

Vistra Corp

Yes, we see further upside, but execution is the key – Reiterate Buy

Reiterate Rating: BUY | PO: 52.00 USD | Price: 42.81 USD

FCF engine revving up with all eyes on Vision growth

We remain constructive on shares of Vistra Energy (VST) which continue to trade at an attractive risk-adjusted free cash flow (FCF) yield. As market fundamentals drive elevated spark spreads across VST's operating footprint, we see a clear runway for significant FCF generation well into the latter part of the decade. A robust hedging strategy further supports this visibility, with 90% of expected generation locked in through 2025. We continue to see execution on growth targets for Vistra Vision as central to the story. We will watch closely for signs that mgmt.'s strategy is tracking as expected, particularly in regards to nuclear generation. We see solid execution on this front as the single biggest question mark and expect clarity in the coming weeks. Expect an updated capital allocation plan and potential for re-segmentation as mgmt. seeks to enhance disclosures. Look for the buyback and continued deleveraging to both remain a central part of the framework with modest solar and storage growth to boot. On balance, continue to see upside and reiterate Buy and compelling FCF yield.

4Q23 preview: expect modest beat, see '24 above Street

We forecast 4Q23 EBITDA (ongoing operations) of \$895Mn which is +3% above current Consensus of \$869Mn and is up from \$736Mn in 4Q22. For Retail, we forecast EBITDA of \$399Mn, up from \$359Mn as mild weather in December '23 is more than offset by continued margin strength and the reversal of Winter Storm Elliot losses. For Generation, we look for the reversal of one-time items to drive modest YoY improvement and forecast EBITDA of \$511Mn. We continue to forecast EBITDA (ongoing operations) for FY24 above Consensus driven by strong Generation economics and Vistra Vision growth. Our FY24 estimate of \$4.6Bn is essentially unchanged and sits ~6% above Street at \$4.4Bn.

Still like the stock despite strong run in '23 – PO to \$52

Share of VST finished '23 up ~70% and have continued to climb higher on a favorable market backdrop for power generators. Despite the strong run, we remain constructive on shares and raise our PO to \$52 (from \$44) following our latest mark-to-market and model recalibration. The increase in our PO is largely the result of a roll-forward to 2026E for our sum-of-the-parts (SotP) analysis. We make no changes to our target multiples. Our valuation implies a ~22.5% levered FCF yield for Vistra consolidated, which includes a ~12.5% levered FCF yield implied on Vistra Vision.

| Estimates (Dec) (US\$) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---------------------------|--------|--------|-------|-------|-------|
| EPS | (2.62) | (2.86) | 4.11 | 4.86 | 4.70 |
| EPS Change (YoY) | NM | -9.2% | NM | 18.2% | -3.3% |
| Consensus EPS (Bloomberg) | | | 3.83 | 4.10 | 4.38 |
| DPS | 0.60 | 0.71 | 0.81 | 0.85 | 0.91 |
| Valuation (Dec) | | | | | |
| P/E | NM | NM | 10.4x | 8.8x | 9.1x |
| Dividend Yield | 1.4% | 1.7% | 1.9% | 2.0% | 2.1% |
| EV / EBITDA* | 17.6x | 10.1x | 7.4x | 6.6x | 6.3x |
| Free Cash Flow Yield* | -8.1% | -5.3% | 30.1% | -3.2% | 18.0% |

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

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Timestamp: 13 February 2024 09:02AM EST

13 February 2024

Equity

Key Changes

| (US\$) | Previous | Current |
|---------------|----------|----------|
| Price Obj. | 44.00 | 52.00 |
| 2023E Rev (m) | 14,985.4 | 16,738.4 |
| 2024E Rev (m) | 17,293.4 | 18,165.4 |
| 2025E Rev (m) | 17,477.6 | 18,527.7 |
| 2023E EPS | 2.91 | 4.11 |
| 2024E EPS | 3.44 | 4.86 |
| 2025E EPS | 3.55 | 4.70 |

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Stock Data

| | |
|---------------------------------|-----------------------|
| Price | 42.81 USD |
| Price Objective | 52.00 USD |
| Date Established | 13-Feb-2024 |
| Investment Opinion | B-1-7 |
| 52-Week Range | 21.18 USD - 44.96 USD |
| Mrkt Val (mn) / Shares Out (mn) | 15,307 USD / 357.6 |
| Free Float | 99.0% |
| Average Daily Value (mn) | 135.13 USD |
| BofA Ticker / Exchange | VST / NYS |
| Bloomberg / Reuters | VST US / VST.N |
| ROE (2023E) | 38.2% |
| Net Dbt to Eqty (Dec-2022A) | 254.6% |
| 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".

