

# Vistra Corp

## The nuclear (and natural gas) renaissance is on its way – Reiterate Buy

Reiterate Rating: BUY | PO: 70.00 USD | Price: 60.20 USD

### Data center demand drivers real, but be patient...

We reiterate Buy on shares of independent power producer (IPP) Vistra, despite the +55% YTD rally, after hosting senior management at our Power, Utilities, & Clean Energy Conference in New York. The projected growth of data centers is positive for incumbent generators via higher realized power prices/margins leading to yet further upside. We include our initial estimate of the potential uplift for the nuclear fleet to frame sizing following [peer Talen's \(TLNE – Not covered\) success in inking such a deal at its nuclear site just recently](#) (see report). The true uplift is 2026+ but an announcement could potentially come sooner.

### Strong FCF profile increases capital allocation optionality

We look for VST's capital allocation strategy to continue to prioritize shareholder returns and deleveraging, with the use of excess capital judiciously weighed against return thresholds. Mgmt. expects to deploy \$2.25Bn towards the buyback across 2024 and 2025, while leverage is anticipated to reach the sub-3x target by YE24. We see potential for FCFbG above guidance, which could open up incremental investment opportunities. We look for mgmt. to discuss a more comprehensive longer-term capital allocation plan in the coming months as well as synergy updates with 1Q. Could be quite material.

### ERCOT tightness persists, supports favorable outlook

We continue to see a need for incremental dispatchable capacity in Texas as demand for power grows and intermittent renewable penetration accelerates. VST's efficient portfolio is well positioned to capitalize on scarcity pricing and ancillary services. We see new capacity build-outs as likely, but see VST and others as waiting for final regulatory guidelines on key incentive programs including the PCM, low-interest loan program, etc.

### Layering nuclear upside into valuation – PO to \$70

We raise our PO to \$70 following our latest mark-to-market and sum-of-the-parts (SotP) refresh. We now include upside to nuclear earnings in our valuation from potential offtake contracts with data centers. We estimate this represents ~\$8/sh in upside on an NPV basis (10% discount rate) assuming contracts start-up across 2027/2028 and run for 10-years. We also raise our target multiples on certain generation assets to reflect an improving power backdrop & synergy upside. VST also trades at single-digit P/E's too.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(2.86)	3.53	6.47	5.75	8.62
EPS Change (YoY)	-9.2%	NM	83.3%	-11.1%	49.9%
Consensus EPS (Bloomberg)			4.25	4.24	4.28
DPS	0.71	0.74	0.84	0.89	0.95
Valuation (Dec)					
P/E	NM	17.1x	9.3x	10.5x	7.0x
Dividend Yield	1.2%	1.2%	1.4%	1.5%	1.6%
EV / EBITDA*	7.9x	6.5x	7.0x	6.1x	5.6x
Free Cash Flow Yield*	-3.9%	18.0%	-4.5%	11.1%	13.3%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 11.

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### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	52.00	70.00
2024E Rev (m)	18,165.4	18,112.5
2025E Rev (m)	18,527.7	18,597.7
2026E Rev (m)	NA	19,110.0
2024E EPS	4.86	6.47
2025E EPS	4.70	5.75
2026E EPS	NA	8.62
2024E DPS	0.85	0.84

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### Stock Data

Price	60.20 USD
Price Objective	70.00 USD
Date Established	12-Mar-2024
Investment Opinion	B-1-7
52-Week Range	22.67 USD - 62.12 USD
Mrkt Val (mn) / Shares Out (mn)	20,943 USD / 347.9
Free Float	98.9%
Average Daily Value (mn)	335.51 USD
BofA Ticker / Exchange	VST / NYS
Bloomberg / Reuters	VST US / VST.N
ROE (2024E)	50.2%
Net Dbt to Eqty (Dec-2023A)	209.3%
ESGMeter™	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"](#).

BTM: Behind the meter

ERCOT: Electric Reliability Council of Texas

PCM: Performance credit mechanism

# iQprofile<sup>SM</sup> **Vistra Corp**

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-3.8%	8.1%	9.8%	8.8%	10.7%
Return on Equity	-26.3%	53.3%	50.2%	29.4%	37.2%
Operating Margin	-8.6%	18.0%	20.9%	18.0%	20.9%
Free Cash Flow	(816)	3,777	(951)	2,325	2,795

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	3.7x	1.8x	2.0x	1.6x
Asset Replacement Ratio	0.6x	0.9x	2.6x	0.6x	0.7x
Tax Rate	22.4%	25.4%	NM	NM	NM
Net Debt-to-Equity Ratio	254.6%	209.3%	199.8%	187.7%	146.8%
Interest Cover	-3.2x	3.6x	2.9x	2.5x	3.1x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	13,728	14,779	18,112	18,598	19,110
% Change	13.7%	7.7%	22.6%	2.7%	2.8%
Gross Profit	3,327	7,222	7,822	7,727	8,207
% Change	14.4%	117.1%	8.3%	-1.2%	6.2%
EBITDA	5,041	6,057	5,621	6,530	7,014
% Change	26.3%	20.2%	-7.2%	16.2%	7.4%
Net Interest & Other Income	(383)	(661)	(959)	(1,022)	(1,034)
<b>Net Income (Adjusted)</b>	<b>(1,210)</b>	<b>1,492</b>	<b>2,318</b>	<b>1,943</b>	<b>2,719</b>
<b>% Change</b>	<b>4.3%</b>	<b>NM</b>	<b>55.3%</b>	<b>-16.1%</b>	<b>39.9%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(1,560)	2,000	1,848	1,550	2,169
Depreciation & Amortization	2,047	1,956	1,958	2,488	2,372
Change in Working Capital	(2,665)	1,508	518	(13)	(56)
Deferred Taxation Charge	(359)	457	(469)	(394)	(551)
Other Adjustments, Net	3,022	(468)	369	294	461
Capital Expenditure	(1,301)	(1,676)	(5,176)	(1,600)	(1,600)
<b>Free Cash Flow</b>	<b>-816</b>	<b>3,777</b>	<b>-951</b>	<b>2,325</b>	<b>2,795</b>
<b>% Change</b>	<b>34.1%</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>20.2%</b>
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(302)	(313)	(300)	(300)	(300)
Change in Debt	2,322	1,390	(463)	151	200

