

The AES Corporation (AES)

\$14.13 (Stock Price as of 12/29/2025)

Price Target (6-12 Months): **\$15.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/20/25)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM: A

Value: A

Growth: C

Momentum: C

Summary

AES Corp. remains a leader in the utility industry's clean energy shift, focusing on sustainable growth, innovation, and delivering strong results. As the entire world is progressing towards a 100% carbon-neutral environment, AES has been expanding its renewable generation portfolio, with expectations to add a total of 3.2 GW of new renewables by 2025-end. The company has also been retiring its coal-fired units and expanding its footprint in the liquefied natural gas market. The company's shares have outperformed the industry in the past six months. However, the stock holds a dismal solvency position. Moreover, the wholesale prices of electricity have declined significantly in recent years. This trend of declining wholesale prices might have a material adverse impact on the financial performance of the company.

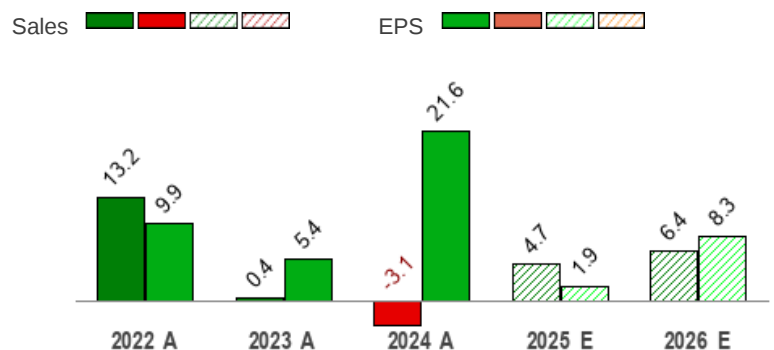
Price, Consensus & Surprise⁽¹⁾



Data Overview

52 Week High-Low	\$15.51 - \$9.46
20 Day Average Volume (sh)	6,429,347
Market Cap	\$10.1 B
YTD Price Change	9.8%
Beta	1.01
Dividend / Div Yld	\$0.70 / 5.0%
Industry	Utility - Electric Power
Zacks Industry Rank	Top 28% (69 out of 243)

Sales and EPS Growth Rates (Y/Y %)⁽¹⁾



Last EPS Surprise	-3.9%
Last Sales Surprise	1.9%
EPS F1 Est- 4 week change	0.6%
Expected Report Date	02/27/2026
Earnings ESP	-9.3%

Sales Estimates (millions of \$)⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2026	3,395 E	3,374 E	3,502 E	3,549 E	13,682 E
2025	2,926 A	2,855 A	3,351 A	3,586 E	12,860 E
2024	3,085 A	2,942 A	3,289 A	2,962 A	12,278 A

EPS Estimates⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2026	0.45 E	0.51 E	0.69 E	0.55 E	2.36 E
2025	0.27 A	0.51 A	0.75 A	0.68 E	2.18 E
2024	0.50 A	0.38 A	0.71 A	0.54 A	2.14 A

*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 12/29/2025.
(2) The report's text and the price target are as of 12/29/2025.

Overview

Arlington, VA-based The AES Corporation, incorporated in 1981, is a global power company. The company's businesses are spread across four continents in 14 countries. The company has four Strategic Business Units (SBUs) located in the United States and other regions across the globe. At the end of 2024, the company had an approximate customer base of 2.6 million. AES Corp. currently owns and/or operates a generation portfolio of 34,596 megawatts (MW), including generation from its integrated utility, AES Indiana.

AES Corp operates in two lines of business – Generation and Utilities.

