

Cheniere Energy Inc

Very Much On-Track: Early Construction & Cumulative DCF above Guide despite rates.

Reiterate Rating: BUY | PO: 188.00 USD | Price: 166.52 USD

Expect steadfast confidence in strategy as '24 approaches

We reiterate our Buy rating on shares of Cheniere Energy (LNG US) ahead of 3Q23 earnings where we expect mgmt. will emphasize the long-term capital allocation plan. Share buybacks and deleveraging remain priorities, as does efficient growth. We see meaningful cash generation ahead, with distributable cash flow per share tracking above the high-end of guidance through our forecast. With over \$4.5Bn of cash on the balance sheet, we see ample room for mgmt. to continue to pursue expansion projects while still achieving double-digit returns despite inflationary pressures.

Balance sheet solid, though rates still worth monitoring

We see limited refinancing risk for Cheniere in the near term, with no material maturities until 2025. After repaying \$1.1Bn in 2023, we look for mgmt. to continue to deploy cash towards deleveraging, albeit at a slower pace as buybacks accelerate. Mgmt. continues to judiciously target a 1:1 ratio of debt paydown to share repurchases through 2026. At the same time, we believe interest rates are worth monitoring. While the balance sheet remains strong, we are increasingly wary of rising rates. Shares of LNG US have remained resilient amid the current tightening cycle as cash generation remains robust. Still, we believe it is prudent to reflect the current macro environment in our valuation, as discussed below.

3Q Preview: forecast slight EBITDA miss vs. consensus

We forecast 3Q23 EBITDA for LNG US at \$1.49Bn, which compares to current consensus of \$1.59Bn and is down from \$2.8Bn in 3Q23. The year-over-year (YoY) decline in our forecast reflect lower global natural gas prices, which are partly offset by a higher proportion of contracted sales. Build remains ahead of schedule.

Trimming PO on higher discount rates, again.

As discussed above, given the current macro environment, we modify our valuation slightly to reflect rising interest rates. We continue to value Cheniere's contracted volumes using an NPV methodology. While we have yet to increase our discount rates amid the current tightening cycle, continued upward momentum in benchmark rates drives our adjustment. Our discount rates increase by 50bps to 8.50% during a project's operational phase and 12.50% during the developmental phase. PO to \$188 from \$194.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(9.25)	5.64	41.62	11.39	10.70
EPS Change (YoY)	NM	NM	637.9%	-72.6%	-6.1%
Consensus EPS (Bloomberg)			32.81	10.50	10.20
DPS	0	0.33	1.58	1.74	1.91
Valuation (Dec)					
P/E	NM	29.5x	4.0x	14.6x	15.6x
GAAP P/E	NM	29.5x	4.0x	14.6x	15.6x
Dividend Yield	0%	0.2%	0.9%	1.0%	1.1%
EV / EBITDA*	234.4x	6.3x	8.4x	11.1x	11.6x
Free Cash Flow Yield*	3.8%	21.7%	12.8%	7.6%	2.8%

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

31 October 2023

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	194.00	188.00
2023E EPS	40.47	41.62
2024E EPS	13.29	11.39
2025E EPS	11.57	10.70
2023E EBITDA (m)	8422.8	8674.6
2024E EBITDA (m)	6891.9	6528.1
2025E EBITDA (m)	6337.2	6241.5

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Stock Data

Price	166.52 USD
Price Objective	188.00 USD
Date Established	31-Oct-2023
Investment Opinion	B-1-7
52-Week Range	135.00 USD - 182.35 USD
Mrkt Val (mn) / Shares Out (mn)	40,069 USD / 240.6
Average Daily Value (mn)	242.13 USD
BofA Ticker / Exchange	LNG / NYS
Bloomberg / Reuters	LNG US / LNG.A
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA
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"](#).

