

OGE Energy Corp

Higher visibility to 5-7% consolidated EPS CAGR. OK rate case has a difficult comp.

Reiterate Rating: NEUTRAL | PO: 35.00 USD | Price: 33.15 USD

Cautious heading into FY24 refresh; lots of moving parts

We reiterate Neutral on Oklahoma-based electric utility OGE Energy (OGE). With 4Q23 earnings, OGE expects to provide refreshed FY24 guidance, a consolidated EPS CAGR, and an updated capital forecast with outer year spending subject to change depending on the 1Q24 IRP filing. Stronger visibility to incremental generation capex drives our EPS estimates +4-5% in 2026-2027 and eclipses a 5% consolidated CAGR. While it has been consensus from our conversations that management would shift to a consolidated 5-7% EPS CAGR from a utility-only outlook, this is an incremental positive. Consensus assumes a 5-6% consolidated EPS CAGR, consistent with our increased estimates. We had been concerned that new more expensive HoldCo debt issuances could dampen consolidated EPS growth, but a stronger ~7% CAGR utility outlook should offset.

Oklahoma rate case looms large in 2024

The December 2023 rate case looms E a driver for both FY24 and long-term EPS. If we were to apply the same cost of capital parameters from the 4Q23 PSO rate case (9.3% ROE and 52% equity ratio), there could be \$0.10+ of EPS downside to our estimates. We believe that is overly punitive, but the risk presents a cautious skew.

PO down to \$35; high-variance risk/reward

We reduce our PO to \$35 from \$39, as we roll over our valuation year to 2026 EPS and apply a 0.5x premium to the current electric peer group multiple of 13.4x, grossed up 5% for EPS growth. We continue to see potential upside from a steep ramp in capex to fill in OG&E's net 500MW capacity need, for which visibility could improve in late February following the refreshed IRP filing expected in 1Q24. We balance generation capex optimism with visibility to modest erosion in the balance sheet from 2026 onward, with still-premium FFO/debt trending below the 17.5%-18% target and potentially requiring incremental equity. Overall, we see more value (~11% potential total return) but remain on the sidelines with the rate case pending. Further, OGE's durable premium to the electric peer group appears to bake in significant growth upside given what we see as below-average sub-6% EPS growth.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.36	2.16	2.04	2.15	2.26
GAAP EPS	3.68	3.32	2.04	2.15	2.26
EPS Change (YoY)	13.5%	-8.5%	-5.6%	5.4%	5.1%
Consensus EPS (Bloomberg)			2.04	2.14	2.26
DPS	1.62	1.64	1.66	1.68	1.72
Valuation (Dec)					
P/E	14.0x	15.3x	16.3x	15.4x	14.7x
GAAP P/E	9.0x	10.0x	16.3x	15.4x	14.7x
Dividend Yield	4.9%	5.0%	5.0%	5.1%	5.2%
EV / EBITDA*	14.8x	12.8x	13.7x	13.0x	11.8x
Free Cash Flow Yield*	-16.4%	-3.1%	-0.5%	0.1%	-5.3%

* For full definitions of *IQmethod*SM measures, see page 11.

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Timestamp: 23 January 2024 07:23AM EST

23 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	39.00	35.00
2023E Rev (m)	3,313.8	3,349.9
2024E Rev (m)	3,328.9	3,461.1
2025E Rev (m)	3,452.2	3,622.1
2023E EPS	2.01	2.04
2024E EPS	2.13	2.15
2025E EPS	2.23	2.26

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Stock Data

Price	33.15 USD
Price Objective	35.00 USD
Date Established	21-Jan-2024
Investment Opinion	B-2-7
52-Week Range	31.25 USD - 40.25 USD
Mkt Val (mn) / Shares Out (mn)	6,640 USD / 200.3
Free Float	99.6%
Average Daily Value (mn)	52.44 USD
BofA Ticker / Exchange	OGE / NYS
Bloomberg / Reuters	OGE US / OGE.N
ROE (2023E)	9.2%
Net Dbt to Eqty (Dec-2022A)	101.1%
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