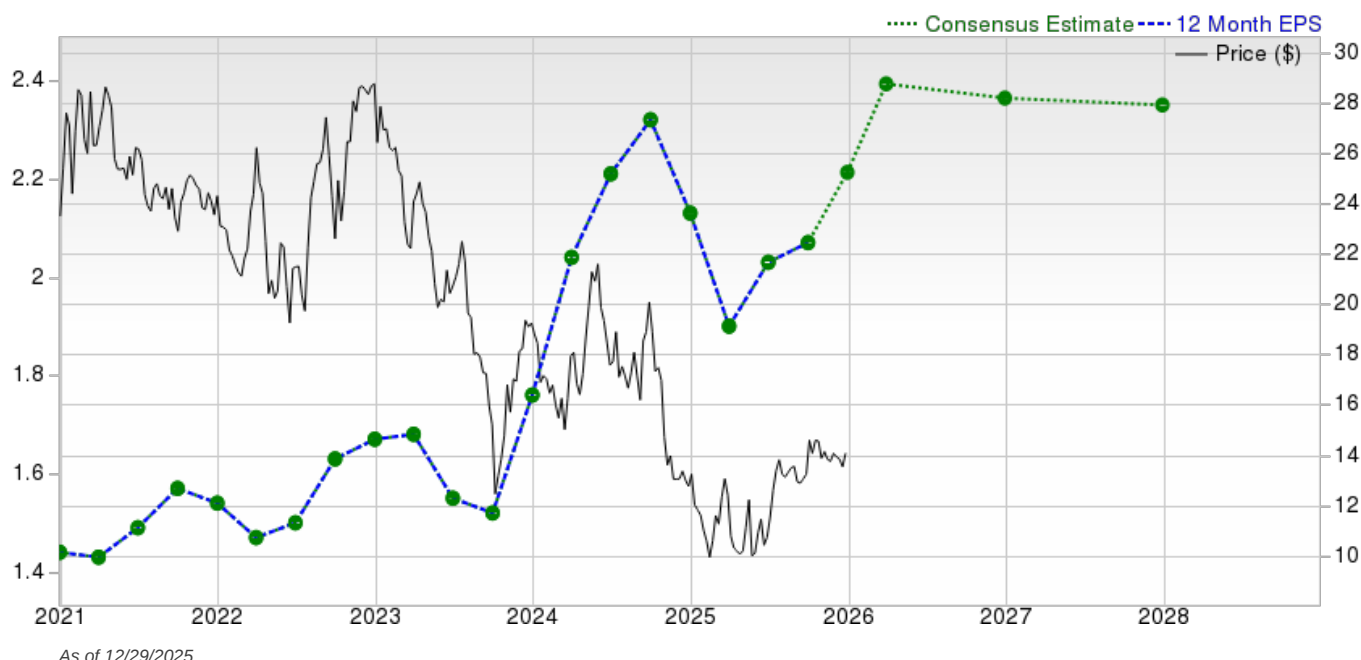
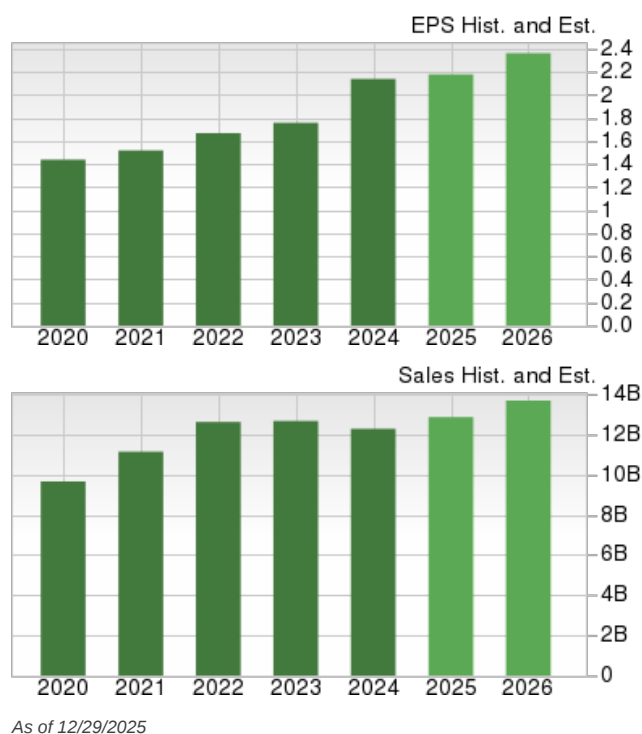
Generation

In the Generation business, the company operates power plants to generate and sell power to wholesale customers such as utilities and other intermediaries. It uses a range of technologies and fuel types including coal, combined-cycle gas turbines, hydroelectric power and biomass. The majority of electricity produced by the Generation business is sold under long-term contracts, or Power Purchase Agreements (PPA), to wholesale customers.

