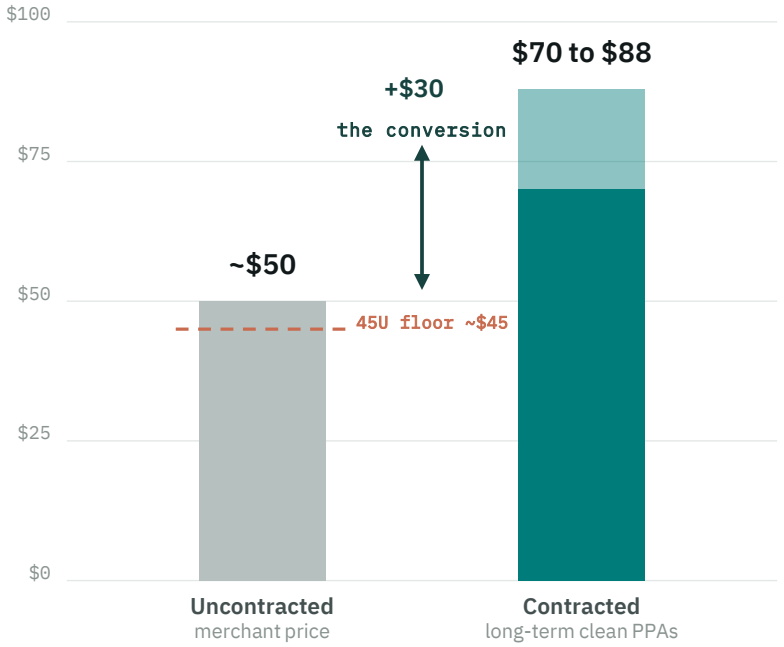
Constellation Energy

CEG earns the spread when nuclear output moves from ~$50/MWh merchant sales to $70-$88/MWh contracts.

