

## American Water Works

## Valuation the main holdback. Improving near-term EPS on weather &amp; int. rates

Reiterate Rating: UNDERPERFORM | PO: 129.00 USD | Price: 131.75 USD

## Difficult to pay the premium, but fundamentals are solid

We reiterate Underperform on shares of water-focused predominately regulated utility American Water (AWK) primarily on valuation considerations with shares trading at over a 60% premium to electric utility peers. We lower our PO to \$129 from \$139 on a mark-to-market to 19.9x 2026E P/E from 23.4x previously – details on Page 5. AWK continues to execute and has upside to FY23-FY24 vs consensus, but we struggle on the valuation as we view the company expensive and see better value opportunities elsewhere.

## PA rate case warrants attention given size

American Water's programmatic approach to capital with infrastructure recovery and periodic rate cases with relatively small dollar customer bill increase (vs electric & gas) has traditionally led to uncontentious rate proceedings. Pennsylvania is American Water's largest jurisdiction by rate base (\$5.1Bn last disclosed management's view); therefore, the rate case is unusually large with +\$204Mn (+20% vs pro forma revenues for June 30, 2025 projected future test year). AWK projects a 6.63% ROE without rate relief due to planning ~\$1Bn capex in 2024 and 2025 projected future test years. The last rate case had +\$138Mn authorized annual revenue increase (ex \$24Mn infrastructure surcharges) but has acquired two water & four wastewater systems since the last rate case. As filed the rate case would be a +\$17/month average residential water increase, -\$5/month sanitary sewer wastewater bill decrease, and +\$4/month for combined sewer service wastewater bill increase. PA has historically been a constructive jurisdiction for electric, gas, and water utilities so we assume there will be a reasonable outcome supportive of the long-term guidance. There has been some turnover on the PUC with a new Chair & Vice Chair in August 2023 but only one Commissioner's term expires during the rate case (Commissioner Yanora – April 2024).

## Lift FY23E EPS for weather &amp; FY24+ for lower int. rates

We increase FY23E EPS +\$0.10 to capture better than expected YTD performance and +\$0.04 3Q23 weather (+\$0.07 2Q23 already captured). Our new EPS of \$4.87 is +2% vs the \$4.77 weather normal guidance midpoint and +1% above \$4.81 consensus. We raise FY24E EPS to \$5.20, the high-end of the \$5.10-\$5.20 guidance range due to a moderation of interest rates on assumed issuances and refinances. FY25-26E EPS increase as well.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	4.25	4.51	4.87	5.20	5.61
GAAP EPS	6.94	4.51	4.87	5.20	5.61
EPS Change (YoY)	8.7%	6.1%	8.0%	6.8%	7.9%
Consensus EPS (Bloomberg)			4.81	5.15	5.61
DPS	2.36	2.57	2.78	3.00	3.24
Valuation (Dec)					
P/E	31.0x	29.2x	27.1x	25.3x	23.5x
GAAP P/E	19.0x	29.2x	27.1x	25.3x	23.5x
Dividend Yield	1.8%	1.9%	2.1%	2.3%	2.5%
EV / EBITDA*	17.1x	22.4x	18.7x	17.2x	15.7x
Free Cash Flow Yield*	-1.3%	-4.6%	-5.0%	-5.2%	-5.5%

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

18 December 2023

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	139.00	129.00
2023E EPS	4.77	4.87
2024E EPS	5.01	5.20
2025E EPS	5.54	5.61

Julien Dumoulin-Smith

Research Analyst

BofA

+1 646 855 5855

julien.dumoulin-smith@bofa.com

Paul Zimbardo

Research Analyst

BofA

+1 646 855 1470

paul.zimbardo@bofa.com

## Stock Data

Price	131.75 USD
Price Objective	129.00 USD
Date Established	18-Dec-2023
Investment Opinion	B-3-7
52-Week Range	114.25 USD - 162.59 USD
Mrkt Val (mn) / Shares Out	25,645 USD / 194.7 (mn)
Free Float	99.9%
Average Daily Value (mn)	156.87 USD
BofA Ticker / Exchange	AWK / NYS
Bloomberg / Reuters	AWK US / AWK.N
ROE (2023E)	10.8%
Net Dbt to Eqty (Dec-2022A)	159.9%
ESGMeter™	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"](#).