Utilities

In the Utilities business, the company operates utilities to distribute, transmit and sell electricity to customers in the residential, commercial, industrial and governmental sectors in a defined service area. These businesses have structures ranging from pure distribution businesses to fully integrated utilities, which generate, transmit and distribute power. AES Corp.'s six utility businesses distribute power to 2.6 million people in two countries. Its two utilities in the United States include a generation capacity of 3,500 MW. Its utility businesses consist of AES Indiana and AES Ohio in the United States and four utilities in El Salvador.

As of Dec 31, 2024, AES Corp.'s generation mix consisted of approximately 27% natural gas, 18% coal, 53% renewables and 2% oil, diesel & pet coke.



Reasons To Buy:

▲ AES Corporation is taking advantage of the global transition to renewable energy by making strategic investments in clean energy solutions such as energy storage and utility-scale renewables, which offer a long-term growth opportunity. Along with using innovation and artificial intelligence (AI) to speed up clean energy improvements, it is also reaping the benefits of its worldwide diversification, which may result in more stable sales and an operational recovery. AES is also benefiting from the increased demand from data centers, a market that is expanding quickly due to AI and cloud computing. By supplying power from their renewable energy projects, AES secures long-term contracts (Power Purchase Agreements or PPAs) and positions itself as a key partner in the tech industry's expansion.

AES Corp.'s focus on expanding its renewable generation portfolio should act as a growth catalyst. Its progress in energy storage market and LNG market is also appreciable

PPAs give guaranteed, long-term, and predictable revenue streams. The company expects to sign at least 4 GW of power purchase agreements (PPAs) in 2025 and has already signed or been awarded 2.2 GW year to date, including 1.6 GW with data center customers. It remains on track to meet its 2023-2025 target of 14-17 GW in signed PPAs. The company also expects to add 3.2 GW of new projects in 2025, having already completed 2.9 GW of construction so far this year, and currently holds a project backlog of 11.1 GW under signed PPAs.

▲ AES is well-positioned to capitalize on the growing electricity demand from data centers through its significant power purchase agreements (PPAs). The company currently has about 4.2 GW of data center PPAs in operation and a total of 8.2 GW in signed agreements. AES' shares have risen 33.7% in the past six months compared with the industry's growth of 9.7%.

In June 2025, AES completed construction of the 1,000 MW Bellefield 1 project, under a 15-year contract with Amazon. Bellefield is a two-phase project, with each phase including 500 MW of solar and 500 MW of four-hour battery-based energy storage, for a total of 2,000 MW of installed capacity. Once completed, the 2,000 MW Bellefield project is expected to be the largest solar-plus-storage facility in the United States. Moreover, AES Indiana subsidiary completed the acquisition of the 170 MW Crossvine solar-plus-storage project during the second quarter, which is expected to come online in 2027. It further plans to add up to 1,300 MW of wind, solar and battery energy storage by 2027.

▲ To promote clean energy adoption, AES has also been rapidly retiring its coal-fired units, thereby reducing carbon emissions from its portfolio. The company has made significant progress on its coal generation exit initiatives and intends to exit a major portion of its remaining coal facilities by year-end 2025. In 2024, AES Corp. retired 481 MW of coal generation in Chile and the United States, which led to a total of 13.4 GW of coal exits announced or closed by it since 2017. AES is only focusing on renewable source to produce clean energy and not on nuclear like other utilities.

AES Indiana plans to convert the remaining two coal units at Petersburg to natural gas. The company expects this project to be completed in 2026. It is working to retire its remaining coal generation by the end of 2025 while adding new renewables and natural gas to the grid. All these decarbonization strategies adopted by AES Corp. will help in achieving its net-zero GHG emission target by 2050.

