

## OGE Energy Corp

# Focus on parent vs utility growth message: Reiterate Neutral

Reiterate Rating: NEUTRAL | PO: 39.00 USD | Price: 37.54 USD

## How will OGE message consolidated vs utility growth?

We reiterate Neutral on shares of OGE Energy (OGE) into 1Q23 earnings. The 4Q22 earnings call was a surprisingly cautious update with management guiding to a step-up in corporate drag for 2024 and further increases in 2025+. In subsequent infra-quarter updates management refined its expectations for parent debt needs lower as cash flows improve - [see our Boston conference takeaways](#). Management also expressed optimism about being able to achieve utility earnings growth in the upper-half of the 5-7% range which could help support consolidated 5-7%. We currently model 4.5% 2023-2027. We increase FY24+ \$0.01-\$0.03 due to lower interest rates on HoldCo debt issuances

## 1Q23 down -\$0.09 YoY but only -\$0.03 vs FY23 plan

1Q earnings (5-15% of FY) are typically not a material driver as most profits are generated in the pivotal summer months (50% of FY). This dampens the impact of the warm winter but does generate a -20% large percentage miss although small \$0.04 in nominal terms: \$0.15 BofA vs \$0.19 Consensus. In contrast to more winter sensitive peers, we estimate only -\$0.03 (less than 1% of FY23) weather impact which can be easily offset with cost flex if needed.

## Oklahoma Ratepayer Protect Act legislation has stalled

We have been closely Oklahoma monitoring Senate Bill 1103 (SB1103) which we believe would have reduced regulatory lag and provided incremental capital investment opportunities. There has been no action since March 6<sup>th</sup> and the prospects for passage appear dim. [Additional background is available here](#). Statements from stakeholders showed lukewarm support at best and opposition at worst. We look to see how management frames the legislative session and plans for future.

## More reasonable valuation but no clear positive driver

OGE continues to offer solid upside potential but there are risks from interest rate exposure (reliance on parent debt issuances) and 2-5% downside to Consensus estimates. Maintain \$39 PO based on a 16.4x electric base multiple and a +0.5x premium. This compares with 16.7x base and +1.0x premium previously.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.36	2.16	2.01	2.13	2.18
GAAP EPS	3.68	3.32	2.01	2.13	2.18
EPS Change (YoY)	13.5%	-8.5%	-6.9%	6.0%	2.3%
Consensus EPS (Bloomberg)			2.01	2.12	2.29
DPS	1.62	1.64	1.66	1.69	1.73
Valuation (Dec)					
P/E	15.9x	17.4x	18.7x	17.6x	17.2x
GAAP P/E	10.2x	11.3x	18.7x	17.6x	17.2x
Dividend Yield	4.3%	4.4%	4.4%	4.5%	4.6%
EV / EBITDA*	15.8x	13.5x	14.9x	14.2x	13.0x
Free Cash Flow Yield*	-14.5%	-2.8%	-0.5%	0.1%	0.5%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 9.

01 May 2023

### Equity

#### Key Changes

(US\$)	Previous	Current
2023E Rev (m)	3,285.4	3,313.8
2024E Rev (m)	3,338.8	3,328.9
2025E Rev (m)	3,445.8	3,435.5
2024E EPS	2.12	2.13
2025E EPS	2.17	2.18

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### Stock Data

Price	37.54 USD
Price Objective	39.00 USD
Date Established	24-Feb-2023
Investment Opinion	B-2-7
52-Week Range	33.28 USD - 42.91 USD
Mkt Val (mn) / Shares Out (mn)	7,519 USD / 200.3
Average Daily Value (mn)	46.36 USD
BofA Ticker / Exchange	OGE / NYS
Bloomberg / Reuters	OGE US / OGE.N
ROE (2023E)	9.1%
Net Dbt to Eqty (Dec-2022A)	101.1%
ESGMeter <sup>TM</sup>	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"](#).