HoldCo: Holding company
OG&E: Oklahoma Gas & Electric (OGE sub)
PSO: Public Service Company of Oklahoma

iQprofileSM OGE Energy Corp

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	4.1%	4.6%	3.8%	3.6%	4.0%
Return on Equity	12.3%	10.2%	9.2%	9.5%	9.8%
Operating Margin	14.9%	19.2%	15.9%	16.3%	18.2%
Free Cash Flow	(1,092)	(208)	(36)	8	(350)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	-0.7x	1.9x	2.2x	2.2x	2.2x
Asset Replacement Ratio	1.9x	2.3x	1.9x	1.8x	2.5x
Tax Rate	16.0%	15.7%	15.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	122.9%	101.1%	107.6%	112.5%	124.7%
Interest Cover	3.4x	3.9x	2.7x	2.7x	2.8x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	3,654	3,376	3,350	3,461	3,622
% Change	72.2%	-7.6%	-0.8%	3.3%	4.7%
Gross Profit	1,526	1,713	1,687	1,799	1,960
% Change	3.3%	12.3%	-1.5%	6.6%	9.0%
EBITDA	960	1,110	1,039	1,092	1,206
% Change	5.1%	15.6%	-6.5%	5.1%	10.4%
Net Interest & Other Income	18	123	(192)	(204)	(227)
Net Income (Adjusted)	474	433	409	432	454
% Change	13.8%	-8.6%	-5.6%	5.7%	5.0%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	737	666	409	432	454
Depreciation & Amortization	416	461	505	526	547
Change in Working Capital	(191)	(446)	0	0	0
Deferred Taxation Charge	126	(154)	0	0	0
Other Adjustments, Net	(1,402)	317	0	0	0
Capital Expenditure	(779)	(1,051)	(950)	(950)	(1,350)
Free Cash Flow	-1,092	-208	-36	8	-350
% Change	NM	81.0%	82.5%	NM	NM
Share / Issue Repurchase	(3)	(1)	0	0	0
Cost of Dividends Paid	(325)	(329)	(332)	(337)	(345)
Change in Debt	1,390	(438)	325	328	694

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	0	88	44	44	44
Trade Receivables	162	250	250	250	250
Other Current Assets	451	1,003	1,003	1,003	1,003
Property, Plant & Equipment	9,833	10,547	10,992	11,416	12,219
Other Non-Current Assets	2,160	657	657	657	657
Total Assets	12,606	12,545	12,946	13,370	14,173
Short-Term Debt	487	1,000	1,000	1,000	1,000
Other Current Liabilities	603	802	802	802	802
Long-Term Debt	4,496	3,549	3,873	4,202	4,896
Other Non-Current Liabilities	2,964	2,780	2,780	2,780	2,780
Total Liabilities	8,550	8,131	8,456	8,785	9,479
Total Equity	4,056	4,413	4,490	4,585	4,694
Total Equity & Liabilities	12,606	12,545	12,946	13,370	14,173

* For full definitions of iQmethodSM measures, see page 11.

Company Sector

Electric Utilities

Company Description

OGE Energy Corp is an Oklahoma-based public utility holding company. In addition to its regulated utility business in Oklahoma and Western Arkansas through Oklahoma Gas and Electric (OG&E). The company has over 850,000 customers and 7-gigawatts of power generation. The supply mix is approximately 70% natural gas, 20% coal, and 10% renewables.

Investment Rationale

We rate OGE Energy Neutral with a balanced risk/return profile. The utility is guided to grow EPS 5-7% but the need to increase parent leverage to finance the dividend leads to a below-average consolidated growth rate. Expect consolidated guidance with 4Q23 earnings. There are incremental spending opportunities not yet in plan but baked into investor expectations reflected in OGE's premium to group. Rate case uncertainty keeps keeps us cautious.