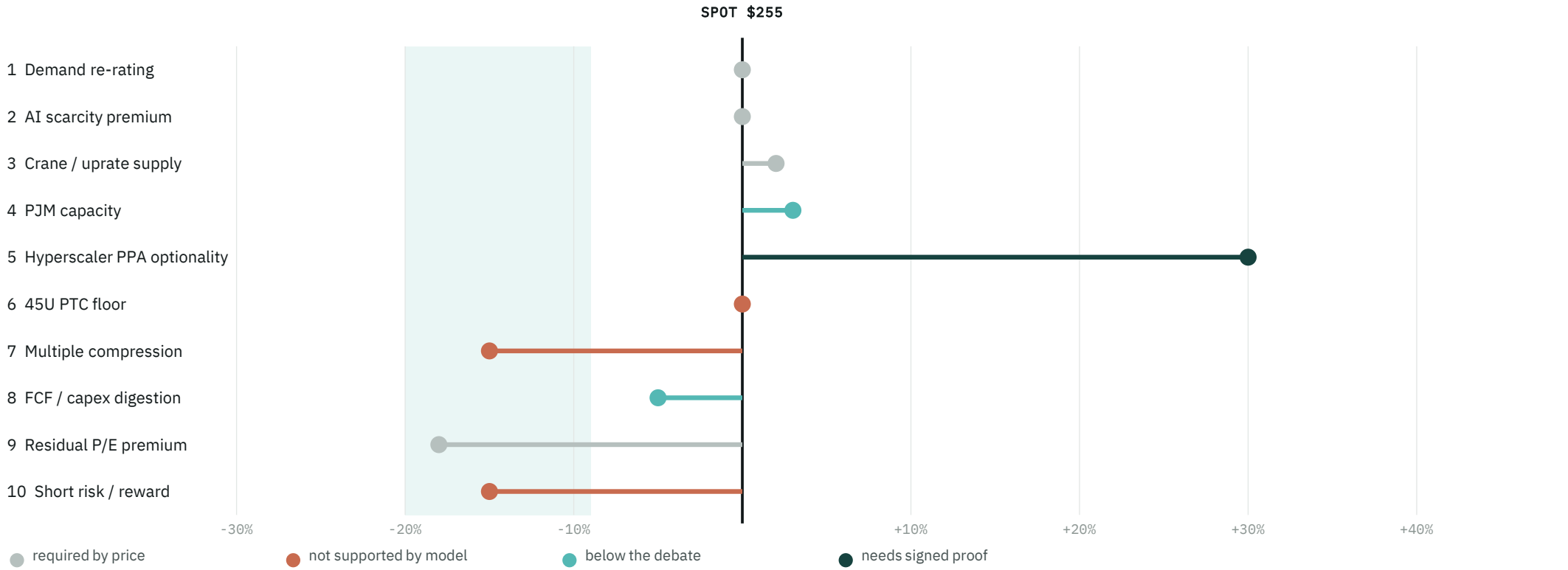
HOW CEG EARNS . NUCLEAR OUTPUT CONVERTS FROM THE MERCHANT PRICE TO CONTRACTS



CEG earns through merchant power, capacity markets, the 45U credit, and contracted clean sales. Output not placed under contract realizes the merchant power price, with 45U serving as downside support rather than the expected price. Contracted output sells at **$70** rising to **$88** through 2030, so the spread over merchant is the operating lever.

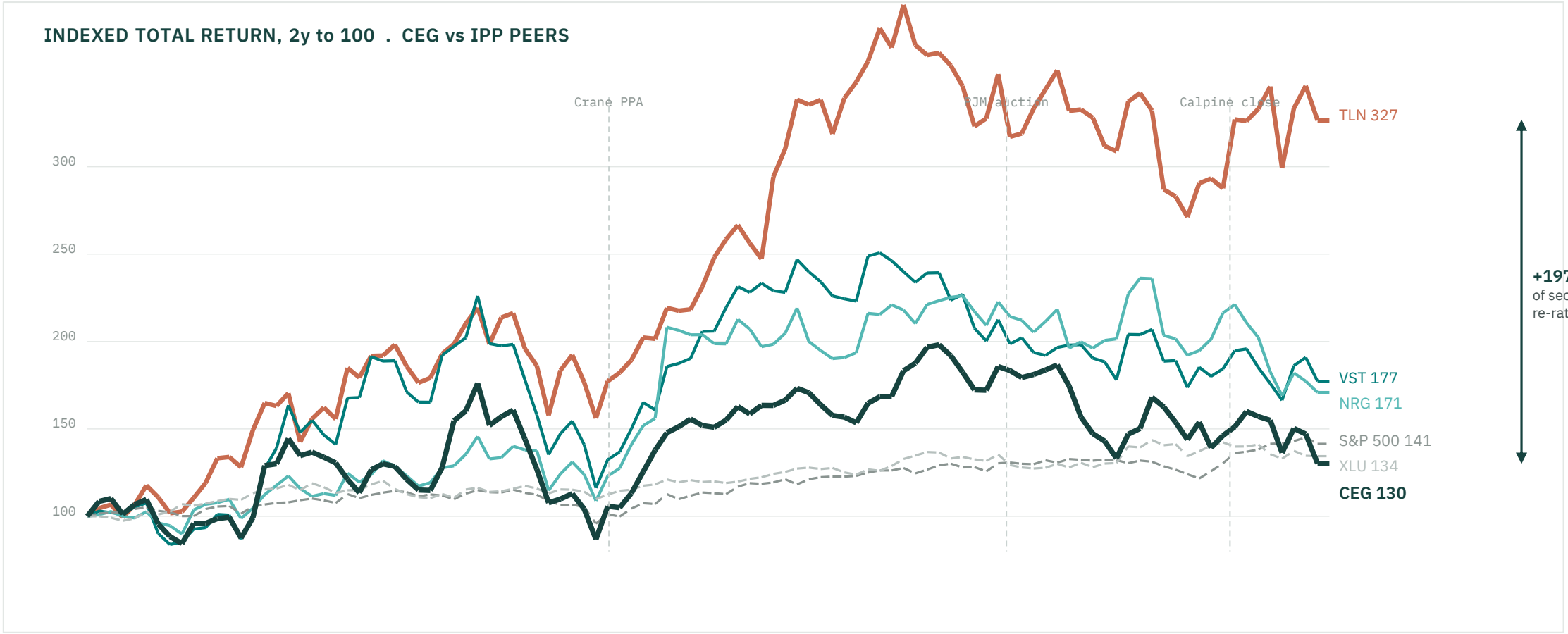
The roughly **$30** per megawatt-hour contract spread is the economic engine, while 45U protects stress cash flow. The valuation question is how much of that conversion the **$255** price already capitalizes.

The ten-test map points to $218-$241 because upside levers are embedded, unsigned, or too small.



