

Eversource Energy, Inc

2024 EPS preview: Growth should track in line with new target

Reiterate Rating: NEUTRAL | PO: 51.00 USD | Price: 50.89 USD

Kansas rate increase driving growth in 2024

With Eversource (EVRG) expected to offer its 2024 EPS guidance on its Feb Q4 call, we preview 2024 with an EPS estimate of \$3.82, slightly below Street and representing +4.7% growth from the original 2023 midpoint of \$3.65 which serves as the base for the updated 4-6% EPS CAGR target. The net rate increase in Kansas is expected to be the principal upside driver along with contributions from normalized sales growth and transmission. 2023 likely at low end on mild December temps.

Will we see Kansas legislation moving forward?

On Jan 16 EVRG testified before the Kansas state House Energy, Utilities, and Telecommunications Committee. The company introduced a proposed bill that would seek to reduce regulatory lag in the jurisdiction by 1) adding Plant in Service Accounting (PISA) allowing for deferral of incremental D&A and interest expense until rates are set and 2) setting authorized capital structure for utilities to the actual level at which the utilities operate. While it is difficult to predict the outcome of any early-stage legislation, particularly a bill proposed by a private company with a direct financial stake in seeing it passed, action to address regulatory lag and also open questions about the methodology for setting capital structure demonstrates early positive momentum.

Capex update likely status quo at 6% RAB growth

Mgmt. has telegraphed that the coming capex refresh will likely support the existing 6% rate base growth CAGR while wrapping in proposed generation additions from the latest resource plans. Expect this to be largely a non-update given the prior EPS CAGR reset to 4-6%. Key open question remains – when will EVRG shift back to offense and focusing on upside in its regulated jurisdictions. Shares have stabilized post-reset though the outlook remains mixed based on conversations with investors. Bias higher.

PO to \$51, reiterate Neutral using heavy discount

We refresh our valuation and mark to market to the latest peer multiple of 13.3x. We also tweak the Kansas relative discount to -2x from -3x reflecting potential for legislation to improve the regulatory environment. PO moves from \$50 to \$51 on our latest refresh, reiterate Neutral given the modest upside implied by our PO and dividend yield.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	3.54	3.71	3.56	3.82	4.04
EPS Change (YoY)	14.2%	4.8%	-4.0%	7.3%	5.8%
Consensus EPS (Bloomberg)			3.60	3.84	4.03
DPS	2.18	2.33	2.49	2.67	2.85
Valuation (Dec)					
P/E	14.4x	13.7x	14.3x	13.3x	12.6x
Dividend Yield	4.3%	4.6%	4.9%	5.2%	5.6%
EV / EBITDA*	13.2x	13.5x	12.4x	11.6x	11.5x
Free Cash Flow Yield*	-5.7%	-3.3%	-9.5%	-0.2%	-3.5%

* For full definitions of *IQmethod*SM measures, see page 9.

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Timestamp: 19 January 2024 05:30AM EST

19 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	50.00	51.00
2023E Rev (m)	5,734.8	5,758.7
2024E Rev (m)	5,959.7	5,962.6
2025E Rev (m)	6,101.1	6,129.8
2024E EPS	3.84	3.82
2025E EPS	4.13	4.04

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Stock Data

Price	50.89 USD
Price Objective	51.00 USD
Date Established	19-Jan-2024
Investment Opinion	B-2-7
52-Week Range	46.92 USD - 63.93 USD
Mrkt Val (mn) / Shares Out (mn)	10,896 USD / 214.1
Free Float	98.6%
Average Daily Value (mn)	159.25 USD
BofA Ticker / Exchange	EVRG / NYS
Bloomberg / Reuters	EVRG US / EVRG.OQ
ROE (2023E)	8.6%
Net Dbt to Eqty (Dec-2022A)	122.7%
ESGMeter™	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".

