

Portland General Electric Company (POR)

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

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Recommendation: **BUY**

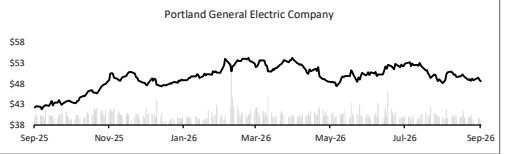
Value Fit 6 / 10

Philosophy Fit 4 / 5

As of: 09/11/2026

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke 3.8% vs 6.4% → Below ke
Change in performance — ΔROIC 0.0 pts, FY2026E vs FY2025A → Flat
Lifecycle phase Phase I — lowest expectations
Valuation gap — target vs. price -34.1% → Price above our value



BUSINESS DESCRIPTION

Portland General Electric Co. engages in the generation, wholesale purchase, transmission, distribution, and retail sale of electricity in the state of Oregon. It also sells electricity and natural gas in the wholesale market to utilities, brokers, and power marketers. The company was founded by Edward L. Eastham and Parker F. Morey in 1888 and is headquartered in Portland, OR.

INVESTMENT THESIS

Portland General is a fully regulated Oregon utility growing rate base 8% to 10% a year, with a 5% to 7% long-term EPS growth rate. It trades at a 15% to 22% P/E discount to utility peers because of wildfire exposure, regulatory lag and the fear of equity issuance. We think the market is missing four changes already in motion: a HoldCo structure that funds growth with parent debt and junior subordinated notes rather than \$1.05 billion of new common stock, a bid to own about half the 2025 clean-energy RFP, the \$1.9 billion purchase of PacifiCorp's Washington assets, and a shift to a Multi-Year Rate Plan that shortens regulatory lag. If management delivers, EPS compounds at 7.6% to 7.9% through 2030, roughly 200 basis points ahead of consensus, and the discount should close as each piece lands.

MARKET SNAPSHOT

Current Price	\$48.56	Market Cap (\$B)	\$5.7	Beta	0.35
52-Week Range	\$42 – \$54	Inst. Ownership	107.1%	Insider Own.	0.5%
Shares Out. (mm)	110.5	Short Interest (% float)	5.2%	Dividend Yield	4.5%
Consensus L-T Growth	6.9%	Payout Ratio	94.1%	Cost of Equity	6.4%
Price Target	\$32.00	Upside to Target	(34.1%)	Value Range	\$16 – \$47

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$26.35	(45.7%)	17.6x P/E
Equity DCF – terminal P/S	\$47.05	(3.1%)	2.3x P/S
Equity DCF – terminal P/B	\$39.65	(18.3%)	1.4x P/B
Equity DCF – constant growth	\$16.03	(67.0%)	2.0% g, 6.4% ke
Average of methods	\$32.27	(33.5%)	Equal-weighted
Analyst price target	\$32.00	(34.1%)	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 4 / 5

		Fit?
1. Fundamental improvement & valuation discipline	ΔROIC 0.0 pts; price is 1.50x our average value	No
2. Investing through company cycles	Phase I; EBIT margin 16.4% → 16.4% Sized within fund limits, with a tighter stop than usual given single-state wildfire risk	Yes
3. Initial position sizing & risk limits		Yes
4. Capital allocation discipline	Net debt/invested capital 41.2%; net debt/EBIT 9.4x Catalysts: HoldCo order (UM2385), UE 473 ruling, RFP awards, Washington close in mid-2027. Valuation equal-weights four methods.	Yes
5. Identifiable catalysts & conservative underwriting		Yes