HoldCo: Holding Company/Parent

OCC: Oklahoma Corporation

Commission

O&M: Operating and maintenance

SB: Senate Bill

OG&E: Oklahoma Gas & Electric

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Timestamp: 01 May 2023 07:56AM EDT

# iQprofile<sup>SM</sup> OGE Energy Corp

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	4.1%	4.4%	3.7%	3.5%	3.8%
Return on Equity	12.3%	10.2%	9.1%	9.4%	9.5%
Operating Margin	14.9%	19.6%	15.5%	16.3%	17.9%
Free Cash Flow	(1,092)	(207)	(41)	4	35

## iQmethod<sup>SM</sup> – 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	1.7x
Tax Rate	16.0%	21.0%	15.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	122.9%	101.1%	107.8%	113.0%	117.4%
Interest Cover	3.4x	4.2x	2.8x	2.8x	3.0x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	3,654	3,376	3,314	3,329	3,436
% Change	72.2%	-7.6%	-1.8%	0.5%	3.2%
Gross Profit	1,526	1,713	1,651	1,666	1,773
% Change	3.3%	12.3%	-3.6%	0.9%	6.4%
EBITDA	960	1,123	1,018	1,069	1,160
% Change	5.1%	17.0%	-9.4%	5.0%	8.5%
Net Interest & Other Income	18	79	(177)	(188)	(201)
<b>Net Income (Adjusted)</b>	<b>474</b>	<b>434</b>	<b>404</b>	<b>428</b>	<b>438</b>
<b>% Change</b>	<b>13.8%</b>	<b>-8.3%</b>	<b>-6.9%</b>	<b>5.8%</b>	<b>2.5%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	737	666	404	428	438
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)	(950)
<b>Free Cash Flow</b>	<b>-1,092</b>	<b>-207</b>	<b>-41</b>	<b>4</b>	<b>35</b>
<b>% Change</b>	<b>NM</b>	<b>81.0%</b>	<b>80.2%</b>	<b>NM</b>	<b>825.6%</b>

## 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	11,819
Other Non-Current Assets	2,160	657	657	657	657
<b>Total Assets</b>	<b>12,606</b>	<b>12,545</b>	<b>12,946</b>	<b>13,370</b>	<b>13,773</b>
Short-Term Debt	487	1,000	0	0	0
Other Current Liabilities	603	802	802	802	802
Long-Term Debt	4,496	3,549	4,878	5,212	5,523
Other Non-Current Liabilities	2,964	2,780	2,780	2,780	2,780
<b>Total Liabilities</b>	<b>8,550</b>	<b>8,131</b>	<b>8,461</b>	<b>8,795</b>	<b>9,105</b>
<b>Total Equity</b>	<b>4,056</b>	<b>4,413</b>	<b>4,485</b>	<b>4,575</b>	<b>4,668</b>
<b>Total Equity &amp; Liabilities</b>	<b>12,606</b>	<b>12,545</b>	<b>12,946</b>	<b>13,369</b>	<b>13,773</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 9.

## 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 4-5% consolidated growth rate. While there are incremental spending opportunities not yet in plan, it appears less likely that these will lead to a materially higher spending plan. OGE is very mindful of the customer rate impact of its spending so we see less absolute upside to earnings.

