

Atmos Energy Corporation

Constructive outlook heading into earnings

– Reiterate Buy

Reiterate Rating: BUY | PO: 135.00 USD | Price: 122.10 USD

Expect quiet update amid favorable commodity backdrop

We reiterate our Buy on Atmos Energy (ATO) ahead of F3Q23 earnings and expect a relatively quiet update free of fireworks on the quarter. Continued weakness in natural gas prices should remain a tailwind for ATO as the Company progresses more affordably on its five-year, \$15Bn investment plan. Favorable regulatory regimes are a critical factor supporting the long-term 6-8% EPS CAGR. We remain constructive on shares although watch the limited floating rate exposure and related strategies.

F3Q Preview: forecast slight beat; model to top end for FY

We forecast F3Q23 EPS for ATO of \$1.06, which is an ~8% beat vs \$0.98 Consensus and meaningfully higher YoY from \$0.92. The same trend continues: strong rate relief more than offsets higher O&M (operations and maintenance) and interest expense. For the full year, we update our EPS forecast to \$6.09, which is at the high end of management's \$6.00-6.10 guidance range.

Texas rate case outcomes key item in back half

On May 19th ATO filed a Statement of Intent (SOI) with the Railroad Commission of Texas (RRC) to raise rates at Atmos Pipeline – Texas (Docket No.: 00013758). ATO requested a +\$119.4Mn (+14.4%) revenue requirement increase for its \$4.1Bn rate base, based on a 12/31/22 test year. ATO requested a 13.5% ROE and a 60% actual 3/31/23 equity ratio, up from 53% previously. A hearing before the RRC is scheduled for Oct. 10, 2023. A rate case is required every five years which increases the short-term uncertainty for shares. This follows the March 31st Mid-Tex Cities rate review covering \$6.1Bn rate base with +\$114Mn revenue request (9.8% ROE and 59% equity ratio)

Premium still warranted given steady track record, outlook

We continue to value shares of ATO at a +2.0x premium to peers considering the Company's steady track record of delivering results consistently within mgmt.'s expectations. Prospectively we forecast a 7.1% long-term EPS CAGR through 2022-2027, approximately at the 6-8% guidance midpoint. A strong stock price is critical due to the above-average equity needs for the Our updated \$135 PO results from our peer group MtM (mark-to-market) with details on Page 5.

Estimates (Sep) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	5.13	5.61	6.09	6.52	6.97
GAAP EPS	5.13	5.61	6.09	6.52	6.97
EPS Change (YoY)	12.7%	9.4%	8.6%	7.1%	6.9%
Consensus EPS (Bloomberg)			6.05	6.47	6.90
DPS	2.48	2.72	2.96	3.17	3.39
Valuation (Sep)					
P/E	23.8x	21.8x	20.0x	18.7x	17.5x
GAAP P/E	23.8x	21.8x	20.0x	18.7x	17.5x
Dividend Yield	2.0%	2.2%	2.4%	2.6%	2.8%
EV / EBITDA*	21.6x	20.6x	17.6x	15.5x	13.8x
Free Cash Flow Yield*	-17.3%	-8.3%	-6.9%	-5.9%	-5.9%

* For full definitions of *IQmethod*SM measures, see page 8.

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Timestamp: 31 July 2023 05:47AM EDT

31 July 2023

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	120.00	135.00
2023E EPS	5.98	6.09
2023E EBITDA (m)	1,774.0	1,701.0
2024E EBITDA (m)	2,022.8	1,931.3
2025E EBITDA (m)	2,270.7	2,172.0
2023E DPS	2.91	2.96

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Stock Data

Price	122.10 USD
Price Objective	135.00 USD
Date Established	31-Jul-2023
Investment Opinion	A-1-7
52-Week Range	97.71 USD - 125.28 USD
Mrkt Val (mn) / Shares Out (mn)	17,642 USD / 144.5
Average Daily Value (mn)	81.78 USD
BofA Ticker / Exchange	ATO / NYS
Bloomberg / Reuters	ATO US / ATO.N
ROE (2023E)	8.7%
Net Dbt to Eqty (Sep-2022A)	62.6%
ESGMeter TM	Medium