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	525	3,539	876	1,451	2,690
Trade Receivables	2,086	1,680	2,047	2,102	2,159
Other Current Assets	8,505	6,418	5,544	5,567	5,568
Property, Plant & Equipment	12,554	12,432	15,799	15,062	14,495
Other Non-Current Assets	9,117	8,897	9,366	9,760	10,311
<b>Total Assets</b>	<b>32,787</b>	<b>32,966</b>	<b>33,632</b>	<b>33,941</b>	<b>35,224</b>
Short-Term Debt	1,113	2,286	49	49	0
Other Current Liabilities	9,224	7,537	7,548	7,613	7,617
Long-Term Debt	11,933	12,116	13,890	14,041	14,290
Other Non-Current Liabilities	5,599	5,705	5,605	5,505	5,415
<b>Total Liabilities</b>	<b>27,869</b>	<b>27,644</b>	<b>27,092</b>	<b>27,208</b>	<b>27,322</b>
<b>Total Equity</b>	<b>4,918</b>	<b>5,191</b>	<b>6,540</b>	<b>6,733</b>	<b>7,903</b>
<b>Total Equity &amp; Liabilities</b>	<b>32,787</b>	<b>32,835</b>	<b>33,632</b>	<b>33,941</b>	<b>35,224</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 11.

## Company Sector

Electric Utilities

## Company Description

Vistra Energy (NYSE: VST) is an integrated power company based in Irving, Texas. Through its retail and generation businesses which include TXU Energy, Homefield Energy, Dynegy, and Luminant, Vistra operates in 12 states and six of the seven competitive markets in the U.S., with about 6,000 employees. Vistra's retail brands serve approximately 2.9 million customers and its generation fleet totals approximately 41,000 megawatts of natural gas, nuclear, coal, and solar facilities.

## Investment Rationale

We are Buy rated on Vistra (VST) due to its robust near- and long-term free cash flow from the generation-retail matching strategy. The predominately natural gas power plant portfolio offers solid margins (spark spreads) with less volatility than the underlying natural gas commodity. Vistra is developing solar and storage assets as part of Vistra Zero platform, leveraging legacy fossil sites for above-average returns. This all supports a strong repurchase program.

## Stock Data

Average Daily Volume 5,573,259

## Quarterly Earnings Estimates

	2023	2024
Q1	1.87A	0.43E
Q2	1.26A	0.92E
Q3	1.35A	2.90E
Q4	-0.71A	6.35E

## Framing the landscape from here

We see the potential regulatory element related to increasing behind-the-meter (BTM) agreements as particularly worth monitoring. As more BTM agreements are signed and coal retirements occur, just how regulators choose to address growing supply constraints will be critical. From a valuation perspective, FCF yield has moved lower from the mid-20% levels and 30%+ peak but is still attractive. We see this tightening in the spread between repurchases and potential investment opportunities as a key factor in mgmt.'s long-term planning. While we perceive the buyback remains particularly attractive, watch for mgmt. to offer insight into return thresholds as part of the long-term framework. Separately, we also see upside to disclosed synergies on Energy Harbor deal close as boding favorably for a positive update in 2024 given the experience of prior integrations.

