

Eversource Energy, Inc

Kansas-style PISA? We'll take a slice.

Upgrade to Buy on lag improvement

Rating Change: BUY | PO: 57.00 USD | Price: 51.27 USD

Risk/reward attractive with accumulating interim recovery

We upgrade shares of Kansas- and Missouri-based electric utility Eversource Energy (EVRG) from Neutral to Buy due to the improving regulatory/legislative backdrop. The draft Kansas Legislature House Bill 2527 (HB2527) including Plant in Service Accounting (PISA) mechanism proposed is doubly supportive for Eversource. **The bill passed the House yesterday March 12th.** As amended, the bill would reduce regulatory lag supporting higher earned ROEs and provide for EPS growth stability & visibility. Separately, Missouri has its own draft legislation (HB2541/SB1422) that would expand and extend PISA, further de-risking shares. We forecast 6%+ 2023-2028 EPS growth.

Stakeholders are more supportive of EVRG recently

Throughout the HB2527 process, our local Kansas stakeholder conversations have been more constructive than in years past. EVRG has had to overcome a wide range of regulatory challenges in both Kansas and Missouri but has finally recalibrated its outlook and made progress with influential intervenors in both states from our discussions. While it could take time for this to prove-out, we believe that the ongoing Missouri rate case and next Kansas rate cases will be less controversial. Per the Kansas legislature, the bill will allow EVRG to build more dispatchable resources like natural gas for reliability.

EPS growth rate looks closer to 6%, supporting avg P/E

We estimate that PISA would improve EPS approximately \$0.10 annual run-rate upon implementation and ~\$0.15 later in the plan. The combination of PISA and a moderation of long-term interest rates supports a 6-6.5% EPS CAGR, above the newly lowered 4-6% 2023-2026 CAGR. We do not expect management to change its long-term EPS or capital expenditures guidance in the near-term but this provides more confidence that EVRG can grow closer to its peers at 5-7%. In the long-term, the combination of economic development rate schedules and more streamlined regulation could lead to more robust rate base growth than the below-average 5.7% 2023-2028 currently projected.

Valuation is modest and has a favorable risk/reward

EVRG currently trades at a ~12% discount vs peers, one of the largest for utilities, despite what we see to be an average growth rate, reasonable balance sheet, and a rate-of-change story after legacy regulatory issues. We increase the PO from \$51 to \$57 primarily from +\$4/sh mark-to-market and +\$4/sh lowering to -1x P/E discount from -2x previously and ~-\$1/sh reflecting -1% moderation in 2026 EPS.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.71	3.54	3.80	4.05	4.21
EPS Change (YoY)	4.8%	-4.6%	7.3%	6.6%	4.0%
Consensus EPS (Bloomberg)			3.83	4.01	4.23
DPS	2.33	2.48	2.60	2.72	2.85
Valuation (Dec)					
P/E	13.9x	14.6x	13.6x	12.7x	12.3x
Dividend Yield	4.5%	4.8%	5.0%	5.3%	5.5%
EV / EBITDA*	13.6x	12.7x	11.9x	11.4x	10.9x
Free Cash Flow Yield*	-3.1%	-4.8%	-4.0%	0%	-2.3%

* For full definitions of *IQmethod*SM measures, see page 10.

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Timestamp: 13 March 2024 06:00AM EDT

13 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-2-7	B-1-7
Inv. Rating	NEUTRAL	BUY
Price Obj.	51.00	57.00
2024E Rev (m)	5,962.6	5,869.0
2025E Rev (m)	6,129.8	6,048.2
2026E Rev (m)	6,348.9	6,215.3
2024E EPS	3.82	3.80
2025E EPS	4.04	4.05
2026E EPS	4.27	4.21
2024E DPS	2.67	2.60

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Stock Data

Price	51.27 USD
Price Objective	57.00 USD
Date Established	13-Mar-2024
Investment Opinion	B-1-7
52-Week Range	46.92 USD - 63.93 USD
Mkt Val (mn) / Shares Out (mn)	11,818 USD / 230.5
Free Float	98.5%
Average Daily Value (mn)	148.85 USD
BofA Ticker / Exchange	EVRG / NYS
Bloomberg / Reuters	EVRG US / EVRG.QQ
ROE (2024E)	8.9%
Net Dbt to Eqty (Dec-2023A)	131.9%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

