

Constellation Energy Corp

Can CEG hit a bullseye on transitioning to EPS? 10-15% EPS CAGR

Reiterate Rating: NEUTRAL | PO: 116.00 USD | Price: 114.45 USD

Full disclosure set refresh as move from EBITDA to EPS

We reiterate Neutral on shares of nuclear-focused Independent Power Producers (IPP) Constellation Energy into the pivotal 4Q23 earnings update. Management has been discussing a desire to pivot its KPI to adjusted EPS from adjusted EBITDA for an extended period and that day is finally here. The company wants to move toward a more traditional per share metric to capture the benefit of buybacks (\$1Bn completed in 2023 and \$1-2Bn annually BofAe) and the lower effective tax rate from the Inflation Reduction Act (IRA) nuclear Production Tax Credits (PTC). Look for a broad disclosure methodology refresh which have followed a consistent methodology for over a decade.

Expect \$7 FY24 EPS guidance baseline for 10-15% CAGR

We model \$7.06 FY24 adjusted EPS, a strong +11% beat vs \$6.36 consensus mean (\$6.14 median), noting a very wide \$5.94-\$7.33 range. This is +14% YoY growth up from \$6.20 FY23E. We expect FY24 adj EPS guidance to be initiated at \$6.75-\$7.25 with a 3-4% range around a \$7.00 baseline. In 2023, CEG's initial +/- \$100Mn EBITDA range was 3% but we believe this could widen to capture 'below the line' volatility in interest & taxes. We model 14.8% EPS CAGRs in both 2023-2026E and 2024-2027E with slowing EBITDA growth (1% 2025-2027E) supported by \$1.75-\$2.0Bn annual buybacks. We anticipate a wide 10-15% long-term EPS CAGR to support a beat and raise cycle.

Consensus remains too low with EPS flat/declining FY24+

BofAe is +3-7% above consensus EBITDA 2023-2024 but +~20% higher in 2025-2027. On EPS, the deltas grow to be more significant as consensus EPS is flat/declining 2024-2026 at \$6.36 2024/\$6.35 2025/\$6.68 2026. We are 40%/60%/60% above consensus EPS 2025/2026/2027E which makes the P/E multiple more reasonable.

Valuation: Reduce primarily on energy mark-to-market

CEG trades at a ~11% free cash flow yield which we continue to believe is approximately fair value. We lower our PO to \$116 from \$125 to reflect -\$9/sh from comparables derating to 11.4% FCF yield from 10.7% and -\$1/sh from lower EBITDA estimates. We continue to believe FCF yield is the right valuation metric although note CEG trades at 12-13x P/E 2025/2026 BofAe (18-19x Consensus). On our estimates, this is below both the S&P 500 and US utilities valuations. We discuss in the report nuances in an EPS valuation approach across sectors and between peers.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	0.67	3.12	6.20	7.06	8.75
EPS Change (YoY)	NA	365.7%	98.7%	13.9%	23.9%
Consensus EPS (Bloomberg)			5.94	6.36	6.35
DPS	0	0.56	1.14	1.31	1.52
Valuation (Dec)					
P/E	170.8x	36.7x	18.5x	16.2x	13.1x
Dividend Yield	0%	0.5%	1.0%	1.1%	1.3%
EV / EBITDA*	31.3x	25.6x	17.2x	15.4x	13.9x
Free Cash Flow Yield*	-4.9%	-9.4%	3.2%	11.8%	13.6%

* For full definitions of *IQmethod*SM measures, see page 10.

22 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	125.00	116.00

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Stock Data

Price	114.45 USD
Price Objective	116.00 USD
Date Established	22-Jan-2024
Investment Opinion	B-2-7
52-Week Range	71.16 USD - 127.24 USD
Mrkt Val (mn) / Shares Out (mn)	36,806 USD / 321.6
Free Float	99.9%
Average Daily Value (mn)	197.22 USD
BofA Ticker / Exchange	CEG / NAS
Bloomberg / Reuters	CEG US / CEG.OQ
ROE (2023E)	17.2%
Net Dbt to Eqty (Dec-2022A)	47.0%
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"](#).

