

Initiated 2026-10-23 · Price \$57.33 (close 2026-10-23, stockanalysis.com) · Mkt cap \$22.2bn (387mm diluted shares) · Utilities / regulated electric (Southern California Edison) · Model: verified

Rating: Hold — Conviction: Low

Edison is cheap on regulated earnings (9.4x forward, 6.1% yield, rate base growing ~7.5% a year), and before any further Eaton Fire cost the Base case sits well above the price. But Cal Fire has found SCE's equipment responsible for a fire with \$24–45bn of estimated losses, the liability reform that would have bounded it died on 2026-09-02, and the shareholder exposure (up to the \$4.3bn Liability Cap, or more if claims outrun the ~\$21bn Wildfire Fund) is unknowable before the January 2027 bellwether trial. The discount is real, but so is the hole it may be pricing; that is a Hold.

Conviction tests (3a-v-c): T1 fail (Hold → Sell at +1pp, Base -17.9%; Buy at -1pp, +105.8%) · T2 pass (Gordon alone +38.7%, exit alone +18.2%; after a Liability-Cap-sized charge +23.4% and +2.8%, Hold on either) · T3 pass (every FY0 fact and historical series from EDGAR XBRL, the FY2024/FY2025 and Q2 2026 releases and the Q2 10-Q; no est. facts) · T4 fail (Eaton Fire liability: bellwether trial January 2027, fund-administrator approval, CPUC prudence review)

MODEL VALUE RANGE VS PRICE



Business overview

Edison International is essentially Southern California Edison, the regulated electric utility for much of Southern and Central California; the parent holds little else. FY2025 revenue was \$19.3bn and core EPS \$6.55 (GAAP \$11.58, inflated by TKM and Woolsey cost recoveries). Earnings are an allowed return on rate base, so three variables matter: rate-base growth (a \$37.5–40.6bn 2026–30 capex plan, weighted-average rate base \$50.8bn rising to \$67.9bn), whether the CPUC allows that spending into rates, and wildfire liability, which sits outside the rate formula. 2026 core EPS guidance is \$5.90–6.20, with 5–7% growth targeted from 2025 to 2030.

Competition

SCE has a franchise monopoly on wires, so competition shows up in load and in capital rather than in price. Community choice aggregators supply generation to many of its cities; 2016-era projections put the potential at ~40% of SCE's load (Utility Dive; dated, no current figure retrieved). The sharper contest is for capital: investors facing California wildfire risk "demand a higher return or invest elsewhere", per the utilities. The closest listed comparable, PG&E, trades at 7.27x forward earnings and 0.88x book. Sempra (SDG&E) and Xcel trade at 15.95x and 18.33x (stockanalysis, 2026-10-23).

Bull case

1. **Rate base compounds as planned** — ~7.5% a year rate-base growth funds 5–7% core EPS growth, with 2027 guided at \$6.25–6.65 and no new equity before 2030 per the CEO. Plays out if the CPUC approves the plan and guidance holds. *Model: rev_growth, ebitda_margin, terminal_growth*
2. **Reform or credit stability re-rates the stock** — Newsom and the Assembly Speaker both say the work continues; a 2027 liability package would cut the risk premium toward non-California peers. *Model: wacc, exit_ev_ebitda*
3. **Eaton stays inside the Fund** — the Fund reimburses eligible third-party losses above \$1.0bn from ~\$21bn of capacity; SCE's \$1.6bn of settlements to June cost shareholders \$9mm after tax. Plays out if claims settle below ~\$21bn without a willful-disregard finding. *Model: not in the value range — the Base already assumes no further shareholder Eaton cost*

Bear case

1. **Eaton costs exceed the Fund or are disallowed** — UCLA estimates \$24–45bn of losses; SCE faces 2,000+ lawsuits from 32,000 plaintiffs. A CPUC disallowance costs shareholders up to the \$4.3bn Liability Cap, willful disregard removes the cap, and fines are not recoverable. Costs above the Fund would be securitized; who bears them is n/a (unverified). Plays out if the bellwether verdict and claim tally point well above \$21bn. *Model: not in the value range — quantified in the tail sensitivity below*
2. **Downgrade below investment grade** — S&P has SCE at BBB- with a negative outlook, and the CEO said there is "nowhere to go" in investment grade. EIX's debt-to-capitalization is 0.66 against a 0.70 covenant. Plays out if S&P or Moody's acts after the trial or a reform miss. *Model: wacc, exit_ev_ebitda*
3. **Affordability caps the capex plan** — higher bills invite CPUC push-back, disallowances and slower rate-base growth. *Model: rev_growth, ebitda_margin, terminal_growth*