HB: House Bill | SB: Senate Bill
PISA: Plant in Service Accounting

iQprofileSM Evergy, Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	4.5%	4.4%	4.5%	4.6%	4.7%
Return on Equity	9.1%	8.5%	8.9%	9.2%	9.3%
Operating Margin	23.3%	24.8%	25.2%	26.3%	26.7%
Free Cash Flow	(365)	(572)	(471)	6	(275)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.1x	2.4x	1.9x	2.3x	2.3x
Asset Replacement Ratio	2.3x	2.4x	1.9x	1.9x	2.1x
Tax Rate	8.1%	4.6%	3.8%	3.6%	3.7%
Net Debt-to-Equity Ratio	122.7%	131.9%	138.8%	140.4%	144.9%
Interest Cover	3.4x	2.6x	2.7x	2.6x	2.6x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	5,899	5,616	5,869	6,048	6,215
% Change	5.6%	-4.8%	4.5%	3.1%	2.8%
Gross Profit	3,780	3,819	3,998	4,155	4,300
% Change	1.1%	1.0%	4.7%	3.9%	3.5%
EBITDA	2,307	2,467	2,623	2,756	2,877
% Change	2.5%	6.9%	6.3%	5.1%	4.4%
Net Interest & Other Income	(442)	(530)	(561)	(614)	(647)
Net Income (Adjusted)	854	816	876	934	970
% Change	5.1%	-4.5%	7.3%	6.6%	4.0%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	765	744	889	947	982
Depreciation & Amortization	929	1,077	1,145	1,167	1,218
Change in Working Capital	0	0	(490)	(47)	(43)
Deferred Taxation Charge	7	(17)	(17)	(17)	(17)
Other Adjustments, Net	100	177	128	127	127
Capital Expenditure	(2,167)	(2,552)	(2,125)	(2,173)	(2,541)
Free Cash Flow	-365	-572	-471	6	-275
% Change	41.3%	-56.8%	17.7%	NM	NM
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	(535)	(570)	(599)	(627)	(657)
Change in Debt	855	1,070	1,080	622	932

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	25	28	38	39	40
Trade Receivables	674	599	920	949	975
Other Current Assets	1,143	1,163	1,464	1,497	1,528
Property, Plant & Equipment	22,137	23,595	24,575	25,581	26,904
Other Non-Current Assets	5,371	5,458	5,331	5,203	5,076
Total Assets	29,349	30,843	32,328	33,269	34,523
Short-Term Debt	1,771	1,752	1,908	1,994	2,122
Other Current Liabilities	1,722	1,761	1,894	1,908	1,922
Long-Term Debt	9,906	11,053	11,977	12,514	13,318
Other Non-Current Liabilities	6,597	6,725	6,709	6,692	6,675
Total Liabilities	19,997	21,291	22,487	23,108	24,037
Total Equity	9,493	9,685	9,974	10,302	10,627
Total Equity & Liabilities	29,490	30,976	32,462	33,410	34,664

* For full definitions of iQmethodSM measures, see page 10.

Company Sector

Electric Utilities

Company Description

Evergy was formed in 2018 by the merger of Westar and Great Plains with primary operations in Missouri and Kansas. It operates through its subsidiaries Westar Energy, Kansas City Power & Light (KCP&L), and Great Missouri Operations (GMO). Evergy serves approximately 1.6Mn electric customers with over 11GW of owned generation using over 13,000 miles of transmission and 52,000 miles of distribution assets.

Investment Rationale

We rate Evergy (EVRG) Buy with an attractive valuation with shares at a large discount to peers despite an improving outlook.