FCF: Free cash flow

IRA: Inflation Reduction Act

PTC: Production Tax Credit

MWh: Megawatt hour

GW: Gigawatt | MW: Megawatt

STP: South Texas Project

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Timestamp: 22 January 2024 05:54AM EST

iQprofileSM Constellation Energy Corp

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-1.0%	2.7%	4.9%	5.1%	6.0%
Return on Equity	1.7%	8.9%	17.2%	18.3%	21.2%
Operating Margin	-3.4%	6.2%	13.6%	13.8%	15.4%
Free Cash Flow	(1,792)	(3,478)	1,195	4,354	5,012

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	-6.1x	-2.3x	1.3x	2.5x	2.3x
Asset Replacement Ratio	0.1x	0.5x	0.6x	0.4x	0.4x
Tax Rate	39.1%	28.0%	27.0%	26.0%	26.5%
Net Debt-to-Equity Ratio	65.6%	47.0%	70.7%	59.7%	45.2%
Interest Cover	-2.3x	6.3x	6.1x	6.3x	8.1x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	20,252	25,624	20,968	22,445	23,407
% Change	15.0%	26.5%	-18.2%	7.0%	4.3%
Gross Profit	7,031	8,024	9,551	10,224	10,662
% Change	-12.3%	14.1%	19.0%	7.0%	4.3%
EBITDA	2,185	2,667	3,985	4,439	4,932
% Change	-7.7%	22.1%	49.4%	11.4%	11.1%
Net Interest & Other Income	1,261	(192)	(115)	(144)	(95)
Net Income (Adjusted)	219	1,025	2,010	2,198	2,590
% Change	-84.5%	368.0%	96.1%	9.4%	17.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	229	1,038	2,032	2,220	2,612
Depreciation & Amortization	4,540	2,427	2,486	2,715	2,751
Change in Working Capital	(4,335)	(6,011)	(150)	0	0
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(1,772)	193	(1,772)	472	630
Capital Expenditure	(454)	(1,125)	(1,400)	(1,053)	(981)
Free Cash Flow	-1,792	-3,478	1,195	4,354	5,012
% Change	-522.2%	-94.1%	NM	264.4%	15.1%
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(1,832)	(185)	(371)	(408)	(449)
Change in Debt	1,289	(2,329)	4,707	(901)	(1,575)

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	576	422	1,984	2,378	2,378
Trade Receivables	0	0	0	0	0
Other Current Assets	7,405	8,938	8,938	8,938	8,938
Property, Plant & Equipment	19,612	19,822	19,911	19,476	18,944
Other Non-Current Assets	20,493	17,727	21,271	20,452	19,801
Total Assets	48,086	46,909	52,105	51,244	50,061
Short-Term Debt	3,302	1,302	1,302	1,802	1,802
Other Current Liabilities	4,694	6,537	6,537	6,537	6,537
Long-Term Debt	4,894	4,466	9,173	7,773	6,198
Other Non-Current Liabilities	23,582	23,232	23,082	23,082	23,082
Total Liabilities	36,472	35,537	40,094	39,194	37,619
Total Equity	11,614	11,372	12,010	12,051	12,442
Total Equity & Liabilities	48,086	46,909	52,105	51,244	50,061

* For full definitions of iQmethodSM measures, see page 10.

Company Sector

Independent Power Producers

Company Description

Constellation Energy Corporation (CEG) is a competitive generation and retail company that operates the largest US fleet of nuclear and other carbon-free electricity. The company has a 100% carbon-free goal by 2040 for owned assets with a 95% interim goal by 2030. Approximately 90% of the generation output is nuclear or renewables with the assets concentrated in the Mid-Atlantic/Northeast (IL, PA, NJ, MD, & NY). The retail business is one of the largest in the US (#2-3 market share).