▲ AES is expanding its presence in the growing liquefied natural gas (LNG) market through strategic projects and infrastructure investments. Its Andres unit operates the Dominican Republic's only LNG import terminal, supplying industrial users and power plants via long-term contracts. In late 2024, AES completed a 670-MW gas plant in Panama to increase utilization of its LNG facilities there. The company is also advancing major projects in Vietnam—the Son My LNG terminal and the 2,250-MW Son My 2 gas plant—which are expected to strengthen its global LNG footprint over the long term.

AES is a capital-intensive company, particularly given its focus on developing large-scale renewable energy projects, which demand substantial upfront investment. Since much of this growth is funded through debt, interest rates play a crucial role in its financial performance. The current Federal Funds Rate is 3.75-4%, following a 25-basis point cut in October 2025. Lower interest rates reduce the company's cost of borrowing, making it more affordable to finance new clean-energy projects and refinance existing loans. This not only decreases interest expenses but also enhances cash flow and profitability, allowing AES to allocate more capital toward expanding its renewable portfolio and accelerating long-term growth. During the third quarter, AES' interest expenses declined 8.2% to \$348 million.

Reasons To Sell:

- ▼ The wholesale prices of electricity have declined significantly in recent years due to the increased penetration of renewable generation resources, cheap natural gas and demand-side management. Also, in many markets, new PPAs have been awarded for renewable generation at prices significantly lower than the prices awarded a few years ago. This trend of declining wholesale prices is most likely to continue and might have a material adverse impact on the financial performance of the company.
- ▼ AES' hydroelectric generation facilities are sensitive to changes in the weather, particularly the level of water inflows into generation facilities. Dry hydrological conditions in Panama, Brazil, Colombia and Chile can present challenges for the company's businesses in these markets. Notably, low inflows can result in low reservoir levels, reduced generation output, and subsequently increased prices for electricity. If AES' hydroelectric generation facilities cannot generate sufficient energy to meet contractual arrangements, it may need to purchase energy to fulfill its obligations, which could hurt AES.
- ▼ AES' wind, solar, hydrogen, and energy storage projects face significant risks tied to regulatory incentives, market conditions, and resource variability. The company's U.S. renewable growth strategy depends heavily on government policies and tax credits under programs like the Inflation Reduction Act. Changes or removal of these incentives, new import tariffs, or financing challenges could reduce future PPA opportunities, lower revenues, and hurt project returns. Additionally, variability in wind and solar resources, delays in project execution, and limited access to long-term contracts or financing add to the uncertainty, potentially having a material adverse impact on AES' business and financial performance.
- ▼ As of Sept. 30, 2025, AES had a long-term debt of \$26.46 billion, while its current debt was \$4.39 billion. The company's cash equivalents, worth \$1.76 billion (as of Sept. 30, 2025), remained much lower than its long-term and current debt levels. So, it is safe to conclude that AES has a weak solvency position. Currently, AES' total debt to capital is 78.58%, higher than the industry's average of 59.51%.

Declining wholesale prices and unfavorable weather patterns remain a concern for the stock. The company holds a weak solvency position

Moreover, the company's current ratio was 0.72 at the end of the third quarter of 2025, which being less than 1 indicates that AES might not have sufficient capital to pay off its short-term debt obligations. The ratio also declined sequentially. Such a dismal financial ratio makes one further skeptical about the company's financial position.

Last Earnings Report

AES Q3 Earnings Miss Estimates, Revenues Increase Y/Y

The AES Corporation's third-quarter 2025 adjusted earnings of 75 cents per share missed the Zacks Consensus Estimate of 78 cents by 3.9%. The bottom line, however, improved 5.6% from 71 cents in the year-ago quarter.

The company reported GAAP earnings of 89 cents per share compared with 91 cents in the third quarter of 2024.

The year-over-year improvement was due to increased revenues and higher operating margins.

AES' Total Revenues

The company's total revenues amounted to \$3.35 billion, up 1.9% year over year due to higher regulated revenues. The figure also surpassed the Zacks Consensus Estimate of \$3.29 billion by 1.9%.

Highlights of AES' Q3 Release

The total cost of sales in the third quarter was \$2.62 billion, up 1.9% year over year.