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 Atmos Energy Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	4.8%	4.8%	4.6%	4.5%	4.7%
Return on Equity	9.1%	8.9%	8.7%	8.7%	8.7%
Operating Margin	26.6%	21.9%	22.7%	22.9%	23.1%
Free Cash Flow	(3,054)	(1,467)	(1,213)	(1,050)	(1,037)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	-1.6x	1.3x	1.7x	1.7x	1.7x
Asset Replacement Ratio	4.1x	4.6x	4.5x	3.9x	3.7x
Tax Rate	18.8%	9.1%	12.0%	12.0%	12.0%
Net Debt-to-Equity Ratio	60.9%	62.6%	82.9%	79.2%	76.2%
Interest Cover	10.8x	9.0x	8.6x	8.5x	8.5x

Income Statement Data (Sep)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	3,407	4,202	4,821	5,403	6,024
% Change	20.8%	23.3%	14.7%	12.1%	11.5%
Gross Profit	2,375	2,519	2,851	3,158	3,481
% Change	9.8%	6.1%	13.2%	10.8%	10.2%
EBITDA	1,383	1,457	1,701	1,931	2,172
% Change	10.3%	5.3%	16.8%	13.5%	12.5%
Net Interest & Other Income	(86)	(69)	(94)	(112)	(129)
Net Income (Adjusted)	666	774	880	990	1,110
% Change	19.0%	16.4%	13.7%	12.5%	12.0%

Free Cash Flow Data (Sep)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	666	774	880	990	1,110
Depreciation & Amortization	478	536	607	694	782
Change in Working Capital	NA	NA	NA	NA	NA
Deferred Taxation Charge	155	54	0	0	0
Other Adjustments, Net	(2,383)	(386)	0	0	0
Capital Expenditure	(1,970)	(2,444)	(2,700)	(2,734)	(2,928)
Free Cash Flow	-3,054	-1,467	-1,213	-1,050	-1,037
% Change	-240.2%	52.0%	17.3%	13.5%	1.2%

Balance Sheet Data (Sep)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	117	52	52	52	52
Trade Receivables	343	364	364	364	364
Other Current Assets	2,379	2,632	2,632	2,632	2,632
Property, Plant & Equipment	15,064	17,240	19,334	21,373	23,520
Other Non-Current Assets	1,706	1,905	1,905	1,905	1,905
Total Assets	19,609	22,193	24,286	26,326	28,473
Short-Term Debt	0	185	3,324	3,577	3,848
Other Current Liabilities	3,510	3,418	1,216	1,216	1,216
Long-Term Debt	4,930	5,761	5,614	6,041	6,498
Other Non-Current Liabilities	3,261	3,411	3,411	3,411	3,411
Total Liabilities	11,702	12,774	13,565	14,245	14,972
Total Equity	7,907	9,419	10,721	12,081	13,501
Total Equity & Liabilities	19,609	22,193	24,286	26,326	28,473

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Gas Utilities

Company Description

Atmos Energy Corporation (ATO) is a natural gas transmission and distribution company headquartered in Dallas, Texas. Operations are divided between two segments: Natural Gas Distribution and Regulated Transmission & Storage. The Distribution segment distributes gas to approximately 3mn customers in 8 states located in the South, Southeast and Midwest.

Investment Rationale

We are Buy rated on ATO given strong updated outlook and recovery of gas purchase and financing costs. We see positive revisions in shares stemming from a return of capital allocated to LDCs and specifically those with cleaner, fully regulated stories first. Shares are shy of trading back to the historic premium vs the Gas LDC average multiple, and we believe that continued execution on the regulatory and legislative will drive further re-rating.