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Timestamp: 31 October 2023 10:13AM EDT

iQprofileSM Cheniere Energy Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-1.4%	11.1%	31.4%	12.2%	11.2%
Return on Equity	NM	NM	NM	122.0%	94.0%
Operating Margin	-4.4%	13.6%	69.9%	33.1%	31.5%
Free Cash Flow	1,503	8,693	5,118	3,043	1,107

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	7.4x	0.7x	2.1x	2.1x
Asset Replacement Ratio	1.0x	1.6x	1.7x	1.9x	2.8x
Tax Rate	31.3%	14.8%	5.0%	5.0%	5.0%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	NM
Interest Cover	-0.5x	3.2x	10.1x	4.1x	3.7x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	15,864	33,428	18,405	15,897	15,577
% Change	69.5%	110.7%	-44.9%	-13.6%	-2.0%
Gross Profit	2,091	7,796	16,083	8,521	8,217
% Change	-59.8%	272.8%	106.3%	-47.0%	-3.6%
EBITDA	310	11,564	8,675	6,528	6,241
% Change	-91.3%	NM	-25.0%	-24.7%	-4.4%
Net Interest & Other Income	(1,577)	(1,465)	(1,271)	(1,288)	(1,326)
Net Income (Adjusted)	(2,343)	1,428	10,063	2,618	2,347
% Change	NM	NM	604.7%	-74.0%	-10.4%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(1,565)	2,635	11,022	3,771	3,405
Depreciation & Amortization	1,011	1,119	1,237	1,271	1,332
Change in Working Capital	(1,255)	(307)	264	348	6
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	4,278	7,076	(5,302)	117	118
Capital Expenditure	(966)	(1,830)	(2,103)	(2,465)	(3,754)
Free Cash Flow	1,503	8,693	5,118	3,043	1,107
% Change	NM	478.4%	-41.1%	-40.6%	-63.6%

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,404	1,353	3,999	3,811	2,221
Trade Receivables	1,506	1,944	1,472	795	779
Other Current Assets	2,146	2,311	1,671	1,780	1,779
Property, Plant & Equipment	30,288	31,528	32,394	33,588	36,010
Other Non-Current Assets	3,914	4,130	4,130	4,130	4,130
Total Assets	39,258	41,266	43,666	44,103	44,919
Short-Term Debt	366	813	813	813	813
Other Current Liabilities	4,327	5,982	5,134	4,914	4,903
Long-Term Debt	29,449	24,055	25,209	25,422	25,991
Other Non-Current Liabilities	5,149	10,587	10,587	10,587	10,587
Total Liabilities	39,291	41,437	41,743	41,736	42,294
Total Equity	(33)	(171)	1,923	2,368	2,625
Total Equity & Liabilities	39,258	41,266	43,666	44,103	44,919

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

Company Sector

Natural Gas-Local Distribution Companies

Company Description

Cheniere Energy, Inc. (NYSE: LNG) is a Houston-based energy company primarily engaged in LNG-related businesses. It owns the Corpus Christi liquefaction and pipeline business, as well as Cheniere Marketing. In addition, it is a partial owner of the Sabine Pass liquefaction facility and Cheniere Creole Trail pipeline.

Investment Rationale

We rate Cheniere Buy with heavily contracted cash flows and potential for further expansion longer-term through various development opportunities. The significant strengthening of the natural gas and LNG commodity environment bolsters the short-term marketing outlook in addition to long-term investment opportunities. We further see free cash flow upside from additional refi/debt paydown strategies. Cheniere is the only US pure-play LNG investment.