### More capacity in ERCOT? Waiting on rules to be finalized

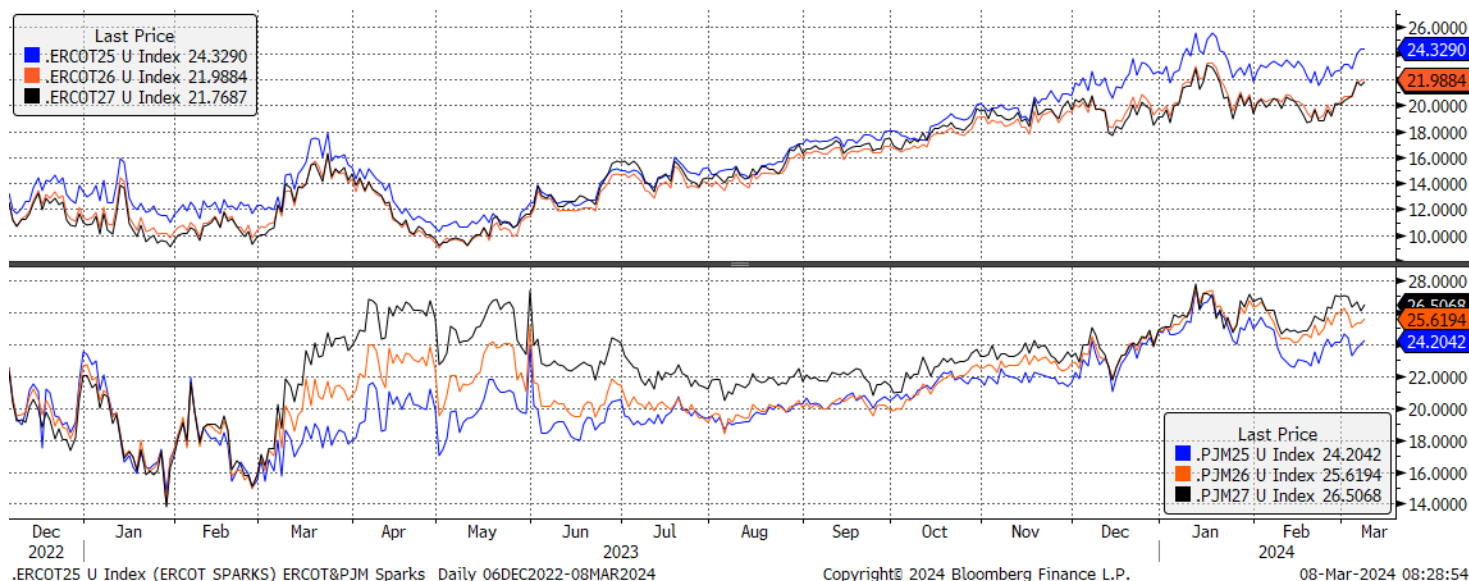
Considering the time to construct new capacity remains extended, we see a tight market continuing with new builds likely not coming online until 2027 or later. As such, we see a favorable backdrop for VST in ERCOT while mgmt. weighs timing and sizing on any potential investments in growth.

We do not see real concern with ERCOT power pricing on the back of new reforms (such as the ECRS program implemented in mid-June). Many Power commodity traders and those closely watching the market continue to watch with some hesitation the sustainability of reforms, but we see *more* coming rather than less, including the new Dispatchable Reserve (DRRS) program pending implementation this year too.

The biggest holdback for VST shares appears the potential success of the new Texas Energy Fund to procure additional gas gen. We actually see new build under this program as helping to limit further legislative intervention in the ERCOT market & helping to show some offsets to yet higher demand. PJM reform too towards re-regulation appears a nascent potential headwind to shares to watch.

#### Exhibit 1: ERCOT and PJM Spark Spreads (2025/2026/2027)

Favorable backdrop suggests elevated should be sustainable as load growth impresses and incremental capacity still far off



Source: Bloomberg, BofA Global Research

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The Public Utilities Commission of Texas (PUCT) largely indicated that more time is necessary to work on the implementation and Performance Credit Mechanism (PCM - Docket 55000). Per Electric Reliability Council of Texas's (ERCOT) regulatory filing, PUCT approval was targeted for January 2025 with implementation in 3Q25. Members of the

PUCT described the schedule as rushed and generally inadequate given the volume of work necessary.

We believe that the lack of clarity could further disincentivize or delay new natural gas generation from entering the market, positive for incumbent generators. Incumbent generators have robust profitability with expanding spreads and the benefits of more robust ancillary services markets, primarily ERCOT Contingency Reserve Service (ECRS). We look for VST to likely participate in some modest amount of new gas build and/or retrofit of its portfolio potentially should reforms move forward. Look for updates on new growth capital for power assets in tandem with synergy update with 1Q.

## BofA Global Research Reports

### Title: Subtitle

[US Utilities & Clean Tech: 2024 Utilities, Power, & Clean Energy Conference: Data\(center\) Download](#)  
[US Utilities & Clean Tech: 2024 Utilities, Power, & Clean Energy Conference: What We Learned So Far](#)  
[US Utilities & IPPs: Data center monetization a blueprint for the sector: Positive merchant nuclear](#)  
[US Utilities & Clean Tech: 2024 Utilities, Power, and & Clean Tech Question Bank: What You Need to Ask](#)  
[Vistra Corp: Yes, we see further upside, but execution is the key – Reiterate Buy](#)  
[US Electric Utilities & IPPs: The Real Deal on the Next Gas Buildout Ahead & All its Ramifications](#)  
[Vistra Energy: Sparks fly: Highlighting VST's Texas exposure – Reiterate Buy](#)