PUC: Public Utilities Commission

FMV: Fair market value

HB: House bill

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 9 to 11. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

12638393

Timestamp: 18 December 2023 06:04AM EST

W

# iQprofile<sup>SM</sup> American Water Works

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	3.8%	4.1%	4.5%	4.6%	4.6%
Return on Equity	11.3%	10.9%	10.8%	10.2%	10.5%
Operating Margin	30.4%	33.6%	38.0%	38.8%	39.7%
Free Cash Flow	(323)	(1,189)	(1,281)	(1,330)	(1,419)

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.9x	1.4x	1.7x	1.7x	1.8x
Asset Replacement Ratio	2.8x	3.5x	3.7x	3.6x	3.6x
Tax Rate	23.0%	18.7%	25.1%	25.0%	25.0%
Net Debt-to-Equity Ratio	148.9%	159.9%	127.2%	140.7%	153.9%
Interest Cover	3.0x	3.3x	4.0x	4.0x	3.9x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	3,930	3,792	4,379	4,638	4,962
% Change	4.1%	-3.5%	15.5%	5.9%	7.0%
Gross Profit	2,153	2,203	2,787	3,016	3,293
% Change	-0.1%	2.3%	26.5%	8.2%	9.2%
EBITDA	2,675	2,038	2,445	2,653	2,906
% Change	39.1%	-23.8%	20.0%	8.5%	9.5%
Net Interest & Other Income	444	(265)	(412)	(445)	(510)
<b>Net Income (Adjusted)</b>	<b>774</b>	<b>820</b>	<b>938</b>	<b>1,014</b>	<b>1,094</b>
<b>% Change</b>	<b>9.1%</b>	<b>6.0%</b>	<b>14.4%</b>	<b>8.1%</b>	<b>7.9%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont. Operations (GAAP)	1,263	820	938	1,014	1,094
Depreciation & Amortization	636	649	781	856	937
Change in Working Capital	86	(406)	0	0	0
Deferred Taxation Charge	230	80	0	0	0
Other Adjustments, Net	(774)	(35)	(100)	(100)	(100)
Capital Expenditure	(1,764)	(2,297)	(2,900)	(3,100)	(3,350)
<b>Free Cash Flow</b>	<b>-323</b>	<b>-1,189</b>	<b>-1,281</b>	<b>-1,330</b>	<b>-1,419</b>
<b>% Change</b>	<b>18.4%</b>	<b>-268.1%</b>	<b>-7.8%</b>	<b>-3.8%</b>	<b>-6.7%</b>
Share / Issue Repurchase	0	0	1,646	0	0
Cost of Dividends Paid	(428)	(467)	(535)	(585)	(632)
Change in Debt	21	1,393	95	1,915	2,051

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	116	85	85	85	85
Trade Receivables	271	334	334	334	334
Other Current Assets	1,167	831	831	831	831
Property, Plant & Equipment	21,084	23,223	25,267	27,511	29,925
Other Non-Current Assets	3,437	3,314	3,314	3,314	3,314
<b>Total Assets</b>	<b>26,075</b>	<b>27,787</b>	<b>29,831</b>	<b>32,075</b>	<b>34,489</b>
Short-Term Debt	641	1,456	1,456	1,456	1,456
Other Current Liabilities	1,500	1,355	1,355	1,355	1,355
Long-Term Debt	10,344	10,929	11,024	12,939	14,990
Other Non-Current Liabilities	6,292	6,354	6,254	6,154	6,054
<b>Total Liabilities</b>	<b>18,777</b>	<b>20,094</b>	<b>20,089</b>	<b>21,904</b>	<b>23,855</b>
<b>Total Equity</b>	<b>7,298</b>	<b>7,693</b>	<b>9,742</b>	<b>10,171</b>	<b>10,634</b>
<b>Total Equity &amp; Liabilities</b>	<b>26,075</b>	<b>27,787</b>	<b>29,831</b>	<b>32,075</b>	<b>34,489</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 8.