Stock Data

Average Daily Volume 1,599,272

Quarterly Earnings Estimates

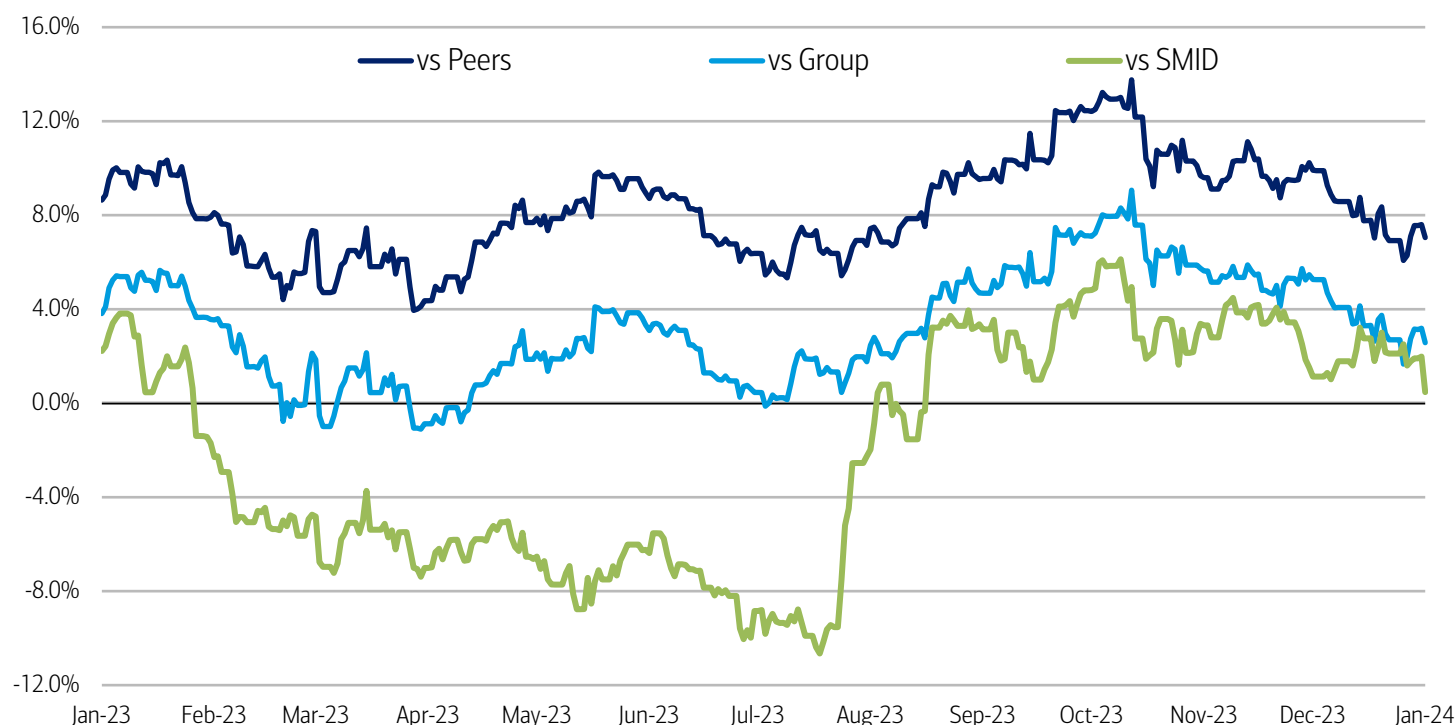
	2022	2023
Q1	0.24A	0.19E
Q2	0.45A	0.44E
Q3	1.23A	1.12E
Q4	0.23A	0.20E

Premium valuation for consolidated OGE

OGE has derated from the highs as shown in the Exhibit below. From mid-October, OGE has underperformed the utilities index -7% although is flat over the past six months dating back to the summer. With OGE trading at a premium to the broad utilities sector, we see the stock embedding some value for future growth as the consolidated growth is below-average at 5.0-5.5%. As an offset, the balance sheet is strong at 16-18% funds from operations (FFO) to debt, although degrading by design. We see a more positive skew to shares assuming a constructive rate case outcome.