VALUE CRITERIA — 10-Point Checklist · Score: 6 / 10

		Pass?
1. Catalyst / Investment Drivers		Yes
Driver 1 — Industrial & Data-Center Load	Driver 1 — Industrial and data-center load is accelerating. Industrial deliveries are running 10% to 15% above last year as Silicon Forest chip plants expand and AI data centers come online, and management sees industrial load compounding near 10% a year through 2030 with 1.7 to 5 GW in the large-load queue. The new large-load tariff (UM2377, July 2026) raises data-center rates about 29% to 30% while lowering rates for everyone else, so the growth arrives without an affordability fight.	
Driver 2 — Rate Base & Capital Plan	Driver 2 — The capital plan keeps rate base compounding. The five-year plan runs \$7.6 billion from 2026 to 2030 and could pass \$8 billion, built around clean-energy projects (Biglow, Wheatridge, Seaside Battery) plus grid and transmission work. That spending is what drives 8% to 10% rate base growth and the 5% to 7% EPS baseline.	
Driver 3 — Non-Dilutive Growth Capture	Driver 3 — Growth without dilution, plus Washington. POR is bidding to own about half the clean-energy capacity added under the 2025 RFP. HoldCo debt and junior subordinated notes let the parent hold up OpCo equity ratios, avoiding \$1.05 billion of new common stock and adding about 125 basis points to EPS growth. The \$1.9 billion cash purchase of PacifiCorp's Washington assets, a 51% joint venture with Manulife IM, takes that rate base from \$1.4 billion to \$2.5 billion by 2030, brings in 140,000 customers and a second regulator, and turns accretive in 2028.	
What does management say?	Management's message is consistent: fund growth without diluting shareholders, and stop losing money to regulatory lag. The HoldCo case (UM2385) settled with OPUC Staff in August 2026 for \$45 million of customer and community commitments and a 45% OpCo equity floor, with parent debt and JSN flexibility intact. The August 2026 rate case (UE 473) asks for a 4.8% increase at a 9.75% ROE effective July 2027, with a bridge mechanism for 2028 and 2029 worth about \$0.10 a share. A full Multi-Year Rate Plan gets filed in 2029 for 2030 rates.	
2. Low P/E Ratio		Yes
	FY2023A FY2024A FY2025A FY2026E FY2027E FY2028E	
EPS (model)	\$2.33 \$3.01 \$2.77 \$3.13 \$3.10 \$3.11	
P/E at current price	20.8x 16.1x 17.5x 15.5x 15.7x 15.6x	
Peer median P/E (FactSet, subject excl.)	19.5x FY2026E P/E vs. peer median (20%)	
3. Low Price / Cash Flow		No
FCFE / share	-\$5.39 -\$2.92 -\$1.71 -\$2.63 -\$1.73 -\$1.12	
Price / FCFE	NM NM NM NM NM NM	
Peer median P/CF (FactSet, subject excl.)	8.1x Price / FCFE (today) vs. peer median n/a	
4. Low Price / Book Value		Yes
	FY2023A FY2024A FY2025A FY2026E FY2027E FY2028E	
Book value / share	\$33.95 \$36.50 \$37.41 \$39.54 \$41.32 \$42.28	
Price / Book	1.4x 1.3x 1.3x 1.2x 1.2x 1.1x	
ROE (EOY book)	6.9% 8.2% 7.4% 7.9% 7.5% 5.9%	
Peer median P/B (FactSet, subject excl.)	1.6x Price / book (today) vs. peer median (18%)	