Stock Data

Average Daily Volume

2,903,245

Quarterly Earnings Estimates

	2023	2024
Q1	0.59A	0.42E
Q2	0.81A	0.64E
Q3	1.88A	1.72E
Q4	0.27A	1.02E

Positive inflection for first time in years

We upgrade Evergy to Buy after an extended period of underperformance with the benefits of pending state legislation in Kansas (primarily) and Missouri (secondarily) to support higher, more visible EPS growth. While the successful enactment of legislation is the base case for many investors we speak to, Evergy has not been a focus of many investors for years. Evergy faced difficult rate cases in Kansas and Missouri as well as an activist investor that led to a period of turbulence. Those legacy issues have largely been resolved and the EPS growth rate has been set more conservatively at 4-6%. This creates a favorable backdrop and opportunity for investors that have not considered shares since the original Westar (WR)-Great Plains (GXP) merger. Our discussion with stakeholders in Kansas and Missouri has been more positive in 2024 than in recent years which is an important inflection. This comes with a 10%+ P/E discount versus peers creating little downside and a favorable risk/return skew. With more supportive legislation, average EPS growth rate, and a sound balance sheet, we believe that Evergy can move towards an average P/E multiple over time. EVRG has underperformed utility peers -10% TTM/-3% the past six month and lowered the long-term growth rate to 4-6% 2023-2026 from 6-8% 2021-2025 originally/previously.

Exhibit 1: EVRG Equity Relative Underperformance vs Utilities (%)

EVRG stock has underperformed the utilities sector -10% in the past year

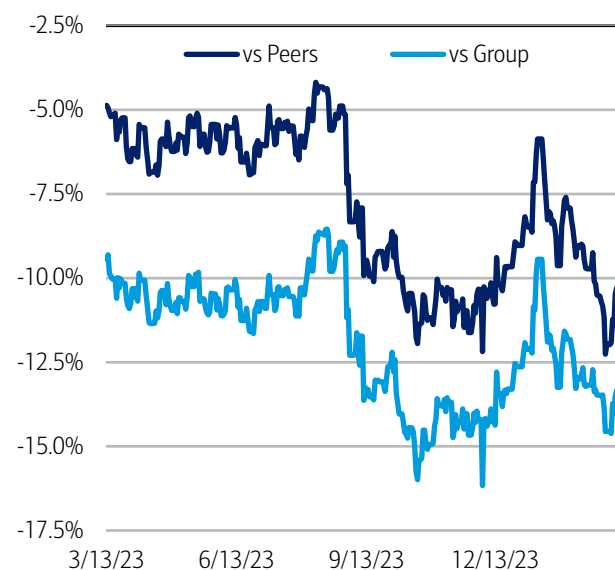


Source: Bloomberg

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Exhibit 2: EVRG Relative 2025E P/E versus Similar P/E Peers (Dark Blue) and Overall Utilities Index (Light Blue)

EVRG trades at a ~13% discount to peers currently, off the -15% low but worse than the -10% for 1H23.



Source: Company Filings, Bloomberg, & BofA Global Research

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BofA Global Research Reports

Title: Subtitle

[US Utilities & Clean Tech: 2024 Utilities, Power, & Clean Energy Conference: Data\(center\) Download](#)

[US Utilities & Clean Tech: PowerPoints: EVRG EPS/Guidance, PNW Equity Issuance, & SRE Rate Base Outlook](#)

[US Utilities & IPPs: PowerPoints: EVRG Regulatory, FTS Investor Day, HE/ES Mgmt Changes, & LNG](#)

[Evergy, Inc: 2024 EPS preview: Growth should track in line with new target](#)

[Evergy, Inc: Upgrade to Neutral: Cautious regulatory catalysts have largely played out](#)

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HB 2527 can reduce earnings lag, discount

Regulatory treatment in Kansas is currently perceived to be among the least favorable in the Midwest and the United States, with the state ranking relatively low among its direct neighbors as Below Average 1 by Regulatory Research Associates (RRA) as of December 2023. Evergy points to the lack of a constructive regulatory environment as a direct disincentive for capital formation and investment within the state, evidenced by the company's below-sector average estimated rate base growth of 6%. With a future capacity need of more than 1GW by 2030, and a current economic development pipeline exceeding \$13.5Bn of capital investment and more than 1.2GW of electricity, the delta between EVRG's earned and allowed returns could be exacerbated as multi-year investment projects commence with no interim recovery of depreciation.

In prior reports (links above), we have detailed the progression of HB 2527 from initial proposal to the current state of a compromise bill exiting committee for deliberation on the floor of the Kansas State House of Representatives. Most recently, the Kansas State House Committee on Energy, Utilities, and Telecommunications (CEUT) recommended passage of the bill as amended which followed by swift approval on March 12th by voice vote. **The House Chamber proceedings were brief with no speakers in opposition.** In our recent conversations, Evergy management was optimistic the House could vote to pass the bill onto the Senate in the next few weeks and the passage on March 12th appears to be faster than expected. The target (deadline) for the bill's passage was April 5.