Exhibit 1: OGE Relative 2025E P/E versus Similar P/E Peers (Dark Blue) and Overall Utilities Index (Light Blue)

OGE has traded approximately flat over the past six months but is down from its mid-October highs.



Source: Company Filings, Bloomberg, & BofA Global Research

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Estimates refreshed for new capex, IRP

We have updated our estimates for +\$600Mn of incremental capex for new generation over the 2025-2027 timeline, effectively giving full credit to ownership of generation to support capacity needs outlined in OG&E's integrated resource plan (IRP) with **favorable pro-forma adjustments**. We have also layered in our expectations for a constructive OK rate case outcome (no change in authorized ROE or capital structure, approximately 65% of the requested revenue increase) and another future filing in 2026. These expenditures and rate increases move up our long-term EPS forecast and achieve a 5%+ consolidated EPS CAGR. We believe this is an important threshold considering OGE expects to issue long-term consolidated EPS guidance on the 4Q23 call, versus previously guiding to a 5-7% utility CAGR. This is an incremental positive to our view of the story, although we note that the 5.3% EPS CAGR from 2023 to 2027 is still below-average, and contrasts the continued premium OGE enjoys relative to the peer group.

Credit metrics and future equity needs now warrant more focus

Looking further out, we also identify potential balance sheet erosion with FFO/debt trailing off to below the target 17.5%-18.0% target over the planning period. While still a premium balance sheet relative to other utilities in our coverage, this indicates potential equity issuance later in the forecast which could further affect the long-term consolidated EPS CAGR through dilution.



Exhibit 2: OGE EPS dashboard

Confidence in EPS CAGR improves with more capex but still depends on a reasonable OK rate case outcome

OGE Energy Financial Snapshot	2021A	2022E	2023E	2024E	2025E	2026E	2027E	'21-'27 CAGR	'23-'27 CAGR
OG&E (Electric Utility)	1.81	2.19	2.10	2.25	2.43	2.61	2.78	7.5%	7.3%
Guidance: 5-7% CAGR \$1.81 Starting Point	1.79-1.83	2.08-2.12	2.09-2.13	2.16	2.29	2.42	2.57		5.9%
HoldCo	(0.04)	(0.03)	(0.07)	(0.10)	(0.17)	(0.22)	(0.28)	38.3%	43.5%
Guidance		(0.01)-(0.02)	(0.06)-(0.07)	(0.09)	(0.13)	(0.17)	(0.21)		51.4%
Midstream [ET (previously ENBL)]	0.60	1.16	0.00	0.00	0.00	0.00	0.00		
Consolidated	2.36	2.16	2.04	2.15	2.26	2.39	2.50	6.0%	5.3%
Guidance	NA	2.09	2.02-2.07	2.07	2.16	2.25	2.36	4.9%	4.2%
BofA vs Guidance		3.4%	1.8%	4.2%	4.9%	6.0%	6.2%		
Consensus		2.09	2.04	2.14	2.27	2.40	2.51	6.0%	5.3%
BofA vs Consensus			-0.3%	0.7%	-0.2%	-0.6%	-0.2%		
Dividend per Share	1.62	1.64	1.66	1.68	1.72	1.76	1.80	1.8%	2.1%
YoY Growth		1.6%	1.0%	1.3%	2.4%	2.3%	2.3%		
Change in Estimates		-0.2%	1.3%	1.0%	1.4%	5.2%	3.6%		
Implied OK ROE	10.3%	10.6%	9.4%	9.5%	9.5%	9.4%	9.4%		
FFO / Debt: 17.5-18% 2023-2027	21.4%	20.5%	22.5%	18.3%	18.0%	16.6%	16.5%		
Payout Ratio	68.4%	76.3%	81.6%	78.2%	76.2%	73.8%	72.0%		

Source: BofA Global Research, Company filings, Bloomberg

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We continue to assume modest ~1% dividend per share growth as the company transitions from its elevated 75-85% payout ratio into the low 70% level.