## Company Sector

Water Utilities

## Company Description

American Water is headquartered in New Jersey and provides regulated water service along with a smaller non-regulated business oriented towards military. The majority of customers are in Pennsylvania, New Jersey, Missouri, Illinois, Indiana, California, and West Virginia. The Military Services Group services Army, Air Force, and Navy installations. Key operating states include Pennsylvania, New Jersey, Illinois, Indiana, Missouri, and California.

## Investment Rationale

We rate American Water Works (AWK) Underperform with shares trading at an elevated P/E premium. AWK is relatively expensive even when incorporating the attractive ESG attributes. As the supply of investible ESG companies grows, there is risk of valuation compression, particularly given the backdrop of rising rates. We remain comfortable with AWK growth trajectory but observe the recent slow-down toward 7-9% CAGR from top-half of 7-10% in prior plans.

## Stock Data

Average Daily Volume 1,190,696

## Quarterly Earnings Estimates

	2022	2023
Q1	0.87A	0.91A
Q2	1.20A	1.44A
Q3	1.63A	1.66A
Q4	0.81A	0.85E

## Pennsylvania regulatory reforms could be a catalyst

A series of water utility related bills have been introduced in the Pennsylvania house of representatives which would net be favorable for the regulated water utilities in the state. The House Bills (HB) are HB1862-HB1865 and generally relate to utility water privatizations. Most notable HB1865 would cap the fair market value (FMV) acquisition statute to 125% of depreciated original cost, similar to a 1.25x rate base multiple. Other HBs would allow for more spreading of the increased costs over a period of time rather than being more front end-loaded (HB 1864) and remove the Public Utilities Commission's (PUC) six month deadline (HB1863).

Pennsylvania FMV opportunities have been less certain after a court case involving Essential Utilities (WTRG) Aqua subsidiary was overturned by the courts. If the legislation efforts are successful, this would be net positive for American Water and Essential Utilities. The combination of setting a lower FMV level should lead to more accretion on transactions and reduce the risk of litigation. On the converse side, a lower FMV level could encourage more competition from non-incumbents such as NextEra Energy (NEE) which has been active in water in the past. A lower sales price could also lead to fewer small water utilities seeking to sell themselves. Also see [Essential Utilities: Refreshing our Views with Rate Case Around the Corner – Maintain Neutral 08 May 2023](#)

## California saga continues

California American Water (AWK subsidiary) issued a press release on Saturday December 16th that the Monterey Peninsula Water Management District (MPWMD) filed an eminent domain claim against the Monterey Peninsula Water System. AWK stated that it will continue to "vigorously defend" against MPWMD's attempt to seize the asset and that it anticipates many years of litigation. This is the latest in a long running dispute and is a relatively small ~2% of consolidated AWK rate base : see details here [CA Monterey sale uncertainty advances 27 April 2023](#)

## FY23: Rises on favorable weather and higher rate relief

### Exhibit 1: American Water FY23 Earnings Walk

FY23 is above the guidance high-end. FY23 including +\$0.11 weather would be \$4.88 vs \$4.87 BofAe

