

CenterPoint Energy

A Lot More Regulatory Clarity Than Meets the Eye– Derisking '24 & Adding to '25+

Reiterate Rating: BUY | PO: 30.00 USD | Price: 28.53 USD

Constructive into '24: a year for critical rate decisions

We reiterate our Buy rating on shares of CenterPoint Energy (CNP) ahead of the 4Q23 earnings call. We remain constructive on CNP as a robust capex plan is set to continue into 2024 and as key jurisdictions move through pivotal rate cases. See potential for uniquely constructive confluence of regulatory path between Texas Gas (settlement conferences ongoing), Minnesota Gas case (interim rates already) in parallel with the latest electric PUC case kicking off. We stress clarity on the PUCT composition thru the case remains a key input into shares considering the criticality of the case ahead. Watch for new adds, swaps on the commission as key considering legacy in prior cases. On the 4Q call we look for mgmt. to offer. Finally also remain particularly constructive on resiliency spending for both Oncor (upside to their stated ranges) & Houston Electric (truly still a novel and seemingly under-appreciated on specifics too). We see potential for some slippage in resiliency plan filing beyond mgmt.'s expectations of 1Q24 as the extended final rulemaking by the PUCT. On balance see underappreciated start to the year, akin to '23 for shares of CNP with regulatory better than feared.

Yes, minimal but more equity as plan should accelerate

In an 8K filed Jan 11th, 2024, CNP announced a \$500Mn at-the-market (ATM) program. While this is above the \$250Mn that mgmt. indicated would be introduced in 2024, we do not read this as contrary to prior plans. The new program has an expiration date of May 17, 2026, and we expect mgmt. to maintain an efficient funding program for spending above the long-term plan. We stress CNP's \$43Bn prior capital budget through 2030 remains among the most robust in the space but also quite dynamic: in contrast to SRE, we expect CNP to save up to a comprehensive update culminating in A-Day in '25.

4Q23 Preview: Forecast EPS of \$0.30, FY at top-end

We forecast 4Q23 EPS for CNP of \$0.30, which is up from \$0.28 in 4Q22 and brings FY23 results to the top end of the guidance range at \$1.51. While our forecast is above current Consensus of \$0.33, we believe this is a somewhat stale estimate. We look for flat results for the electric utility year-over-year (YoY) as mild weather offsets rate increases. For the gas utility, we look for modest growth as rate increases more than offsets mild weather. Our long-term forecast is unchanged and we remain at the top end of mgmt.'s guidance for 2024 at \$1.63. See latitude from '23 weather enabling '24 EPS.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.64	1.38	1.51	1.63	1.74
EPS Change (YoY)	15.5%	-15.9%	9.4%	7.9%	6.7%
Consensus EPS (Bloomberg)			1.50	1.63	1.74
DPS	0.64	0.70	0.76	0.81	0.87
Valuation (Dec)					
P/E	17.4x	20.7x	18.9x	17.5x	16.4x
Dividend Yield	2.2%	2.5%	2.7%	2.9%	3.0%
EV / EBITDA*	14.2x	13.4x	12.2x	11.0x	10.1x
Free Cash Flow Yield*	-17.4%	-14.4%	-7.5%	-11.9%	-4.0%

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

18 January 2024

Equity

Key Changes

(US\$)	Previous	Current
2023E Rev (m)	8,514.1	8,510.1
2024E Rev (m)	8,888.4	8,890.4
2025E Rev (m)	9,270.2	9,266.4

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Stock Data

Price	28.53 USD
Price Objective	30.00 USD
Date Established	20-Oct-2023
Investment Opinion	B-1-7
52-Week Range	25.42 USD - 31.44 USD
Mrkt Val (mn) / Shares Out (mn)	18,059 USD / 633.0
Free Float	99.6%
Average Daily Value (mn)	117.80 USD
BofA Ticker / Exchange	CNP / NYS
Bloomberg / Reuters	CNP US / CNP.N
ROE (2023E)	9.3%
Net Dbt to Eqty (Dec-2022A)	172.7%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Glossary on page 5