Investment Rationale

We rate Constellation Energy (CEG) Neutral with a balanced risk/return profile. CEG has a relatively unique nuclear generation and retail business pair producing visible cash flows supported by Federal Production Tax Credits (PTC). The PTC dampens exposure to natural gas prices on the downside but there is still energy risk. Constellation's capital allocation priorities are hydrogen growth, share buybacks, and a growing dividend. There is optionality around the nuclear consolidation as well.

Stock Data

Average Daily Volume 1,723,208

Quarterly Earnings Estimates

	2022	2023
Q1	1.55A	0.53A
Q2	1.70A	1.02A
Q3	0.48A	2.02A
Q4	-0.59A	2.66E

Carbon free value is key to unlock additional value

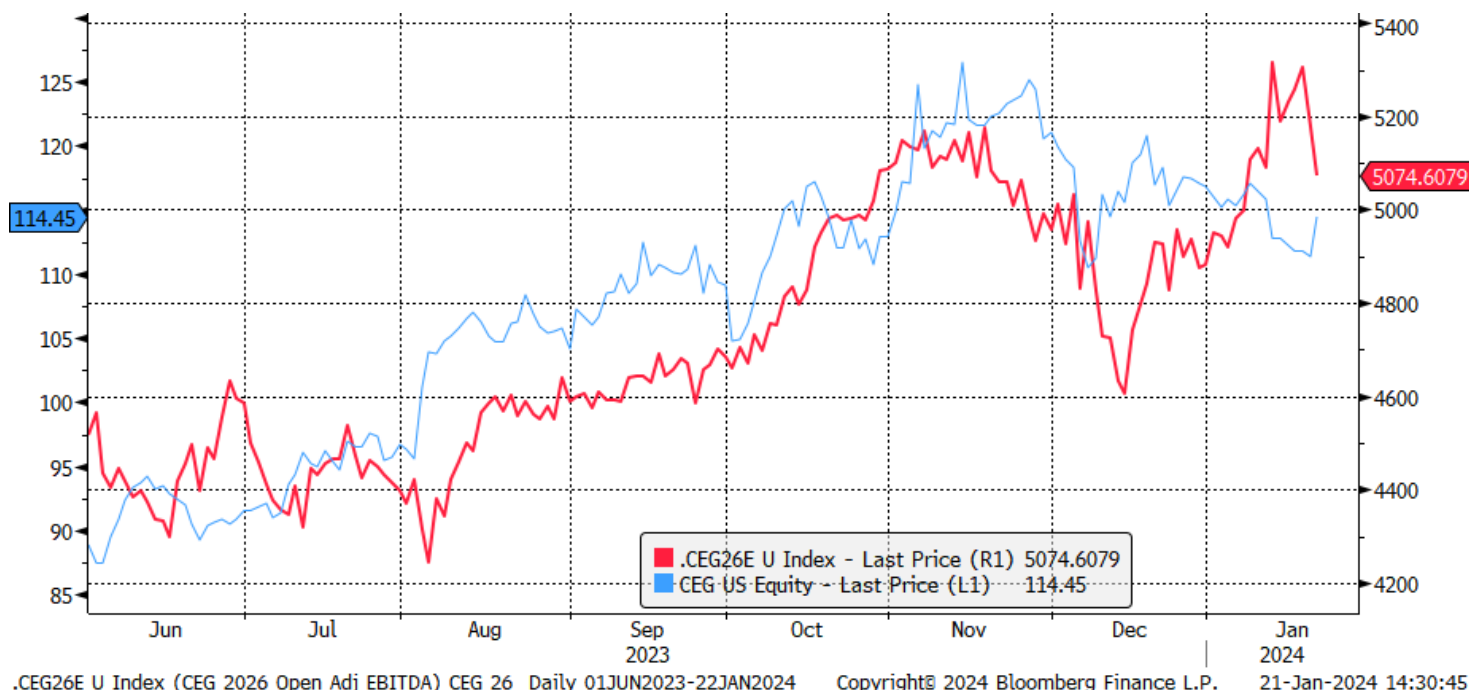
Besides a full new set of comprehensive disclosures, we will be closely watching the capital allocation refresh. Based on the current draft Hydrogen 45V tax credit rules, we see a limited opportunity for nuclear to participate. Constellation has other ways to effectively monetize its carbon free electricity, principally by selling to consumer-facing data centers, like the Microsoft partnership. We have seen nuclear peers, principally Talen (TLN – not covered), but also Dominion Energy (D) pursue data center opportunities for their merchant nuclear plants, but disclosures are relatively limited. We see merits to this strategy which could have an attractive return on invested capital (ROIC) versus hydrogen investments as a relatively capital light approach.