As proposed, the PISA mechanism would reserve accumulated depreciation of qualifying (generation-related) capital investment between rate cases as a regulatory asset to be amortized over the twenty-year period following its formalization in a ratemaking proceeding. The regulatory asset would accumulate over time with proportionately rising amortization occurring over a 20-year period. Amendments made to the bill by the CEUT include striking provisions to reform the KCC's ability to discern cost of capital considerations in a traditional manner, and reducing the eligibility of qualifying electric plant spend to 90% versus 100% prior but 85% in Missouri's similar bill enacted in 2018 (HB2541/SB1422 currently progressing in the Missouri State Legislature propose to increase eligibility to 100% of depreciation expense associated with qualifying electric plant-in-service). Below we provide an illustrative accounting of how the earnings benefit of the PISA mechanism's implementation in Kansas collectively strengthens as Evergy's regulatory asset accumulates.

Exhibit 3: Illustrative PISA EPS Accumulation

Implementation of PISA is ~\$0.08 positive followed by incremental \$0.09-\$0.10 EPS by 2030, subject to some rate case timing elements

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Capex														
EKC	1,170	1,362	1,448	1,748	1,748	1,664	1,664	1,664	1,664	1,664	1,664	1,664	1,664	1,664
EKM	602	708	756	922	922	922	922	922	922	922	922	922	922	922
Plant Eligible Capex														
EKC	526.6	612.7	651.8	786.6	786.6	748.8	748.8	748.8	748.8	748.8	748.8	748.8	748.8	748.8
EKM	184.1	216.5	231.2	282.0	282.0	282.0	282.0	282.0	282.0	282.0	282.0	282.0	282.0	282.0
Depreciation														
EKC	17.6	20.4	21.7	26.2	26.2	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
EKM	6.1	7.2	7.7	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4
Accumulated Depreciation														
EKC	17.6	38.0	59.7	85.9	112.1	137.1	162.1	187.0	212.0	236.9	261.9	286.9	311.8	336.8
EKM	6.1	13.4	21.1	30.5	39.9	49.3	58.7	68.1	77.5	86.9	96.3	105.7	115.1	124.5
Return on Eligible Capex														
EKC	36.9	42.9	45.6	55.1	55.1	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4
EKM	12.9	15.2	16.2	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7
Accumulated Return on Eligible Capex														
EKC	36.9	79.8	125.4	180.4	235.5	287.9	340.3	392.8	445.2	497.6	550.0	602.4	654.8	707.3
EKM	12.9	28.0	44.2	64.0	83.7	103.5	123.2	142.9	162.7	182.4	202.2	221.9	241.6	261.4
Regulatory Asset (Pre-Amort)														
EKC	54.4	117.7	185.1	266.4	347.7	425.0	502.4	579.8	657.2	734.5	811.9	889.3	966.7	1,044.0
EKM	19.0	41.4	65.3	94.4	123.6	152.7	181.9	211.0	240.1	269.3	298.4	327.6	356.7	385.8

Exhibit 3: Illustrative PISA EPS Accumulation

Implementation of PISA is ~\$0.08 positive followed by incremental \$0.09-\$0.10 EPS by 2030, subject to some rate case timing elements