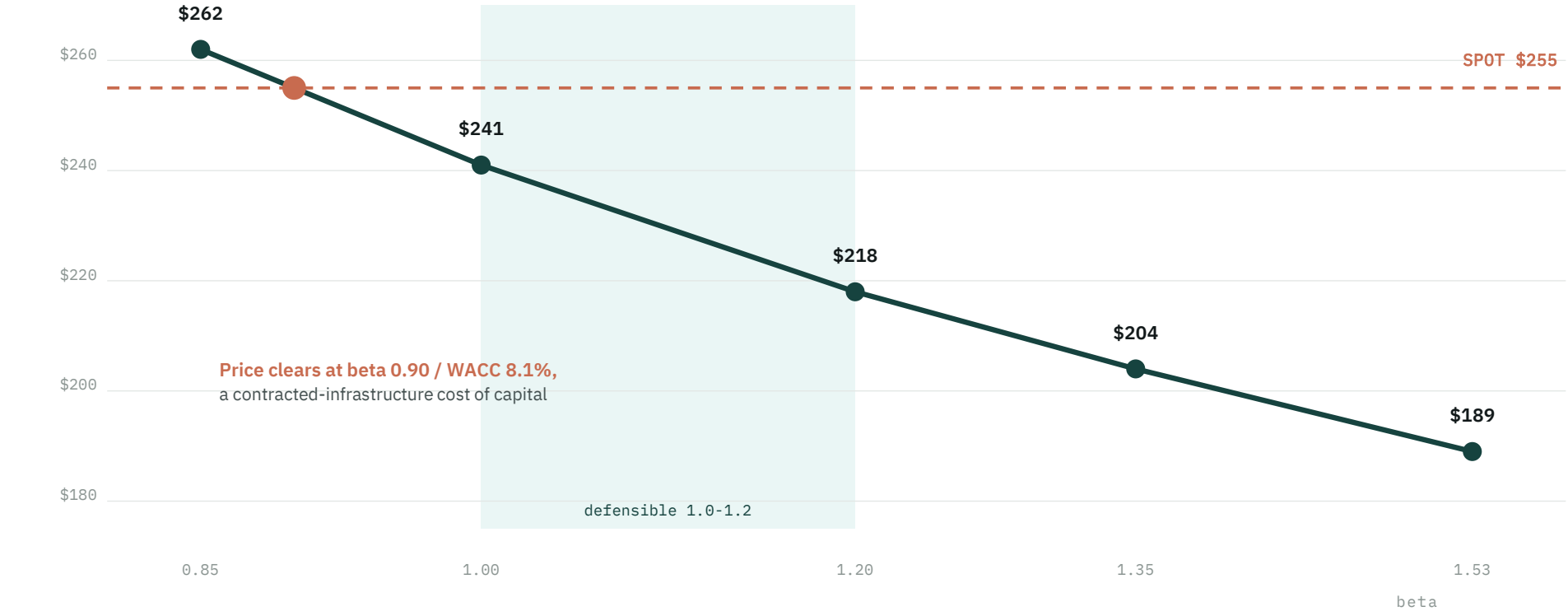
The ten tests separate business quality from incremental stock value. Demand, scarcity, contracts, policy support, and grid rights are real, but the **$255** price already requires much of the upside, and the DCF tests that remain support **$218** to **$241**.

AI-power equities have re-rated, with CEG indexed to 130 while TLN, VST, and NRG reached 327, 177, and 171.



Over two years the IPP peers sharing the AI-power theme re-rated sharply, with TLN up **227%** and CEG up **30%**. Demand growth is real, but the investment edge now sits in the assumptions required by the price, especially beta, multiple, and signed contract economics.

The reverse DCF clears the $255 spot only at a 0.90 beta and 8.1% WACC.