Valuation & balance sheet

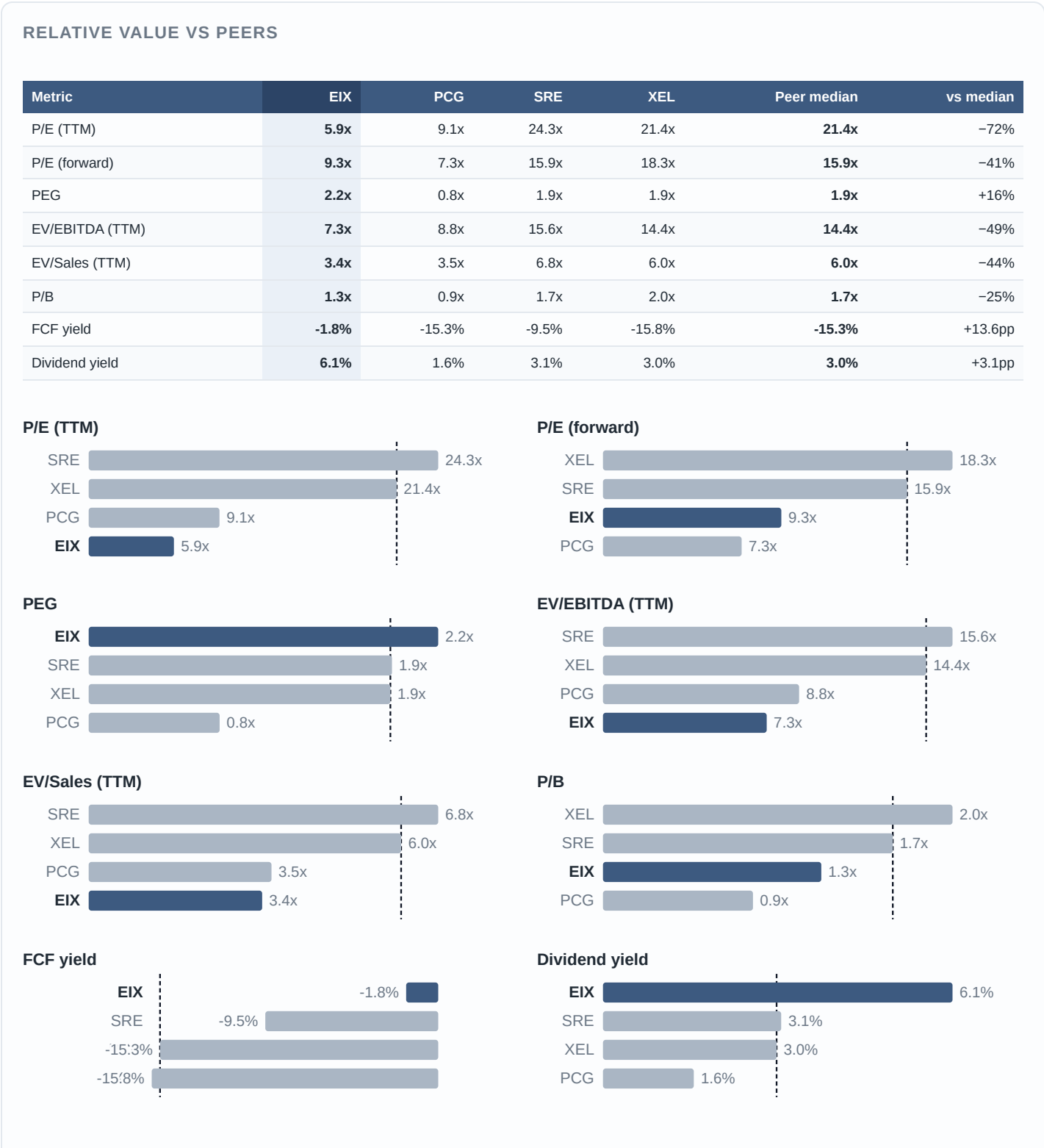
Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/E forward (consensus)	9.35x	n/a (unverified)	PCG 7.27x, SRE 15.95x, XEL 18.33x	stockanalysis 2026-10-23
EV/EBITDA (model basis: OI + D&A ex-wildfire items, FY2025, leases excluded)	7.66x	6.1–8.6bn EBITDA FY2023–25	lease-inclusive TTM: PCG 8.76x, SRE 15.61x, XEL 14.43x (EIX 7.31x)	releases, 10-Q, stockanalysis 2026-10-23
P/B	1.28x	n/a (unverified)	PCG 0.88x, SRE 1.70x, XEL 2.05x	stockanalysis 2026-10-23
Dividend yield	6.12%	n/a (unverified)	PCG 1.59%, SRE 3.12%, XEL 3.04%	stockanalysis 2026-10-23