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
YE Accumulation of Regulatory Asset net amortization (rate case every 2 years)														
EKC		117.7		248.7		382.5		499.0		603.9		698.2		783.1
EKM		41.4		88.2		137.7		182.2		222.3		258.3		290.8
Amortization of Regulatory Asset														
EKC		5.9	5.9	5.9	12.4	12.4	19.1	19.1	24.9	24.9	30.2	30.2	34.9	34.9
EKM		2.1	2.1	2.1	4.4	4.4	6.9	6.9	9.1	9.1	11.1	11.1	12.9	12.9
Cumulative Per Share Impact														
Pre-tax	0.10	0.14	0.14	0.14	0.18	0.18	0.22	0.22	0.25	0.25	0.28	0.28	0.31	0.31
After tax	0.08	0.14	0.13	0.13	0.17	0.17	0.21	0.21	0.24	0.24	0.27	0.27	0.30	0.30
YE Accumulation of Regulatory Asset net amortization (rate case every 3 years)														
EKC		117.7			330.0			512.6			667.9			799.8
EKM		41.4			117.4			187.2			246.5			297.0
Amortization of Regulatory Asset														
EKC			5.9	5.9	5.9	16.5	16.5	16.5	25.6	25.6	25.6	33.4	33.4	33.4
EKM			2.1	2.1	2.1	5.9	5.9	5.9	9.4	9.4	9.4	12.3	12.3	12.3
Cumulative Per Share Impact														
Pre-tax	0.10	0.10	0.14	0.14	0.14	0.20	0.20	0.20	0.25	0.25	0.25	0.30	0.30	0.30
After tax	0.08	0.08	0.13	0.13	0.13	0.19	0.19	0.19	0.24	0.24	0.24	0.29	0.29	0.29
YE Accumulation of Regulatory Asset net amortization (rate case every 4 years)														
EKC		117.7				401.5				630.7				814.1
EKM		41.4				144.4				232.1				302.3
Amortization of Regulatory Asset														
EKC			5.9	5.9	5.9	5.9	20.1	20.1	20.1	20.1	31.5	31.5	31.5	31.5
EKM			2.1	2.1	2.1	2.1	7.2	7.2	7.2	7.2	11.6	11.6	11.6	11.6
Cumulative Per Share Impact														
Pre-tax	0.10	0.10	0.14	0.14	0.14	0.14	0.22	0.22	0.22	0.22	0.29	0.29	0.29	0.29
After tax	0.08	0.08	0.13	0.13	0.13	0.13	0.21	0.21	0.21	0.21	0.28	0.28	0.28	0.28

Source: BofA Global Research, Company filings, Kansas State Legislature filings, Bloomberg

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Our assessment provides three scenarios for accumulation, in reference to the pace at which Evergy could engage the Kansas Corporation Commission (KCC) in general rate case proceedings. In each scenario, the amount of incremental recovery through amortization of the accumulated regulatory asset steps up with each subsequent rate case, given formal recognition of the cumulative depreciation on eligible plant. Rate case filing frequency still matters in terms of recovery lag, but ultimately once recognized within the regulatory asset, full recovery of depreciation and provision of an allowed return on the investment occurs over a twenty-year period.

Other provisions of the bill include implementation of economic development rate schedules, which in our view would have a limited near-term impact to earnings but could support new construction activity for customers with additional jobs (i.e. the multiplier effect). Our analysis singles out the PISA-related provision in HB 2527, as we believe its probability of enactment to be highest given passage of a similar provision in neighboring Missouri in 2018, which despite the countering claims of potential customer rate inflation by opponents has resulted in a modest 1% annual increase in customer rates in the five years following its passage.

Rate base growth still below average, but accelerating

Evergy's capital program is currently back-end weighted due to a significant increase in generation spending. For example, generation is \$157Mn in 2024E versus \$1,107Mn in 2028E and \$583Mn 2024-2028 average. The new 2023-2028 rate base CAGR is 5.7%, consistent with the prior 5.8% 2022-2027. Compared to the prior plan, 2023-2025 capital programs are flat with the increases concentrated in 2027-2028.

Exhibit 5: EVRG Capital Plan Comparisons (\$Mn)

2023-2025 capex is \$6.8Bn but 2026-2028 is meaningfully higher at \$8.3Bn

EVRG Capital Plan (\$Mn)	2023	2024	2025	2026	2027	2028
Updated Capex Plan	2,552	2,125	2,089	2,457	2,624	3,200
Prior Capex Plan	2,406	2,006	2,461	2,359	2,375	2,518
Delta	146	119	(372)	98	249	683

Source: Company Filings and BofA Global Research

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Adjusted EPS in-line with Consensus after long-period

Our new adjusted EPS forecast is below which incorporates the approximate +\$0.10 benefit of Kansas PISA in 2025, partially offset by higher estimated parent drag. Our new estimates are within +/-1% of guidance annually 2024-2027 and Consensus 2024-2026. *This is a notable change after years of being below Consensus fairly consistently.* Historically EVRG has been in a negative revision cycle with 2024 Consensus declining to \$3.83 from \$3.96 in August. With a more reasonable Consensus and a conservative guidance, we see a path to relative outperformance.