iQprofileSM **Vistra Corp**

iQmethodSM – Bus Performance*

| (US\$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|----------------------------|---------|--------|-------|-------|-------|
| Return on Capital Employed | -4.8% | -3.8% | 6.7% | 8.0% | 7.2% |
| Return on Equity | -17.2% | -26.3% | 38.2% | 32.2% | 27.4% |
| Operating Margin | -12.5% | -8.6% | 9.4% | 20.9% | 17.9% |
| Free Cash Flow | (1,239) | (816) | 4,600 | (484) | 2,752 |

iQmethodSM – Quality of Earnings*

| (US\$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|--------------------------|--------|--------|--------|--------|--------|
| Cash Realization Ratio | NM | NM | 4.0x | 2.5x | 2.8x |
| Asset Replacement Ratio | 0.8x | 1.0x | 1.3x | 4.4x | 1.6x |
| Tax Rate | 26.6% | 22.4% | 25.0% | 25.0% | 25.0% |
| Net Debt-to-Equity Ratio | 113.2% | 254.6% | 183.9% | 204.7% | 173.5% |
| Interest Cover | -3.9x | -3.2x | 6.1x | 5.6x | 5.3x |

Income Statement Data (Dec)

| (US\$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------------|----------------|----------------|--------------|--------------|--------------|
| Sales | 12,077 | 13,728 | 16,738 | 18,165 | 18,528 |
| % Change | 5.5% | 13.7% | 21.9% | 8.5% | 2.0% |
| Gross Profit | 2,908 | 3,327 | 5,717 | 7,839 | 7,645 |
| % Change | -53.6% | 14.4% | 71.8% | 37.1% | -2.5% |
| EBITDA | 1,716 | 2,994 | 4,070 | 4,594 | 4,794 |
| % Change | -53.4% | 74.5% | 36.0% | 12.9% | 4.4% |
| Net Interest & Other Income | (207) | (383) | (196) | (495) | (474) |
| Net Income (Adjusted) | (1,264) | (1,210) | 1,528 | 1,710 | 1,545 |
| % Change | NM | 4.3% | NM | 11.9% | -9.6% |

Free Cash Flow Data (Dec)

| (US\$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|--|---------------|--------------|--------------|-------------|--------------|
| Net Income from Cont Operations (GAAP) | (1,264) | (1,210) | 1,528 | 1,710 | 1,545 |
| Depreciation & Amortization | 1,350 | 1,255 | 1,164 | 1,080 | 1,004 |
| Change in Working Capital | (1,391) | (2,665) | 2,176 | 157 | (1) |
| Deferred Taxation Charge | (475) | (359) | 509 | 570 | 515 |
| Other Adjustments, Net | 1,574 | 3,464 | 703 | 745 | 1,289 |
| Capital Expenditure | (1,033) | (1,301) | (1,480) | (4,746) | (1,600) |
| Free Cash Flow | -1,239 | -816 | 4,600 | -484 | 2,752 |
| % Change | NM | 34.1% | NM | NM | NM |
| Share / Issue Repurchase | NA | NA | NA | NA | NA |
| Cost of Dividends Paid | (290) | (302) | (303) | (300) | (300) |
| Change in Debt | 3,069 | 2,322 | 2,523 | (399) | 151 |

Balance Sheet Data (Dec)

| (US\$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalents | 1,346 | 525 | 6,155 | 3,833 | 5,286 |
| Trade Receivables | 1,412 | 2,086 | 2,025 | 2,053 | 2,094 |
| Other Current Assets | 5,125 | 8,505 | 6,268 | 5,811 | 5,833 |
| Property, Plant & Equipment | 13,056 | 12,554 | 12,222 | 15,192 | 14,550 |
| Other Non-Current Assets | 8,744 | 9,117 | 8,608 | 8,038 | 7,523 |
| Total Assets | 29,683 | 32,787 | 35,277 | 34,927 | 35,285 |
| Short-Term Debt | 254 | 1,113 | 1,124 | 1,124 | 1,124 |
| Other Current Liabilities | 5,589 | 9,224 | 9,101 | 8,830 | 8,892 |
| Long-Term Debt | 10,477 | 11,933 | 14,445 | 14,045 | 14,196 |
| Other Non-Current Liabilities | 5,071 | 5,599 | 5,489 | 5,389 | 5,289 |
| Total Liabilities | 21,391 | 27,869 | 30,159 | 29,388 | 29,502 |
| Total Equity | 8,292 | 4,918 | 5,119 | 5,538 | 5,784 |
| Total Equity & Liabilities | 29,683 | 32,787 | 35,277 | 34,927 | 35,285 |

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

Company Sector

Electric Utilities

Company Description

Vistra Energy (NYSE: VST) is an integrated power company based in Irving, Texas. Through its retail and generation businesses which include TXU Energy, Homefield Energy, Dynegy, and Luminant, Vistra operates in 12 states and six of the seven competitive markets in the U.S., with about 6,000 employees. Vistra's retail brands serve approximately 2.9 million customers and its generation fleet totals approximately 41,000 megawatts of natural gas, nuclear, coal, and solar facilities.