American Water Earnings Walk	Guide	FY23	1Q	2Q	3Q	4Q
<b>FY22A Adjusted EPS</b>	<b>\$4.51</b>	<b>\$4.51</b>	<b>\$0.870</b>	<b>\$1.200</b>	<b>\$1.630</b>	<b>\$0.810</b>
<b>Regulated</b>						
Rate Cases		1.05	0.21	0.33	0.28	0.23
Infrastructure Riders & Other		0.37	0.08	0.12	0.08	0.08
Acquisitions: \$335Mn 2022 & \$326Mn 2023		0.05	0.02	0.02	0.01	0.01
CA Cost of Capital		0.00			0.00	0.00
Total Revenue	<b>\$1.40</b>	1.48	0.31	0.47	0.37	0.32
O&M Offset in Revenue		(0.33)	(0.07)	(0.11)	(0.08)	(0.07)
O&M Cost inflation		(0.10)	(0.04)	(0.02)	0.00	(0.04)
O&M Cost inflation - offsets		-				-
Total O&M	<b>-\$0.40</b>	(0.43)	(0.11)	(0.13)	(0.08)	(0.11)
Weather	<b>\$0.01</b>	0.05	-	0.07	(0.02)	-
Other	<b>-\$0.09</b>	(0.13)	(0.02)	-	(0.09)	(0.02)
D&A	<b>-\$0.25</b>	(0.25)	(0.06)	(0.06)	(0.06)	(0.07)
<b>Military</b>	<b>\$0.00</b>	0.01			0.01	
<b>Debt &amp; Equity Financing</b>						
ST Interest Expense	<b>\$0.03</b>	0.05	(0.04)	0.01	0.05	0.03
LT Interest Expense	<b>-\$0.08</b>	(0.13)	(0.02)	(0.02)	(0.03)	(0.06)
Dilution	<b>-\$0.29</b>	(0.29)	(0.02)	(0.10)	(0.12)	(0.05)
<b>FY23E Adjusted EPS</b>	<b>\$4.84</b>	<b>\$4.87</b>	<b>\$0.91</b>	<b>\$1.44</b>	<b>\$1.66</b>	<b>\$0.85</b>
<b>FY23 Consensus</b>		<b>4.81</b>	<b>0.93</b>	<b>1.30</b>	<b>1.65</b>	<b>0.79</b>
<b>BofA Forecasted Beat/(Miss) vs Consensus</b>		<b>1.1%</b>	<b>-1.4%</b>	<b>10.5%</b>	<b>0.8%</b>	<b>8.2%</b>
<b>FY23 Adj EPS Guidance</b>		<b>4.72-4.82</b>				
<b>BofA Forecasted Beat/(Miss) vs Guidance</b>		<b>2.1%</b>	<b>-0.7%</b>	<b>13.5%</b>	<b>-3.6%</b>	<b>-0.5%</b>

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

BofA GLOBAL RESEARCH



## FY24: Increasing on lower financing costs

Our new FY24 earnings drivers are below and we are -\$0.05 lower on rate relief but +\$0.11 favorably lower on financing & other costs which we attribute to the moderation in interest rates since the November 2<sup>nd</sup> guidance initiation with a full -100bp fall in 30Yr US Treasury rates leading to ~\$0.05 financing savings. This should support FY24 at the top-end of the guidance range. Pension income should also have a corresponding increase as financial markets have rallied in recent weeks and discount rates fallen.

### Exhibit 2: American Water FY24 Earnings Walk

We forecast FY24 is at the top-end of the guidance range due to a decline in financing costs

American Water Earnings Walk	Guide	FY24	1Q	2Q	3Q	4Q
<b>FY23A Adjusted EPS</b>	<b>\$4.88</b>	<b>\$4.87</b>	<b>\$0.914</b>	<b>\$1.440</b>	<b>\$1.662</b>	<b>\$0.853</b>
<b>Regulated</b>						
Rate Cases		0.68	0.13	0.15	0.16	0.23
Infrastructure Riders & Other		0.31	0.08	0.05	0.10	0.08
Acquisitions: \$611Mn under agreement		0.10	0.02	0.03	0.03	0.02
CA Cost of Capital		0.01	0.005	0.005	0.005	-
Total Revenue	<b>\$1.15</b>	1.10	0.24	0.24	0.29	0.34
O&M Cost inflation		(0.12)	(0.02)	(0.02)	(0.04)	(0.03)
Total O&M	<b>-\$0.10</b>	(0.12)	(0.02)	(0.02)	(0.04)	(0.03)
Weather	<b>-\$0.11</b>	(0.11)	-	(0.07)	(0.04)	-
Other	<b>\$0.06</b>	0.06	0.02	0.02	0.02	0.02
D&A	<b>-\$0.33</b>	(0.33)	(0.07)	(0.08)	(0.08)	(0.09)
<b>Military</b>	<b>\$0.00</b>	0.01			0.01	
<b>Debt &amp; Equity Financing</b>						
ST Interest Expense	<b>\$0.01</b>	0.01	0.04	(0.01)	(0.01)	(0.01)
LT Interest Expense	<b>-\$0.35</b>	(0.26)	(0.06)	(0.04)	(0.08)	(0.08)
Dilution	<b>-\$0.06</b>	(0.04)	(0.04)	(0.00)	-	-
<b>FY24E Adjusted EPS</b>	<b>\$5.15</b>	<b>\$5.20</b>	<b>\$1.02</b>	<b>\$1.45</b>	<b>\$1.73</b>	<b>\$1.00</b>
<b>FY23 Consensus</b>		<b>5.15</b>	<b>0.93</b>	<b>1.30</b>	<b>1.65</b>	<b>0.79</b>
<b>BofA Forecasted Beat/(Miss) vs Consensus</b>		<b>0.9%</b>	<b>9.8%</b>	<b>11.0%</b>	<b>5.3%</b>	<b>26.9%</b>
<b>FY24 Adj EPS Guidance</b>		<b>5.10-5.20</b>				
<b>BofA Forecasted Beat/(Miss) vs Guidance</b>		<b>1.0%</b>	<b>13.6%</b>	<b>2.6%</b>	<b>6.6%</b>	<b>19.7%</b>