For 2027-2028 our estimates increase +1% and +4% to reflect the additional capital expenditures forecast and the increasing accrual of PISA. There could be further upside to the plan after successful implementation of PISA that could lead to additional investment. Peer utility Ameren (AEE) recently increased its Missouri rate base growth target to ~10%. If Ameren is successful on its approach, we would expect Evergy to follow as well with additional spending.

We slightly lower our FY24 adjusted EPS to incorporate some warm February weather which causes our \$3.80 to be below the \$3.83 midpoint of the recently created range. Evergy was very successful with cost cuts in 2023 to offset adverse weather but we do not believe the same level of flexibility is possible in consecutive years.

In 2026+ the credit metrics begin to erode as capital investments increase leading to our estimated 15.0-15.5% funds from operations (FFO) / debt. We introduce a small ~\$50Mn annual equity issuance in 2027+ with minimal dilution. Management has inherent flexibility to maintain credit quality and deliver EPS growth at the 4-6% top-end of guidance or grow faster while letting credit degrade to a degree.

Exhibit 6: EVRG Financial Snapshot

Now projecting growth that is in-line with peers or potentially better

Evergy Model - Dashboard/Overview

Evergy EPS	2022A	2023A	2024E	2025E	2026E	2027E	2028E	'23-'28
Evergy Metro	\$1.52	\$1.44	\$1.47	\$1.54	\$1.60	\$1.67	\$1.77	4.2%
Evergy Missouri West	\$0.56	\$0.42	\$0.66	\$0.70	\$0.73	\$0.77	\$0.83	14.3%
Kansas Central	\$1.88	\$1.95	\$2.05	\$2.26	\$2.32	\$2.50	\$2.71	6.8%
Parent/Other	-\$0.25	-\$0.28	-\$0.39	-\$0.44	-\$0.44	-\$0.44	-\$0.48	11.8%
Adjusted EPS	\$3.71	\$3.54	\$3.80	\$4.05	\$4.21	\$4.50	\$4.82	6.4%
EPS Guidance: 4-6% \$3.65 FY26 Base	\$3.53-\$3.63	\$3.55-\$3.65	\$3.73-\$3.93	\$3.92-\$4.12	\$4.11-\$4.35	\$4.34-\$4.54	\$4.56-\$4.76	5.0%
BofA vs Guidance	3.6%	-1.7%	-0.8%	0.8%	-0.6%	1.2%	3.3%	
Consensus	\$3.64	\$3.56	\$3.83	\$4.01	\$4.23	\$4.40	\$4.62	5.3%
BofA vs Consensus	1.8%	-0.6%	-0.7%	1.1%	-0.6%	2.2%	4.3%	
BofA Change vs Prior	-0.1%	-0.6%	-0.5%	0.4%	-1.5%	1.0%	3.8%	
Dividend per Share	\$2.33	\$2.48	\$2.60	\$2.72	\$2.85	\$3.01	\$3.17	5.0%
Payout Ratio: 60-70% Guidance	62.8%	70.1%	68.4%	67.1%	67.8%	66.9%	65.8%	-4.3%
FFO / Debt: 15% Downgrade Threshold	15.9%	15.5%	16.1%	16.0%	15.6%	15.4%	15.0%	-0.5%

Source: Company Filings, Bloomberg, & BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation: PO to \$57 due to lower discount and MtM

We value Evergy using a 2026 sum-of-the-parts valuation methodology. Due to the potential for a more favorable regulatory climate and improved EPS growth outlook, we have lowered the discount applied to shares from -2x to -1x. We apply the 2026 average electric utility P/E of 13.9x, up from 13.1x in our previous update. The base P/E is grossed-up +5% to reflect sector capital appreciation, a consistent approach across the coverage universe.