Capital allocation details will be the second most watched area from the update

Historically, CEG has emphasized hydrogen with \$200Mn 2023 growth capex guidance (unclear how much of that was actually spent) followed by \$325Mn in 2024 and \$375Mn in 2025. The 2026 commercial production of hydrogen at a minimum will be delayed and most likely we anticipate management providing a capital investment program that has minimal hydrogen investor or provides details on what a 'Plan B' looks like with limited hydrogen opportunity. This will be important to articulate what the value uplift is from selling carbon free electricity. We believe this could manifest with a power price premium over wholesale power (not the production tax credit level) with \$5-10/MWh of avoided transmission costs and up to \$10/MWh of carbon free attribute payments. Few offtakers are willing to ascribe material value to the carbon free attributes so there is competition for this area. After shares have retreated, we believe some of the hydrogen/carbon free attribute value has been removed from shares versus November 2023 levels; however, we believe this will need to be 'proved out' to push shares higher.

Exhibit 1: CEG Illustrative Unhedged/Open 2026 Adjusted EBITDA Mark-to-Market (Red) vs CEG Equity (Blue)

After positively re-rating, CEG has traded more in-line with its mark-to-market from June 2023 with some notably volatility



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Bloomberg open adjusted EBITDA mark-to-markets are available upon request. See links to prior research at the end of the report.

[What You Need to Know. Pink is the New Green? A Mini Nuke Primer 06 October 2022](#)



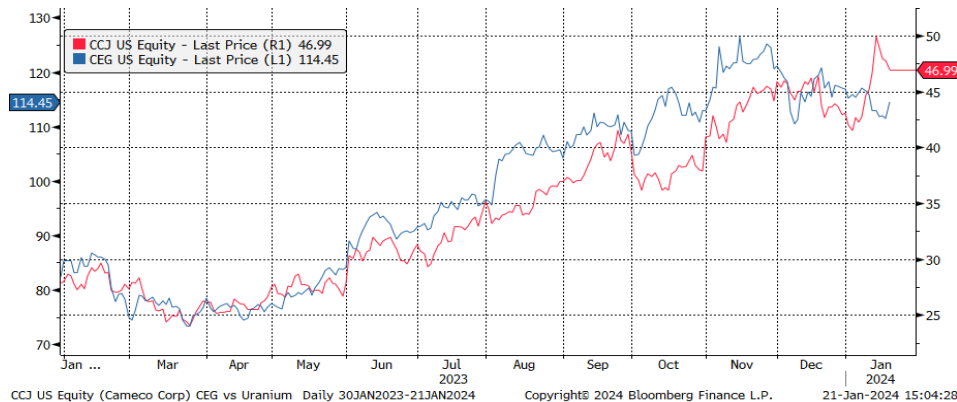
Nuclear fuel hedge profile an important refresh area

With the 4Q23 call roll-forward, look for more details on the nuclear fuel hedging profile which has been a frequent area of investor discussion. Constellation equity has surprisingly had a high correlation with nuclear fuel company Cameco (CCJ), despite higher uranium prices being a long-term headwind for the merchant nuclear power.

CEG has guided to \$1,175Mn annual nuclear fuel capex 2023-2025 with nuclear fuel supply “secured” through 2028 with prices increasing but under \$6/MWh through 2028. We would only expect one additional year of nuclear fuel capex guidance but long-term details for 2027+ would be useful.