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Timestamp: 18 January 2024 08:11AM EST

iQprofileSM CenterPoint Energy

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	3.5%	3.3%	3.8%	4.0%	4.1%
Return on Equity	11.3%	9.0%	9.3%	9.6%	9.8%
Operating Margin	16.3%	16.8%	20.9%	22.6%	23.2%
Free Cash Flow	(3,142)	(2,609)	(1,357)	(2,149)	(725)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0x	2.1x	2.3x	2.4x	2.6x
Asset Replacement Ratio	1.7x	2.4x	1.8x	2.2x	1.5x
Tax Rate	14.1%	25.4%	20.0%	20.0%	20.0%
Net Debt-to-Equity Ratio	177.9%	172.7%	182.2%	197.9%	199.5%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	8,352	9,321	8,510	8,890	9,266
% Change	12.6%	11.6%	-8.7%	4.5%	4.2%
Gross Profit	6,017	6,230	6,987	7,353	7,714
% Change	6.1%	3.5%	12.1%	5.2%	4.9%
EBITDA	3,207	3,397	3,755	4,150	4,540
% Change	16.9%	5.9%	10.5%	10.5%	9.4%
Net Interest & Other Income	(585)	(149)	(615)	(655)	(711)
Net Income (Adjusted)	1,001	873	953	1,032	1,103
% Change	26.2%	-12.8%	9.2%	8.3%	6.9%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	668	1,057	929	1,081	1,152
Depreciation & Amortization	1,844	1,831	1,979	2,144	2,389
Change in Working Capital	0	0	(119)	(84)	(69)
Deferred Taxation Charge	213	20	0	0	0
Other Adjustments, Net	(2,703)	(1,098)	(601)	(626)	(652)
Capital Expenditure	(3,164)	(4,419)	(3,545)	(4,664)	(3,546)
Free Cash Flow	-3,142	-2,609	-1,357	-2,149	-725
% Change	-422.8%	17.0%	48.0%	-58.4%	66.3%
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(385)	(440)	(481)	(515)	(551)
Change in Debt	2,592	636	1,688	2,666	1,278

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	254	91	90	92	94
Trade Receivables	690	889	812	848	884
Other Current Assets	6,411	3,719	3,738	3,812	3,885
Property, Plant & Equipment	23,484	27,143	29,113	32,211	33,972
Other Non-Current Assets	6,840	6,704	6,704	6,704	6,704
Total Assets	37,679	38,546	40,456	43,667	45,539
Short-Term Debt	1,448	2,598	2,850	3,247	3,437
Other Current Liabilities	2,839	2,515	2,337	2,363	2,403
Long-Term Debt	15,558	14,836	16,272	18,541	19,629
Other Non-Current Liabilities	8,416	8,552	8,552	8,552	8,552
Total Liabilities	28,261	28,501	30,011	32,703	34,022
Total Equity	9,418	10,045	10,445	10,963	11,517
Total Equity & Liabilities	37,679	38,546	40,456	43,667	45,539

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

Company Sector

Electric Utilities

Company Description

CenterPoint Energy is a diversified public utility holding company headquartered in Houston, Texas. Its utility segment provides electric distribution and transmission as well as natural gas distribution services to over 2.4 million electric and 3.4 million natural gas customers.

Investment Rationale

We are Buy-rated on shares of CenterPoint Energy (CNP) which is a unique transformation story with potential positive earnings revisions and P/E re-rating potential. CNP offers one of the highest EPS growth trajectories with a relatively low risk profile due to lack of large capital projects. Management has focused on regulatory relationships which also improves the outlook.