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

BofA GLOBAL RESEARCH

2024 EPS growth is 4Q23 weighted +\$0.15 vs +\$0.11 1H24 due to the expected benefit of the Pennsylvania rate case expected to be effective in August 2024.

## Adjusted EPS: In-line with 8% EPS CAGR

We lift FY23E and FY24E adjusted EPS as detailed above. FY25-FY26E increase from a reduction in interest rate forecasts as well.

### Exhibit 3: American Water Financial Profile

AWK continues to offer premium earnings growth and we are within 1% of FY24 guidance and long-term 8% implied guidance midpoint

American Water Adjusted EPS	2021A	2022A	2023E	2024E	2025E	2026E	2027E	'24-'27 CAGR
<b>Regulated Water EPS</b>	<b>4.34</b>	<b>4.69</b>	<b>4.97</b>	<b>5.29</b>	<b>5.69</b>	<b>6.11</b>	<b>6.64</b>	<b>7.9%</b>
Market Based/Military Services EPS	0.40	0.17	0.19	0.21	0.23	0.25	0.26	8.4%
Parent and Other EPS	(0.49)	(0.36)	(0.29)	(0.30)	(0.30)	(0.31)	(0.40)	10.6%
<b>AWK Adjusted EPS</b>	<b>4.25</b>	<b>4.51</b>	<b>4.87</b>	<b>5.20</b>	<b>5.61</b>	<b>6.05</b>	<b>6.50</b>	<b>8.1%</b>
<b>Guidance: 7-9% CAGR</b>	<b>4.18-4.28</b>	<b>4.39-4.49</b>	<b>4.72-4.82</b>	<b>5.10-5.20</b>	<b>5.56</b>	<b>6.01</b>	<b>6.49</b>	<b>8.0%</b>
<b>BofA vs Guidance Midpoint (%)</b>	<b>0.5%</b>	<b>1.5%</b>	<b>2.1%</b>	<b>1.0%</b>	<b>0.9%</b>	<b>0.6%</b>	<b>0.2%</b>	
<b>Consensus</b>	<b>4.24</b>	<b>4.47</b>	<b>4.81</b>	<b>5.15</b>	<b>5.61</b>	<b>6.03</b>	<b>6.49</b>	<b>8.0%</b>
<b>BofA vs Consensus (%)</b>	<b>0.4%</b>	<b>0.9%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.3%</b>	
<b>BofA Change in Estimates</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>2.1%</b>	<b>3.8%</b>	<b>1.3%</b>	<b>0.4%</b>	<b>N/A</b>	
<b>Dividend per Share: 7-9% Guidance</b>	<b>2.36</b>	<b>2.57</b>	<b>2.78</b>	<b>3.00</b>	<b>3.24</b>	<b>3.50</b>	<b>3.78</b>	<b>8.0%</b>
<b>Dividend Payout Ratio (%): 55-60% Target</b>	<b>55.5%</b>	<b>57.0%</b>	<b>57.1%</b>	<b>57.7%</b>	<b>57.7%</b>	<b>57.9%</b>	<b>58.1%</b>	<b>0.4%</b>
<b>Average FFO / Debt Credit Metrics</b>	<b>12.7%</b>	<b>8.6%</b>	<b>12.6%</b>	<b>12.0%</b>	<b>11.5%</b>	<b>12.7%</b>	<b>12.9%</b>	<b>0.9%</b>

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

BofA GLOBAL RESEARCH

While AWK does offer above-average EPS growth, it does have funds from operations (FFO) / debt credit metrics that are weaker than electrics at 11-13% prospectively. We forecast an improvement in credit from the 2023 equity issuance and 2025-2026 modeled \$1Bn. This relates to the nature of the water business with longer average useful/depreciable lives and less cash flow per dollar of infrastructure invested but a longer earnings cycle.