Stock Data

Average Daily Volume 1,454,084

Quarterly Earnings Estimates

	2022	2023
Q1	-3.41A	22.11A
Q2	2.90A	5.62A
Q3	-9.54A	5.00E
Q4	15.78A	8.68E

Interest rates pressure PV of cash flows

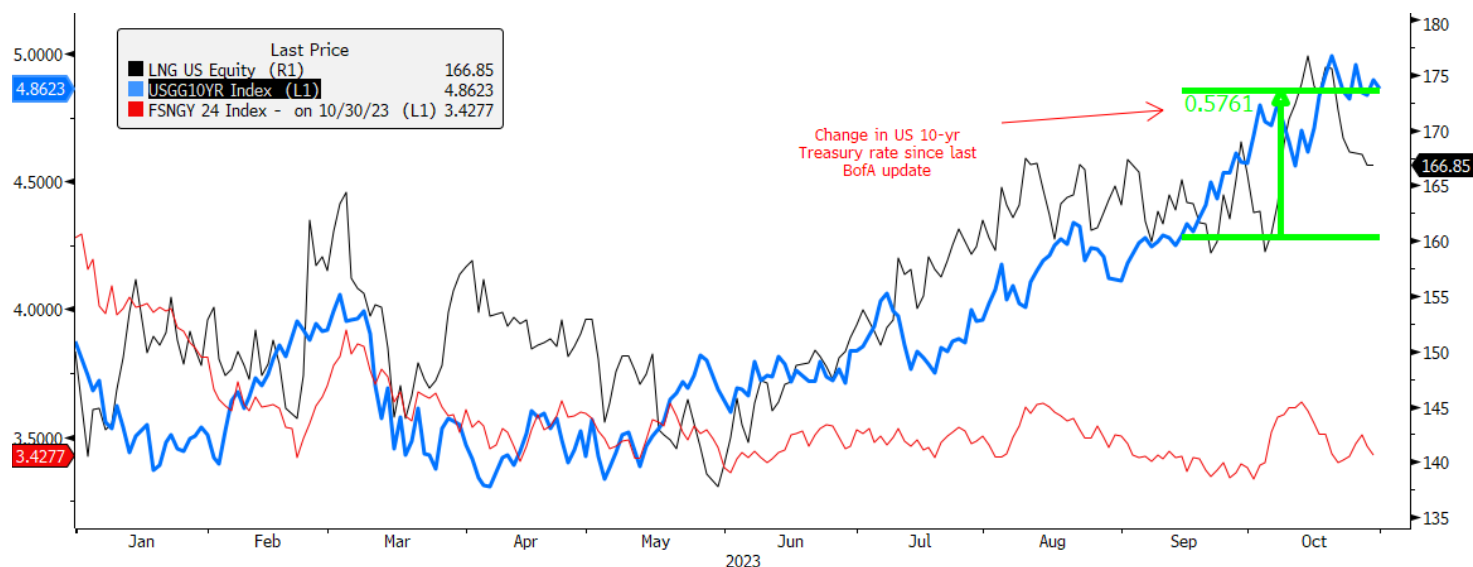
Shares of LNG US have traded exceptionally well despite rising rates and declining natural gas prices year-to-date (YTD). We attribute the strength in shares to Cheniere's resilient cash flow profile and success in moving expansion projects forward. In 1H23 alone, Cheniere has repaid or redeemed over \$1Bn in debt and repurchased nearly \$800Mn in shares. At the same time, cash on hand has more than tripled to \$4.5Bn; this truly helps blunt concerns. Corpus Christi Stage 3 continues to progress ahead of schedule and was ~38% complete as of the 2Q23 update. Additionally, Corpus Christi Midscale Trains 8 & 9 and the Sabine Pass Expansion were progressing through regulatory processes. In light of considerable positive momentum, we are reluctant to reduce our PO. Still, we note rates have continued to march higher. Since our last update in mid-September, US 10-year Treasury yields have increased nearly 60bps. We have yet to reflect higher rates in our valuation amid this tightening cycle. However, considering the macro backdrop, we believe it is prudent to adjust our discount rates accordingly. We look for robust cash generation to continue to support a sizable buyback, while sustained progress on growth initiatives should remain a tailwind for shares. We expect continued deleveraging to further fortify and already-strong balance sheet with no material near-term maturities.

CC Stage 3 expansion tracking ahead of schedule, still.

