FirstEnergy is awaiting the completion of an asset sale. The company agreed to sell a 19.9% stake in its electric transmission subsidiary for $2.375 billion. FirstEnergy raised $1.0 billion from a sale of 25.6 million shares of common stock in December. The majority of the cash is being used to pay down debt. Other options include a pension contribution or funding capital spending. Strengthening the balance sheet is an area of management's focus because some of the company's credits are below investment grade. The transmission sale is expected to close by the end of May.

Share profits will probably decline in the next year due to a higher effective tax rate from the aforementioned stock repurchase. We look for a partial earnings recovery next year. The credits in Ohio will be lower. We might be able to skip the need to offer a benefit due to lower load growth. Some of the company's investments are recoverable through various regulatory mechanisms. We trimmed our estimate of $0.07 as a result. The company will probably offer a dividend increase in the next year. Average shares outstanding will be higher due to the aforementioned asset sale. The dividend yield for the company is slightly above the market. We look for a partial earnings recovery next year. The credits in Ohio will be lower. We think a resumption of dividend growth is possible, too. FirstEnergy's targeted range for the payout ratio is 65%-70%.

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