## Stock Data

Average Daily Volume 1,234,844

## Quarterly Earnings Estimates

	2022	2023
Q1	0.24A	0.15E
Q2	0.45A	0.46E
Q3	1.23A	1.17E
Q4	0.24A	0.23E

## More reasonable valuation; look for more

OGE has underperformed the utilities sector (XLU) -3% YTD. At its low OGE was underperforming nearly -6% from its February 22<sup>nd</sup> before its 4Q22 earnings update but shares have recovered. We forecast reasonable positive total return but see more attractive utility opportunities elsewhere. Key areas to watch are success on adding generation capex, Oklahoma and Arkansas utility legislation, health of key customer classes (energy and crypto [bitcoin]), and interest rates. Although a smaller portion of the business, Arkansas has uncertainty beyond this next Formula Rate Plan (FRP). The Arkansas Public Service Commission (PSC) has ruled that after the April 2024 rate adjustment, OG&E will not be able to implement further rate changes without a general rate case. 2023 utility is expected to contract YoY due to robust weather but at the midpoint of 2022, guidance is +6.3%. Excluding the estimated ~\$0.05 Arkansas Winter Storm Uri benefit contribution in 2023, growth is closer to 4%. We look for further execution and incremental capital expenditure (capex) guidance to become more comfortable that OG&E can grow utility EPS above the 5-7% guidance midpoint. The company currently has a flat \$950Mn 2023-2027 capital program where there is clear upside potential. The constraint is customer bill headroom (ie affordability) where the pull-back in commodity costs should help. Higher core utility growth will be necessary mathematically to offset a growing corporate interest expense as the company finances its growth. Watch solar project awards – and potential delays therein – as well as readthru from AEP's PSO process too for early reads considering their pending settlement. Overall renewable upside is less clear than previously contemplated.

### Exhibit 1: OGE Equity Relative Performance vs Utilities (XLU) TTM

OGE has given up gains and is now flat TTM. Shares have generally been volatile throughout the period



OGE US Equity (OGE Energy Corp) Daily 30APR2022-30APR2023

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30-Apr-2023 14:23:20

Source: Company Filings, Bloomberg, & BofA Global Research

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## 2023 Annual and Quarterly Drivers

We present our detailed quarterly drivers for OGE below and provide additional details on underlying lines given the heavier seasonality. In the 4Q22 presentation OGE quantifies approximate earnings drivers but critically uses a 2022 guidance midpoint as a base rather than 2022 actuals. 2022 had significantly positive weather in 3Q22 but also a sizable benefit in 2Q22. Further, there are discrete tax timing drivers, regulatory true-ups, rate case shaping, debt issuances, and other factors to be mindful of.



**Exhibit 2: OGE Earnings Walk**

1Q23 a large percentage miss but fairly small -\$0.04. We are generally in-line with Consensus for 2Q-4Q23

<b>OGE Earnings Walk</b>	<b>EPS</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
<b>2022 Adjusted EPS</b>	<b>\$2.16</b>	<b>\$0.24</b>	<b>\$0.45</b>	<b>\$1.23</b>	<b>\$0.23</b>
<b>Recovery of Capital Investment: \$0.13</b>	<b>0.13</b>	<b>0.04</b>	<b>0.07</b>	<b>0.01</b>	<b>0.01</b>
OK Rate Case: 1H23 Benefit	0.10	0.03	0.07		
OK Grid Enhancement: +\$6Mn: \$0.005/Qtr	0.03	0.01	0.01	0.01	0.01
<b>Weather</b>	<b>(0.20)</b>	<b>(0.05)</b>	<b>(0.04)</b>	<b>(0.11)</b>	-
Weather vs Normal: FY22 \$2.19A vs \$1.92 Guide	(0.17)	(0.02)	(0.04)	(0.11)	-
Weather in Current Year	(0.03)	(0.03)			
<b>Customer and Load Growth: +\$0.06 guidance</b>	<b>0.06</b>	0.01	0.02	0.03	0.01
<b>Arkansas Rates: \$0.07</b>	<b>0.10</b>	<b>0.04</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>
Formula Rate Plan (FRP): \$4.3Mn/\$9.6Mn April '23	0.05	0.01	0.01	0.01	0.01
Uri Weighted Average Cost of Capital	0.05	0.03	0.01	0.01	0.01
<b>Other Income and AFUDC</b>	<b>0.10</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>
O&M: ~1% Increase YoY	(0.03)	(0.01)	(0.00)	(0.00)	(0.00)
Plant Depreciation	(0.16)	(0.06)	(0.06)	(0.02)	(0.03)
Interest Expense	(0.17)	(0.03)	(0.05)	(0.05)	(0.05)
Effective Tax Rate: ~15% vs ~16% FY22	0.02	0.00	0.00	0.02	-
HoldCo: ~\$0.01 drag increase. (\$0.04) from (\$0.03)	(0.01)	(0.06)	0.02	0.02	0.01
Dilution	-	-	-	-	-
<b>2023 Adjusted EPS</b>	<b>\$2.01</b>	<b>\$0.15</b>	<b>\$0.46</b>	<b>\$1.17</b>	<b>\$0.22</b>
<b>2023 Consensus</b>	<b>\$2.01</b>	<b>\$0.19</b>	<b>\$0.46</b>	<b>\$1.15</b>	<b>\$0.22</b>
<b>BofA Expected Beat/(Miss) vs Consensus</b>	<b>0%</b>	<b>-20%</b>	<b>-1%</b>	<b>2%</b>	<b>0%</b>
<b>2023 Guidance Midpoint</b>	<b>1.93-2.07</b>				
<b>Expected Beat/(Miss) vs Guidance</b>	<b>1%</b>	<b>-23%</b>	<b>-8%</b>	<b>6%</b>	<b>10%</b>