Investment Rationale

We are Buy rated on Vistra (VST) due to its robust near- and long-term free cash flow from the generation-retail matching strategy. The predominately natural gas power plant portfolio offers solid margins (spark spreads) with less volatility than the underlying natural gas commodity. Vistra is developing solar and storage assets as part of Vistra Zero platform, leveraging legacy fossil sites for above-average returns. This all supports a strong repurchase program.

Stock Data

Average Daily Volume 3,156,539

Quarterly Earnings Estimates

| | 2022 | 2023 |
|----|--------|--------|
| Q1 | -0.63A | 1.87E |
| Q2 | -3.08A | 1.26E |
| Q3 | 1.58A | 1.35E |
| Q4 | -0.59A | -0.40E |

Sparks fly in ERCOT: framing shares here

Favorable supply-demand dynamics drove robust expansions in spark spreads throughout 2023. The Electric Reliability Council of Texas (ERCOT) showed particular strength, with spark spreads rising ~50% over the course of the year as reliability concerns drove power pricing to a premium. We continue to see attractive economics in ERCOT in the near-term as regulators seek to incentivize dispatchable generation with novel (and controversial) solutions like the ERCOT Contingency Reserve Service (ECRS). Longer-term the debate over a potential for the state legislature to self-procure incremental dispatchable capacity remains a lingering risk to the market. In addition, we perceive the rapid build-out of battery storage as a modest threat to economics over the longer-term. That said, VST's ability to capture robust spark spreads across its footprint through a robust hedging strategy that we believe supports visibility to strong FCF generation over the next several years. Additionally, Retail favorable pricing dynamics should support margin progression over the medium-term as contracts renew.

We perceive ongoing excitement in the power thesis and cannot remember a time that investors were so enthusiastic as to the value of incumbent generation. Beyond just the underlying power demand growth, investors are specifically keen to the opportunity to co-located data centers aligned with power assets. This could add incremental margin at modest capex. While this has yet to materialize this is a further angle to watch. Moreover, with the perceived threat of an IRA repeal, there is a wider perception in power that reduced new generation and/or slowed development activity could provide for a particularly acute upside cycle across the US, not just tied to Texas. We see investor inbound as reaching the highest levels in years of late – with upside to estimates still, and a wider improvement in the value of capacity, we agree with the thesis. We fear new baseload resources such as gas will still take quite some time to develop (such as in Texas, where new development could be as far as ~2027-2029), we see an ongoing recovery cycle. The grid remains at risk and we perceive events impacting reliability remains the single biggest threat to shares – watch carefully how VST helps craft a narrative around supportive efforts. We reiterate our Buy rating on shares into the coming update – where we still don't necessarily expect any further strategic updates on the 'Vision' piece of the business nor necessarily expect any meaningful new data center aligned updates either. Success on the January Winter storm across ERCOT should help provide an unquantified tailwind again to '24 results, as well as added cash flow early in the year.

Vistra Vision growth the key to unlocking further upside: watching nuclear

We perceive execution on mgmt.'s growth strategy for Vistra Vision as the single biggest catalyst ahead. Mgmt. has remained steadfast in its expectations for the business, in particular as it relates to nuclear generation. We will be keenly watching over the next few weeks for signs that mgmt.'s strategy is progressing as planned.