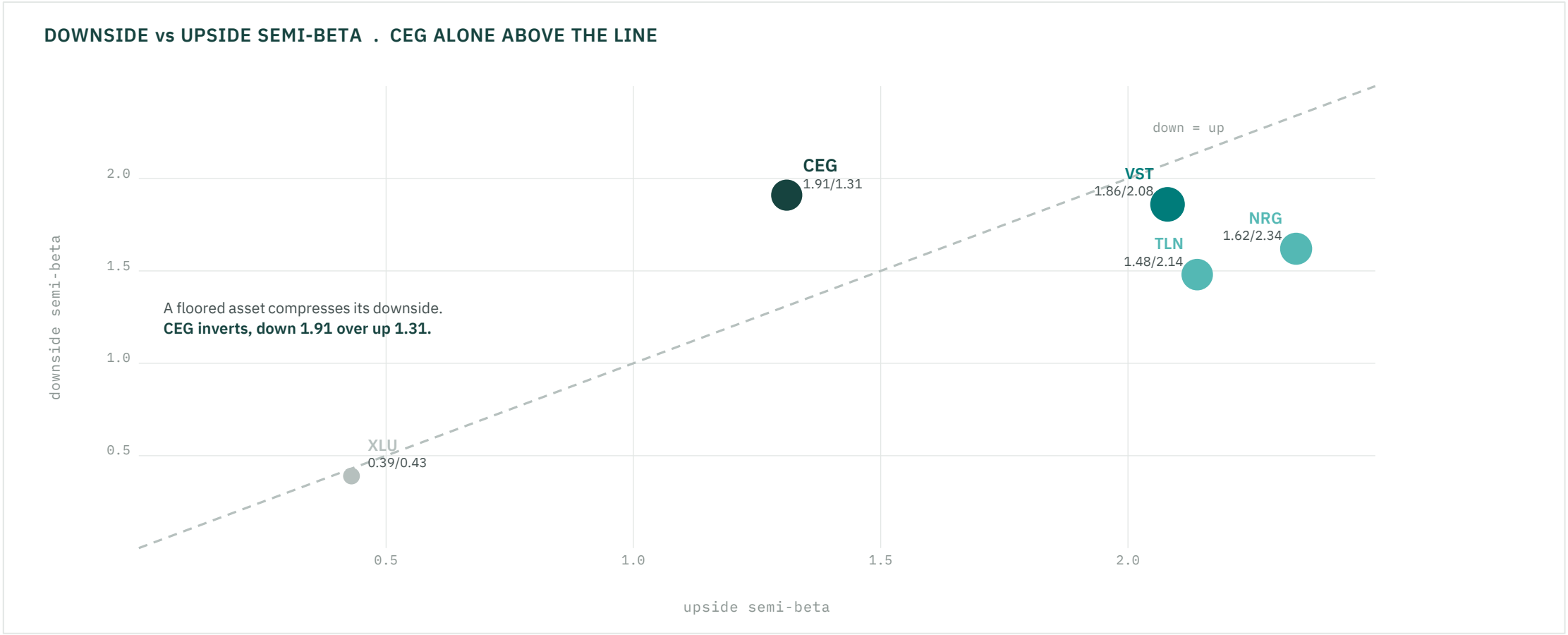


Solving the DCF backward, the **$255** price clears only at a 0.90 beta and an **8.1%** WACC. The lower discount rate a de-risking thesis needs for upside is already embedded in the stock, so contract migration has become the cost of entry.

The beta sensitivity moves value from $262 at 0.85 beta to $241 at 1.0 and $218 at 1.2.