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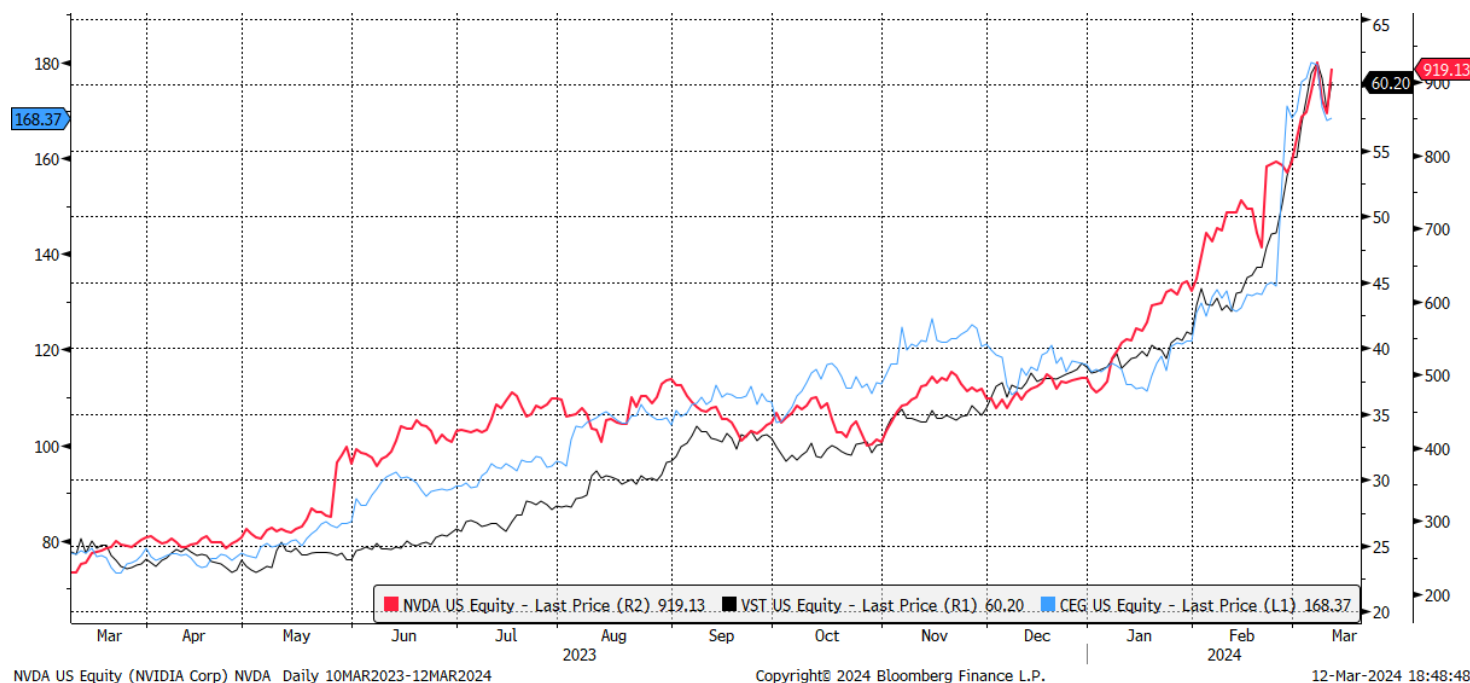
07 March 2024  
 06 March 2024  
 04 March 2024  
 01 March 2024  
 13 February 2024  
 17 November 2023  
 21 September 2023

## Insider sale and Nvidia correlation

On March 8th, Vistra (VST) General Counsel disposed of ~98,000 shares at prices between \$58.32-\$58.61 for ~\$5.7Mn. This comes after shares of VST have significantly outperformed YTD/TTM with a 55%+ YTD rally. In the Exhibit we show that VST and independent power producer peers (IPPs) have been highly correlated with Nvidia (NVDA) in recent months due to the data center/artificial intelligence bull thesis associated with the IPPs. See [TLN announcement report here](#).

### Exhibit 2: NVDA, VST, and CEG Equity Performance TTM

VST has rallied significantly in 2024 along with that data center bull thesis surrounding artificial intelligence/data centers



Source: Bloomberg

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## Expecting results at high-end of '24/'25 guidance ranges

Our updated forecast for VST calls for results at the high-end of the EBITDA guidance ranges for both 2024 and 2025: look for both to be revisited as soon as 1Q24, after the formal close of the Energy Harbor acquisition formally recently (too late to reflect in the latest 4Q update). We layer in VST's hedge position as disclosed by mgmt. in the 4Q23 earnings presentation and adjust accordingly for current commodity prices. Look for mgmt. to provide improved disclosures and potential re-segmentation in the coming months to aid in modeling. We are particularly keen to get insight into the performance and outlook for the renewables business (Vistra Zero).

### Exhibit 3: VST Adjusted EBITDA Outlook

We forecast results at the high-end of guidance for both 2024 and 2025 and are well ahead of Consensus

	2022A	2023A	2024E	2025E	2026E	2027E
Open Generation EBITDA	2,236	3,098	4,420	3,449	2,560	2,441
Asset Closure	(121)	(39)	(95)	(100)	0	0
Hedges / Other			(2,054)	(1,284)	0	0
Total Generation EBITDA (Traditional merchant biz)	2,115	3,059	2,271	2,065	2,560	2,441
Retail EBITDA	923	1,105	955	1,039	1,069	1,073
Growth EBITDA			522	705	825	830
Growth Hedges			(18)	(43)	(61)	(61)
<b>Total Vistra Zero</b>			<b>336</b>	<b>381</b>	<b>466</b>	<b>561</b>
<b>Total Combined EBITDA Prior to Synergies</b>	<b>3,038</b>	<b>4,164</b>	<b>4,065</b>	<b>4,147</b>	<b>4,859</b>	<b>4,844</b>
Total Synergies and Other	(44)	(63)	476	572	572	572
<b>Total Pro Forma EBITDA After Synergies (Consolidated)</b>	<b>2,994</b>	<b>4,101</b>	<b>4,541</b>	<b>4,719</b>	<b>5,431</b>	<b>5,415</b>
<b>Total EBITDA After Synergies (Ongoing Ops, excl. Growth)</b>	<b>3,115</b>	<b>4,140</b>	<b>4,053</b>	<b>4,032</b>	<b>4,542</b>	<b>4,521</b>
Adj EBITDA Guidance (Ongoing Ops)	2960-3160	3950-4100	3700-4100	3800-4000		
<b>Total Pro Forma EBITDA After Synergies (Ongoing Ops, incl. Growth)</b>	<b>3,115</b>	<b>4,140</b>	<b>4,636</b>	<b>4,819</b>	<b>5,431</b>	<b>5,415</b>
Illustrative EBITDA guidance			4400-4800	4600-4800		
Prior estimates (Excl. Asset Closure)			\$4,594	\$4,794	5,285	5,343
Chg vs. prior estimates			\$42	\$24	\$145	\$72
% chg y/y		37.0%	10.7%	3.9%	15.1%	(0.3%)
Consensus	3,074	4,028	4,338	4,435	4,278	4,329