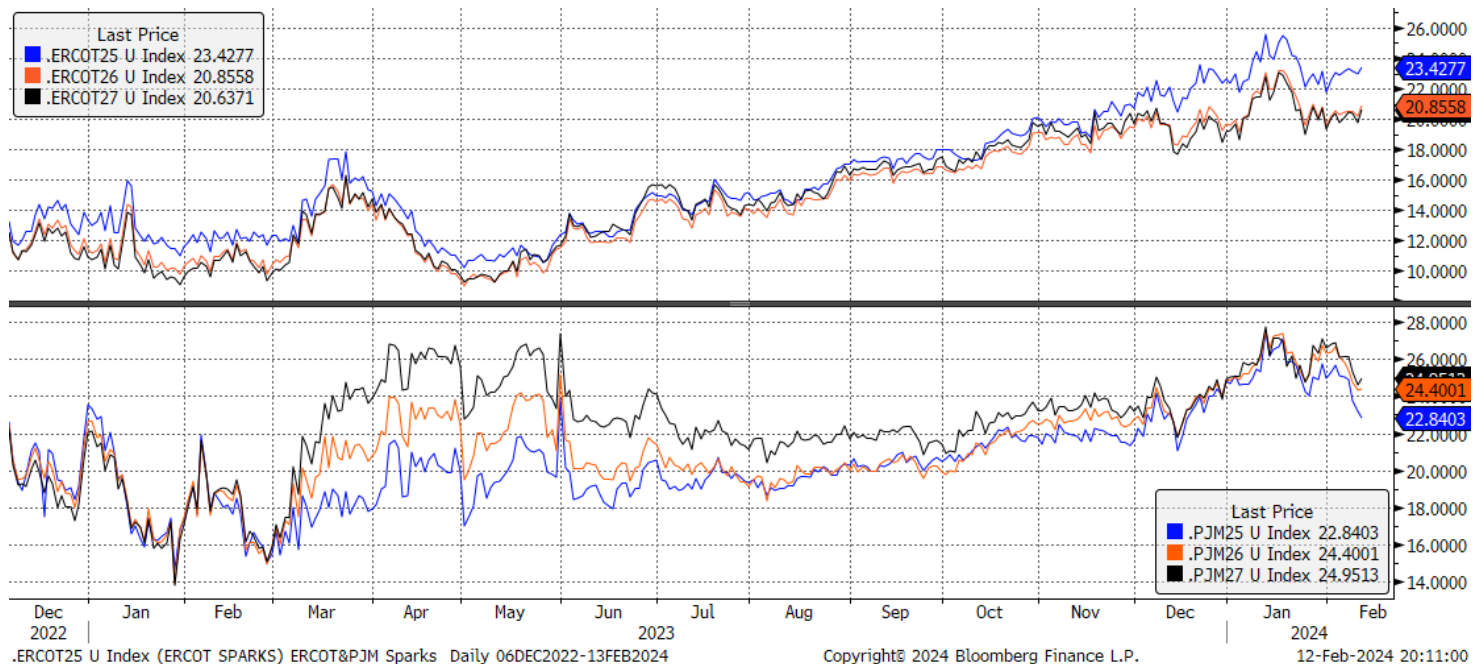
The capital allocation debate set to kick off as '24 gets underway

We expect the buyback to remain a central pillar to VST's capital allocation plan, and expect a refreshed outlook in the coming months as clarity on Vistra Vision growth crystallizes. Mgmt. has indicated it expects to buyback at least \$1Bn in shares in both 2025 and 2026, and we see potential for this to be upsized to the extent Vistra Vision growth is achieved. We see further deleveraging ahead as well. We forecast leverage of 2.9x in 2024 and 2.7x in 2025, which is well below mgmt.'s target range of sub-3x.



Exhibit 1: ERCOT (top) and PJM (bottom) 2025, 2026, and 2027 spark spreads

Sizable ERCOT spark spread expansion driven by tight dispatchable capacity marks opportunity for VST across Retail and Generation



Source: Bloomberg, BofA Global Research

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[Vistra Energy: Sparks fly: Highlighting VST's Texas exposure – Reiterate Buy](#)

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Walking through 4Q23 projected drivers

We forecast 4Q23 EBITDA (ongoing operations) of \$895Mn which is +3% above current Consensus of \$869Mn and is up from \$736Mn in 4Q22. For Retail, we forecast EBITDA of \$399Mn, up from \$359Mn as mild weather in December '23 is more than offset by continued margin strength and the reversal of Winter Storm Elliot losses. For Generation, we look for the reversal of one-time items to drive modest YoY improvement and forecast EBITDA of \$511Mn. We continue to forecast EBITDA (ongoing operations) for FY24 above Consensus driven by strong Generation economics and Vistra Vision growth. Our FY24 estimate of \$4.6Bn is essentially unchanged and sits ~6% above Street at \$4.4Bn.