Regulatory update: OK GRC focus

Oklahoma Gas & Electric filed an electric rate case (Docket: PUD 2023-000087) with the Oklahoma Corporation Commission in late December, requesting a \$332Mn rate increase predicated on 10.5% ROE (vs. 9.5% currently and 9.3% recently granted to in-state competitor and AEP subsidiary Public Service Company of Oklahoma) and 53.5% capital structure (reflecting OG&E's actual capital structure as of test year ending September 30, 2023). We detail specifics of the [filing in the note linked here](#).

OG&E can implement interim rates at their discretion beginning July 1, 2024, subject to refund. We expect permanent new rates could become effective sometime in July. OG&E has historically sought to reach a settlement in its regulatory proceedings, and we consider that to be another strong possibility. We believe it will be important to see a settlement with the major parties to avoid potential volatility from an OCC litigated decision.

Similar OK GRC outcome to PSO a risk to EPS CAGR

Below we provide a rough assessment of the ramifications to OGE's earnings power if OG&E were to receive an identical outcome to that of PSO in Docket # PUD 2022-000093, with a final order issued in November 2023 amending the settlement ROE down to 9.3% with capital structure of 52% versus the 54.62% requested in PSO's application. We see qualitative differences in perceived treatment of OGE from the OCC relative to PSO, but still find it prudent to size the potential impact of a similar decision given recency of the PSO decision and extant concerns of customer bill impacts mentioned in the PSO case and likely to continue being considerations in OG&E's proceeding. In all, we see -12c of downside from a PSO-like order relative to current ratemaking parameters, which would likely necessitate a rebasing of the long-term EPS CAGR.

Exhibit 3: Potential impact of a PSO-like outcome in OK GRC

Implies -12c of 2026 EPS downside

OK Rate Case Comparables	Current OG&E	PSO Outcome	EPS Variance
BofA Average rate base (2026)	\$10.4 Bn		
ROE	9.50%	9.30%	-\$0.06
Equity Ratio	53.37%	52.00%	-\$0.07
			-\$0.12

Source: Company Filings, Bloomberg, & BofA Global Research

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FY24 and FY23 EPS Drivers

We show our 2024 and 4Q23 EPS walks for OGE below. For FY24, we see rate relief in the back half of the year as the most significant contributor to year-over-year EPS growth, offsetting slightly unfavorable weather year-over-year and much higher O&M and depreciation. We also see the HoldCo headwind rising by 4c due to elevated parent borrowing costs. We break out key components of our assumptions below.

Exhibit 4: OGE FY24 Earnings Walk

Rate case outcome and customer growth key positive drivers; HoldCo drag increases