Exhibit 2: Constellation Energy (CEG) vs Cameco (CCJ) Equity Performance

Constellation correlation with Cameco has been surprising



Source: Bloomberg

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Free cash flow yield remains the right metric to focus on

We continue to strongly view unhedged (open) adjusted forward FCF yield as the appropriate valuation methodology. Given the fixed duration of nuclear assets which supports most of the valuation, distributable (and some would argue distributed) cash flow is the right metric to utilize. Most regulated utilities with rolling 30+ year asset lives warrant a material premium and can operate perpetually free cash flow negative. As a comparison, this is why 20-30 year lived contracted renewables with 1-10 year tax subsidies also need discounted valuations. Key differences to be mindful of are:

- Depreciation rates from different asset lives and historical impairments.
- Limited life intangible assets which are amortized vs ‘indefinite’ life goodwill which is tested for impairment rather than steadily amortized (see South Texas Project [STP] discussion).
- Effective tax rates which can wildly differ for GAAP as well as cash. Two companies can have the same ~25% effective tax rate for GAAP financial reporting but very different free cash flow profiles if there are tax shield items.

Most investors have pointed to the EPS pivot as a valuation risk rather than an opportunity. First, CEG consensus EPS is well below BofA forecasts and declining.

Exhibit 3: BofA and Consensus CEG: Adjusted EPS and P/Es

BofA has much higher forward EPS which translates into a substantially lower P/E

CEG Adjusted EPS and P/E	2021	2022	2023	2024	2025	2026	2027
BofA Adjusted EPS		\$3.12	\$6.20	\$7.06	\$8.75	\$9.35	\$10.70
Adjusted EPS Consensus	\$5.94	\$1.72	\$5.94	\$6.36	\$6.35	\$5.93	\$6.68
BofA vs Consensus		81%	4%	11%	38%	58%	60%
BofA P/E		36.7x	18.5x	16.2x	13.1x	12.2x	10.7x
Consensus P/E		66.4x	19.3x	18.0x	18.0x	19.3x	17.1x

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

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STP a key EPS variable but value neutral

While it will have no impact on our adjusted EBITDA, the final purchase accounting for the acquired South Texas Project (STP) nuclear investment will have a material impact on EPS. The advantageous tax accounting that management discussed and disclosed when purchasing the entity can be very different than GAAP. Recall that Constellation and NRG Energy (NRG) transacted at the up-C Corp level. We model depreciable increasing to ~\$1.3Bn from ~\$1.1Bn annualized. Higher treatment as permanent goodwill tested for impairment rather than amortized periodically could push EPS higher.

Adjusted EBITDA and EPS

Our adjusted EBITDA and EPS estimates are minimally changed from our November update. It is unclear to us if CEG will provide both adjusted EBITDA and EPS for 2024 but we expect management to transition to only adjusted EPS as the key performance indicator in 2025+. Our FY23 adjusted EBITDA estimate is at the top-end of the \$3,800-\$4,000Mn range.

Key guidance initiations we forecast:

- **2024E EPS:** \$6.75-\$7.25 vs \$7.06 BofAe and \$6.36 consensus
- **2024E EBITDA:** \$4,100-\$4,500Mn vs \$4,439Mn BofAe, \$4,132Mn consensus, and ~\$4,300Mn implied guidance. Again, it is unclear if management provides EBITDA but we expect it in the 2024 transition year from EBITDA to EPS for comparability and transparency
- **2024-2027E EPS CAGR:** 10-15% range vs ~15% BofAe. We anticipate a solid degree of conservatism given the inherent volatility in the business. We also have a 2023-2026E EPS CAGR that aligns with 15%. If management opts to use the original 2023 EPS as the anchor, that would imply downside to estimates. For example, the FY23 guidance was increased +26% to \$3.9Bn midpoint from \$3.1Bn.

With the leverage profile shrinking dramatically over time, we see capacity to engage in accretive acquisitions or pursue even more buybacks.



