



Market Coverage

Sector Overview – Utilities

Utilities Sector Overview

I. Background

- Sector Definition:
 - i. Provides electricity, water, and natural gas to residential, commercial, and government entities.
- Sector Size:
 - i. As of June 21, 2024, the Utilities Sector is the **10th largest sector** in the economy:
 - 1. More than \$1.65 trillion in public market capitalization.
 - 2. Representing 2.24% of the total market.
- Sector Composition:
 - i. Gas; Water; Electric; Multi-Utilities

II. Players in the Sector

Market Capitalizations as of June 21, 2024

- American Electric Power Company Inc (NASDAQ: AEP) // Market Capitalization ~\$45 Billion
- PG&E Corp (NYSE: PCG) // Market Capitalization ~37 Billion
- Consolidated Edison Inc (NYSE: ED) // Market Capitalization ~\$30 Billion

- Public Service Enterprise Group Inc (NYSE: PEG) // Market Capitalization ~\$36 Billion

III. Sector Performance

- Return:
 - i. The sector has returned 8.9% throughout 2024 (year-to-date), based on the performance of the ETF SPDR Fund XLU.
 - ii. Relative to the SPY, the Utilities Sector has underperformed the general market by 7.0% YTD 2024.

IV. Additional Notes:

- The Utilities Sector is highly defensive because utilities are essential for human living, making demand inelastic irrespective of broader economic conditions.
 - i. For example: Drinking water, electricity to power homes and businesses, and gas for cooking and heating within dwelling places.
- The sector is highly regulated due to its essential nature
 - i. Prices are monitored very closely by government entities.
 - ii. The sector is notorious for its stability and the underlying businesses typically provide investors with consistent dividend payouts.
- Trends in the Utilities Sector
 - i. Government oversight and government approvals on pricing.
 - ii. High capex requirements, that typically require debt issuance.
 - iii. High barriers to entry, high start-up costs, high operating costs, and low levels of competition in some jurisdictions.

The Warren Fox Group does not provide investment advice or legal advice. The information provided above should be used solely for educational purposes.

The material in this document reflects performance based on adjusted close prices for June 21, 2024.

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