Beyond rates we see execution as (still) quite constructive for Cheniere with a recent Bechtel executive on site for Corpus expansion affirming the expansion is ahead of schedule still (we acknowledge this has become the 'norm') but no longer take that to be a baseline considering still challenged execution elsewhere in the sector. On balance, see end of 2026 timeline as quite constructive, particularly considering experience of enabling additional uncommitted marketing cargoes. We note mgmt. had already indicated this earlier timeline on its last 2Q call but stress reaffirmation of progress is key in current backdrop. As usual, execution continues to accrue in Cheniere's favor.

Exhibit 1: LNG US vs. interest rates and natural gas

Share have traded resiliently through rising rates and falling commodity prices – we reflect the current macro in our valuation



LNG US Equity (Cheniere Energy Inc) Cheniere Chart 2 Daily 30DEC2022-30OCT2023

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Source: Bloomberg

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Walking through 3Q23 EBITDA drivers

Below we show a snapshot of key assumptions underpinning our EBITDA projections. We forecast 3Q23 EBITDA for LNG US at \$1.54Bn, which compares to current consensus of \$1.59Bn and is down from \$2.8Bn in 3Q23. The year-over-year (YoY) decline in our forecast reflect lower global natural gas prices, which are partly offset by a higher proportion of contracted sales. We assume Cheniere continues to realize earnings from subchartering and regas operations at similar levels to 1H23. We also embed 16 trillion British thermal units (Tbtu) of third-party procured volumes in 2H23, bringing FY23 to similar levels as FY22. We weight our forecast for open cargoes towards 4Q23 considering more attractive forward pricing.

Exhibit 2: Cheniere EBITDA build

We forecast 3Q23 EBITDA of \$1.49Bn

Cheniere EBITDA Build	1Q22	2Q22	3Q22	4Q22	2022A	1Q23	2Q23	3Q23	4Q23	2023E
Volumes (Tbtu)										
Long-term Contracted Volumes	470	487	484	485	1,926	511	495	525	587	2,118
Short-term (CMI) Volumes	111	83	72	96	362	108	52	3	10	173
Third-party Procured Volumes	11	4	4	10	29	-	14	8	8	30
Total Volumes Recognized in Revenue	592	574	560	591	2,317	619	561	536	605	2,321
EBITDA (\$Mn)										
Contracted (Toll)	1,009	1,298	1,326	903	4,537	1,192	1,186	1,241	1,386	5,005
Contracted (Lifting)	112	183	195	136	625	72	59	69	86	286
Open	1,932	946	684	1,401	4,963	2,167	483	18	102	2,771
Subcharters & Regas	100	102	577	660	1,439	168	130	157	158	613
Total	3,153	2,529	2,782	3,100	11,564	3,599	1,858	1,485	1,733	8,675
EBITDA (\$/MMBtu)										
Contracted (Toll)	\$2.10	\$2.64	\$2.72	\$1.82	\$2.32	\$2.33	\$2.33	\$2.33	\$2.33	\$2.33
Contracted (Lifting)	\$0.23	\$0.37	\$0.40	\$0.27	\$0.32	\$0.14	\$0.12	\$0.13	\$0.15	\$0.13
Open	\$17.41	\$11.40	\$9.51	\$14.59	\$13.71	\$20.07	\$9.30	\$5.40	\$10.19	\$15.98
Total EBITDA	\$5.33	\$4.41	\$4.97	\$5.25	\$4.99	\$5.81	\$3.31	\$2.77	\$2.86	\$3.74