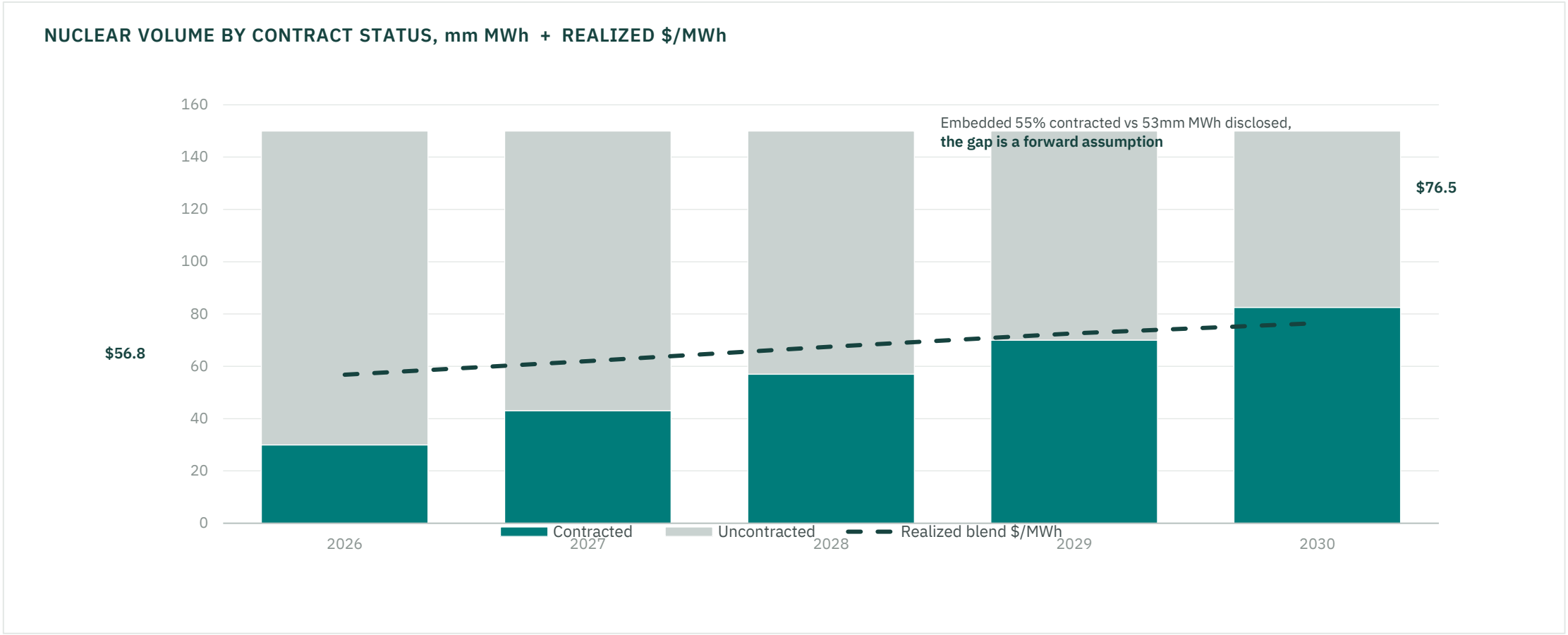
CEG realized a 1.53 two-year weekly beta against the S&P 500, with a 1.36 Blume-adjusted beta and IPP peers at 1.56 to 1.83. A 1.0 to 1.2 beta still credits de-risking, and that range produces a DCF of **$218** to **$241**.

CEG's 1.91 downside beta exceeds its 1.31 upside beta, so the stock has not traded like protected equity.



A floored equity should show lower market sensitivity in down weeks than in up weeks. CEG shows a 1.91 downside semi-beta against a 1.31 upside semi-beta, making it the only tested IPP whose downside sensitivity is larger.

The model-implied 55% contracted share runs ahead of the 53mm MWh disclosed row.



Disclosed contracted volume is about 53mm MWh against roughly 182mm MWh of annual nuclear output, near **30%**. The model carries a **55%** contracted share, so new contracts add value only when volume, price, or timing exceed the embedded path.

A $1.00 EPS beat needs 35mm MWh, or about 4.4 GW, repriced at the estimated $98/MWh Crane level.

EPS UPLIFT FROM PREMIUM CONVERSION . $/MWh x mm MWh REPRICED

PREMIUM	MWh REPRICED 10mm	20mm	35mm
$140	+$1.23	+$2.46	+$4.30
$130	+$1.00	+$2.00	+$3.50
$110	+$0.55	+$1.10	+$1.93
$98	+$0.29	+$0.58	+$1.00

Signed zone

is the estimated Crane level near $98 and below, the only premium the market has observed.

Speculative zone

is every cell above $98, where no Constellation deal has signed.

