

Sunnova Energy

NOVA dealer conference takeaways:
residential solar thawing in 2024

Maintain Rating: BUY | PO: 16.00 USD | Price: 9.07 USD

NOVA Dealers: Quite Constructive to Outlook

We attended the largest NOVA dealer conference yet where management hosted 1000+ solar executives for their annual gathering of their sales network. What is clear is that dealer confidence in continued growth y/y in 2024 remains abundantly clear. Where there are ongoing doubts is the extent of market rout from less nimble installers and dealers, where estimates were upwards of 15-20% deal consolidation this year as there is an active rout in the market at present. Several high-profile bankruptcies from some of NOVA's largest partners has been the key driver of the latest move lower in shares. We anticipate these to be immaterial to NOVA as counterparty impacts. We see anecdotal datapoints affirming we are indeed approaching the low, with rates having moved lower from highs as well. We maintain our Buy and PO as we believe we are actively seeing the lows, with clear equipment and tax credit advantages helping expand margins.

Domestic Contents is the 'Game Changer' in resi

We continue to watch for finalization of domestic contents rules under the IRA, likely in ~2Q by IRS as best we continue to hear. NOVA and SunRun (RUN) have stressed leveraging the batteries and inverters alone to be able to take the full 40c+/w domestic advantage. We see very little of this will be passed to customers initially helping to return the sector to more healthy margins thru 2H. Watch domestic resi panels scaling too thru this year to further enable domestic contents clarity from likes of Q-Cells and others. Availability of such panels should really ramp in 2H24, but in interim benefits of storage products qualifying for DC should actually only further ramp attach rates.

Anticipate a focus on cash flow from NOVA on 4Q stressing similar points to RUN in their ability to not just monetize its '23 loan portfolio to paydown debt but also redirect prospective parent FCF towards debt paydown given sharp discounts to par today.

But is there a 'Trump Rally' in Resi Solar Sales in 2H?

An understated angle in 2H to watch is a likely marketing pitch to residential customers to get their orders in before any threats to repeal IRA are realized under any potential Trump election win scenario. While we encourage investors to appreciate the IRA repeal narrative remains principally tied to a legislative turnover of the House, we anticipate resi solar companies will make the marketing appeal regardless. If there was an upside surprise to sales nationally in 2H, we believe this could be it, particularly when coupled with the benefits of more normalized sales leveraging both Energy Communities and Domestic Contents, each for an extra 10% uplift to the ITC.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(1.19)	(1.06)	(1.78)	(1.40)	(1.62)
EPS Change (YoY)	58.5%	10.9%	-67.9%	21.3%	-15.7%
Consensus EPS (Bloomberg)			(2.22)	(1.58)	(1.11)
DPS	0	0	0	0	0
Valuation (Dec)					
EV / EBITDA*	126.5x	91.0x	45.3x	26.1x	24.1x
Free Cash Flow Yield*	-68.8%	-111.1%	-199.5%	-231.4%	-233.4%

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

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Stock Data

Price	9.07 USD
Price Objective	16.00 USD
Date Established	1-Feb-2024
Investment Opinion	C-1-9
52-Week Range	7.62 USD - 24.56 USD
Mkt Val (mn) / Shares Out (mn)	1,110 USD / 122.4
Free Float	86.7%
Average Daily Value (mn)	47.78 USD
BofA Ticker / Exchange	NOVA / NYS
Bloomberg / Reuters	NOVA US / NOVA.N
ROE (2023E)	-16.8%
Net Dbt to Eqty (Dec-2022A)	267.5%
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".