Stock Data

Average Daily Volume 669,765

Quarterly Earnings Estimates

	2022	2023
Q1	1.86A	1.92A
Q2	2.37A	2.48A
Q3	0.92A	1.03E
Q4	0.51A	0.67E

ATO earnings walk: see FY results at high-end of guidance

We forecast F3Q23 EPS for ATO of \$1.06, which is modestly (~8%) above current Consensus of \$1.03 and up from the \$0.92 reported in F3Q22.

On the positive side for Distribution, new rates are expected to drive a \$113.9Mn increase in operating income which, before depreciation, should add \$0.28/sh. We model a neutral impact from volumes and customer growth, though note these are “wildcards” in our model which could bias numbers higher considering strong customer growth YTD. On the negative side, we look for O&M to drive a \$(0.07)/sh drag YoY driven by inflationary pressures and employee-related costs. Lastly, we look for continued rate base growth to drive a (\$0.08) YoY drag from depreciation.

For Pipeline & Storage, we note two key positive drivers for rates: last-year’s GRIP (Gas Reliability Infrastructure Program) totaling \$78.8Mn in annual operating income increase, and this year’s GRIP totaling \$84.9Mn in annual operating income increase (effective 5/17/2023). Together, these result in a +\$0.11 increase YoY before depreciation. Again, we model a neutral impact from volumes and customer growth, though flag this as a “wildcard.” On the negative side, modest O&M pressures are expected to drive a \$\$(0.02) drag YoY and depreciation result in a drag of (\$0.04).

For interest expense, ATO has guided to \$123-129Mn for F2023 on a consolidated basis (up from \$103Mn in F2022). We note two issuances made by ATO in Oct. 2022: \$500Mn senior notes due fiscal 2053 at 5.75%, and \$300Mn senior notes due fiscal 2033 at 5.45%. We also note ATO has ~\$700Mn in nominal interest rates swaps at 2.38%. Net, we look for effectively a neutral impact from interest expense in F2H23.

Exhibit 1: Atmos Energy (AT) FY23 Earnings Walk

We forecast a modest beat vs. Consensus for F3Q23 while moving towards the high end of FY guide

	FY	1Qa	2Qa	3Qe	4Qe
Prior Period (FY22)	\$5.60	\$1.86	\$2.37	\$0.92	\$0.45
Rate Implementation	\$1.27	\$0.36	\$0.32	\$0.28	\$0.31
Volume & Customer Growth/Usage	\$0.16	\$0.03	\$0.13	\$0.00	\$0.00
Rates Usage and Pricing	\$1.43	\$0.39	\$0.45	\$0.28	\$0.31
O&M	(\$0.28)	(\$0.08)	(\$0.07)	(\$0.07)	(\$0.06)
Interest	(\$0.20)	(\$0.09)	(\$0.11)	(\$0.00)	\$0.00
Other (D&A, etc.)	(\$0.38)	(\$0.10)	(\$0.11)	(\$0.08)	(\$0.09)
Distribution (YoY change)	\$0.57	\$0.12	\$0.16	\$0.13	\$0.16
Rate Implementation	\$0.48	\$0.13	\$0.13	\$0.11	\$0.11
Volume & Customer Growth	\$0.03	\$0.03	\$0.00	\$0.00	\$0.00
Rates Usage and Pricing	\$0.51	\$0.16	\$0.13	\$0.11	\$0.11
O&M	(\$0.13)	(\$0.08)	\$0.00	(\$0.02)	(\$0.03)
Interest	(\$0.02)	(\$0.02)	(\$0.01)	\$0.00	\$0.00
Other (D&A, etc.)	(\$0.16)	(\$0.05)	(\$0.04)	(\$0.04)	(\$0.04)
Pipeline & Storage (YoY change)	\$0.20	\$0.02	\$0.08	\$0.05	\$0.06
Other	\$0.00	\$0.02	(\$0.02)	\$0.00	\$0.00
Dilution and Other	(\$0.27)	(\$0.11)	(\$0.11)	(\$0.03)	(\$0.02)
Current Period (FY23E)	\$6.09	\$1.91	\$2.48	\$1.06	\$0.64
FY23 Diluted Shares	145	142	144	145	147
FY22 Diluted Shares	138	134	137	140	140
Consensus Estimates	\$6.05	\$1.93	\$2.45	\$0.98	\$0.70
Guidance	6.00-6.10				
Delta to Consensus	0.8%	-0.8%	1.3%	8.1%	-7.9%