Source: Company Filings, Bloomberg, & BofA Global Research

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**Oklahoma:** The mid-2022 rate case benefits 1H23 and is similarly skewed to the heavier load in 2Q23 vs 1Q23 shoulder period. The programmatic grid enhancement recovery step increase is modest at approximately half a penny per quarter. This will become more meaningful in 2024 based upon the regulatory order of capex.

**Weather:** 2022 had significant positive weather in 3Q23 but 2Q23 and 1Q23 also had favorable contributions. This reverses out unfavorably but naturally was known to management. *This is a key area to be mindful of when reviewing management's 2022 original guidance midpoint to 2023 guidance midpoint walk.* We layer in an incremental - \$0.03 driver for 1Q23 mild weather.

**Customer and load growth:** The guided \$0.06 benefit should be fairly ratable thanks to an increasing crypto mining and industrial base that is less weather sensitive. The higher Bitcoin and oil commodity backdrop should dampen the impact of weaker natural gas and an overall more challenged macroeconomic backdrop.

**Arkansas Rates:** Two different components to be mindful here.

- 1Q23 should benefit from a true-up on the \$80-\$100Mn Winter Storm Uri capital carrying costs. This represents a +\$0.03 benefit in 1Q23. 1Q23 and the balance of year will have normal WACC return from the pending balance that is a modest ~\$0.01 quarterly driver YoY before stabilizing in 2024.
- The next Arkansas Formula Rate Plan (FRP) step-up was effective in April 2023. While this rounds to a penny quarterly benefit, there is a modest FY23 YoY contribution from the smaller jurisdiction.

**Other including AFUDC:** Other is a large driver with limited disclosure and less for investors to rely upon. In the 10Q other income guidance is ~\$32Mn including \$10Mn allowance for funds used during construction (AFUDC). This compares with 2022 \$6.5Mn other income, \$6.9Mn AFUDC, and -\$3.4Mn other expense. AFUDC is a clear element and disclosed but the balance we rely upon management's 10Q guidance for increase. Here we assume a ratable contribution.

**O&M:** Cost guidance is for only modest increase after more robust inflation in 2022. Spending could be throttled back to a degree in the short term if there is a mild summer. Unlike revenue, O&M spending is more ratable throughout the year. We slightly bias more inflationary impacts to 1H23 based on realized economic inflation date for 2022.

**Plant depreciation:** Increases are historically weighted to 2Q-4Q based on capex timing and we apply a similar cadence for the \$950Mn 2023 spending.