OGE Earnings Walk	EPS	1Q	2Q	3Q	4Q
2023 Adjusted EPS	\$2.04	\$0.19	\$0.44	\$1.22	\$0.19
Recovery of Capital Investment:	0.62	0.01	0.01	0.43	0.18
OK Rate Case: 2H24 new rates	0.60			0.43	0.17
OK Grid Enhancement: +\$6Mn: \$0.005/Qtr	0.03	0.01	0.01	0.01	0.01
Other	-				
Weather	(0.04)	0.01	0.02	(0.07)	-
Weather return to Normal	(0.04)	0.01	0.02	(0.07)	-
Weather in Current Year	-				
Customer and Load Growth:	0.04	0.01	0.01	0.01	0.01
Flat Bill Program	0.03	0.01	0.01	0.01	0.01
Arkansas Rates:	(0.01)	(0.04)	0.01	0.01	0.01
Formula Rate Plan (FRP)	0.02	0.01	0.00	0.00	0.00
Uri Weighted Average Cost of Capital	(0.03)	(0.05)	0.01	0.01	0.01
Other Income and AFUDC	0.04	0.01	0.01	0.01	0.01
O&M:	(0.32)	(0.02)	(0.02)	(0.18)	(0.11)
Plant Depreciation	(0.07)	(0.02)	(0.02)	(0.02)	(0.02)
Interest Expense	(0.11)	(0.05)	(0.01)	(0.03)	(0.02)
Effective Tax Rate:	(0.02)	0.00	(0.00)	(0.02)	0.00
HoldCo:	(0.04)	(0.02)	(0.01)		
Dilution	0.00	-	-	0.00	0.00
2024 Adjusted EPS	\$2.15	\$0.08	\$0.45	\$1.38	\$0.25
2024 Consensus	\$2.14	-\$0.03	\$0.95	\$0.97	\$0.25
BofA Expected Beat/(Miss) vs Consensus	1%	-438%	-53%	42%	3%

Source: BofA Global Research, Company filings, Bloomberg

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Oklahoma: We assume that OG&E's ROE and capital structure in Oklahoma will remain unchanged, and that the company will be authorized to implement a \$219Mn rate increase becoming effective in July of 2024. We adjust the benefit of the outcome according to historical seasonality, concentrating the benefit to the third quarter given the significant cooling load for the summer months. The outcome of the OK GRC remains the highest-variance item in our 2024 forecast, and we expect read-throughs to potential outcomes of the case to drive volatility in the stock throughout the course of the first half. Note that the +\$0.60 above has offsets in operating and maintenance (O&M), interest expense, and depreciation – as discussed below.



Arkansas: We see a modest EPS impact from the company's final FRP filing before they are required to engage the Arkansas Public Service Commission (APSC) in a full general rate case. In the ongoing FRP filing (Docket: 18-046-FR), OG&E requested a \$4.7Mn interim rate increase. Staff testimony supports a \$3.5Mn rate increase. Our FY24 estimate reflects Staff's \$3.5Mn increase, effective in April 2024. For the first quarter of 2024, OG&E still benefits from a \$9.6Mn annual increase as approved in the prior iteration of the FRP filing, the most substantial year-over-year increase occurring given the magnitude of the prior rate increase relative to the current filing.

O&M: We forecast core O&M inflation of 3% in 2024. We see O&M stepping up with program approval in the OG&E rate case in Oklahoma, building in the expectation that the \$28Mn vegetation management expense increase could be approved and therefore flows through the expense line.

Interest Expense at OG&E: We calculate an -11c drag from higher interest expense in FY24. This assumes mid-2024 issuance of debt for approximately 50% of the \$950Mn of capex we forecast for the year. We also see a \$5Mn headwind in the first quarter from issuance of \$350Mn of debt at 5.6% interest in April 2023, offset by a \$1.6Mn benefit from repayment of the \$500Mn, 0.553% annual interest senior notes that matured in May 2023.

HoldCo: We see a nearly -4c headwind from HoldCo in 2024, reflecting the impact of higher cost financing, concentrated in the first half of the year reflecting an increase in short-term debt balances to \$412Mn existing 3Q23 versus essentially no short-term debt at year-end 2022 or exiting 1Q23.

4Q23 EPS walk: in line with FY guidance

Below we detail our walk to 4Q23 EPS of 19c, slightly below consensus of 20c and down from 23c in the prior-year quarter. We expect the year-over-year impact of weather to be largely immaterial. Higher interest expense, depreciation, and O&M more than offset the benefits of customer growth, another strong quarter from the Flat Bill program, and other miscellaneous impacts.