Exhibit 2: VST EBITDA walk

We forecast 4Q23 EBITDA (ongoing operations) for VST of \$895Mn

| Vistra (VST) Adj EBITDA | FY23 | 1Q23 | 2Q23 | 3Q23 | 4Q23 |
|--|------------------|--------------|--------------|--------------|--------------|
| Prior Year (Consolidated) | 2,994 | 541 | 737 | 981 | 736 |
| Prior Retail | 923 | 163 | 403 | (2) | 359 |
| Base/Shaping | 229 | (116) | 122 | 148 | 75 |
| Weather | (157) | (43) | (64) | - | (50) |
| Other | 46 | (33) | 37 | 27 | 15 |
| Current Retail | 1,041 | (29) | 498 | 173 | 399 |
| Prior Generation | 2,236 | 388 | 364 | 1,048 | 436 |
| Base/Shaping | 939 | 254 | 250 | 435 | - |
| Growth (incl. hedges) | 75 | - | 25 | 25 | 25 |
| Growth Savings | - | - | - | - | - |
| Opex and SG&A | (180) | (49) | (69) | (62) | - |
| Other | 10 | 1 | (49) | 8 | 50 |
| Current Generation | 3,080 | 594 | 521 | 1,454 | 511 |
| Prior Corp | (44) | (10) | (11) | (8) | (15) |
| Base/Shaping | (7) | (1) | - | (6) | - |
| Current Corp | (51) | (11) | (11) | (14) | (15) |
| Prior Asset Closure | (121) | - | (19) | (59) | (43) |
| Base/Shaping | (19) | (41) | 78 | 35 | (91) |
| Current Asset Closure | (140) | (41) | 59 | (24) | (134) |
| Current Year (Consolidated) | 3,930 | 513 | 1,067 | 1,589 | 761 |
| Current Year (Ongoing Operations) | 4,070 | 554 | 1,008 | 1,613 | 895 |
| Consensus | 3,963 | 575 | 908 | 1,312 | 869 |
| BofA vs Consensus | 2.7% | -3.7% | 11.1% | 23.0% | 3.0% |
| Guidance (Ongoing Ops) | 3950-4100 | | | | |
| BofA vs Guidance | 1.1% | | | | |

Source: Company filings, Bloomberg, BofA Global Research

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Our long-term forecast is shown below. We make modest revisions to our estimates through 2026 and continue to layers in growth for Vistra Vision (inclusive of hedges and synergies). Our forecast sits at the high-end of guidance for both 2023 and 2024. We are also at the high-end of mgmt.'s states EBITDA opportunity range for 2025. We see strong fundamentals for spark spreads and a robust hedging strategy as supportive.