Stock Data

Average Daily Volume

4,036,141

Quarterly Earnings Estimates

	2022	2023
Q1	0.47A	0.50A
Q2	0.31A	0.28E
Q3	0.33A	0.40E
Q4	0.28A	0.32E

Walking through 4Q23 drivers

We forecast 4Q23 EPS for CNP of \$0.30, which is up from \$0.28 in 4Q22 and brings FY23 results to the top end of the guidance range at \$1.51. While our forecast is above current Consensus of \$0.33, we believe this is a somewhat stale estimate.

We look for flat results for the electric utility year-over-year (YoY) as mild weather offsets rate increases. There were 100 fewer cooling degree days (CDD) than normal in Houston in 4Q23 and 300 fewer in Indiana. Assuming historical weather impacts of ~\$60,000 per CDD in Houston and \$25,000 in Indiana, we forecast a \$(0.02) headwind YoY from weather for the electric utility. Positives for the quarter include a full three-month impact from trackers in Texas (DCRF and TCOS) which went into rates in Sept 2023, and a partial impact from an Oct. 2023 TCOS.

For the gas utility, we look for modest growth as rate increases more than offsets mild weather. The gas utility business had a positive \$0.02 impact in 4Q22, which we reverse out as a negative this quarter considering the mild weather. On the positive side, recent trackers Mississippi and Ohio both contribute to net growth for the business.

Exhibit 1: CNP earnings walk

Forecast \$0.30 EPS for 4Q23

CNP Utility Earnings Walk	FY23	1Q23E	2Q23E	3Q23E	4Q23E
Prior Period	1.38	\$0.47	\$0.31	\$0.32	0.28
Weather & Usage	(0.04)	(0.02)	(0.04)	0.04	(0.02)
Rate Recovery	0.20	0.05	0.05	0.07	0.02
TX DCRF: \$78Mn Sept '22	0.06	0.02	0.02	0.02	-
TX TCOS: \$64Mn April '22	0.03	0.02	0.01	-	-
TX TCOS: \$38Mn Oct '22	0.04	0.01	0.01	0.01	0.00
TX TEEEF: \$39Mn April '23	0.03	-	0.01	0.01	0.00
TX TCOS: \$39.5Mn May '23	0.02	-	0.00	0.01	0.00
TX DCRF: \$70Mn Sept '23	0.01	-	-	0.01	0.01
TX TEEEF: \$149Mn Sept '23	0.03	-	-	0.01	0.01
TX TCOS: \$44Mn Oct '23	0.00	-	-	-	0.00
IN Misc: ~\$10Mn ~Sept '22	0.01	0.00	0.00	0.00	-
Other	(0.03)	(0.01)	(0.01)	(0.01)	(0.02)
Customer & Load Growth	0.04	0.01	0.01	0.01	0.01
O&M	0.02	0.01	0.01	-	-
D&A and Other Taxes	-	-	-	-	-
Interest Expense	(0.07)	(0.01)	(0.02)	(0.02)	(0.02)
Electric	0.15	0.04	0.01	0.10	(0.00)
Weather & Usage	(0.01)	(0.02)	0.02	0.01	(0.02)
Rate Recovery	0.14	0.04	0.01	0.02	0.07
OH DRR: \$5Mn Sept '22	0.00	0.00	0.00	0.00	-
MN CIP: \$8Mn Oct '22	0.00	0.00	0.00	0.00	-
TX GRIP: \$34Mn June '22	0.02	0.01	0.01	-	-
IN CSIA: \$26Mn Jan '23	0.03	0.01	0.00	0.00	0.01
MN Rate Case: \$48.5Mn Feb '23	0.06	0.02	0.01	0.01	0.02
LA RSP: \$6Mn May '23	0.00	-	0.00	0.00	0.00
TX GRIP: \$60Mn June '23	0.04	-	-	0.01	0.03
IN CSIA: \$12Mn July '23	0.01	-	-	0.00	0.01
MN CIP: \$8Mn Sept '23	0.01	-	-	0.00	0.00
MS RRA: \$7Mn Oct '23	0.00	-	-	-	0.00
OH DRR: \$5Mn Sept '23	0.00	-	-	-	0.00
Other	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)
Customer & Volume Growth	0.01	0.01	-	-	-
O&M	-	0.01	(0.01)	-	-
D&A and Other Taxes	-	-	-	-	-
Interest Expense	(0.07)	(0.01)	(0.02)	(0.02)	(0.02)
MN Impairment	-	-	-	-	-