Exhibit 5: 4Q23 EPS Walk

See FY23 EPS near midpoint of \$2.02 to \$2.07 updated guidance

OGE Earnings Walk	EPS	1Q	2Q	3Q	4Q
2022 Adjusted EPS	\$2.16	\$0.24	\$0.45	\$1.23	\$0.23
Recovery of Capital Investment: \$0.13	0.08	0.05	0.07	(0.04)	0.01
OK Rate Case: 1H23 Benefit	0.08	0.06	0.02		
OK Grid Enhancement: +\$6Mn: \$0.005/Qtr	0.03	0.01	0.01	0.01	0.01
Other	(0.03)	(0.02)	0.04	(0.05)	
Weather	(0.12)	(0.03)	(0.07)	(0.02)	-
Weather vs Normal: FY22 \$2.19A vs \$1.92 Guide	(0.16)	(0.02)	(0.05)	(0.09)	-
Weather in Current Year	0.04	(0.01)	(0.02)	0.07	
Customer and Load Growth: +\$0.06 guidance	0.10	0.03	0.01	0.04	0.03
Flat Bill Program	0.11	0.02	0.03	0.04	0.02
Arkansas Rates: \$0.07	0.12	0.07	0.02	0.02	0.02
Formula Rate Plan (FRP): \$4.3Mn/\$9.6Mn April '23	0.04	0.00	0.01	0.01	0.01
Uri Weighted Average Cost of Capital	0.08	0.06	0.01	0.01	0.01
Other Income and AFUDC	0.11	0.03	0.05	0.01	0.02
O&M: ~1% Increase YoY	(0.16)	(0.07)	(0.04)	(0.01)	(0.03)
Plant Depreciation	(0.19)	(0.06)	(0.05)	(0.04)	(0.03)
Interest Expense	(0.18)	(0.03)	(0.05)	(0.05)	(0.05)
Effective Tax Rate: ~15% vs ~16% FY22	0.04	0.00	(0.01)	0.04	(0.00)
HoldCo: ~\$0.065 drag	(0.03)	(0.06)	0.03	0.01	(0.01)
Dilution	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
2023 Adjusted EPS	\$2.04	\$0.19	\$0.44	\$1.22	\$0.19
2023 Consensus	\$2.04	\$0.19	\$0.45	\$1.17	\$0.20
BofA Expected Beat/(Miss) vs Consensus	0%	4%	-2%	4%	-3%

Exhibit 5: 4Q23 EPS Walk
See FY23 EPS near midpoint of \$2.02 to \$2.07 updated guidance

OGE Earnings Walk	EPS	1Q	2Q	3Q	4Q
2023 Guidance Midpoint	2.02-2.07				
Expected Beat/(Miss) vs Guidance	0%	-5%	-14%	8%	-6%
Source: BofA Global Research, Company filings, Bloomberg					

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Valuation: PO to \$35; GRC clouds outlook with downside

We reduce our PO to \$35 from \$39 prior, rolling over our valuation to 2026 EPS and applying our electric peer group multiple of 13.4x, grossed up for 5% group EPS CAGR. We see a potential opportunity for double-digit total return although as discussed, there is a downside skew to our estimates from the rate case in our view. Still, even assuming a constructive outcome as built into our model and estimates, OGE is still trading at a premium to the group despite below-average EPS growth. The bull thesis points to the utility growing faster than average and having tailwinds from demand growth (energy, crypto, etc.) plus a strong balance sheet. We note that data centers and crypto mining have a limited direct earnings benefit. We see the positive attributes slightly offsetting the weaker consolidated growth and warranting a small premium which shares currently enjoy.