RAB- Regulated asset base

iQprofileSM Evergy, Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	4.5%	4.2%	4.2%	4.3%	4.1%
Return on Equity	9.1%	9.1%	8.6%	9.0%	9.2%
Operating Margin	24.3%	21.6%	23.0%	23.7%	23.0%
Free Cash Flow	(621)	(365)	(1,033)	(25)	(376)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.7x	2.1x	1.7x	2.3x	2.2x
Asset Replacement Ratio	2.2x	2.3x	2.3x	1.8x	2.1x
Tax Rate	11.7%	5.9%	5.9%	5.9%	5.9%
Net Debt-to-Equity Ratio	117.1%	122.7%	137.1%	139.7%	145.6%
Interest Cover	3.6x	3.1x	3.1x	2.9x	3.3x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	5,587	5,859	5,759	5,963	6,130
% Change	13.7%	4.9%	-1.7%	3.5%	2.8%
Gross Profit	3,739	3,715	3,792	3,970	4,110
% Change	5.3%	-0.7%	2.1%	4.7%	3.5%
EBITDA	2,251	2,197	2,391	2,546	2,583
% Change	11.2%	-2.4%	8.9%	6.5%	1.5%
Net Interest & Other Income	(354)	(462)	(535)	(473)	(414)
Net Income (Adjusted)	813	854	820	881	931
% Change	15.2%	5.1%	-4.0%	7.3%	5.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	892	765	751	893	943
Depreciation & Amortization	896	929	1,065	1,132	1,177
Change in Working Capital	0	0	(451)	(51)	(42)
Deferred Taxation Charge	102	7	7	7	7
Other Adjustments, Net	(539)	100	0	0	0
Capital Expenditure	(1,973)	(2,167)	(2,406)	(2,006)	(2,461)
Free Cash Flow	-621	-365	-1,033	-25	-376
% Change	NM	41.3%	-183.2%	97.6%	NM
Share / Issue Repurchase	113	0	0	0	0
Cost of Dividends Paid	(498)	(535)	(574)	(615)	(658)
Change in Debt	838	855	1,614	641	1,035

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	26	25	33	34	35
Trade Receivables	541	674	1,045	1,082	1,113
Other Current Assets	1,144	1,143	1,313	1,343	1,368
Property, Plant & Equipment	21,150	22,137	23,477	24,351	25,636
Other Non-Current Assets	5,660	5,371	5,370	5,370	5,370
Total Assets	28,521	29,349	31,239	32,181	33,521
Short-Term Debt	1,549	1,771	2,012	2,109	2,266
Other Current Liabilities	1,554	1,721	1,813	1,829	1,842
Long-Term Debt	9,298	9,906	11,279	11,822	12,701
Other Non-Current Liabilities	6,878	6,597	6,604	6,612	6,619
Total Liabilities	19,279	19,996	21,708	22,372	23,427
Total Equity	9,242	9,494	9,672	9,950	10,259
Total Equity & Liabilities	28,521	29,490	31,380	32,322	33,686

* For full definitions of iQmethodSM measures, see page 9.

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 EVRG Neutral. Shares are fairly valued on our outlook which expects EPS growth to approach the company's long-term rate base growth guidance of +6%, with no equity in the forecast but also relatively limited upside. With rate cases recently completed in both the Missouri and Kansas jurisdictions, we see regulatory risk as reduced prospectively vs. the 2022-early '23 period.

Stock Data

Average Daily Volume 2,935,599

Quarterly Earnings Estimates

	2022	2023
Q1	0.58A	0.59A
Q2	0.86A	0.81A
Q3	2.01A	1.88A
Q4	0.03A	0.29E

2024 EPS walk: Small miss but in line with 4-6%

We forecast EVRG's 2024 EPS to come in at \$3.82, slightly below street consensus at \$3.84.