The operating income totaled \$735 million, up 1.8% from \$722 million in the year-ago period.

Interest expenses amounted to \$348 million, down 8.2% from \$379 million in the prior-year quarter.

AES' Financial Condition

AES had cash and cash equivalents of \$1.76 billion as of Sept. 30, 2025, compared with \$1.52 billion as of Dec. 31, 2024.

Non-recourse debt totaled \$21.66 billion as of the same date, up from \$20.63 billion as of Dec. 31, 2024.

The net cash flow from operating activities amounted to \$2.82 billion during the first nine months of 2025 compared with \$1.66 billion in the first nine months of 2024.

Total capital expenditure was \$4.39 billion during the first nine months of 2025, down from \$5.67 billion recorded a year ago.

AES' 2025 Guidance

AES reaffirmed its 2025 earnings guidance. It still expects to generate adjusted earnings in the range of \$2.10-\$2.26 per share. The Zacks Consensus Estimate is pegged at \$2.17, which lies below the midpoint of the company's guided range.

The company reaffirmed its average annual earnings growth target in the band of 7-9% through 2027.

FY Quarter Ending 12/31/2024

Earnings Reporting Date	Nov 04, 2025
Sales Surprise	1.85%
EPS Surprise	-3.85%
Quarterly EPS	0.75
Annual EPS (TTM)	2.07

Valuation

AES Corp.'s shares are up 33.7% in the past six months and up 8.4% over the trailing 12-month period. Stocks in both the Zacks sub-industry and the Zacks Utilities sector are up 9.7% and 7.1%, respectively, in the past six months. Over the past year, the Zacks sub-industry is up 22.3% and the sector is up 18.5%.

The S&P 500 index is up 14.4% in the past six months and 19.3% in the past year.

The stock is currently trading at 5.95X forward 12-months earnings, which compares with 15.31X for the Zacks sub-industry, 15.67X for the Zacks sector and 23.4X for the S&P 500 index.

Over the past five years, the stock has traded as high as 18.28X and as low as 4.38X, with a 5-year median of 11.5X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$15 price target reflects 6.34X forward 12-months earnings.

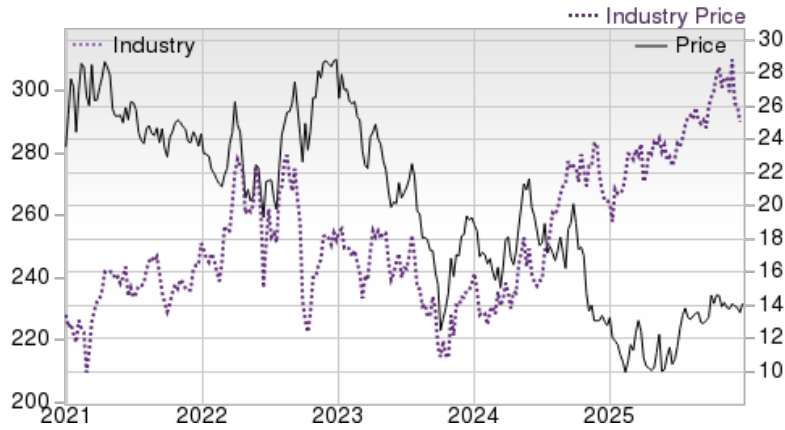
The table below shows summary valuation data for AES.

Valuation Multiples -AES					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	5.95	15.31	15.67	23.4
	5-Year High	18.28	16.13	17.87	23.78
	5-Year Low	4.38	11.99	13.14	15.73
	5-Year Median	11.5	14.67	15.86	21.22
P/S F12M	Current	0.73	3.39	3.11	5.3
	5-Year High	1.92	3.43	3.24	5.5
	5-Year Low	0.53	2.42	2.28	3.82
	5-Year Median	1.15	2.94	2.72	5.04
P/B TTM	Current	1.19	2.52	3.05	8.6
	5-Year High	5.24	2.85	3.27	9.15
	5-Year Low	0.89	2.03	2.37	6.59
	5-Year Median	3.39	2.44	2.87	8.04