Source: Company filings, Bloomberg, BofA Global Research

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Below we show our long-term earnings forecast for Atmos and highlight our expectations for a 7.1% EPS CAGR 2022-2027. Mgmt.’s long-term guidance is for 6-8%, and we note ATO’s steady track record of delivering results within expectations gives us confidence in our forecast.



Exhibit 2: Atmos Financial Snapshot – consistently above Street estimates across the board

We see long-term growth trending towards the midpoint of mgmt.'s 6-8% guidance range; TX rate case should play key role in maintaining trajectory

	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Distribution	2.80	3.22	3.43	3.76	4.05	4.38	4.71	5.01	5.37	5.74	6.10	6.45
Guidance (midpoint)				3.73								
Mid-Tex				2.08	2.23	2.42	2.66	2.83	3.04	3.26	3.47	3.68
West Texas				0.36	0.39	0.43	0.44	0.48	0.51	0.54	0.58	0.61
Louisiana				0.37	0.41	0.44	0.47	0.50	0.53	0.57	0.60	0.64
Mississippi				0.29	0.32	0.35	0.37	0.39	0.42	0.45	0.48	0.51
Kentucky/Mid-States				0.24	0.25	0.26	0.27	0.28	0.30	0.32	0.33	0.35
Tennessee				0.21	0.23	0.25	0.26	0.28	0.30	0.32	0.34	0.35
Kansas				0.10	0.11	0.11	0.12	0.13	0.13	0.14	0.15	0.16
Colorado				0.08	0.09	0.10	0.10	0.11	0.12	0.12	0.13	0.14
Virginia				0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01
Pipeline & Storage	1.55	1.50	1.69	1.83	2.04	2.14	2.25	2.37	2.50	2.64	2.79	2.94
Guidance (midpoint)				1.82								
Consolidated EPS	4.35	4.72	5.12	5.59	6.09	6.52	6.97	7.39	7.87	8.38	8.89	9.40
Guidance				5.40-5.60	6.00-6.10			7.00-7.40	7.65-8.05			
Prior Estimate			5.13	5.60	5.98	6.52	6.97					
Mgmt. Guidance 6-8% Annual Growth			Low End	5.50	5.72	6.07	6.43	6.82	7.23	7.66	8.12	8.61
			Mid Point	5.55	5.89	6.30	6.74	7.22	7.73	8.27	8.86	9.49
			High End	5.60	6.05	6.53	7.05	7.62	8.23	8.89	9.60	10.37
Consensus EPS Estimates				5.54	6.05	6.47	6.90	7.34				
Delta vs Consensus				0.9%	0.7%	0.8%	0.9%	0.7%				
BofAe '22-27 CAGR	7.1%											
DPS	2.10	2.30	2.48	2.72	2.96	3.17	3.39	3.63	3.88	4.15	4.44	4.75
BofA DPS CAGR 2022-2026	7.4%											
Payout Ratio	48%	49%	49%	49%	49%	49%	49%	49%	49%	50%	50%	51%
Target 50% Payout												