## Valuation: Reduce PO on mark-to-market

Our American Water Works (AWK) price objective of \$129 is based on a sum-of-the-parts methodology. The market-cap weighted base P/E is the water sector average 2026 19.9x excluding AWK. This compares with 23.4x in our last update. The base multiple is grossed-up +7% for the sector growth outlook. We apply an in-line multiple to the water utilities as AWK is the primary public water company and has a mix of favorable and unfavorable attributes that largely balance out.

The change in base P/E drives -\$11/sh PO reduction. An offset was the +\$0.03 increase in our FY26 EPS driving a +\$1/sh increase in the valuation, netting to a -\$10/sh change.

### Exhibit 4: American Water Sum-of-the-Parts (SOTP) Valuation

AWK still skews expensive when using water peers rather than electrics

American Water SOTP Valuation	2026 EPS				
			Prem/ Discount	Base	\$/Sh
Water Peer Multiple & EPS CAGR	19.9x	x 7.0%	= 21.3x		
Regulated Water EPS	6.11		0.0x	0%	21.3x
Market Based/Military Services EPS	0.25		0.0x	0%	21.3x
Parent and Other EPS	(0.31)		0.0x	0%	21.3x
Total Potential Valuation	6.05		0.0x	0%	21.3x
Current Price as of 12/17/23					\$131.75
FY1 Dividend Yield					2.3%
Total Potential Return					0.19%

Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

## BofA Global Research Reports

### Title: Subtitle

[US Utilities & IPPs: PowerPoints: AWK EPS & LT roll, NRG nuclear, NFE permit risk, BKH earnings](#)

[US Utilities & IPPs: PowerPoints: FE Regulatory, MDU Capex, ED Resiliency, PEG/CEG NJ, AWK/UGI WV](#)

[US Utilities & IPPs: PowerPoints: NJR EPS, ETR Upgrade, AWK Cali, EIX Tx, ED Gas, Power M&A + NY Gas](#)

[American Water Works: Increasing EPS estimates on convert issuance but stock still at a big premium](#)

[American Water Works: CA Monterey sale uncertainty advances. 1Q23 EPS in-line. Maintain Underperform](#)

[American Water Works: Reiterate Underperform with this water utility still pricey at a 50%+ premium](#)

### Primary Author

Julien Dumoulin-Smith  
Julien Dumoulin-Smith  
Julien Dumoulin-Smith  
Julien Dumoulin-Smith  
Julien Dumoulin-Smith  
Julien Dumoulin-Smith

### Date Published

02 November 2023  
22 November 2023  
21 November 2023  
06 July 2023  
27 April 2023  
24 April 2023



## Price objective basis & risk

### American Water Works (AWK)

Our American Water Works (AWK) Price Objective of \$129 is based on a sum-of-the-parts methodology. The market-cap weighted base P/E is the water sector average 2026 19.9x excluding AWK. The base multiple is grossed-up +7% for the sector growth outlook. We apply an in-line multiple to the water utilities as AWK is the primary public water company and has a mix of favorable and unfavorable attributes that largely balance out.

Risks to achievement of the Price Objective (PO) and rating are changes in: 1) regulatory, legislative, and judicial outcomes, 2) ability to execute capital and operating expenditures forecasts, 3) equity needs and credit ratings, 5) pension returns, return on asset assumptions, and discount rates, 6) interest rates, 7) weather and access to water, 8) management changes, 9) military services growth, 10) stock price for exchangeable note, and 11) mergers and acquisitions.

## 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
<b>BUY</b>				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE 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
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE 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
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith

## North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>NEUTRAL</b>	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
	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
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
<b>UNDERPERFORM</b>	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	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	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
<b>RSTR</b>	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith

## **iQmethod<sup>SM</sup> 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

*iQmethod<sup>SM</sup>* 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 valuations. 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.