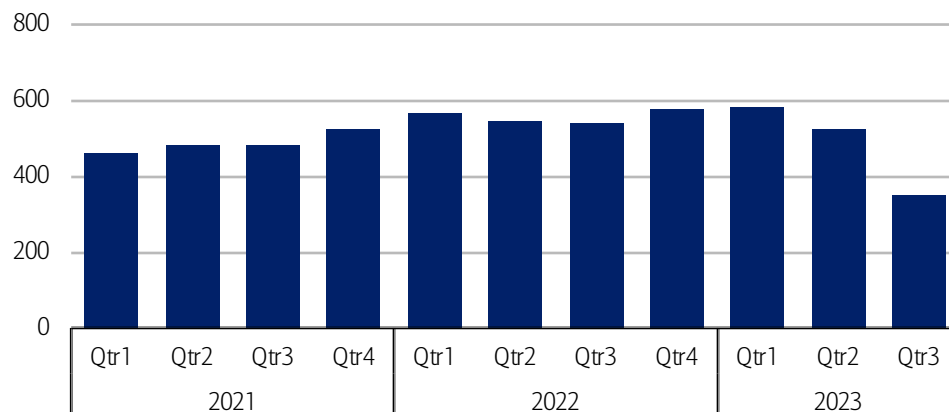
Source: Company filings, Bloomberg, BofA Global Research

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Our assumption for total volumes realized in revenue for 3Q23 is informed by US Department of Energy (DOE) data on liquefied natural gas (LNG) exports shown below. Cheniere recorded 352Tbtu of export volumes through from July 1st, 2023 to August 31st, 2023. We assume similar monthly levels for September 2023.

Exhibit 3: Cheniere quarterly LNG export volumes

3Q23 shown through August 31st, 2023



Source: US Department of Energy

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Our earnings forecast for Cheniere through 2027 is shown below. Our estimates move higher for 2023 driven by higher assumed subchartering earnings. In 2024 and beyond, our estimates are moderated as we revise our open cargo assumptions. Mgmt. indicated on the 2Q23 call that it expects to enter 2024 with less than 100Tbtu of open cargo capacity. In our revised estimates, we forecast open capacity of ~76Tbtu in 2024, down from 144Tbtu in our previous model. We continue to see DCF/sh tracking above mgmt.'s guidance ranges through 2027, allowing ample room for deleveraging and buybacks.

Exhibit 4: Cheniere earnings dashboard

We forecast 2023 EBITDA of \$8.7Bn and DCF/sh of \$25.09

	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Consolidated Adj. EBITDA	3,961	4,867	11,564	8,653	6,335	6,124	7,262	7,670
Prior Adj. EBITDA			11,564	8,423	6,892	6,337	7,205	
Consensus			11,450	8,718	6,529	6,525	6,949	7,182
BofAe Adj. EBITDA vs. Consensus			1.0%	(0.8%)	(3.0%)			
Guidance - Adjusted EBITDA	3800-4100	4600-5000	11000-11500	8300-8800				
BofAe Adj. EBITDA vs. Guidance				4.9%				
Guidance - Run-Rate Adj. EBITDA	3800-4100	4300-4600	4400-4900	5300-5700			6400-6900	6700-7300
			8 trains	9 trains			+ CCS3	+ T8 & 9
Less: Interest Expense	(1,990)	(2,190)	(1,360)	(1,278)	(1,295)	(1,289)	(1,251)	(1,223)
Less: CQP DCF Attributable to Minority Interest	(630)	(660)	(1,330)	(959)	(1,153)	(1,057)	(1,002)	(921)
Less: Maint capex, income tax & other			(150)	(350)	(500)	(550)	(600)	(600)
Distributable Cash Flow (\$Mn)	1,341	2,017	8,724	6,065	3,388	3,227	4,409	4,925
Guidance - Distributable Cash Flow	1000-1300	1800-2100	8100-8600	5800-6300				
Guidance - Run-Rate DCF	1500-1700		3100-3600	2600-3000		3200-3500	3900-4300	
Distributable Cash Flow per Share (\$/sh)	\$5.31	\$7.96	\$34.43	\$25.09	\$14.74	\$14.72	\$20.97	\$23.85
Guidance - Run-Rate DCF/share	\$5.40-\$6.30		\$7.25-\$8.75	\$11-\$13		\$13-\$15	\$18-\$20	\$20-\$22