- **Key drivers** – The base rate increase in Kansas is the single largest upside driver at +14c after tax, recall that the net of the approved increases is ~\$41m with KS Central receiving a rate increase and Metro a decrease. We assume normal weather which for EVRG is a drag in 2024 of -5c. Load growth is expected to be an upside driver of +12c while higher transmission revenues contribute another +14c. O&M savings / initiatives are expected to generate another +8c while D&A and interest expense provide offsets at -27c combined on our ests.
- **Wildcard** – Proceeds from company-owned life insurance (COLI) are usually embedded in EVRG's guidance and we assume ratable +1-2c per quarter, although in reality this is not possible to forecast in advance. 2023 tracked ahead of expectations through the first three quarters, thus we expect EVRG's forecast to be adjusted incrementally lower for 2024.

Exhibit 1: EVRG EPS walk

We are slightly below consensus for 2024 at \$3.82

	EPS	1Q24E	2Q24E	3Q24E	4Q24E
FY23A Adjusted EPS	3.58	0.57	0.84	1.86	0.31
Weather normalization	-0.03	0.07	-0.03	-0.08	0.01
Weather current year	0.00	0.00	0.00	0.00	0.00
Kansas base rate increase	0.14	0.02	0.03	0.06	0.03
Retail sales	0.12	0.03	0.03	0.03	0.05
Transmission rider	0.14	0.04	0.04	0.04	0.02
O&M	0.08	0.02	0.02	0.02	0.02
Interest expense	-0.11	-0.03	-0.03	-0.03	-0.04
D&A	-0.16	-0.04	-0.04	-0.04	-0.04
Corp & Elimination	0.00	0.00	0.00	0.00	0.00
COLI proceeds	0.06	0.02	0.02	0.02	0.02
Share Count Dilution	0.00	0.00	0.00	0.00	0.00
FY24E Adjusted EPS	3.82	0.70	0.88	1.87	0.37
FY24 Consensus	3.84	0.57	0.94	1.95	0.40
BofA Beat(Miss) vs Consensus	0%	22%	-6%	-4%	-6%

Source: BofA Global Research estimates, Bloomberg

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Kansas legislative push a new effort to address lag

On Jan 16 Evergy testified before the Kansas state House Energy, Utilities, and Telecommunications Committee. The company introduced a proposed bill that would seek to reduce regulatory lag in the jurisdiction by 1) adding Plant in Service Accounting (PISA) allowing for deferral of incremental D&A and interest expense until rates are set and 2) setting authorized capital structure for utilities to the *actual* level at which the utilities operate. The bill was introduced by the utility and at present it is unclear the level of support it will receive from legislators and stakeholder groups.

The utility authorized equity layer was a contentious issue in the last two Kansas rate cases with staff testimony disappointing to the downside vs. both company and investor expectations. While the cases were resolved via a black box settlement, we consider clarity on what is an appropriate equity ratio to be a net positive for investors. PISA treatment would likewise be a positive as the mechanism would serve to reduce the level of lag experienced by both utilities. For reference, EVRG disclosed the ROEs earned by Kansas Central as 7.52%/7.39%/6.89% in the 2020-2022 period, significantly below the 9.3% authorized level. Kansas Metro was comparably better at 9.25%/8.99%/9.62% over this period.

Post reset we see less risk to outlook

Evergy delivered a widely-expected reduction of its outlook to 4-6% EPS CAGR from the original 2023 midpoint of \$3.65 on the company's Q3 earnings call. The reset was widely expected and in our view largely clears the decks in 2024 and beyond. 2024 in particular, should be relatively de-risked with guidance yet to come but expectations generally in line with growth consistent with the 4-6% target. While the CAGR from 2021 implied by our estimate is only +2.5%, using the rebased target we see a much clearer path to growth in the mid single digits using EVRG's target rate base growth as a rough proxy.

We expect Q4 to drive results toward the lower end of the updated range. Weather was among the key unknowns when the guidance was updated with Dec coming in ~20% milder vs. historical levels, thus we see limited ability to flex the O&M lever with results likely coming in near the low end of the range.