As of 12/26/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Top 28% (69 out of 243)



Top Peers ⁽¹⁾

Company (Ticker)	Rec	Rank
Brookfield Infrastru...(BIP)	Neutral	4
Duke Energy Corporat...(DUK)	Neutral	4
Eversource Energy (ES)	Neutral	3
Entergy Corporation (ETR)	Neutral	3
FirstEnergy Corporat...(FE)	Neutral	3
NRG Energy, Inc. (NRG)	Neutral	3
Public Service Enter...(PEG)	Neutral	3
RWE AG (RWEQY)	Neutral	3

Industry Comparison⁽¹⁾ Industry: Utility - Electric Power

	AES	X Industry	S&P 500	ETR	NRG	PEG
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	3	3
VGM Score	A	-	-	B	B	C
Market Cap	10.06 B	20.01 B	39.66 B	41.59 B	30.85 B	40.28 B
# of Analysts	4	3	22	8	2	9
Dividend Yield	4.98%	2.83%	1.41%	2.75%	1.09%	3.12%
Value Score	A	-	-	C	B	D
Cash/Price	0.24	0.02	0.04	0.04	0.04	0.01
EV/EBITDA	15.79	11.34	14.77	13.21	10.99	14.65
PEG Ratio	1.31	2.68	2.23	2.34	NA	2.46
Price/Book (P/B)	1.20	1.64	3.35	2.50	23.59	2.37
Price/Cash Flow (P/CF)	3.49	8.51	15.41	9.92	10.32	12.05
P/E (F1)	6.58	18.60	20.04	23.86	19.75	19.98
Price/Sales (P/S)	0.83	2.41	3.13	3.27	1.04	3.44
Earnings Yield	15.43%	5.32%	4.96%	4.19%	5.06%	5.01%
Debt/Equity	3.15	1.28	0.57	1.62	8.45	1.27
Cash Flow (\$/share)	4.05	5.91	8.98	9.39	15.59	6.70
Growth Score	C	-	-	C	B	C
Hist. EPS Growth (3-5 yrs)	9.71%	4.47%	8.21%	6.68%	15.67%	1.14%
Proj. EPS Growth (F1/F0)	1.87%	6.84%	8.58%	6.85%	22.74%	9.78%
Curr. Cash Flow Growth	2.60%	6.35%	7.00%	9.19%	17.05%	5.90%
Hist. Cash Flow Growth (3-5 yrs)	4.72%	5.70%	7.48%	4.29%	13.99%	0.84%
Current Ratio	0.72	0.90	1.18	0.71	1.05	0.93
Debt/Capital	75.89%	55.76%	38.15%	61.76%	84.99%	56.02%
Net Margin	9.47%	11.37%	12.77%	14.26%	4.84%	17.77%
Return on Equity	18.83%	9.79%	17.03%	11.53%	103.57%	12.62%
Sales/Assets	0.25	0.22	0.53	0.19	1.23	0.21
Proj. Sales Growth (F1/F0)	4.70%	4.87%	5.85%	6.70%	7.70%	14.70%
Momentum Score	C	-	-	B	D	A
Daily Price Chg	0.43%	0.16%	-0.35%	0.30%	0.05%	0.37%
1 Week Price Chg	3.99%	1.12%	0.40%	1.48%	3.00%	0.47%
4 Week Price Chg	1.00%	-1.93%	1.37%	-1.54%	-2.84%	-1.08%
12 Week Price Chg	-0.98%	-0.40%	2.45%	-4.46%	-1.82%	-1.41%
52 Week Price Chg	11.70%	12.05%	16.91%	22.94%	74.67%	-4.48%
20 Day Average Volume	6,429,347	1,032,407	2,722,877	2,722,877	1,715,429	2,962,741
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.58%	0.00%	0.00%	0.03%	0.00%	0.25%
(F1) EPS Est 12 week change	1.87%	0.27%	0.68%	0.46%	1.25%	0.59%
(Q1) EPS Est Mthly Chg	1.99%	-1.34%	0.00%	-3.54%	1.22%	-8.25%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	C
Momentum Score	C
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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