Source: Company filings, Bloomberg, BofA Global Research

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We look for strong FCF conversion from EBITDA in the high-50% range through 2025 and expect this to rise further into the mid-60% range in 2026/2027. We look for mgmt. to continue to prioritize the buyback and debt paydown as part of the capital allocation strategy. This will be a key factor to monitor, as we perceive an increase in accretive growth opportunities considering the robust fundamental backdrop for power. We see potential for VST to capitalize on the Texas low-interest loan program (energy fund), which is expected to begin receiving applications this summer. Any additions would likely be modest pending greater clarity on the Performance Credit Mechanism (PCM) and ancillary services. Look for updates on this front in the coming months.

Bottom line, see a growing ability to both sustain existing buyback cadence and include new growth capex towards novel angles. We could very well see new gas plant investments and/or modest retrofits to existing plants on its Texas fleet with the 1Q update. Stay tuned on just how any such growth investments are framed.

### Exhibit 4: VST Cash Flow Forecast

See increasing optionality for uses of capital as cash flow inflects and power fundamentals strengthen

	2022E	2023E	2024E	2025E	2026E	2027E
<b>Total Pro Forma EBITDA After Synergies (Ongoing Ops, excl. Growth)</b>	<b>3,115</b>	<b>4,140</b>	<b>4,636</b>	<b>4,819</b>	<b>5,431</b>	<b>5,415</b>
Less: Cash Taxes	(23)	(24)	(22)	(22)	(22)	(22)
Less: Working Capital and Margin Deposits	(2,416)	1,887	518	(12)	(56)	10
Plus: Accrual of Environmental Items	237	336	459	0	0	0
Less: Reclamation and Remediation	(7)	(3)	(31)	0	0	0
Less: Transition and M&A Expense	(291)	(58)	(35)	0	0	0
ERCOT Securitization - cash receipt adjustment	544	0	0	0	0	0
Less: Adj. CapEx	(826)	(994)	(924)	(946)	(1,004)	(951)
Less: Growth CapEx	(475)	(682)	(819)	0	0	0





**Exhibit 4: VST Cash Flow Forecast**

See increasing optionality for uses of capital as cash flow inflects and power fundamentals strengthen

	2022E	2023E	2024E	2025E	2026E	2027E
Less: Purchase/Sale of Environmental Allowances	(28)	(571)	(291)	0	0	0
Less: VST Asset Closures (ERCOT-related & beyond)	(180)	(95)	(202)	(207)	0	0
Less: Other	282	(19)	(36)	0	0	0
<b>Unlevered FCF (\$Mn)</b>	<b>(68)</b>	<b>3,917</b>	<b>3,254</b>	<b>3,632</b>	<b>4,349</b>	<b>4,453</b>
Unlevered FCF Yield (%)	(0.2%)	11.7%	9.1%	10.1%	12.4%	12.9%
Less: Interest Expense	(587)	(560)	(726)	(792)	(800)	(950)
Less: Scheduled Principal Repayments (Including Some of 'Other')	(99)	(49)	(49)	(49)	0	0
<b>Levered FCF (\$Mn)</b>	<b>(754)</b>	<b>3,308</b>	<b>2,479</b>	<b>2,791</b>	<b>3,549</b>	<b>3,503</b>
Levered Free Cash Flow Yield	-3.5%	15.1%	11.3%	12.8%	16.2%	16.0%
Less: CST Asset Closure Adjustments	18	26	2	7		
<b>Adjusted Pro Forma FCFbG (Incl Asset Closure)</b>	<b>2,237</b>	<b>2,422</b>	<b>2,648</b>	<b>2,810</b>	<b>3,605</b>	<b>3,493</b>
Guidance - FCFbG (incl. ARO cost, ex-Growth)	1940-2240	2215-2465	1650-2150			
Conversion from adj. EBITDA (ex-ERCOT)	54%	59%	57%	58%	66%	64%
Less: Optional Debt Repayments	(4,501)	(1,208)	(759)	(500)	(500)	(500)
Plus: Debt Issuance	6,823	2,598	952	700	700	700
Plus: Preferred Equity Issuance			0	0	0	0
Less: Share Buybacks	(1,949)	(1,245)	(800)	(1,450)	(1,250)	(1,250)
Less: Dividend	(302)	(313)	(300)	(300)	(300)	(300)
Less: Preferred Dividends	(151)	(150)	(192)	(192)	(192)	(192)
Less: Other	0	24	0	0	0	0
Less: Acquisitions & Growth CapEx			(3,630)	(1,000)	(1,000)	(1,000)
<b>Cash Available for Allocation (\$Mn)</b>	<b>(834)</b>	<b>3,014</b>	<b>(2,250)</b>	<b>49</b>	<b>1,007</b>	<b>961</b>
Ending Debt (including 'Other')	13,118	14,402	14,545	14,696	14,896	15,096
Pro forma Cash (min cash \$400mn)	455	2,726	476	525	1,532	2,493
<b>Combined Net Debt</b>	<b>12,663</b>	<b>11,676</b>	<b>14,070</b>	<b>14,171</b>	<b>13,364</b>	<b>12,603</b>
Combined Leverage (Gross Debt/EBITDA After Synergies)	4.2x	3.5x	3.1x	3.0x	2.7x	2.8x
<b>Combined Leverage (Net Debt/EBITDA)</b>	<b>4.1x</b>	<b>2.8x</b>	<b>3.0x</b>	<b>2.9x</b>	<b>2.5x</b>	<b>2.3x</b>
Equity Value (\$Mn) - Current Share Price * Current Share Count	21,847	21,847	21,847	21,847	21,847	21,847
Enterprise Value (\$Mn)	34,510	33,523	35,917	36,019	35,212	34,451