Source: Company filings, Bloomberg, BofA Global Research

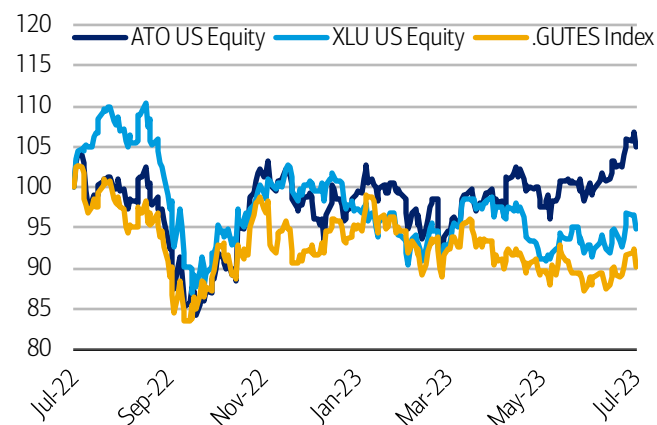
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Stock remains compelling despite outperformance

We remain constructive on shares of ATO despite outperformance of late as we continue to apply a 2.0x premium valuation given an outstanding track record. Our updated \$135 PO is entirely driven by our peer MtM. Our peer multiple for the utility moves to 17.4x P/E (2025E) from 14.3x while for pipeline and storage, our peer multiple moves to 9.0x EV/EBITDA (2025E) from 9.0x.

Exhibit 3: ATO relative performance to peers

Shares have continued to outperform this year as rates pressures peers

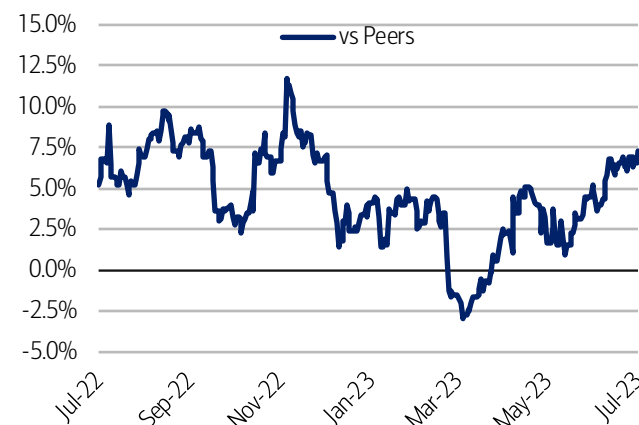


Source: Bloomberg, BofA Global Research

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Exhibit 4: ATO relative premium/(discount) to peers

After dipping slightly in March, valuation has rebounded to a ~7% premium



Source: Bloomberg, BofA Global Research

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Exhibit 5: Atmos Sum-of-the-Parts Valuation

We arrive at a \$135 PO – track record merits +2x vs peers in our view, accentuated through latest challenges across gas LDC peers

	<u>Metric</u>	<u>P/E Multiple</u>						<u>Equity Value</u>				
<u>Atmos Energy</u>	<u>2025E</u>	<u>Low</u>	<u>Peer</u>	<u>Prem/Disc</u>	<u>Base</u>	<u>High</u>		<u>Low</u>	<u>Base</u>	<u>High</u>		
Gas			17.4x									
Group EPS '21-'26 CAGR - Gas			5.0%									
Assigned Multiple			18.3x									
Distribution	EPS											
Mid-Tex	\$2.66	19.3x	18.3x	2.0x	20.3x	21.3x		\$51	\$54	\$57		
West Texas	\$0.44	19.3x	18.3x	2.0x	20.3x	21.3x		\$9	\$9	\$9		
Louisiana	\$0.47	19.3x	18.3x	2.0x	20.3x	21.3x		\$9	\$10	\$10		
Mississippi	\$0.37	19.3x	18.3x	2.0x	20.3x	21.3x		\$7	\$7	\$8		
Kentucky/Mid-States	\$0.27	19.3x	18.3x	2.0x	20.3x	21.3x		\$5	\$5	\$6		
Tennessee	\$0.26	19.3x	18.3x	2.0x	20.3x	21.3x		\$5	\$5	\$6		
Kansas	\$0.12	17.3x	18.3x	0.0x	18.3x	19.3x		\$2	\$2	\$2		
Colorado	\$0.10	19.3x	18.3x	2.0x	20.3x	21.3x		\$2	\$2	\$2		
Virginia	\$0.01	19.3x	18.3x	2.0x	20.3x	21.3x		\$0	\$0	\$0		
Total Distribution	\$4.71							\$91	\$95	\$100		
Pipeline & Storage	EPS	EBITDA (\$Mn)	Low	Peer EV/EBITDA	Premium/Disc	Base	High	Enterprise Value	Net Debt	Low	Base	High
Total Pipeline & Storage	\$2.25	714	10.0x	9.0x	2.0x	11.0x	12.0x	\$7,141 \$7,855 \$8,569	(\$2,069)	\$35	\$40	\$45
Total Equity Value	\$6.97									\$126.00	\$135.00	\$145.00
Shares O/S											145	
Implied Consolidated P/E											19.4x	
Current Price											\$122.89	
Dividend Yield											2.6%	
Total Potential Return											12.4%	