Exhibit 1: CNP earnings walk

Forecast \$0.30 EPS for 4Q23

CNP Utility Earnings Walk	FY23	1Q23E	2Q23E	3Q23E	4Q23E
AR and OK Transactions	(0.01)	(0.01)	-	-	-
Gas	0.06	0.02	0.00	0.01	0.03
Governance, Tax, Interest & Other	(0.08)	(0.01)	(0.04)	(0.02)	(0.01)
Dilution	(0.00)	(0.00)	-	-	(0.00)
Current Period EPS	\$1.51	\$0.52	\$0.29	\$0.41	0.30
Consensus	\$1.50	\$0.47	\$0.27	\$0.36	\$0.33
BofA vs Consensus	0.8%	10.9%	6.3%	15.3%	-9.4%
Guidance (Quarterly Implied)	1.49-1.51				\$0.28
BofA vs Guidance	0.8%				4.4%

Source: Company filings, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Our long-term forecast for CNP is shown below. We maintain our estimates for 2024 and beyond. We continue to see CNP as among the fastest growers in the space with a long-term compound annual growth rate (CAGR) of 8% through 2027. This is afforded by a robust capital budget nearing \$50Bn through 2030 with significant upside potential.

Exhibit 2: CNP earnings dashboard: yes we appreciate the pushback that on existing capex – we remain squarely inline with Street at upper end of EPS range already...

See robust long-term growth profile with 8% EPS CAGR

CenterPoint (CNP) Financial Dashboard	2022A	2023E	2024E	2025E	2026E	2027E	'22-'27 CAGR
Electric (Houston Electric)	0.81	0.78	0.90	0.96	1.06	1.14	7.2%
Natural Gas	0.45	0.51	0.50	0.55	0.61	0.65	7.7%
Vectren Utilities (VVC)	0.47	0.49	0.56	0.57	0.57	0.60	5.1%
Utility EPS (before allocation)	1.73	1.78	1.96	2.09	2.25	2.40	6.8%
VESCO	0.03	0.03	0.00	0.00	0.00	0.00	
Corp & Other	(0.38)	(0.31)	(0.33)	(0.34)	(0.37)	(0.38)	0.5%
Consolidated	1.38	1.51	1.63	1.74	1.88	2.02	7.9%
Consensus	\$1.38	\$1.50	\$1.63	\$1.74	\$1.88	\$2.03	8.0%
Guidance (UP&O)	1.37-1.39	1.49-1.51	1.61-1.63	1.73	1.85	1.98	7.7%
BofA vs Consensus	0%	0%	0%	0%	0%	-1%	
BofA vs Guidance	0%	0%	1%	1%	1%	2%	
BofA Change vs Prior	0.1%	0.4%	0.0%	0.2%			
6% CAGR (post-'24)	1.37	1.49	1.61	1.73	1.83	1.94	7.2%
8% CAGR	1.39	1.51	1.63	1.74	1.88	2.03	7.8%
Midpoint	1.38	1.50	1.62	1.73	1.85	1.98	7.5%
Prior Estimates	\$1.38	\$1.50	\$1.63	\$1.74			

Source: Company filings, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Maintain 15% premium on CNP given growth opportunity

Our sum-of-the-parts analysis for CNP is shown below. Electric P/E moves to 14.4x from 14.0x and Gas P/E moves to 14.4x from 14.9x (both 2025E). We continue to apply a 15% premium to CNP given outsized growth potential and constructive regulatory jurisdictions. Maintain \$30 PO.