The primary changes to the PO are:

- +\$4/sh Increase in peer multiples +6% to 13.9x
- +\$4/sh Reduction in discount to -1x from -2x
- -\$1/sh -1% Moderation in 2026 EPS

Exhibit 7: EVRG Sum of the Parts Analysis

Reducing the discount now that we project a more average growth

EVRG Sum-of-the-Parts 2026	EPS	P/E Multiple		Equity Value
		Peer	Prem/ (Discount)	
Group Peer Multiple - Electric		13.9x	-	-
Group EPS CAGR - Electric		5.0%	-	-
Grossed-up P/E Multiple		14.5x	-	-
Evergy Metro	\$1.60		-1.0x	13.5x
Evergy Missouri West	\$0.73		-1.0x	13.5x
Evergy Kansas Central	\$2.32		-1.0x	13.5x
Parent & Other	-\$0.44		-1.0x	13.5x
EVRG Consolidated EPS	\$4.21		-1.0x	13.5x
Total Potential Equity Value				\$57.00
Current Share Price				\$51.61
Total Potential Price Return				10.4%
NTM Dividend Yield				5.0%
Total Potential Return				15.5%

EVRG Relative Valuation	2026E	PO & Price	Discount	2026 P/E
BofA Valuation	\$4.21	\$57.00	-2%	13.9x
Market/Consensus Valuation	\$4.23	\$51.61	-12%	12.2x

Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH



Price objective basis & risk

Evergy, Inc (EVRG)

Our \$57 price objective for Evergy (EVRG) is based on sum of the parts valuation, applying an in-line utility peer 2026E P/E of 13.9x. The electric peer P/E multiple is grossed up for one year by 5% to reflect capital appreciation across the sector. We further apply a -1.0x turn discount across Missouri and -1x for the Kansas Central subsidiaries based on our perception of a challenging regulatory setup that will pressure future capital spend and Evergy's ability to sustain a consistent EPS growth rate in light of intense regulator scrutiny of customer bill pressures.

Downside risks to our price objective are adverse regulatory outcomes, inability to deploy capital expenditures consistent with guidance, operational performance issues including at the nuclear facility, and earning below the authorized rate of return. Upside risks to our price objective are favorable regulatory outcomes in important proceedings, accretively deploying additional capital expenditures above guidance, higher than anticipated O&M benefits and merger synergies leading to a higher earned return on equity, and the ability to recover capital invested in retired coal assets

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
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	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Julien Dumoulin-Smith
	Nexttracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Energy Group	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Corp	VST	VST US	Julien Dumoulin-Smith

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Paul Zimbardo
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Paul Zimbardo
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Julien Dumoulin-Smith
UNDERPERFORM				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RVW				
	New Fortress Energy	NFE	NFE US	Julien Dumoulin-Smith



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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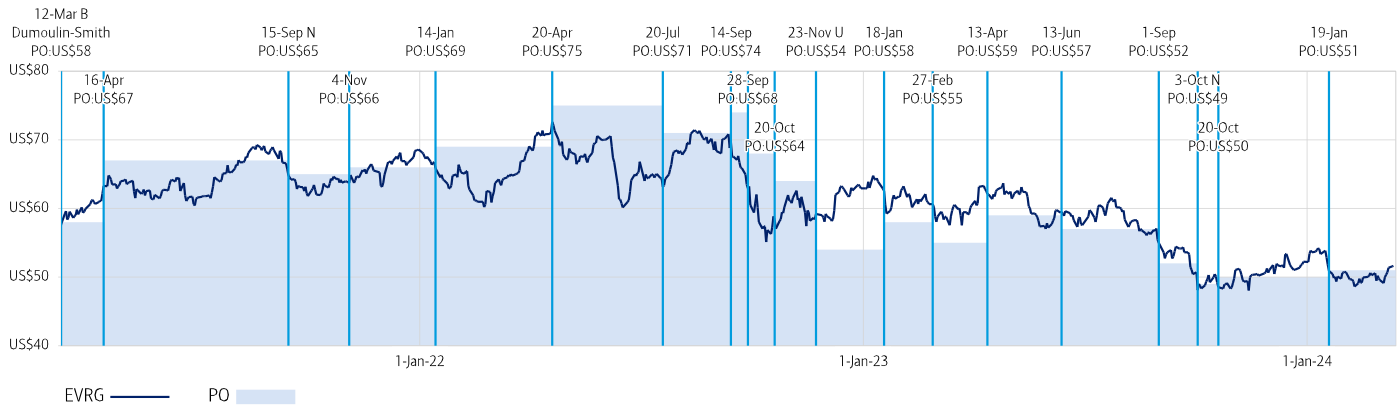
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Evergy (EVRG) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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