Exhibit 2: EVRG EPS walk

Tracking to the low end

	EPS	1Q23	2Q23	3Q23	4Q23
FY22A Adjusted EPS	3.71	0.58	0.86	2.01	0.26
Accounting adjustments	-0.04	-0.01	-0.01	-0.01	-0.01
Weather normalization	-0.31	0.00	-0.12	-0.16	-0.03
Weather current year	0.04	-0.08	0.04	0.09	-0.01
Retail sales	0.18	0.04	0.04	-0.01	0.11
Transmission rider	0.13	0.02	0.02	0.04	0.05
ERSP - KS Metro	0.06	0.00	0.00	0.00	0.06
O&M savings	0.45	0.12	0.17	0.02	0.14
Interest expense	-0.44	-0.11	-0.13	-0.14	-0.06
D&A	-0.28	-0.07	-0.07	-0.07	-0.07
KS - expiry of wholesale	-0.03	-0.01	-0.01	-0.01	-0.01
Uri cost true-up	-0.05	0.00	0.00	-0.05	0.00
Corp & Elimination	0.04	0.07	0.02	0.10	-0.14
COLI proceeds	0.11	0.04	0.00	0.07	0.00
Share Count Dilution	0.00	0.00	0.00	0.00	0.00
FY23E Adjusted EPS	3.56	0.59	0.81	1.88	0.29
FY23 Consensus	3.60	0.58	0.78	1.86	0.33
BofA Beat(Miss) vs Consensus	-1%	2%	4%	1%	-12%
FY23 Adj EPS Guidance	3.55-3.65				

Source: BofA Global Research, Bloomberg

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With the stock having derated vs. the group for much of 2023 and the bad news largely out of the way, we see valuation as more balanced here. Execution on regulatory

priorities remains a key focus for 100%-regulated Evergy, with a small follow-on filing in KS as well as another iteration of MO rate cases to come in 2024 still.

The bigger question remains: when can the company shift to offense allowing the thesis to shift to something other than a valuation / bad news is out there call? At fall meetings mgmt. hinted at pursuing a legislative solution to improve the Kansas jurisdiction, though these efforts appear to be in early stages. Transmission is another potential source of upside though EVRG's territory has not undertaken the kind of long term planning exercise seen in neighboring MISO.

Exhibit 3: EVRG estimates

Our outlook is consistent with the midpoint of the 4-6% range

Evergy, Inc. Dashboard

EPS Estimates by Subsidiary	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Evergy Metro	\$1.31	\$1.36	\$1.55	\$1.17	\$1.24	\$1.29	\$1.34	\$1.39	\$1.43
Evergy Missouri West	\$0.69	\$0.38	\$0.26	\$0.61	\$0.65	\$0.68	\$0.72	\$0.76	\$0.79
Kansas Central	\$0.99	\$2.13	\$1.78	\$1.73	\$1.74	\$1.80	\$1.90	\$2.00	\$2.10
Parent/Other	\$0.11	-\$0.33	\$0.12	\$0.05	\$0.19	\$0.26	\$0.30	\$0.30	\$0.32
Adjusted EPS	\$3.10	\$3.54	\$3.71	\$3.56	\$3.82	\$4.04	\$4.27	\$4.45	\$4.64
Y/Y EPS Growth %	7.1%	14.2%	4.8%	-4.0%	7.3%	5.6%	5.7%	4.3%	4.3%
CAGR off 2023 guide midpoint of \$3.65					4.7%	5.2%	5.3%	5.1%	4.9%
Long Term EVRG Guidance (4-6% from '23 midpoint)				3.55-3.65			4.11-4.35		
Prior estimates				\$3.56	\$3.84	\$4.13			
Consensus (BBG)				\$3.60	\$3.84	\$4.03	\$4.28	\$4.51	
Dividend									
DPS	\$2.05	\$2.18	\$2.33	\$2.49	\$2.67	\$2.85	\$3.05	\$3.27	\$3.50
Dividend Payout	66.2%	61.5%	62.8%	70.0%	69.8%	70.7%	71.6%	73.5%	75.4%
Long Term EVRG Guidance					60-70%				

Source: BofA Global Research estimates, Bloomberg

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Valuation

We refresh our valuation and mark to market to the latest peer multiple of 13.3x. We also tweak the Kansas relative discount to -2x from -3x reflecting potential for legislation to improve the regulatory environment. PO moves to \$51 from \$50 on our latest refresh, reiterate Neutral given the modest upside implied by our PO and dividend yield.