Source: Company filings, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

**Nuclear upside drives valuation higher – PO to \$70**

We raise our PO to \$70 following our latest mark-to-market and sum-of-the-parts (SotP) refresh. **We now include \$8/sh from upside to nuclear earnings in our valuation from potential offtake contracts with data centers (see table below).** We also raise our target multiples on certain generation assets to reflect an improving backdrop for both baseload and dispatchable power across RTOs. Our target multiple for nuclear growth assets moves to 9.5x from 9.0x. Our target multiple for Texas gas generation moves to 9.0x from 7.5x while non-Texas gas gen moves to 7.5x from 5.5x. For the coal plants in Texas (Martin Lake and Oak Grove) we also raise our target multiple to 6.0x from 5.5x.

Below we show our nuclear upside 'mini-model' which is intended to capture potential offtake contracts with data center customers. VST owns four nuclear generation facilities, two of which are dual units (Comanche Peak and Beaver Valley) while the remaining two are single units (Parry and Davis-Besse). We assume any potential offtakers would contract for 75% of available generation volumes. For the dual-units we assume a \$17.50/MWh premium to prevailing power prices, while for the single units we assume a \$7.50/MWh premium. This compares to the ~\$20-30/MWh premium (to the nuclear PTC floor of ~\$44-50/MWh) that we estimate TLNE's dual-unit facility was contracted at with AWS resulting in all-in pricing closer to ~\$80/MWh.

[US Utilities & IPPs: Data center monetization a blueprint for the sector: Positive merchant nuclear 04 March 2024](#)

Bottom line, while not applying a probability weighting, the prices themselves are at a material discount to Talen's recent success. We appreciate that the transmission and distribution (T&D) avoided costs could be materially lower in ERCOT and hence see less of a premium as likely. Still bulk of nuclear assets sit in PJM under Energy Harbor deal; would appear the state of Pennsylvania is eager to see this replicated further. We caution the extent to which single unit sites will be leveraged in the near-term for

comparable application considering the lack of unit redundancy (yes, all off these would still presumably have on-site backup gen behind the nuclear plants). We believe dual-units should price at a premium to single units considering the value of redundancy. We tax incremental cash flows at a 21% rate, and discount these back to today at a 10% rate. We perceive Comanche Peak is a nearer-term opportunity for potential contracts as integration of the remaining three units progresses. In total, we estimate \$8/sh in uplift from potential offtake contracts with data centers. We stress we do not include this uplift in our earnings forecast.

We see the scenario below as fulsome to the extent it includes all plants (which appears unlikely) but similarly \$17.5/mwh below is below the \$20-30/MWh upside scenario seen for Talen. Overall see real upside potential still on this scenario and expect shares to benefit in coming year from Comanche Peak success.

We also stress large size of existing CCGT fleet, particularly in Texas is also a potential avenue for behind-the-meter, adjacent data center deployments. Multiple avenues to eventual upside thru decade. Deployments could help position shares as a real Power 'growth' co vs historical commodity-linked buyback story.

**Exhibit 5: VST Nuclear Upside – below reflects aspirational nuclear upside over time that we reflect in our SOTP – a fulsome sense of the total opportunity**

