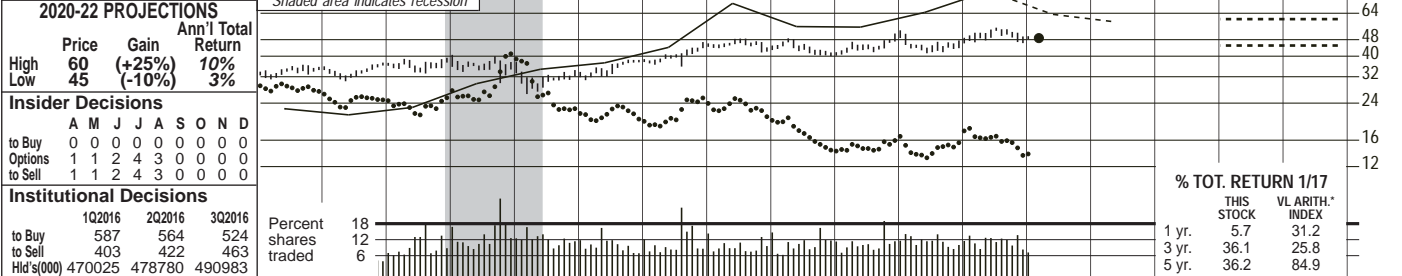


# SOUTHERN COMPANY NYSE-SO

**RECENT PRICE 48.76**    **P/E RATIO 18.1** (Trailing: 16.7; Median: 16.0)    **RELATIVE P/E RATIO 0.93**    **DIV'D YLD 4.7%**    **VALUE LINE**

<b>TIMELINESS</b> 2 Raised 3/18/16 <b>SAFETY</b> 2 Lowered 2/21/14 <b>TECHNICAL</b> 3 Raised 1/20/17 <b>BETA</b> .55 (1.00 = Market)	High: 37.4 39.3 40.6 37.6 38.6 46.7 48.6 48.7 51.3 Low: 30.5 33.2 29.8 26.5 30.8 35.7 41.8 40.0 40.3	<b>LEGENDS</b> 0.66 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession	<b>Target Price Range</b> 2020 2021 2022 128 96 80 64 48 40 32 24 16 12	53.2 54.6 49.8 41.4 46.0 48.1	
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2020-22 PROJECTIONS		© VALUE LINE PUB. LLC																20-22	
Price	Gain																	Revenues per sh	25.00
High 60	(+25%)																	"Cash Flow" per sh	7.00
Low 45	(-10%)																	Earnings per sh <sup>A</sup>	3.75
																		Div'd Decl'd per sh <sup>B</sup> = †	2.62
																		Cap'l Spending per sh	7.25
																		Book Value per sh <sup>C</sup>	33.50
																		Common Shs Outst'g <sup>D</sup>	1021.0
																		Avg Ann'l P/E Ratio	14.5
																		Relative P/E Ratio	.95
																		Avg Ann'l Div'd Yield	4.9%

CAPITAL STRUCTURE as of 9/30/16																			
Total Debt \$45474 mill. Due in 5 Yrs NA																		Revenues (\$mill)	25500
LT Debt \$41550 mill. LT Interest \$1454 mill.																		Net Profit (\$mill)	3895
(LT interest earned: 5.0x)																		Income Tax Rate	33.5%
Leases, Uncapitalized Annual rentals \$121 mill.																		AFUDC % to Net Profit	9.0%
Pension Assets-12/15 \$9234 mill. Ob \$10542 mill.																		Long-Term Debt Ratio	57.0%
Pfd Stock \$1508 mill. Pfd Div'd \$44 mill.																		Common Equity Ratio	41.0%
Incl. 1 mill. shs. 4.2%-5.44% cum. pfd. (\$100 par);																		Total Capital (\$mill)	83100
1.52 mill. shs. 5.2%-5.83% cum. pfd. (\$1 par);																		Net Plant (\$mill)	102700
2 mill. shs. 6.0% noncum. pfd. (\$25 par); 4 mill. shs.																		Return on Total Cap'l	5.5%
5.6%-6.5% noncum. pfd. (\$100 par); 8 mill. shs.																		Return on Shr. Equity	11.0%
5.6%-6.5% noncum. pfd. (\$1 par).																		Return on Com Equity <sup>E</sup>	11.0%
Common Stock 979,999,480 shs.																		Retained to Com Eq	3.5%
MARKET CAP: \$48 billion (Large Cap)																		All Div'ds to Net Prof	70%