Exhibit 3: CNP valuation

We arrive at a \$30 PO

CenterPoint Sum-of-the-Parts Valuation					
	Electric P/E	14.4x	Gas P/E	14.4x	Group EPS CAGR: 5%
Subsidiary	2025E		Peer P/E	Premium	Base P/E
Electric (Houston Electric)	0.96		15.1x	2.3x	17.4x
Natural Gas	0.55		15.1x	2.3x	17.4x
Vectren Utilities (VVC)	0.57		14.4x	2.3x	16.7x
Corporate & Other	(0.34)		14.9x	2.3x	17.2x
Total	\$1.74		14.9x	2.3x	17.2x
Potential Price Return				15%	7.5%
Dividend Yield					2.7%
Total Potential Return					10.2%

Exhibit 3: CNP valuation

We arrive at a \$30 PO

CenterPoint Sum-of-the-Parts Valuation

Source: Company filings, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Glossary

PUCT: Public Utilities Commission of Texas

ATM: At the Market

CDD: Cooling degree days

HDD: Heating degree days

TCOS: Transmission cost of service

DRR: Distribution replacement rider

CIP: Conservation improvement program

GRIP: Gas reliability infrastructure program

CSIA: Compliance and system improvement adjustment

RSP: Rate stabilization plan

RRA: Rate regulation adjustment



Price objective basis & risk

CenterPoint Energy (CNP)

Our CenterPoint Energy PO is \$30 using a 2025E sum-of-the-parts methodology. We apply the 14.4x electric and 14.4x gas base multiples. The base multiples are grossed-up +5% to reflect sector capital appreciation, a consistent approach across the coverage universe. We apply a 15% premium due to above-average growth and constructive jurisdictions.

Risks to achievement of the Price Objective are changes in 1) legislative, regulatory, and political outcomes, 2) capital expenditure forecasts and deployments, 3) earned return on equity, 4) asset sales, 5) capital markets access, costs, and needs, 6) interest rates, 7) weather and natural disasters, 8) management changes, and 9) inflation.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	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
	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

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVERG	EVERG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
UNDERPERFORM				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

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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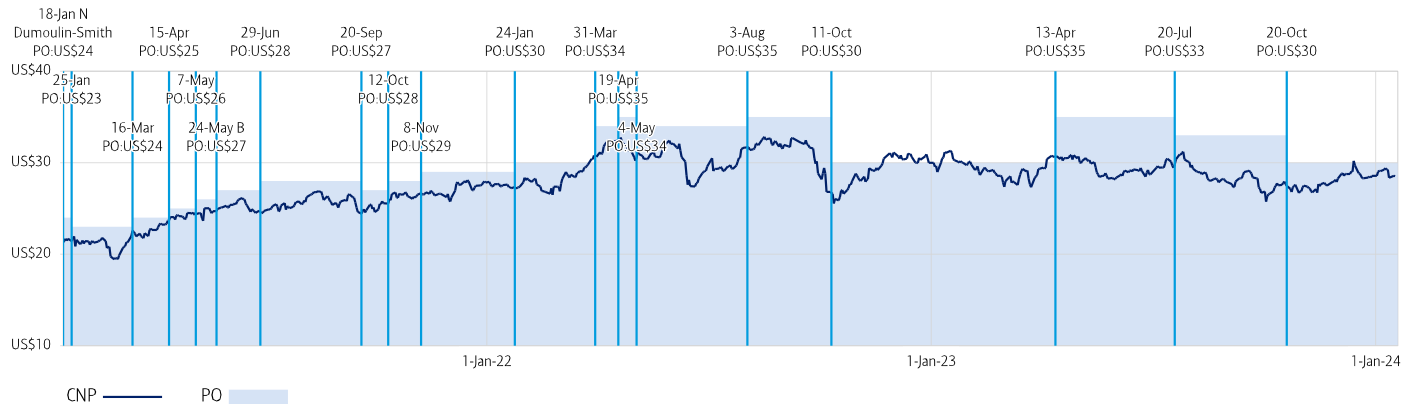
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Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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

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

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

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