Exhibit 6: OGE Consolidated Sum of the Parts Valuation

Reducing PO to \$35 from \$39 prior; rolling over to 2026 valuation year

OGE Energy Corp Sum-of-the-Parts Valuation

Base Electric P/E Calculation	Group Peer P/E	Group EPS CAGR	Group Valuation P/E	
	13.4x	5.0%	14.1x	-
	13.4x	0.7x	14.1x	-
Earnings Segments	2026 EPS	Premium/(Discount)	Multiple Applied	\$ per Share
OG&E Electric Utility	\$2.61	0.5x	14.6x	\$38.05
HoldCo	-\$0.22	0.5x	14.6x	-\$3.25
Total Equity Value per Share	\$2.39	0.6x	14.7x	\$35.00
Potential Price Appreciation				6.1%
NTM Yield				5.0%
Potential Total Return				11.1%

Source: Company Filings, Bloomberg, & BofA Global Research

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Title: Subtitle

[OGE Energy Corp: Compelling value, but rates cloud outlook – Reiterate Neutral](#)

[OGE Energy Corp: Focus on parent vs utility growth message: Reiterate Neutral](#)

[OGE Energy Corp: Latest Victim of Interest Pressures: Downgrade to Neutral with ~4% CAGR](#)

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Price objective basis & risk

OGE Energy Corp (OGE)

Our OGE PO is \$35/share based on a sum of the parts. For the utility and HoldCo we apply the FY26 peer multiple of 13.4x. Electric peer P/E multiple is grossed up for +5% to reflect capital appreciation across the sector, a consistent methodology across our coverage universe. We apply a 0.5x premium for incremental growth not yet embedded in plan as well as the above-average balance sheet metrics.

Upside and downside risks are changes in: 1) regulatory, legislative, and political outcomes, 2) ability to earn the allowed rate of return, 3) interest rates and commodity costs, 4) customer and sales growth, particularly energy and data mining customers, 5) natural disasters, 6) credit rating agency requirements, 7) capital expenditure plan, and 8) request for proposal outcomes.

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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



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA

UNDERPERFORM

	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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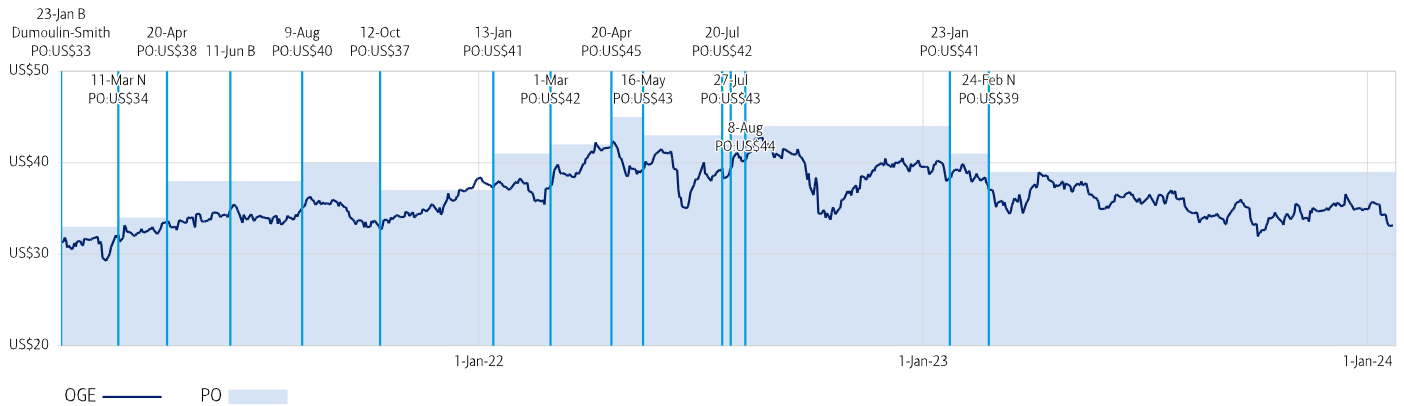
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Important Disclosures

OGE Energy Corp (OGE) Price Chart



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

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Equity Investment Rating Distribution: Utilities Group (as of 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%

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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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