ELECTRIC OPERATING STATISTICS																			
																		Revenues (\$mill)	25500
																		Net Profit (\$mill)	3895
																		Income Tax Rate	33.5%
																		AFUDC % to Net Profit	9.0%
																		Long-Term Debt Ratio	57.0%
																		Common Equity Ratio	41.0%
																		Total Capital (\$mill)	83100
																		Net Plant (\$mill)	102700
																		Return on Total Cap'l	5.5%
																		Return on Shr. Equity	11.0%
																		Return on Com Equity <sup>E</sup>	11.0%
																		Retained to Com Eq	3.5%
																		All Div'ds to Net Prof	70%

**ANNUAL RATES** Past 10 Yrs. 5 Yrs. Past Est'd '13-'15 of change (per sh) 10 Yrs. 5 Yrs. to '20-'22

Revenues	1.5%	-1.0%	3.5%
"Cash Flow"	3.5%	3.5%	4.0%
Earnings	3.0%	3.5%	4.5%
Dividends	4.0%	3.5%	3.5%
Book Value	5.0%	4.0%	6.0%

Cal-endar	QUARTERLY REVENUES (mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	4644	4467	5339	4017	18467
2015	4183	4337	5401	3568	17489
2016	3965	4453	6264	4518	19200
2017	5800	5200	6200	4600	21800
2018	6050	5400	6450	4750	22650

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	.66	.68	1.08	.36	2.77
2015	.56	.71	1.16	.42	2.84
2016	.57	.71	1.22	.20	2.70
2017	.65	.70	1.15	.45	2.95
2018	.70	.75	1.20	.45	3.10

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup> = †				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.49	.5075	.5075	.5075	2.01
2014	.5075	.525	.525	.525	2.08
2015	.525	.5425	.5425	.5425	2.15
2016	.5425	.56	.56	.56	2.22
2017					

**GA, 50%; AL, 34%; FL, 9%; MS, 7%. Generating sources:** gas & oil, 44%; coal, 32%; nuclear, 15%; hydro, 3%; purchased, 6%. Fuel costs: 31% of revs. '15 reported depr. rate (utility): 3.0%. Has 32,000 employees. Chairman, President and CEO: Thomas A. Fanning, Inc.: DE. Address: 30 Ivan Allen Jr. Blvd., N.W., Atlanta, GA 30308. Tel.: 404-506-0747. Internet: www.southerncompany.com.

**The Georgia commission has approved a settlement regarding the construction of two units at Southern Company's Georgia Power subsidiary.** The project, at the site of the utility's Vogtle station, has had delays and cost overruns. All of the project's \$3.3 billion of construction costs through 2015 were deemed prudent. The in-service capital cost forecast was raised from \$4.418 billion to \$5.68 billion. (This figure excludes \$2.422 billion of financing costs, which are recovered concurrently.) The utility will have the burden of proof for prudence for any construction costs exceeding \$5.68 billion. Finally, the return on equity used for calculating nuclear cost recovery was reduced from 10.95% to 10%. The new units are scheduled to come on line in June of 2019 and June of 2020.

**Mississippi Power expects its coal gasification plant to be in service by the end of this month.** The project has had extensive delays and cost overruns far above a regulatory cap of \$2.88 billion. Accordingly, the utility has taken nonrecurring charges since 2013, and we expect additional charges for the fourth quarter of 2016 and the first period of 2017.

**Gulf Power has a rate case pending.** The utility asked the Florida regulators for a \$106.8 million increase, based on an 11% ROE. Gulf Power is asking for new tariffs to take effect in July of 2017.

**Earnings should be much improved in 2017 after a depressed tally in 2016, and we forecast further growth in 2018.** Last year, the company incurred expenses associated with the acquisition and integration of AGL Resources (renamed Southern Company Gas). Also, the mid-2016 timing of the purchase meant that Southern Company did not own the business in the seasonally strong first quarter. Our 2017 earnings estimate is within management's targeted range of \$2.90-\$3.02 a share. Rate relief and growth in Southern Power's contracted nonregulated generating assets should be positive factors each year, as well.

**This timely stock has a dividend yield that is more than a percentage point above the utility average.** Total return potential to 2020-2022 is a cut above the industry average.

Paul E. Debbas, CFA    February 17, 2017

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