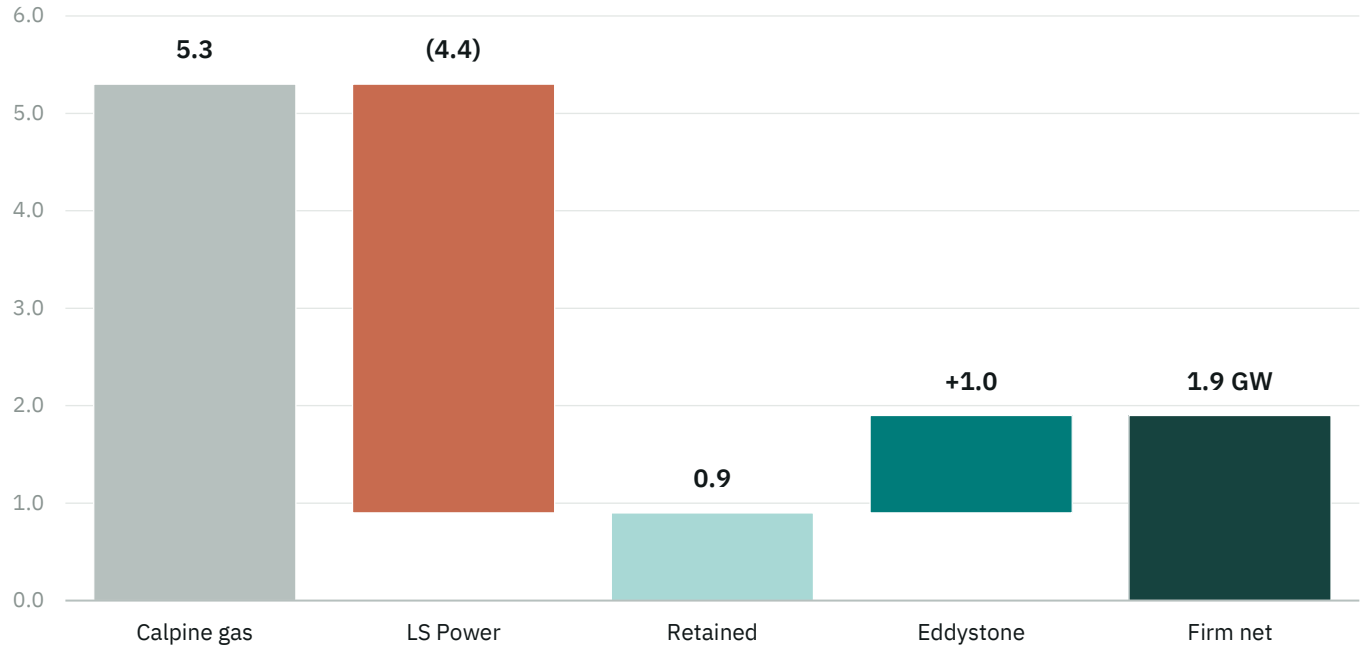
The disclosed strip **$88** and the model price **$85** sit below the whole grid, and a +**$1.00** beat needs about 4.4 GW repriced at the estimated **$98** Crane level.

At the estimated **$98** Crane level, repricing 10mm MWh from **$85** adds **$0.29** of EPS, and a **$1.00** beat needs about 4.4 GW repriced. The **$110** to **$130** prices that move the model remain buyer-alternative economics rather than disclosed CEG contracts.

GRID OPTION

Retained PJM interconnection optionality sizes to roughly 1 GW and about $3/share.

REDEPLOYABLE PJM INTERCONNECTION, GW . FIRM NETS TO ~1 GW



The rules

Rights are location-anchored. Same-site reuse is codified, and cross-site reuse forces a full restudy that does not carry the megawatts.