Source: Company filings, Bloomberg, BofA Global Research

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Reflecting current macro backdrop in our valuation

As previously mentioned, given the current macro environment, we modify our valuation slightly to reflect rising interest rates. We continue to value Cheniere's contracted volumes using an NPV methodology. While we have yet to increase our discount rates amid the current tightening cycle, continued upward momentum in benchmark rates drives our adjustment. Our discount rates increase by +50bps to 8.50% during a project's operational phase and 12.50% during the developmental phase. The higher discount rates result in a \$(9) reduction to our PO, while our model refresh and estimate adjustments result in a \$3 increase to our PO. Net, our PO moves to \$188 from \$194.

Exhibit 5: Cheniere simplified SotP

We arrive at a \$188 PO

	EV	EBITDA (2026E)	EV/EBITDA
Contracted (ex-CMI)	\$63,276	\$6,108	10.4x
CMI - Contracted	\$9,040	\$1,048	8.6x
CMI - Uncontracted	\$845	\$188	4.5x
Total CMI	\$9,885	\$1,236	8.0x
Total LNG	\$73,161	\$7,344	10.0x
Less: Net Debt (2026E)	(\$26,834)		
Less: Minority Interest	(\$7,480)		
LNG Equity Value	\$38,847		
PO	\$188.00		
Shares (2026E)	207.0		
Current LNG Share Price (As of 10/30/23)	\$166.85		
2024E Dividend Yield	1.0%		
Total Potential Return	13.7%		

Source: Company filings, Bloomberg, BofA Global Research

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Exhibit 6: Cheniere detailed SotP

We arrive at a \$188 PO

	2026E Avg. Margin (\$/MMBtu)	2026 EBITDA (\$Mn)	EV/EBITDA Multiple	EV (\$mn)	EV (\$/Sh)
1. Cheniere Marketing (Blended EBITDA)	3.15	1,236	8.0x	9,885	\$47.75
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
2. NPV of CC 1-3 Trains		10,521	100%	10,521	\$50.83
Incremental Value if Contracts Extended		1,692	75%	1,277	\$6.17
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
3. NPV of Corpus Christi Stage 3		5,053	100%	5,053	\$24.41
Incremental Value if Contracts Extended		1,159	75%	875	\$4.23
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
4. NPV of CC Midscale Trains 8 & 9		630	75%	476	\$2.30
Incremental Value if Contracts Extended		378	50%	191	\$0.92
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
5. NPV of Sabine Pass Trains 1-6		15,073	100%	15,073	\$72.81
Incremental Value if Contracts Extended		2,805	75%	2,104	\$10.16
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
6. NPV of Sabine Pass Expansion Opportunity		3,134	75%	2,366	\$11.43
Incremental Value if Contracts Extended		2,013	50%	1,016	\$4.91
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
7. NPV of Corpus Christi Expansion Opportunity		1,891	50%	955	\$4.61
Incremental Value if Contracts Extended		1,404	25%	358	\$1.73
		<u>Sabine NPV</u>	<u>Cheniere Economic Interest (Run-Rate)</u>		
8. CQP (Non-Controlling Interest)		20,559	63.6%	(7,480)	(\$36.13)
<u>Less: HoldCo Debt</u>					
9. Cheniere Corporate Debt				(1,500)	(\$7.25)
10. CQP Proportional Debt				(2,323)	(\$11.22)
<u>Share Buybacks</u>					
Future buybacks estimated for 2023 (\$mn)			2,250		
Buyback Share Price (\$/sh)			\$166.85		
Future buybacks estimated for 2024 (\$mn)			2,000		
Buyback Share Price (\$/sh)			\$166.85		
Future buybacks estimated for 2025 (\$mn)			1,750		
Buyback Share Price (\$/sh)			\$166.85		
Future buybacks estimated for 2026 (\$mn)			1,500		
Buyback Share Price (\$/sh)			\$166.85		
Shares repurchased (mn)			45.0		
Pro forma shares outstanding (mn)					207.0
Total LNG Valuation				\$38,847	\$188.00
Current LNG Share Price (As of 10/30/23)					\$166.85
2024E Dividend Yield					1.0%
Potential Return					13.7%