Exhibit 4: EVRG valuation

PO to \$51, reiterate Neutral

	2026 EPS	P/E Multiple		
	Peer	Prem/ Discount	Base	
Group Peer Multiple - Electric	13.3x	-	-	-
Group EPS CAGR - Electric	5.0%	-	-	-
Grossed-up multiple	13.9x	-	-	-
Evergy Metro	\$1.34	-2.0x	11.9x	\$15.98
Evergy Missouri West	\$0.72	-2.0x	11.9x	\$8.60
Evergy Kansas Central	\$1.90	-2.0x	11.9x	\$22.61
Parent & Other	\$0.30	-2.0x	11.9x	\$3.61
EVRG Consolidated EPS	<u>\$4.27</u>		11.9x	<u>\$50.81</u>
EVRG Price Objective				\$51.0
Implied Return				0.2%
EVRG Standalone NTM Dividend Yield				5.2%
Total Return				5.5%

Source: BofA Global Research estimates, Bloomberg

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Price objective basis & risk

Evergy, Inc (EVRG)

Our \$51 price objective for Evergy (EVRG) is based on sum of the parts valuation, applying an in-line utility peer 2026E P/E of 13.3x. 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 -2.0x turn discount across Missouri and -2x 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				
	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
	Duke Energy	DUK	DUK 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	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nexttracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	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
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	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 Energy	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	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	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
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVERG	EVERG 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
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
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
	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

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

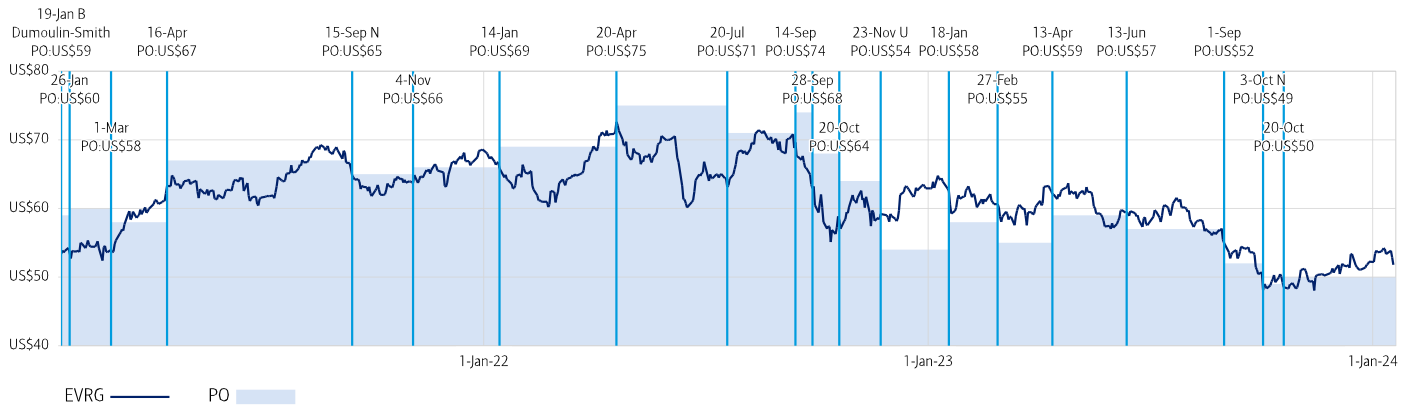
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Evergy (EVRG) Price Chart



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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%

^{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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