021F	2022F	2023F	2024F
Currency	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	(6,229)	(4,677)	22,688	(254)	(54)	733	843	899	832	1,007	1,129
Depreciation & Amort.	1,381	935	770	857	1,521	1,543	1,498	1,513	1,459	1,456	1,452
Other Amortization	147	60	53	38	62	-	-	-	-	-	-
(Gain) Loss On Sale Of Invest.	(65)	-	11	(29)	5	-	-	-	-	-	-
Total Asset Write-down	6,533	4,825	45	25	-	-	-	-	-	-	-
Stock-Based Compensation	-	-	-	-	73	74	76	77	79	81	82
Change in Inc. Taxes	-	-	(1)	33	(64)	(10)	(10)	0	0	0	0
Change in Acc. Receiv.	83	13	(50)	7	(207)	200	(13)	38	(21)	24	24
Change in Inventories	(67)	34	74	22	61	312	(7)	21	(12)	13	14
Change in Acc. Payable	94	40	(53)	(30)	90	97	(22)	84	(53)	21	12
Change in Other Net Operating Assets	218	39	(317)	186	(476)	-	-	-	-	-	-
Other Operating Activities	(1,651)	(1,032)	(23,377)	531	480	-	-	-	-	-	-
Cash from Operations	444	237	(157)	1,386	1,471	2,949	2,366	2,632	2,285	2,802	2,713
Capital Expenditures	(306)	(337)	(1,521)	(659)	33	(857)	(618)	(723)	(573)	(559)	(658)
Nuclear Fuel Expenditures	(77)	(123)	(74)	(62)	(118)	(90)	(92)	(87)	(89)	(93)	(89)
Cont. To Nuclear Decomm. Trust	(331)	(416)	(245)	(272)	(274)	(326)	(325)	(310)	(321)	(329)	(338)
Total Other Investing Activities	286	228	427	286	258	313	317	332	316	325	336
Cash from Investing	(489)	(650)	(1,513)	(727)	(101)	(960)	(718)	(788)	(667)	(657)	(749)
Changes in Short Term Debt	-	-	-	-	339	-	-	-	-	-	-
Changes in Long Term Debt	1,202	(21)	3,025	(191)	(1,736)	(234)	(1,253)	(1,253)	(1,253)	(1,253)	(1,253)
Repurchase of Common Stock	-	-	-	-	(763)	-	-	-	-	-	-
Issuance of Pref. Stock	-	-	69	-	-	-	-	-	-	-	-
Common Dividends Paid	-	-	-	-	-	(252)	(270)	(289)	(309)	(331)	(354)
Total Dividends Paid	-	-	(992)	-	-	(252)	(270)	(289)	(309)	(331)	(354)
Special Dividend Paid	-	-	(992)	-	-	-	-	-	-	-	-
Other Financing Activities	(92)	(9)	(1,037)	(10)	(224)	-	-	-	-	-	-
Cash from Financing	1,110	(30)	1,065	(201)	(2,723)	(739)	(1,794)	(1,831)	(1,872)	(1,915)	(1,961)
Misc. Cash Flow Adj.	1.0	-	-	-	-	-	-	-	-	-	-
Net Change in Cash	1097	(443)	(605)	458	(1353)	1280	(146)	14	(253)	31	2
Cash Beg of the Year	\$1,843.00	\$1,843.00	\$1,400.00	\$843.00	\$1,487.00	\$707.00	\$1,885.78	\$1,740.16	\$1,753.76	\$1,500.40	\$1,531.23
Cash End of the Year	\$1,843.00	\$1,400.00	\$843.00	\$1,487.00	\$536.00	\$1,885.78	\$1,740.16	\$1,753.76	\$1,500.40	\$1,531.23	\$1,533.86