**Interest expense:** There have been two executed debt offerings in 2023: \$540Mn at 5.4% in January 2023 and \$350Mn at 5.6% in April 2023. We calculate -\$0.17 YoY impact vs -\$0.10 net shown by management 2023 vs 2022 guidance midpoint, emphasizing that this not fully comparable.

**Income tax:** Lastly, we estimate that a ~90bp lower corporate tax rate is a +\$0.02 benefit during the full year.

**Other Operations/HoldCo:** Corporate & Other cadence in 2022 was significantly skewed and not a ratable approximately \$0.01 loss per quarter. EPS was +\$0.05/- \$0.05/- \$0.03/breakeven in 2022. The positive contribution in 1Q22 that reversed out in subsequent quarters causes particularly unfavorable comparisons in 1Q23 YoY. This shaping could manifest again but we do not anticipate the same magnitude after the Midstream exit.

## Adjusted EPS: Mostly below Consensus

The latest OGE EPS forecast is below. Our HoldCo drag is +\$0.01 to \$0.03 higher in 2025 due to lower assumed interest expenses with US Treasury rates declining since February 23<sup>rd</sup> last refresh.

### Exhibit 3: OGE Energy Financial Snapshot

BofA estimate 4.5% consolidated EPS CAGR and 6.1% utility EPS CAGR. The growing parent drag dampens consolidated growth

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	2.05	2.19	2.30	2.44	2.59	6.2%	6.1%
Guidance: 5-7% CAGR \$1.81 Starting Point	1.79-1.83	2.08-2.12	1.99-2.09	2.16	2.29	2.42	2.57		5.9%
HoldCo	(0.04)	(0.03)	(0.03)	(0.07)	(0.12)	(0.16)	(0.19)	29.9%	54.1%
Guidance		(0.01)-(0.02)	(0.02)-(0.06)	(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	2.01	2.13	2.18	2.29	2.40	5.3%	4.5%
Guidance	NA	2.09	1.93-2.07	2.07	2.16	2.25	2.36	4.9%	4.2%
BofA vs Guidance		3.7%	0.6%	3.1%	1.3%	1.5%	1.9%		
Consensus		2.09	2.01	2.12	2.29	2.36	2.46	5.6%	5.1%
BofA vs Consensus			0.1%	0.3%	-4.8%	-3.2%	-2.2%		
Dividend per Share	1.62	1.64	1.66	1.69	1.73	1.77	1.81	1.9%	2.1%
YoY Growth		1.6%	1.1%	1.5%	2.4%	2.3%	2.3%		
Change in Estimates		0.1%	0.1%	0.4%	0.6%	0.7%	1.3%		
Payout Ratio	68.4%	76.1%	82.6%	79.2%	79.1%	77.3%	75.2%		

Source: Company Filings, Bloomberg, & BofA Global Research

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### Consensus estimates have generally declined since 4Q22

2023 has been trimmed to \$2.01 from \$2.04, closer to the \$2.00 guidance midpoint. 2024 is similarly -\$0.04 to \$2.12 but 2025 estimates are +\$0.01 to \$2.29. 2026 is -\$0.03 to \$2.36. BofA electric utility estimates are minimally changes but this leads to our new estimates being closer to Consensus, but still below.

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[OGE Energy Corp: Derisking & Rolling on a better than OK Load Outlook: Buy](#)  
[OGE Energy Corp: Momentum Continues: Load is Robust, Generation Upside, ET Exit is Rapid](#)

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## Date Published

24 March 2023  
 24 February 2023  
 23 January 2023  
 08 August 2022

## Valuation: \$39 PO unchanged

We continue to use a 2025 sum-of-the-parts valuation anchored by the electric (16.5x, down slightly from 16.7x) sub-sector valuations. We gross-up the base multiples +5% to reflect sector capital appreciation opportunities, a consistent approach across our utilities coverage. We slightly lower the relative premium to 0.5x from 1.0x with our 4-5% consolidated EPS still below peers but retaining a premium for potential incremental capex.