*iQdatabase<sup>®</sup>* is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

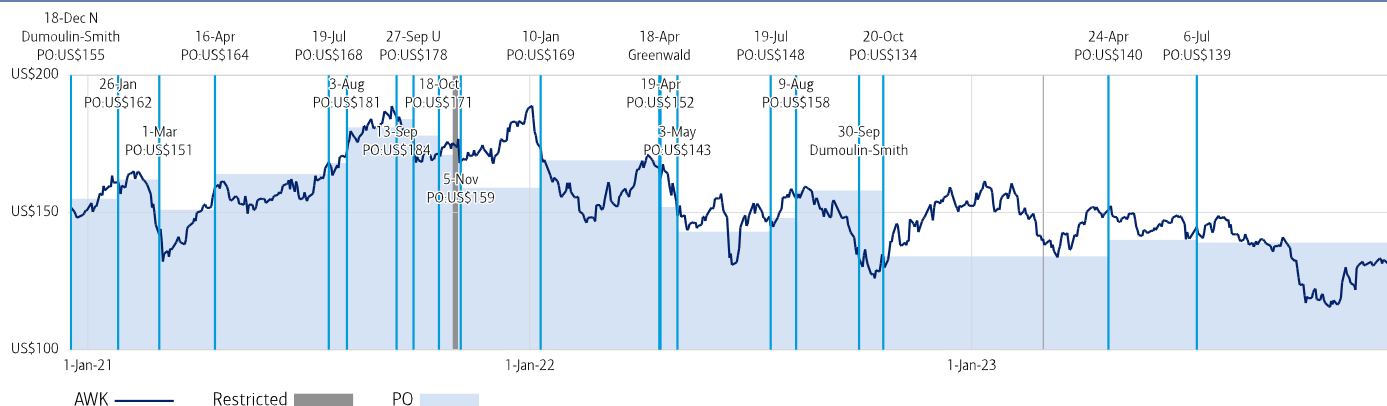
*iQprofile<sup>SM</sup>*, *iQmethod<sup>SM</sup>* are service marks of Bank of America Corporation. *iQdatabase<sup>®</sup>* is a registered service mark of Bank of America Corporation.



# Disclosures

## Important Disclosures

### American Water (AWK) Price Chart



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

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 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	80	51.28%	Buy	51	63.75%
Hold	42	26.92%	Hold	32	76.19%
Sell	34	21.79%	Sell	22	64.71%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

<sup>R1</sup> 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.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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

<sup>R2</sup> 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.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: American Water.

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: American Water Works.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: American Water Works.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: American Water Works.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: American Water Works.

BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: American Water Works.

BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: American Water Works.

BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the



ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: American Water Works.

BoFA or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: American Water.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BoFA and/or one or more of its affiliates: American Water Works.

BoFA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

## Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BoFA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BoFA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BoFA or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BoFA Global Research policies relating to conflicts of interest](#).

**'BoFA Securities' includes BoFA Securities, Inc. ('BoFA') and its affiliates. Investors should contact their BoFA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. 'BoFA Securities' is a global brand for BoFA Global Research.**

### Information relating to Non-US affiliates of BoFA Securities and Distribution of Affiliate Research Reports:

BoFA and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BoFASE (France): BoFA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BoFA Securities Europe SA ("BoFASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BoFASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BoFASE's share capital can be found at [www.bofam.com/BoFASEdisclaimer](http://www.bofam.com/BoFASEdisclaimer); BoFA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BoFA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BoFA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSCF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BoFA Japan: BoFA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BoFA India: BoFA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFS); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BoFASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BoFA Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSCF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BoFA India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BoFA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BoFA Securities entities, including BoFA Europe and BoFASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BoFA Securities group. You may be contacted by a different BoFA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BoFA and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BoFA and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BoFA and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BoFA and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

### General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BoFA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BoFA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects

may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofA or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofA or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofA for the provision of research services for a separate fee, and in connection therewith BofA may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofA has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofA). If such recipient uses the services of BofA in connection with the sale or purchase of a security referred to herein, BofA may act as principal for its own account or as agent for another person. BofA is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

#### **BofA ESGMeter Methodology:**

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BofA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating.

ESGMeter is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

#### **Copyright and General Information:**

Copyright 2023 Bank of America Corporation. All rights reserved. iQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofA or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofA or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.