Portland General Electric Company (POR) — Value Criteria, continued

5. Financial Soundness							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	4,459	5,139	5,255	5,814	6,303	6,743	
Net debt (\$mm)	4,454	5,127	5,179	5,523	5,797	6,021	
Total debt / equity (gross)	134.3%	135.5%	127.1%	122.6%	119.6%	117.3%	
Total debt / assets (gross)	38.9%	40.2%	38.9%	38.8%	38.7%	38.5%	
Net debt / invested capital	42.0%	43.1%	41.2%	39.6%	38.1%	36.9%	
Net debt / EBIT	9.6x	18.6x	9.4x	9.1x	8.9x	8.7x	
	Investment grade, financed to a 50/50 capital structure with a 45% OpCo equity floor. Watch Oregon's uncapped wildfire liability and HoldCo debt						
Tax rate	14.8%	Book equity (\$mm)	4,133				
6. Positive Earnings Dynamics							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	8.9%	15.7%	6.5%	9.4%	7.5%	6.3%	
EBIT margin	16.9%	8.7%	16.4%	16.4%	16.4%	16.4%	
EPS growth	(10.6%)	29.1%	(8.0%)	12.9%	(1.0%)	0.6%	
7. Business Strategy & Segment Mix							Yes
Strategy	A fully regulated, vertically integrated electric utility. Grow rate base by owning clean generation, storage, grid upgrades and transmission; fund it at the HoldCo with parent debt and junior notes instead of common stock; and close the gap between spending and rates through the UE 473 bridge and a 2029 Multi-Year Rate Plan.						
	One regulated electric segment, all of it in Oregon, centered on Portland and the Willamette Valley. The load mix is tilting toward industrial and data-center demand from semiconductors and AI. The Washington acquisition adds 140,000 customers and a second state regulator from mid-2027.						
Segment / geography mix							
8. Capable Management & Insider Ownership							No
Insider ownership	0.5%	Inst. ownership	107.1%	Divs + buybacks, % NOPAT (FY1E)		(45.0%)	
	Insiders own just 0.5% of the company, which is normal for a regulated utility, so alignment comes down to how pay is structured. The governance items to watch are the HoldCo reorganization (UM2385) and how the board oversees wildfire risk.						
Insider activity / governance							
9. Valuation — Value Creation (ROIC vs. ke)							No
ROIC (FY1E)	3.8%	Cost of equity (ke)	6.4%	EVA spread (ROIC – ke)		(2.6%)	
Price target / upside	\$32.00	(34.1%)		Value / share range (low–high)		\$16 – \$47	
10. Uses of Capital — allocation discipline							Yes
Reinvests 227% of NOPAT in FY2026E, pays 44% out as dividends and raises 89% in new equity, with borrowing covering the rest. No buybacks. Detail below.							
VALUE FIT SCORE — criteria met							6 / 10
FINANCIAL SUMMARY (\$mm except per share)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	2,738	3,167	3,373	3,689	3,966	4,215	9.0%
Gross margin	35.4%	27.0%	33.6%	33.6%	33.6%	33.6%	
EBIT	463	276	553	605	650	691	8.3%
Net income	228	313	306	375	395	417	12.9%
EPS (basic)	\$2.33	\$3.01	\$2.77	\$3.13	\$3.10	\$3.11	6.0%
Dividend / share	\$1.83	\$1.92	\$2.04	\$1.88	\$1.86	\$1.87	
FCFE / share	-\$5.39	-\$2.92	-\$1.71	-\$2.63	-\$1.73	-\$1.12	(27.0%)
Invested capital	10,595	11,899	12,574	13,960	15,201	16,339	9.0%
ROIC	3.7%	2.1%	3.8%	3.8%	3.8%	3.8%	
NOPAT margin	14.1%	7.8%	14.0%	14.0%	14.0%	14.0%	
Sales / NWC	40.87x	27.07x	60.23x	60.23x	60.23x	60.23x	
Sales / NFA	0.26x	0.27x	0.27x	0.27x	0.27x	0.27x	
Sales / invested capital (ex cash)	0.26x	0.27x	0.27x	0.27x	0.27x	0.27x	
USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	387	247	471	516	554	589	
Uses, as % of NOPAT							
CapEx & rate base investment (Δ NFA)	258.1%	505.2%	142.6%	226.1%	184.4%	155.8%	245.4%
Working capital (Δ NWC)	60.5%	20.3%	(12.9%)	1.0%	0.8%	0.7%	11.7%
Dividends	46.3%	81.0%	47.7%	43.6%	42.8%	42.5%	50.7%
Share buybacks	(127.0%)	(146.7%)	(54.7%)	(88.7%)	(67.5%)	(52.8%)	(89.6%)
Debt repaid (neg. = borrowing)	(123.4%)	(275.5%)	(24.6%)	(108.4%)	(88.3%)	(74.7%)	(115.8%)
Cash & securities build	(41.4%)	2.8%	13.6%	41.7%	38.9%	36.7%	15.4%
Interest & other (residual)	26.8%	(87.2%)	(11.6%)	(15.4%)	(11.0%)	(8.2%)	(17.8%)
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	318.6%	525.5%	129.6%	227.1%	185.2%	156.5%	257.1%
Dividends + buybacks, % of NOPAT	(80.7%)	(65.6%)	(7.0%)	(45.0%)	(24.7%)	(10.3%)	(38.9%)
Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle, invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.							
COMPS OVERVIEW (current multiples, FactSet)							
Ticker	Company		P/E	P/S	P/B	P/CF	EV/EBIT
IDA	IDACORP, Inc.		22.4x	4.3x	2.0x	16.2x	26.2x
AVA	Avista Corporation		13.4x	1.6x	1.1x	5.7x	17.9x
NWE	NorthWestern Energy Group, Inc.		25.2x	2.6x	1.5x	10.4x	22.6x
PNW	Pinnacle West Capital Corp		18.5x	2.2x	1.7x	6.8x	19.1x
BKH	Black Hills Corporation		18.2x	2.4x	1.4x	8.8x	18.0x
OGE	OGE Energy Corp.		20.4x	3.0x	1.9x	7.5x	17.9x
Median	Peer median (subject excluded)		19.5x	2.5x	1.6x	8.1x	18.6x
POR	Subject, at current price		17.5x	1.6x	1.3x	NM	19.1x
Premium / (discount) to peer median			(10%)	(36%)	(18%)	n/a	+3%
Peer set from AutoTearSheet5PageID14:D19. Median is of peers only and excludes blanks.							
KEY RISKS							
1. Wildfire. Oregon sets no cap on utility liability and offers no safe harbor, and the service territory runs through high-risk Cascade corridors. One bad fire season can overwhelm a single-state utility. The 2027 legislature takes up standard of care and a customer liability fund.							
2. Regulatory lag. Earned ROE has been running 60 to 70 basis points below the 9.34% to 9.50% allowed. A poor outcome in UE 473, a disallowance, or customer pushback on rate increases keeps EPS growth at the low end of 5% to 7%.							
3. Equity overhang. If HoldCo debt and JSN capacity tightens, or the Washington deal slips or arrives with conditions, the \$1.05 billion of avoided issuance comes back and takes the 125 basis points of extra EPS growth with it. Hydro and power costs add year-to-year noise.							
Exit discipline. We sell on a catastrophic wildfire loss with no path to recovery, on a denial or heavy conditioning of the HoldCo or Washington deal, on earned ROE lagging by more than 100 basis points, or if the position breaches the fund's drawdown limit.							
Sources: model outputs linked to AutoFinandValInfo and AutoTearSheet5Page (FactSet). Information for educational purposes only. Not a recommendation to buy or sell any security.							