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$4.82 · Base \$73.63 · Bull \$151.75 per share, i.e. implied returns of –91.6% / +28.4% / +164.7% vs \$57.33. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- **What's priced in.** The price sits 76% of the way from Bear to Base. The Base carries no further Eaton cost, so the gap is largely the market's estimate of that liability.
- **Re-rating.** Base's 8.0x exit is a 4% re-rating from today's 7.66x. The methods differ by 17% (Gordon \$79.53, exit \$67.74), so the Gordon terminal embeds a higher multiple than 8.0x. Y5 capex is normalized to ~26% of revenue (plan years 34–40%) so Gordon doesn't capitalize growth capex forever.
- **Leverage.** At ~4.5x net debt/EBITDA, equity is a thin slice of EV: ±1pp on the discount rate swings Base from –17.9% to +105.8%, and Bear's Gordon value floors at \$0.00, so its \$4.82 is all exit method.
- **Tail.** Adding a Liability-Cap reimbursement (\$4.3bn, ~\$3.4bn after 21% tax) to other claims cuts the Base midpoint to \$64.85 (+13.1%). Adding a further ~\$9bn above the Fund (claims of ~\$30bn, borne by shareholders, \$7.1bn after tax) cuts it to \$46.50 (–18.9%), and the Bear to \$0.00.

Balance sheet: net leverage 4.54x FY2025 model EBITDA, falling to 3.9x by Y5 on the Base path; coverage 4.9x. Liquidity: \$242mm cash, ~\$2.6bn available on SCE's \$3.4bn revolver and \$1.3bn on the parent's \$1.5bn. Nearest material maturity: \$3.8bn current long-term debt, including SCE's \$1.5bn term loan due March 2027. Debt-to-capitalization 0.66 at EIX (covenant max 0.70), 0.57 at SCE (max 0.65). Ratings: S&P BBB- negative (SCE); Moody's n/a (unverified).

Model note: built and verified (LibreOffice recalculation matched all 3,207 formula cells). Unverified inputs: none. Assumptions without basis: none. No scenario CHECKs. EBITDA excludes wildfire claims, recoveries, impairment and Fund expense (the company's core basis). Base Y1 EPS of \$6.06 sits inside guidance. Debt includes \$3.0bn of customer-funded recovery bonds. Unrecorded Eaton exposure is outside the model (see Tail). Balances are at 2026-06-30; Q3 is not yet reported.



As of 2026-10-23. One source and one definition for every company: aggregator TTM and consensus-forward multiples, EV netting reported cash and including lease liabilities in debt. Not the model's own EV basis (see the report's valuation table). Pages fetched 2026-10-23 after the 4:00pm ET close. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-23.

Notes. PEG as given by the source. EIX's TTM P/E is depressed by GAAP earnings that include TKM and Woolsey wildfire cost recoveries (FY2025 GAAP EPS \$11.58 vs core \$6.55). Negative across the set: regulated capex exceeds operating cash flow for all four.