We estimate \$8/sh value uplift to the nuclear fleet from potential offtake agreements with data centers.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
<b>Generation Capacity (MW)</b>															
Comanche Peak	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Beaver Valley	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Perry	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268
Davis-Besse	908	908	908	908	908	908	908	908	908	908	908	908	908	908	908
<b>TOTAL</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>	<b>6,448</b>
<b>Generation Volumes (TWh)</b>															
Comanche Peak	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0
Beaver Valley	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4
Perry	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1
Davis-Besse	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
<b>TOTAL</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>
<b>Volumes Dedicated to Data Centers (%)</b>															
Comanche Peak	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Beaver Valley	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Perry	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Davis-Besse	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
<b>Weighted Average</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>75.0%</b>
<b>Pricing Upside (\$/MWh)</b>															
Comanche Peak	\$0.0	\$0.0	\$0.0	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$0.0	\$0.0
Beaver Valley	0.0	0.0	0.0	0.0	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	\$0.0
Perry	0.0	0.0	0.0	0.0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	\$0.0
Davis-Besse	0.0	0.0	0.0	0.0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	\$0.0
<b>Weighted Average</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$6.5</b>	<b>\$14.1</b>	<b>\$14.1</b>	<b>\$14.1</b>	<b>\$14.1</b>	<b>\$14.1</b>	<b>\$14.1</b>	<b>\$14.1</b>	<b>\$14.1</b>	<b>\$14.1</b>	<b>\$7.6</b>	<b>\$0.0</b>
<b>EBITDA Upside</b>															
Comanche Peak	\$0.0	\$0.0	\$0.0	\$218.0	\$218.0	\$218.0	\$218.0	\$218.0	\$218.0	\$218.0	\$218.0	\$218.0	\$218.0	\$0.0	\$0.0
Beaver Valley	0.0	0.0	0.0	0.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0	0.0
Perry	0.0	0.0	0.0	0.0	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	0.0
Davis-Besse	0.0	0.0	0.0	0.0	35.3	35.3	35.3	35.3	35.3	35.3	35.3	35.3	35.3	35.3	0.0
<b>TOTAL</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$218.0</b>	<b>\$472.7</b>	<b>\$472.7</b>	<b>\$472.7</b>	<b>\$472.7</b>	<b>\$472.7</b>	<b>\$472.7</b>	<b>\$472.7</b>	<b>\$472.7</b>	<b>\$472.7</b>	<b>\$254.7</b>	<b>\$0.0</b>
Discount Rate	8.0%														
<b>NPV (\$Mn)</b>	<b>\$2,418</b>														
<b>NPV/Share</b>	<b>\$8.00</b>														
Shares Outstanding (2026E)	303														

Source: Company filings, Bloomberg, BofA Global Research

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**Exhibit 6: VST SotP Analysis**

Despite significant rally, we still see a reasonable 15% free cash flow yield and a single-digit P/E

Vistra SotP (2026E)	Adj. EBITDA	Maintenance Capex	FCF	EV/FCF	FCF Yield (Implied)	EV/EBITDA (implied)	Total EV	Value per Share
Nuclear (Texas)	406	(110)	295	10.5x	9.5%	7.6x	3,099	10.00
Nuclear (Growth)	858	(198)	661	9.5x	10.5%	7.3x	6,275	21.00
Renewables and Storage	466	(10)	456	12.0x	8.3%	11.7x	5,466	18.00
Retail	968	(38)	930	7.0x	14.3%	6.7x	6,508	21.00
<b>Total Vistra Vision</b>	<b>\$2,697</b>	<b>(\$356)</b>	<b>\$2,341</b>	<b>9.1x</b>	<b>11.0%</b>	<b>7.9x</b>	<b>\$21,348</b>	<b>\$70.00</b>
Less: Net Debt & Other			(240)				(3,430)	(11.00)
Less: Series A Preferreds (50%)			(40)				(500)	(2.00)
Less: Vistra Zero Preferreds			(70)				(1,000)	(3.00)
Less: Minority Interest			(299)				(2,463)	(8.00)
<b>Levered FCF Yield</b>								
<b>Total Vistra Vision Equity Value</b>	<b>Levered FCF =&gt;</b>		<b>\$1,692</b>	<b>=&gt;</b>	<b>12.1%</b>		<b>\$13,956</b>	<b>46.00</b>
Gas Gen (Texas)	490	(58)	431	9.0x	11.1%	7.9x	3,881	13.00
Gas Gen (Non-Texas)	1,192	(65)	1,127	7.5x	13.3%	7.1x	8,452	28.00
Coal Gen - Ongoing Ops (Texas)	776	(65)	711	6.0x	16.7%	5.5x	4,265	14.00
Coal Gen - Sunset	387	(56)	332	1.5x	66.7%	1.3x	498	2.00
<b>Total Vistra Tradition</b>	<b>\$2,845</b>	<b>(\$244)</b>	<b>\$2,601</b>	<b>6.6x</b>	<b>15.2%</b>	<b>6.0x</b>	<b>\$17,096</b>	<b>\$56.00</b>
Less: Series A Preferreds (50%)			(40)				(500)	(2.00)
Less: Series C Preferreds			(42)				(476)	(2.00)
Less: Net Debt & Other			(850)				(10,957)	(36.00)
<b>Levered FCF Yield</b>								
<b>Total Vistra Tradition Equity Value</b>	<b>Levered FCF =&gt;</b>		<b>\$1,669</b>	<b>=&gt;</b>	<b>32.3%</b>		<b>\$5,162</b>	<b>17.00</b>
Nuclear Upside NPV	473 (Run rate)	0	473 (Run rate)	5.1x	19.6%	5.1x	2,418	8.00
Hedges	(61)	0	(61)	1.0x	n/a	n/a	(61)	0.00
Corporate	(50)	0	(50)	6.0x	n/a	6.0x	(300)	(1.00)
<b>Total Vistra</b>	<b>\$5,431</b>	<b>(\$600)</b>	<b>\$4,831</b>	<b>8.4x</b>	<b>11.9%</b>	<b>7.5x</b>	<b>\$40,500</b>	<b>\$133.00</b>
<b>Levered FCF (Net of NCI)</b>								
<b>Total Vistra Equity Value</b>	<b>=&gt;</b>		<b>\$3,250</b>	<b>=&gt;</b>	<b>15.3%</b>		<b>\$21,174</b>	<b>\$70.00</b>