Eddystone-Crane

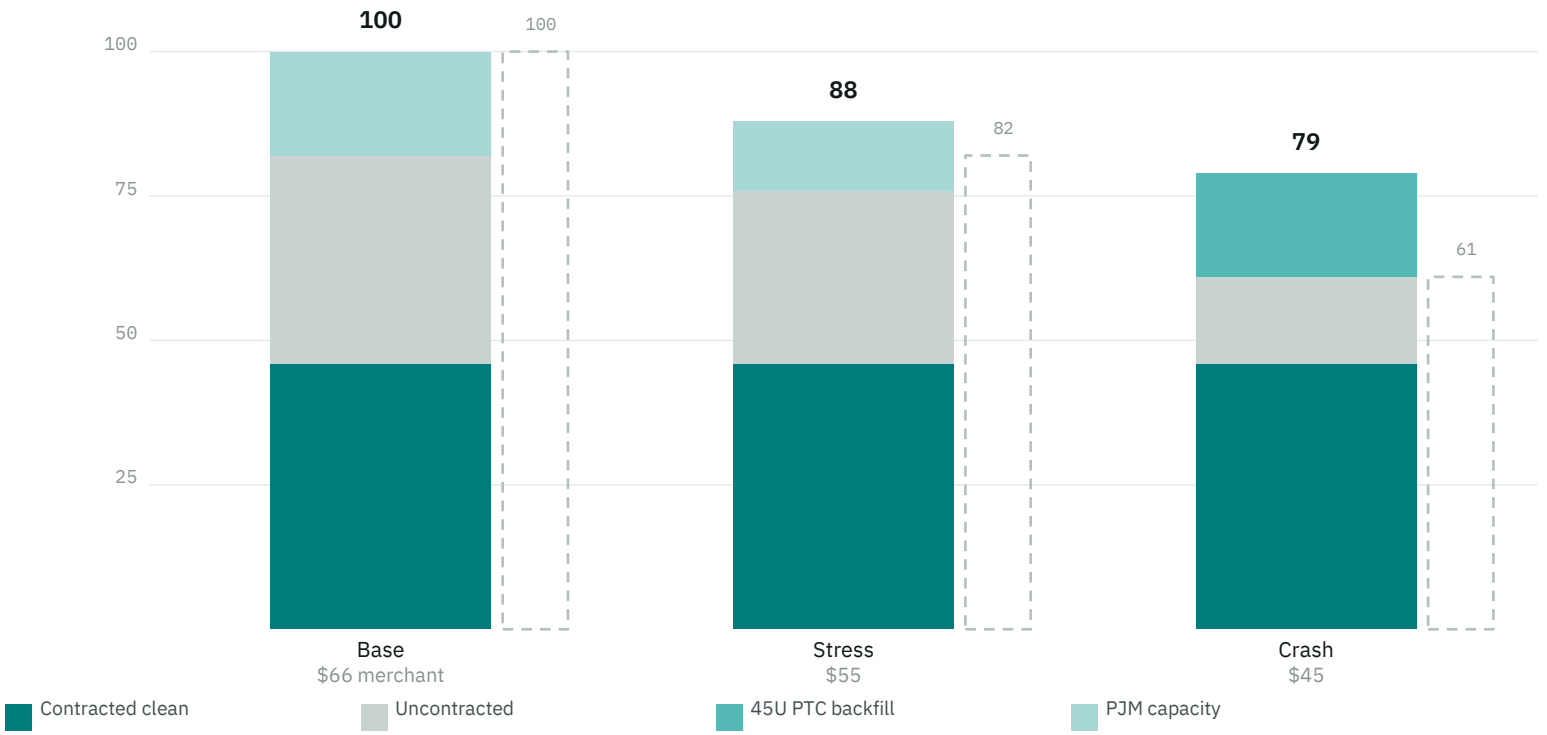
was a fact-specific FERC waiver the Market Monitor opposed and PJM asked be cabined to its own facts.

At about **$3**/share per redeployable GW, the roughly 1 GW of firm inventory is worth about **$3**/share. The 5 GW PJM queue is soft queue position the credit discounts to zero.

Eddystone shows that a fossil grid seat can accelerate a nuclear restart, so the mechanism is real. The retained firm inventory nets to about 1 GW after the 4.4 GW Calpine PJM sale, and roughly **$3** per share per redeployable GW is too small to drive the stock.

45U pays $0 at the $66/MWh base case and expires before the terminal value period.

MERCHANT-CRASH EBITDA BRIDGE . THE FLOORS WORK ONLY IN THE LEFT TAIL



45U pays **$0** at the **$66** base case and backfills only as merchant crashes toward the **$44** strike, and the credit terminates after 2032, before the terminal period the multiple capitalizes.