Exhibit 4: Constellation Energy Key Metrics

CEG can translate a 5-7% EBITDA CAGR into a 15% EPS CAGR due to robust repurchases

Constellation Energy Key Metrics	2021	2022	2023	2024	2025	2026	2027	2023-2026 CAGR	2024-2027 CAGR
Blended Power Price Assumptions (\$/MWh)	\$44	\$70	\$45	\$41	\$44	\$45	\$45	0.1%	3.7%
Blended EMAAC Capacity Price (\$/MW-Day)	\$179	\$137	\$78	\$52	\$55	\$55	\$55	-10.9%	2.0%
Adjusted EBITDA	\$2,185	\$2,667	\$3,985	\$4,439	\$4,932	\$4,887	\$5,056	7.0%	4.4%
Guidance/Implied Guidance		2,450-2,650	3,800-4,000	4,290					
BofA vs Guidance Midpoint/Implied		5%	25%	3%					
Consensus	\$3,885	\$2,578	\$3,885	\$4,132	\$4,112	\$4,045	\$4,269	1.4%	1.1%
BofA vs Consensus	-44%	3%	3%	7%	20%	21%	18%		
BofA Change vs Prior (%)	N/A	0.0%	0.8%	-1.0%	0.6%	-0.1%	1.8%		
Adjusted EPS		\$3.12	\$6.20	\$7.06	\$8.75	\$9.35	\$10.70	14.7%	14.8%
Adjusted EPS Consensus	\$5.94	\$1.72	\$5.94	\$6.36	\$6.35	\$5.93	\$6.68	54.4%	-0.1%
BofA vs Consensus		81%	4%	11%	38%	58%	60%		
BofA Change vs Prior (%)	N/A	-0.1%	1.1%	-1.0%	1.9%	1.4%	6.5%		
Adjusted Free Cash Flow before Growth	\$1,456	\$1,528	\$2,273	\$3,024	\$3,409	\$3,284	\$3,342	13.1%	3.4%
Repurchase Assumption	\$0	\$0	-\$1,000	-\$1,750	-\$1,750	-\$1,750	-\$2,000	N/A	N/A
Growth Capex Assumption	-\$22	-\$375	-\$400	-\$250	-\$150	-\$150	-\$150	N/A	N/A
Net Debt / Adjusted EBITDA	3.3x	2.0x	2.1x	1.6x	1.1x	0.8x	0.5x	-27.1%	-31.1%
Guidance/Implied Guidance	2.0x	2.0x	2.2x						
Adjusted O&M	\$4,371	\$4,807	\$5,000	\$5,111	\$5,028	\$5,053	\$5,078	0.4%	-0.2%
Guidance	\$4,150	\$4,600	\$5,000	\$4,900	\$4,850	\$4,850	\$4,850	-1.0%	-0.3%
Adjusted FCF per Share		\$4.64	\$7.01	\$9.71	\$11.52	\$11.70	\$12.70	18.6%	9.3%

Source: Company Filings, Bloomberg, & BofA Global Research estimates. EMAAC – Eastern Mid-Atlantic Area Council. O&M – Operation and maintenance

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Valuation

Our revised \$116 Price Objective is based on a 11.4% 2026E equity Free Cash Flow yield (FCF yield) on a blended basis. This compares with 10.7% 2025E previously. The 11.4% FCF yield represents a weighted average of 10.2% (first quartile, was 9.6%) for the support FCF and 14.7% (third quartile, was 13.0%) for merchant FCF, utilizing energy comparables. We discount to 2026 the benefit of the Illinois Carbon Mitigation Credit (CMC) in 2028 back to 2025 at a 10% discount rate: this represents \$10/sh of value. We include ~\$1/Sh to CEG from the publicly disclosed ownership of NetPower (NPWR). The decline in value of NPWR is a -\$0.35 valuation reduction.

We lower our PO to \$116 from \$125 to reflect -\$9/sh from comparables derating to 11.4% FCF yield from 10.7% and -\$1/sh from lower EBITDA estimates.