TX Generation	EBITDA	Enterprise Value	EV/EBITDA
TX Generation	1,671	11,245	6.7x
Non-TX Generation	2,438	15,225	6.2x
Renewables and Storage	466	5,466	11.7x
Retail	968	6,508	6.7x
Hedges and Corporate	(111)	(361)	3.3x
<b>Total (Assets in Operation)</b>	<b>5,431</b>	<b>38,083</b>	<b>7.0x</b>
Nuclear Upside	473	2,418	5.1x
<b>TOTAL (Incl. Nuclear Upside)</b>	<b>5,903</b>	<b>40,500</b>	<b>6.9x</b>

Share count (Projected - YE26)	303
Dividend Yield - 2024E	1.4%
<b>Total Potential Return</b>	<b>17.1%</b>

Source: Company filings, Bloomberg, BofA Global Research

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## Price objective basis & risk

### Vistra Corp (VST)

Our \$70 price objective is based on a 2026E SOTP valuation. For Vistra Vision, we arrive at a 7.9x blended EV/EBITDA. We apply a 9.5x EV/FCF multiple to nuclear (10.5x for Texas), which we believe fairly represents the risk/reward profile of the assets. For Renewables and Storage, we apply a 12.0x EV/FCF multiple given the accelerating nature of the end markets. For Retail, we apply a 7.0x EV/FCF multiple, consistent with peers. For Vistra Tradition, we arrive at a 6.0x blended EV/EBITDA multiple. We apply a 7.5x EV/FCF multiple to Gas Generation (9.0x for Texas) given favorable spark spreads and end market demand dynamics and a 1.5x EV/FCF multiple to Coal Generation (6.0x for Texas) which we believe appropriately captures the limited long-term value of the assets.

Downside risks to our PO are 1) changes to regulatory, political, or legislative standards, 2) wholesale power, natural gas, & capacity prices, 3) competitive & regulatory change to retail businesses, principally in Texas, 4) operational performance, 5) development of new renewables and storage assets, 6) natural disasters, 7) interest rates, 8) nuclear fuel access/cost, and 9) retail market attrition.

## 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
<b>BUY</b>				
	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
	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
	MDU Resources Group, Inc.	MDU	MDU US	Julien Dumoulin-Smith
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Energy Group	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
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra	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 Corp	VST	VST US	Julien Dumoulin-Smith



## North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
<b>NEUTRAL</b>				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Paul Zimbardo
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Paul Zimbardo
	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
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	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
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	Portland General Electric Company	POR	POR 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	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Julien Dumoulin-Smith
<b>UNDERPERFORM</b>				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE 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
<b>RVW</b>				
	New Fortress Energy	NFE	NFE 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

### 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 &amp; 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

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

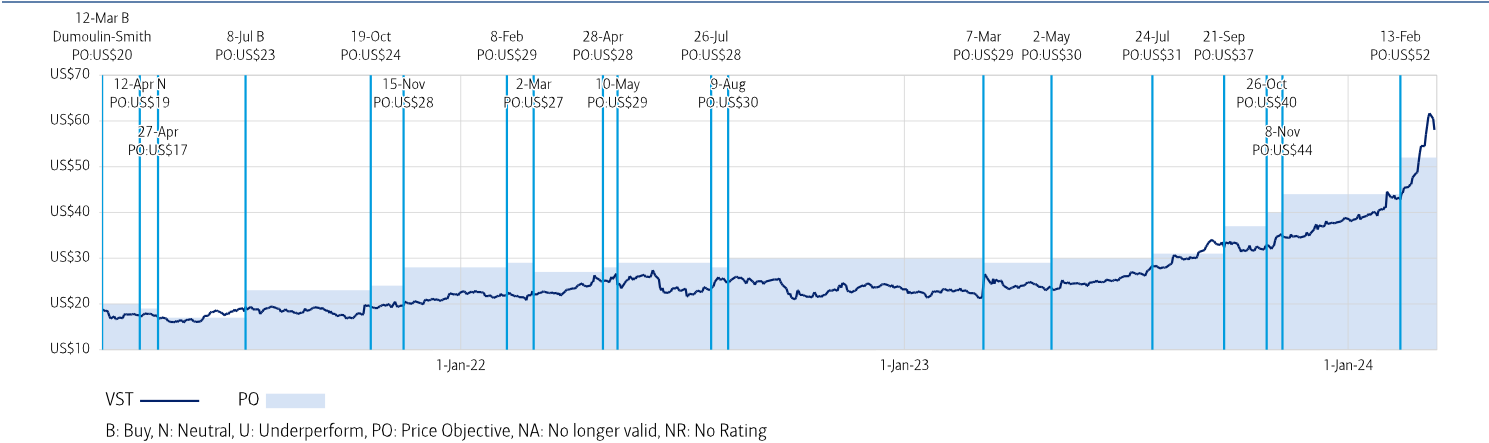
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# Disclosures

## Important Disclosures

Vistra (VST) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<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>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> 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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