Exhibit 3: VST earnings dashboard

Strong FCF conversion leads to sizable buyback and deleveraging opportunity

| | 2022A | 2023E | 2024E | 2025E | 2026E | 2027E |
|---|------------------|------------------|------------------|------------------|---------------|---------------|
| Total Generation EBITDA (Traditional merchant biz) | 2,115 | 2,044 | 2,208 | 1,908 | 2,404 | 2,355 |
| Retail EBITDA | 923 | 986 | 955 | 1,039 | 1,069 | 1,073 |
| Growth EBITDA | | | 470 | 669 | 795 | 803 |
| Growth Hedges | | | (25) | 6 | (20) | (20) |
| Total Vistra Zero | | 238 | 336 | 381 | 466 | 561 |
| Total Combined EBITDA Prior to Synergies | 3,038 | 3,268 | 3,943 | 4,003 | 4,714 | 4,772 |
| Total Synergies and Other | (44) | 662 | 476 | 572 | 572 | 572 |
| Total Pro Forma EBITDA After Synergies (Consolidated) | 2,994 | 3,930 | 4,419 | 4,574 | 5,285 | 5,343 |
| Total EBITDA After Synergies (Ongoing Ops, excl. Growth) | 3,115 | 4,070 | 4,069 | 3,994 | 4,386 | 4,436 |
| <i>Adj EBITDA Guidance (Ongoing Ops)</i> | <i>2960-3160</i> | <i>3950-4100</i> | <i>3700-4100</i> | <i>3800-4000</i> | | |
| Total Pro Forma EBITDA After Synergies (Ongoing Ops, incl. Growth) | 3,115 | 4,070 | 4,594 | 4,794 | 5,285 | 5,343 |
| <i>Illustrative EBITDA guidance</i> | | | <i>4400-4800</i> | <i>4600-4800</i> | | |
| Prior estimates (Excl. Asset Closure) | | \$4,057 | \$4,587 | \$4,765 | 5,296 | 5,138 |
| Chg vs. prior estimates | | \$14 | \$6 | \$29 | (\$11) | \$205 |
| % chg y/y | | 31.3% | 12.4% | 3.5% | 15.5% | 1.1% |
| <i>Consensus</i> | <i>3,074</i> | <i>3,963</i> | <i>4,393</i> | <i>4,377</i> | | |
| Total Pro Forma EBITDA After Synergies (Ongoing Ops, excl. Growth) | 3,115 | 4,070 | 4,594 | 4,794 | 5,285 | 5,343 |
| Less: Cash Taxes | (23) | (24) | (22) | (22) | (22) | (22) |
| Less: Working Capital and Margin Deposits | (2,416) | 2,166 | 157 | (1) | (43) | 3 |
| Plus: Accrual of Environmental Items | 237 | 339 | 459 | 0 | 0 | 0 |
| Less: Reclamation and Remediation | (7) | (33) | (31) | 0 | 0 | 0 |
| Less: Transition and M&A Expense | (291) | (47) | (35) | 0 | 0 | 0 |
| ERCOT Securitization - cash receipt adjustment | 544 | 0 | 0 | 0 | 0 | 0 |
| Less: Adj. CapEx | (826) | (929) | (924) | (946) | (963) | (951) |
| Less: Growth CapEx | (475) | (735) | (819) | 0 | 0 | 0 |
| Less: Purchase/Sale of Environmental Allowances | (28) | (596) | (291) | 0 | 0 | 0 |
| Less: VST Asset Closures (ERCOT-related & beyond) | (180) | (115) | (202) | (247) | 0 | 0 |
| Less: Other | 282 | (37) | (36) | 0 | 0 | 0 |
| Unlevered FCF (\$Mn) | (68) | 4,059 | 2,850 | 3,579 | 4,258 | 4,374 |
| Unlevered FCF Yield (%) | (0.3%) | 17.5% | 11.0% | 13.9% | 17.2% | 18.2% |
| Less: Interest Expense | (587) | (581) | (789) | (796) | (805) | (952) |
| Less: Scheduled Principal Repayments (Including Some of 'Other') | (99) | (49) | (49) | (49) | 0 | 0 |
| Levered FCF (\$Mn) | (754) | 3,429 | 2,012 | 2,733 | 3,453 | 3,422 |
| Levered Free Cash Flow Yield | -6.0% | 27.3% | 16.0% | 21.8% | 27.5% | 27.3% |
| Less: CST Asset Closure Adjustments | 18 | 30 | 2 | 47 | | |
| Adjusted Pro Forma FCFbG (Incl Asset Closure) | 2,237 | 2,332 | 2,542 | 2,781 | 3,496 | 3,418 |
| <i>Guidance - FCFbG (incl. ARO cost, ex-Growth)</i> | <i>1940-2240</i> | <i>2215-2465</i> | <i>1650-2150</i> | | | |
| Conversion from adj. EBITDA (ex-ERCOT) | 54% | 57% | 55% | 58% | 66% | 64% |
| Less: Optional Debt Repayments | (4,501) | (1,075) | (1,480) | (500) | (500) | (500) |
| Plus: Debt Issuance | 6,823 | 2,500 | 1,003 | 700 | 700 | 700 |
| Plus: Preferred Equity Issuance | 0 | 476 | 0 | 0 | 0 | 0 |
| Less: Share Buybacks | (1,949) | (1,025) | (990) | (1,000) | (1,000) | (1,200) |
| Less: Dividend | (302) | (303) | (300) | (300) | (300) | (293) |
| Less: Preferred Dividends | (151) | (151) | (193) | (193) | (193) | (193) |
| Less: Other | (31) | (476) | (167) | 0 | 0 | 0 |
| Less: Acquisitions & Growth CapEx | 0 | 0 | (3,200) | (1,000) | (1,000) | (1,000) |
| Cash Available for Allocation (\$Mn) | (865) | 3,375 | (3,315) | 441 | 1,160 | 936 |
| Ending Debt (including 'Other') | 13,118 | 14,494 | 13,968 | 14,119 | 14,319 | 14,519 |
| Pro forma Cash (min cash \$400mn) | 455 | 3,830 | 515 | 956 | 2,116 | 3,052 |
| Combined Net Debt | 12,663 | 10,664 | 13,453 | 13,163 | 12,202 | 11,467 |
| Combined Leverage (Gross Debt/EBITDA After Synergies) | 4.2x | 3.6x | 3.0x | 2.9x | 2.7x | 2.7x |
| Combined Leverage (Net Debt/EBITDA) | 4.1x | 2.6x | 2.9x | 2.7x | 2.3x | 2.1x |

Source: Company filings, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH



Rolling forward the tape as outlook stays bright

We roll forward our SotP base to 2026E as shown below. Our estimates are altered slightly as previously discussed, and we make no changes to our target EV/FCF multiples. On balance, our PO moves higher to \$52 following our MtM and model recalibration. Shares continue to screen as uniquely attractive, with our PO implying a ~22.5% levered FCF yield. With a favorable backdrop and high-degree of visibility into earnings through at least 2025, we remain constructive on shares of VST. We continue to apply a premium to fossil generation assets in Texas as a reflection of favorable spark spreads.