Source: Company Filings, Bloomberg, & BofA Global Research

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Price objective basis & risk

Atmos Energy Corporation (ATO)

Our \$135 PO is based on our 2025E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 17.4x.

Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2021-26E) to reflect capital appreciation across the sector. We then apply a 2.0x premium across jurisdictions to reflect the high-quality nature of the assets given a sustainable runway for capex/EPS underpinned by constructive regulatory mechanisms and jurisdictions.

For the Pipeline & Storage segment we apply a 9.0x EV/EBITDA multiple as a base to our '25E EBITDA. We then apply a 2.0x premium to the assets given their fully regulated nature and unique ability for APT to benefit from the spread differentials.

Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs.

Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

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
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC 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
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG 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
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker 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
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC 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	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	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
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW 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
	Evergy, Inc	EVERG	EVERG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Generac Holdings Inc.	GNRC	GNRC 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
	Southern Company	SO	SO 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
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL 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

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

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
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + 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
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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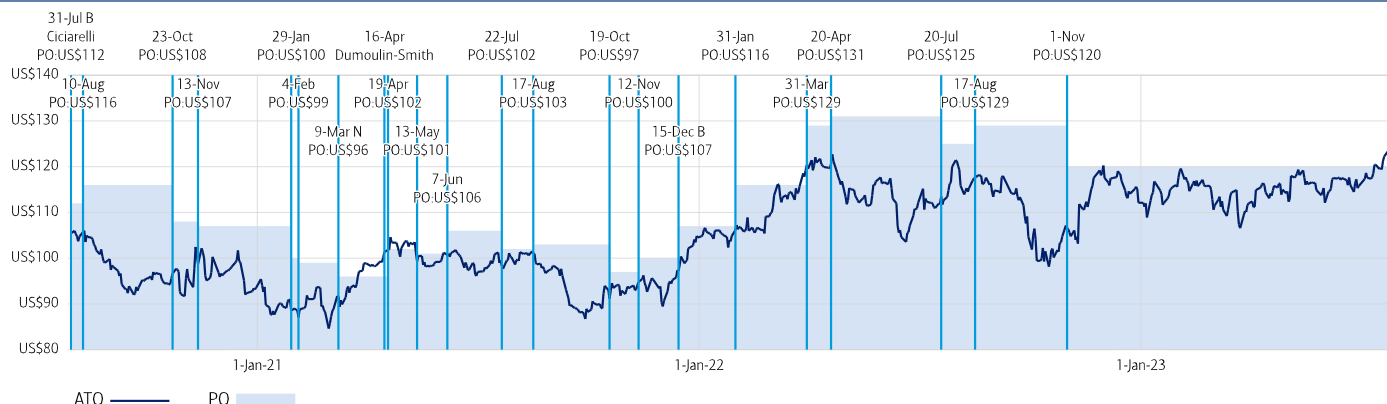
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	80	51.61%	Buy	52	65.00%
Hold	40	25.81%	Hold	29	72.50%
Sell	35	22.58%	Sell	23	65.71%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

^{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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