The +60bp higher 2025 EPS is offset by a lower base P/E and reduced premium to peers.

## Exhibit 4: OGE Energy Corp Sum-of-the-Parts Valuation

Solid positive potential total return but we look for further progress to get more constructive

## OGE Energy Corp Sum-of-the-Parts Valuation

Base Electric P/E Calculation		Group Peer P/E	Group EPS CAGR	Group Valuation P/E	
		16.5x	5.0%	17.3x	
		16.5x	0.8x	17.3x	
Earnings Segments		2025 EPS	Premium/(Discount)	Multiple Applied	\$ per Share
OG&E Electric Utility		\$2.30	0.5x	17.8x	\$40.98
HoldCo		-\$0.12	0.5x	17.8x	-\$2.07
Total Equity Value per Share		\$2.18	0.5x	17.9x	\$39.00
Potential Price Appreciation					3.9%
NTM Yield					4.4%
Potential Total Return					8.3%

Source: Company Filings, Bloomberg, & BofA Global Research

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## Price objective basis & risk

### OGE Energy Corp (OGE)

Our OGE PO is \$39/share based on a sum of the parts. For the utility and holdco we apply the FY25 peer multiple of 16.5x. 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 1x 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.

## 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
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	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
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	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
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	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	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
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	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
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG 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



## North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
<b>NEUTRAL</b>				
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
<b>UNDERPERFORM</b>				
	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
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC 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
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith



## **IQmethod<sup>SM</sup> Measures Definitions**

### **Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

### **Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

### **Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

### **Numerator**

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

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

### **Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

### **Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +  
Other LT Liabilities  
Enterprise Value

### **Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

### **Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

### **Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales  
  
Basic EBIT + Depreciation + Amortization

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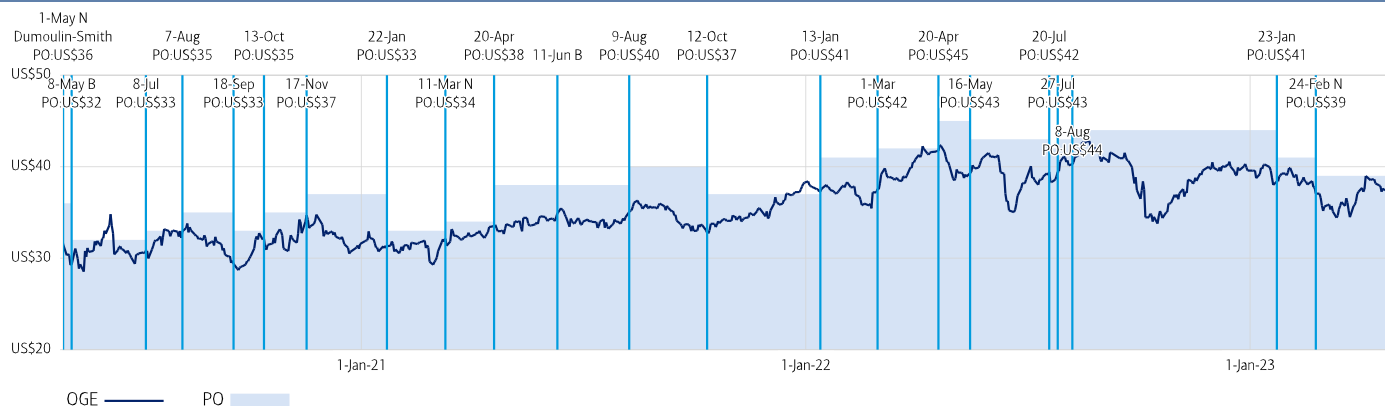
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	78	50.65%	Buy	53	67.95%
Hold	40	25.97%	Hold	28	70.00%
Sell	36	23.38%	Sell	24	66.67%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

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

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

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