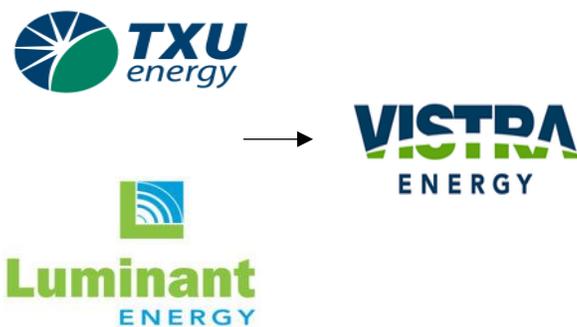
Origination of Vistra Energy



On May 21st, 1999, the Texas legislature passed Senate Bill 7, which required the creation of a competitive retail electricity market. TXU Corporation was one of the first certified retail electricity providers to offer services at market open in 2002. The company consisted of TXU Energy (TXU Energy), TXU Electric Delivery (Oncor), and TXU Power (Luminant). In 2007, KKR, TPG Capital, and Goldman Sachs combined for the acquisition of TXU Corporation via Energy Future Holdings. Including debt, this was the largest leveraged buyout in history at \$43.8 billion.



The buyout of TXU Corporation left Energy Future Holdings with over \$40 billion in debt and the gamble that natural gas prices would rise and give coal-fired plants a competitive advantage was lost. At the time, the logic seemed and regardless of the risk. By April 2014, Energy Future Holdings could no longer make its scheduled debt payments and was forced to declare bankruptcy. The convoluted structure of the company prior to bankruptcy had elongated bankruptcy proceedings; Energy Future Holdings split into two companies, Texas Competitive Electric Holdings (TXU Energy & Luminant) and Oncor, formerly TXU Electric Delivery. The former filed for bankruptcy while a majority stake in Oncor was sold to Sempra Energy for \$9.45 billion.



In October 2016, subsidiaries of Energy Future Holdings, TXU Energy and Luminant, emerged from reorganization in a court-approved spin-off under the parent company Texas Competitive Electric Holdings which later changed its name to Vistra Energy. After the successful acquisitions of Dynegy, Ambit Energy, Crius Energy Trust, Vistra Energy has become an electricity titan.

Analyst Team



Jonathan Ebberhart

Jonathan Ebberhart is pursuing a degree in Finance, concentrating in Asset Management, accompanied by minors in both Political Science and Economics. He grew up playing football and applied the characteristics that underpinned athletic success to his academic pursuits. Prior to joining the Applied Securities Analysis program, Jonathan spent a summer as an Operations Associate Intern with Anchor Wealth Management and this last summer as a Wealth Management Summer Analyst with the J.P. Morgan private Bank. He sees himself enjoying a successful career in corporate finance before starting his own private equity firm. Jonathan is passionate about spreading financial literacy to rid communities of cyclical poverty. After his graduation in May 2020, he plans to pursue his CFA designation.



Cristiano Fernandes Filho

Cristiano Fernandes Filho is a finance major with an economics minor currently pursuing his CFA designation. Originally from São Paulo, Brazil, Fernandes is the president of the Brazilian Student Association at USF and a first-generation college student who holds a USF GPA of 3.97. He previously served as a finance and economics tutor, helping students to succeed in five different courses offered at USF. After spending a summer in a Financial Planning & Analysis internship with Citi, he joined the Applied Securities Analysis program to gain experience with Equities. After college, Cristiano plans to pursue a career in Investment Banking.



Gregory Klug

Gregory Klug is set to graduate in May 2020 with a degree in Finance with a concentration in Asset Management. As a Tampa native, Greg hopes to continue to reside in the Tampa Bay area and start his career in asset management, investment banking, or investment research. Greg was an intern this summer at J.P. Morgan Chase as an analyst in the Corporate Analyst Development Program and has previously interned at Foresters Financial. Earlier this year, he worked as a data and economics intern with USF Career Services. Greg credits his leadership abilities to coaching soccer at his alma mater, Carrollwood Day School, where he coached the men's junior varsity squad.