Source: Company filings, Bloomberg, BofA Global Research

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Price objective basis & risk

Cheniere Energy Inc (LNG)

Our \$188 PO is based on an SOTP in which we value LNG's stake in CQP using a fundamental NPV valuation of Sabine Pass less non-controlling interest (valued as full NPV of Sabine Pass less non-Cheniere economic interest). We provide separate value to LNG's marketing business assuming excess capacity of SP 1-6 and CC 1-3 realizes approximately a \$3.15/MMBtu 2026E margin, applying a 8.0x multiple to corresponding EBITDA. We value CC 1-3 on a NPV basis, valuing the initial 20-year contract term at 100% and the 10-yr extension at 75% (reflected risk in pricing assumptions). For CC Stage 3 we again assume initial 20-year contract term at 100% likelihood again weighing the contract extension at 75%. We also incorporate CC T8&9/SP/CC expansions at 75%/75%/50% probabilities for the initial term and 50%/50%/25% for extension terms. For all NPV, we discount cash flows at a 12.5% rate during construction and 8.5% rate during the contracted period given the difference in risk profile. For Sabine Pass and Corpus Christi Expansion opportunities, we discount NPVs at 8% from 2025 (the first year of our NPV calculations) to today.

Downside risks are counterparty credit risk, construction delays, changes in trade policy limiting exports, and changes in commodities.

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
	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
	Exelon	EXC	EXC US	Paul Zimbardo
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	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI 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



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	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

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
	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
	Evergy, Inc	EVERG	EVERG US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon 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
	Northwest Natural Holdings	NWN	NWN 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

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	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
	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
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI 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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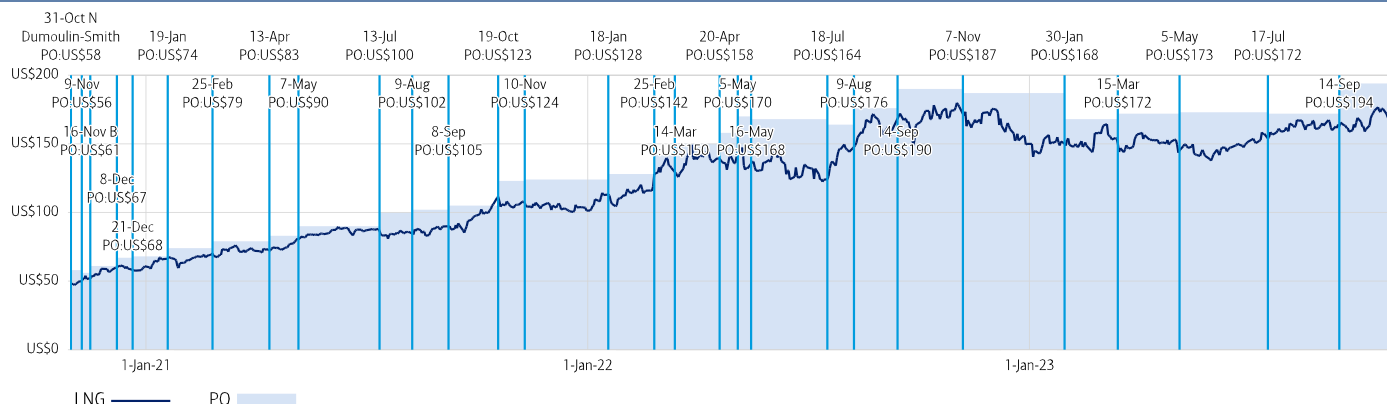
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	78	58.21%	Buy	59	75.64%
Hold	33	24.63%	Hold	25	75.76%
Sell	23	17.16%	Sell	14	60.87%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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%

^{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%

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