For valuation purposes, our 2026 adjusted free cash flow declined to \$3.86Bn from \$3.95Bn due to changes in wholesale power prices.

Exhibit 6: Constellation Energy Valuation

Shares currently trade at a reasonable free cash flow yield

Constellation FCF Scenario		FCF	FCF Mix (%)	FCF Yield	Value per Share
Support FCF		2,522	65%	10.2%	\$83.85
Merchant FCF		1,345	35%	14.7%	\$30.92
Total		3,867		11.4%	\$115.00
Open EBITDA		5,023	8.6x		296 Shares
Constellation FCF Valuation		2026			
Constellation Energy (CEG)	EBITDA/FCF		EV/EBITDA	FCF Yield	Value per Share
Hedged EBITDA	4,887		8.8x	11.4%	\$115.00
Plus/Less: Hedges	136				
Plus: 2028 CMC Roll-Off	439				
Less: Baseline Maintenance Capex	(864)				
Plus: Nuke Fuel Cash vs Amort.	(237)				
Plus: Assumed Nuclear Inventory Build	244				
Less: Interest Expense	(382)				
Less: Cash Taxes	(356)				
Free Cash Flow	3,867				
NetPower Ownership (NPWR)	37		Mn Shares	\$8.60	\$1.00
CEG Value Per Share					\$116.00
FY1 Dividend Yield					1.1%
Total Potential Return					2.5%
Valuation Metrics		2026			
Consensus EBITDA	\$4,045			2026 P/E	12.2x
Hedged EBITDA	\$4,887	Hedged FCF	\$3,731	Hedged FCF pre Int	\$4,074
Unhedged EBITDA	\$5,023	Unhedged FCF	\$3,867	Unhedged FCF pre-Int	\$4,211
Current Market Cap	\$36,553	Current EV	\$43,065	Federal PTC Value	\$24,820
2023-2025 Repurchase	-\$4,500	2023-2025 Debt Paydown	-\$2,869	vs Market Cap	-32%
Current Market Cap & EV			Market Cap & EV with CF Generation		
	Hedged	Unhedged	Consensus	Hedged	Unhedged
EV/EBITDA	8.8x	8.6x	10.6x	7.3x	7.1x
Free Cash Flow to Equity	10.2%	10.6%		11.6%	12.1%
Free Cash Flow to Enterprise	9.5%	9.8%		11.4%	11.8%

Source: Company Filings, Bloomberg, & BofA Global Research estimates. CMC – Carbon Mitigation Credit

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Date Published

07 November 2023
30 October 2023
04 August 2023
17 July 2023
02 June 2023
04 May 2023
17 April 2023
07 December 2023
08 January 2024
15 December 2023



Price objective basis & risk

Constellation Energy Corp (CEG)

Our \$116 Price Objective is based on a 11.4% 2026E equity Free Cash Flow yield (FCF yield) on blended basis. The 11.4% FCF yield represents a weighted average of 10.2% (first quartile) for the support FCF and 14.7% (third quartile) for merchant FCF, utilizing energy comparables. We discount to 2026 the benefit of the Illinois Carbon Mitigation Credit (CMC) in 2028 back to 2025 at a 10% discount rate: this represents \$10/sh of value. We include approximately \$1/Sh to CEG from the publicly disclosed ownership of NetPower (NPWR).

Risks to achievement of the Price Objective are: 1) changes in energy, capacity, and related commodity prices, 2) retail margins, renewals, win rate, & overall market share, 3) operating, capital, and fuel costs, 4) capital allocation decisions including M&A, growth, and share repurchases, 5) nuclear operational performance, incidents, or accidents, 6) legislative, judicial, tax, and regulatory changes broadly, 7) nuclear fuel costs & availability, 8) change in environmental standards for generation assets, 9) management turnover, 10) pension & nuclear decommissioning trust returns, 11) credit rating agency requirements, 12) interest rates, and 13) NetPower ownership & valuation.

Analyst Certification

I, Paul Zimbardo, 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

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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	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
	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
	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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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%

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