Exhibit 4: VST Valuation

We arrive at a \$52 PO

| Vistra Sum-of-the-Parts Analysis (2026E) | Adj. EBITDA | Maintenance Capex | FCF | EV/FCF | FCF Yield (Implied) | EV/EBITDA (implied) | Total EV | Value per Share |
|--|----------------|--------------------------|----------------|--------------------------------|---------------------|---------------------|-----------------|-----------------|
| Nuclear (Texas) | 386 | (110) | 276 | 10.5x | 9.5% | 7.5x | 2,893 | 10.00 |
| Nuclear (Growth) | 828 | (198) | 630 | 9.0x | 11.1% | 6.9x | 5,672 | 19.00 |
| Renewables and Storage | 466 | (10) | 456 | 12.0x | 8.3% | 11.7x | 5,466 | 19.00 |
| Retail | 968 | (38) | 930 | 7.0x | 14.3% | 6.7x | 6,508 | 22.00 |
| Total Vistra Vision | \$2,647 | (\$356) | \$2,291 | 9.0x | 11.2% | 7.8x | \$20,539 | \$70.00 |
| Less: Net Debt & Other Adjustments | | | (240) | | | | (3,430) | (12.00) |
| Less: 8.0% Series A Preferreds (50%) | | | (40) | | | | (500) | (2.00) |
| Less: Vistra Zero Preferreds (7.0% Series B) | | | (70) | | | | (1,000) | (3.00) |
| Less: Minority Interest | | | (291) | | | | (2,341) | (8.00) |
| Total Vistra Vision Equity Value | | Levered FCF => | \$1,650 | Levered FCF Yield => | 12.4% | | \$13,268 | 45.00 |
| Gas Generation (Texas) | 461 | (58) | 403 | 7.5x | 13.3% | 6.6x | 3,023 | 10.00 |
| Gas Generation (Non-Texas) | 1,128 | (65) | 1,063 | 5.5x | 18.2% | 5.2x | 5,845 | 20.00 |
| Coal Generation - Ongoing Ops (Texas) | 748 | (65) | 683 | 5.5x | 18.2% | 5.0x | 3,756 | 13.00 |
| Coal Generation - Sunset | 371 | (56) | 316 | 1.5x | 66.7% | 1.3x | 473 | 2.00 |
| Total Vistra Tradition | \$2,708 | (\$244) | \$2,464 | 5.3x | 18.8% | 4.8x | \$13,097 | \$45.00 |
| Less: 8.0% Series A Preferreds (50%) | | | (40) | | | | (500) | (2.00) |
| Less: 8.875% Series C Preferreds | | | (42) | | | | (476) | (2.00) |
| Less: Net Debt & Other Adjustments | | | (509) | | | | (9,746) | (33.00) |
| Total Vistra Tradition Equity Value | | Levered FCF => | \$1,873 | Levered FCF Yield => | n.m. | | \$2,375 | 8.00 |
| Hedges | (20) | 0 | (20) | 1.0x | n/a | n/a | (20) | 0.00 |
| Corporate | (50) | 0 | (50) | 6.0x | n/a | 6.0x | (300) | (1.00) |
| Total Vistra | \$5,285 | (\$600) | \$4,685 | 7.1x | 14.1% | 6.3x | \$33,317 | \$114.00 |
| Total Vistra Equity Value | | Levered FCF => | \$3,453 | Levered FCF Yield => | 22.5% | | \$15,323 | \$52.00 |

| | | | |
|------------------------|--------------|------------------|-------------|
| | EBITDA | Enterprise Value | EV/EBITDA |
| TX Generation | 1,595 | 9,672 | 6.1x |
| Non-TX Generation | 2,327 | 11,990 | 5.2x |
| Renewables and Storage | 466 | 5,466 | 11.7x |
| Retail | 968 | 6,508 | 6.7x |
| Hedges and Corporate | (70) | (320) | 4.6x |
| TOTAL | 5,285 | 33,317 | 6.3x |

| | |
|--------------------------------|--------------|
| Share count (Projected - YE26) | 293 |
| Dividend Yield - 2024E | 2.0% |
| Total Potential Return | 23.5% |

Source: Company filings, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH



Price objective basis & risk

Vistra Corp (VST)