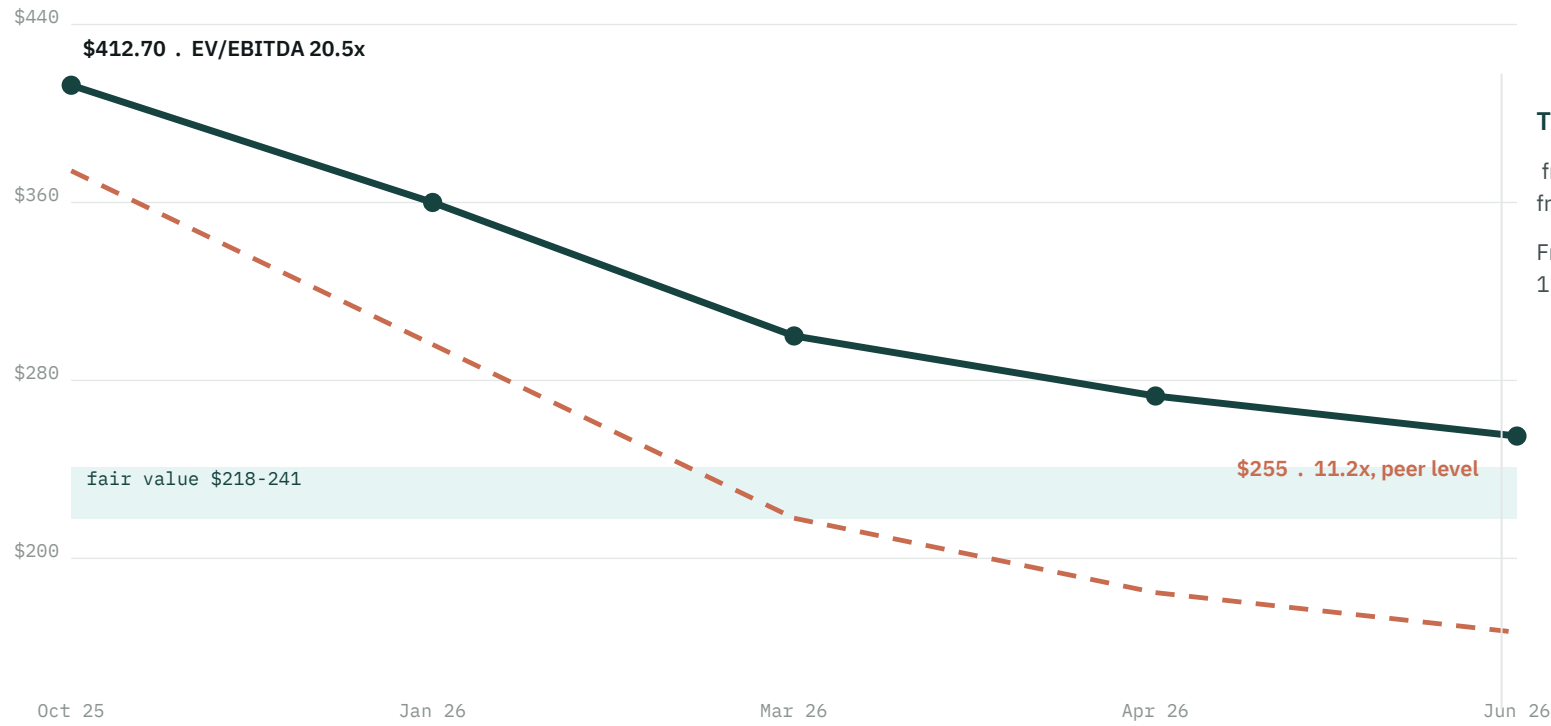
Dashed ghost

= EBITDA with no floors. The gap is near zero at base and widest in the crash.

The multiple sits on terminal value the floors never reach.

45U strikes near **$44** per MWh and pays nothing at the **$66** base case, activating only as merchant power falls toward the mid-**$40**s. The credit functions as tail insurance, while the premium multiple capitalizes terminal value after the 2032 expiry.

The multiple de-rate has occurred as EV/EBITDA fell from 20.5x to 11.2x and price fell from $412.70 to $255.



The easy short was the fall

from $413. Forward EV/EBITDA already compressed from 20.5x to 11.2x, in line with peers.

From $255 the downside to the $218-241 DCF is ~5-15%, and the easy multiple short is already spent.

The stock has fallen **38%** from **$412.70**, and forward EV/EBITDA has compressed from **20.5x** to a peer-level **11.2x**. The remaining overvaluation sits in the P/E and implied beta, which leaves **5%** to **15%** downside to the **$218** to **$241** DCF.

Fair value is $218-$241 against the $255 spot before new premium PPA evidence.

THE DCF TARGET vs THE $255 PRICE . 5-15% DOWNSIDE FROM THE MATH

1 Reverse-DCF

The **$255** price clears the DCF only at a 0.90 beta, a contracted-infrastructure cost of capital.

2 Observed beta

CEG realized a 1.53 beta and a 1.91 downside semi-beta, the worst of the four IPP peers.

3 The de-rate

Forward EV/EBITDA already compressed from **20.5x** to a peer-level **11.2x**, so the residual downside sits in the P/E and the beta.

The forward DCF at a 1.0 to 1.2 beta produces **$218** to **$241,** while the **$255** price clears only at a 0.90 contracted-infrastructure beta. Realized 1.53 beta and 1.91 downside semi-beta leave the current price ahead of the evidence.

The call changes with PPAs above $110/MWh, Contracted Clean above model, or beta compression.

The current price requires a 0.90 beta and an 8.1% WACC, while the realized beta is 1.53 and the downside semi-beta is 1.91.

The catalysts are the next earnings print against embedded 20%-plus growth, the next PPA price against the estimated $98 Crane level, the 45U rolloff toward 2032, and Calpine-related equity supply through 2026 and 2027.

The call reverses on signed multi-gigawatt PPAs above $110, disclosed Contracted Clean migration above the model, or beta and semi-beta compression toward a utility.