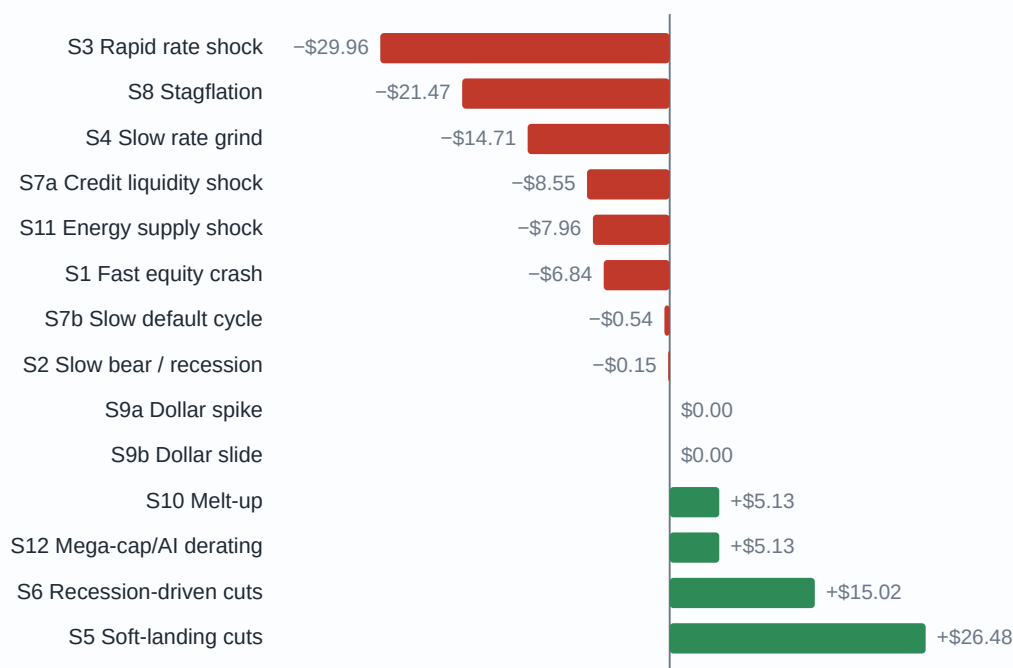
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Liquidity de-rating of a low-beta defensive; no funding or operating channel, amplified by leverage	Med	–\$6.84
S2 Slow bear / recession	–	Decoupled, regulated revenue; recession raises bad debt and slows load, while lower yields offset. Far milder than Base – Bear (\$68.81) because the bear case is a liability and credit break, not a demand cycle	Low	–\$0.15
S3 Rapid rate shock	–	Bond-proxy equity on 66% debt-and-preferred capital; authorized returns reset only with a lag	High	–\$29.96
S4 Slow rate grind	–	Refinancing at higher coupons; the cost-of-capital mechanism passes part through over time	Med	–\$14.71
S5 Soft-landing cuts	+	Lower yields re-rate rate-sensitive utilities; leverage magnifies it	High	+\$26.48
S6 Recession-driven cuts	+	Rate relief outweighs a small load and bad-debt hit	Med	+\$15.02
S7a Credit liquidity shock	–	BBB- issuer funding ~\$8bn a year of capex as spreads gap wider	Med	–\$8.55
S7b Slow default cycle	–	Customer bad debt and a wider funding spread	Low	–\$0.54
S8 Stagflation	–	Rates rise while O&M inflation outruns the GRC cycle and affordability limits rate requests	High	–\$21.47
S9a Dollar spike	0	no material effect, not modeled	Low	\$0.00
S9b Dollar slide	0	no material effect, not modeled	Low	\$0.00
S10 Melt-up	+	Tight credit eases capex funding; modest re-rating	Low	+\$5.13
S11 Energy supply shock	–	Fuel passes through, but higher bills sharpen rate-case push-back; rates rise	Med	–\$7.96
S12 Mega-cap/AI derating	+	Rotation into defensive yield names; no fundamental channel	Low	+\$5.13

No row carries the Eaton outcome. **Currently active/on watch per the playbook:** S3 partially active (price-level leg; 10Y fell to 4.96% on 2026-10-22); S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: a 2027 liability package limits subrogation or damages, or claims and the bellwether put Eaton losses clearly inside the ~\$21bn Fund, with S&P holding BBB-. **Downgrades if:** the bellwether or claims imply losses well above \$21bn, a willful-disregard or disallowance finding emerges, S&P cuts SCE below investment grade, or 2027 guidance is withdrawn.

Watch items

- **W1:** Q3 2026 results — 2026 guidance \$5.90–6.20 and 2027 \$6.25–6.65 reaffirmed; Eaton losses recorded and Fund recoveries — Q3 release / 10-Q — late Oct–early Nov 2026 (date n/a (unverified)) — *Model: rev_growth*
- **W2:** Eaton bellwether jury trial — verdict size per plaintiff versus settlements to date — court record and 8-K — January 2027 — *Model: none*
- **W3:** California liability legislation — subrogation limits or damage caps enacted — 2027 session — *Model: exit_ev_ebitda*
- **W4:** Credit — S&P/Moody's action on SCE and EIX; EIX debt-to-capitalization versus the 0.70 covenant — rating releases, 10-Q — open — *Model: wacc*

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.