Our \$52 price objective is based on a 2026E SOTP valuation. For Vistra Vision, we arrive at a 7.8x blended EV/EBITDA. We apply a 9.0x EV/FCF multiple to nuclear (10.5x for Texas), which we believe fairly represents the risk/reward profile of the assets. For Renewables and Storage, we apply a 12.0x EV/FCF multiple given the accelerating nature of the end markets. For Retail, we apply a 7.0x EV/FCF multiple, consistent with peers. For Vistra Tradition, we arrive at a 4.8x blended EV/EBITDA multiple. We apply a 5.5x EV/FCF multiple to Gas Generation (7.5x for Texas) given favorable spark spreads and end market demand dynamics and a 1.5x EV/FCF multiple to Coal Generation (5.5x for Texas) which we believe appropriately captures the limited long-term value of the assets.

Downside risks to our PO are 1) changes to regulatory, political, or legislative standards, 2) wholesale power, natural gas, & capacity prices, 3) competitive & regulatory change to retail businesses, principally in Texas, 4) operational performance, 5) development of new renewables and storage assets, 6) natural disasters, 7) interest rates, 8) nuclear fuel access/cost, and 9) retail market attrition.

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 | | | | |
| | Alliant Energy Corporation | LNT | LNT US | Julien Dumoulin-Smith |
| | 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 |
| | 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 |
| | Hydro One | YH | H CN | Julien Dumoulin-Smith |
| | MDU Resources Group, Inc. | MDU | MDU US | Julien Dumoulin-Smith |
| | Nextracker 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 |

North America - Utilities and Alt Energy Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|-----------------------------------|-------------|------------------|-----------------------|
| | Vistra Corp | VST | VST US | Julien Dumoulin-Smith |
| | 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 |
| | Evergy, Inc | EVRG | EVRG US | Julien Dumoulin-Smith |
| | Exelon | EXC | EXC US | Paul Zimbardo |
| | Generac Holdings Inc. | GNRC | GNRC US | Julien Dumoulin-Smith |
| | Idacorp | IDA | IDA US | Paul Zimbardo |
| | Maxon Solar Technologies | MAXN | MAXN US | Julien Dumoulin-Smith |
| | New Fortress Energy | NFE | NFE US | Cameron Lochridge |
| | 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 |
| | Avangrid | AGR | AGR US | Paul Zimbardo |
| | 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 |



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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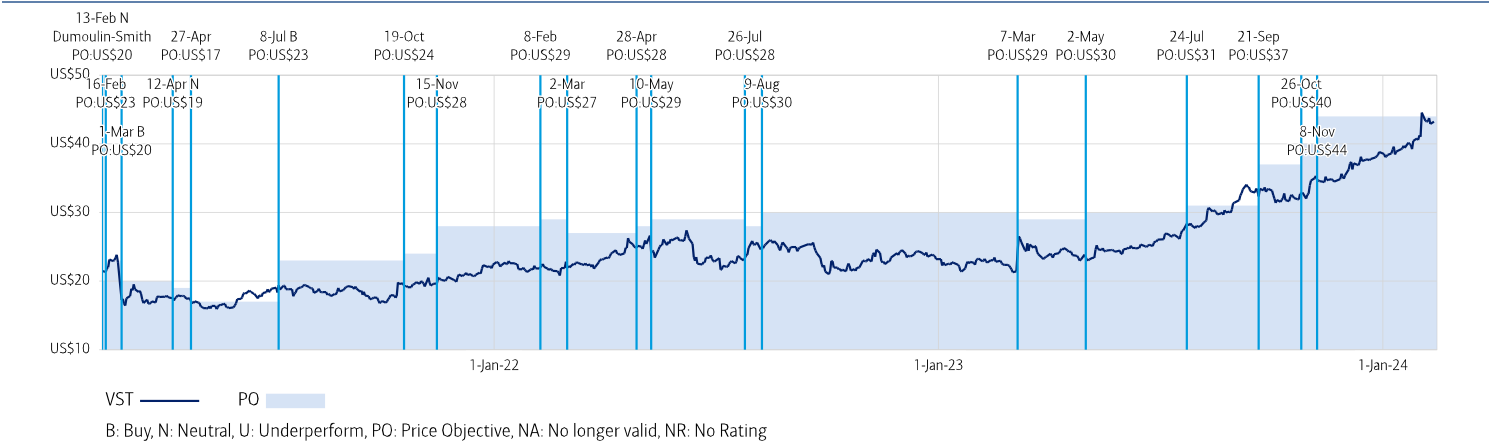
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Vistra (VST) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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% |

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster ^{R2} |
|-------------------|---|--|
| Buy | ≥ 10% | ≤ 70% |
| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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