IRA: Inflation Reduction Act

IRS: Internal Revenue Service

iQprofileSM Sunnova Energy

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-1.1%	1.3%	-1.0%	0.3%	0.6%
Return on Equity	-12.6%	-9.8%	-16.8%	-14.5%	-18.7%
Operating Margin	-22.7%	17.4%	-12.9%	3.5%	7.3%
Free Cash Flow	(764)	(1,234)	(2,215)	(2,570)	(2,592)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	6.5x	8.0x	15.3x	13.5x	11.5x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	186.4%	267.5%	269.6%	260.6%	257.7%
Interest Cover	-0.7x	1.3x	-1.0x	0.2x	0.3x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	242	558	799	1,078	1,338
% Change	50.3%	130.7%	43.3%	34.9%	24.1%
Gross Profit	222	521	731	987	1,243
% Change	53.7%	134.5%	40.4%	34.9%	26.0%
EBITDA	86	119	239	416	450
% Change	43.7%	39.0%	100.8%	73.9%	8.2%
Net Interest & Other Income	(92)	(69)	(102)	(199)	(284)
Net Income (Adjusted)	(135)	(121)	(205)	(161)	(186)
% Change	46.5%	10.2%	-69.1%	21.4%	-15.5%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(148)	(154)	(205)	(161)	(186)
Depreciation & Amortization	86	108	121	165	201
Change in Working Capital	(227)	(346)	(432)	(553)	(490)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	79	27	155	196	204
Capital Expenditure	(555)	(868)	(1,855)	(2,216)	(2,321)
Free Cash Flow	-764	-1,234	-2,215	-2,570	-2,592
% Change	-7.6%	-61.5%	-79.6%	-16.0%	-0.8%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	1,221	2,115	1,891	2,267	2,381

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	243	360	128	101	102
Trade Receivables	76	237	237	237	202
Other Current Assets	296	351	587	838	838
Property, Plant & Equipment	2,907	3,785	5,419	7,346	9,380
Other Non-Current Assets	1,979	3,604	4,822	6,069	7,414
Total Assets	5,501	8,337	11,193	14,591	17,935
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	137	256	179	224	269
Long-Term Debt	3,265	5,409	7,326	9,621	12,035
Other Non-Current Liabilities	480	784	1,019	1,092	998
Total Liabilities	3,883	6,449	8,523	10,938	13,302
Total Equity	1,622	1,887	2,670	3,654	4,630
Total Equity & Liabilities	5,504	8,337	11,193	14,591	17,932

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

Company Sector

Alternative Energy

Company Description

Founded in 2012, Sunnova (NOVA) is a technology-agnostic residential solar service provider headquartered in Houston, TX. Similar to residential solar service provider peer SunRun (RUN), NOVA principally finances, installs, services, and owns solar panel and battery storage systems on residential customer premises.

Investment Rationale

We are Buy rated on NOVA as we see value in shares with the company offering an optimistic growth outlook for 2024 and benefitting from declining rates. We emphasize prospective storage attachment, and limited absolute exposure to a downside case in California as supporting a value in a stock where very little growth is embedded into the current valuation.

Stock Data

Average Daily Volume 5,391,846

Quarterly Earnings Estimates

	2022	2023
Q1	-0.70A	NAE
Q2	-0.74A	NAE
Q3	-0.55A	NAE
Q4	0.55A	NAE

IRA Repeal is the holdup on the sector, we agree.

We continue to acknowledge the very real risks of an IRA repeal narrative on shares of NOVA in particular as there are a litany of factors that could be tweaked on how rules are implemented rather than outright IRA repeal that could stymie resi solar. We watch for just how any narrative on capping credits under IRA could be implemented closely considering the substantive credits awarded to resi specifically.

Yes, Hestia adds to headline risks... we don't see it as material.

Given existing headlines already around NOVA's low-income loan program, Hestia, we see reasons why shares will remain the 'go-to' solar correlated to concerns tied to repeal: even in light of the fact that the Hestia program has muted economic impacts if removed for NOVA.

We maintain our Buy with yet higher conviction after latest selloff

With shares returning close to the 52-week lows, we stress 4Q update ahead and greater confidence than the Street on intact customer growth should prove a positive boost. We believe reaffirmation on customer adds appears ever clearer, minimal counterparty risk from defunct dealers, and clear trends on declining costs in 2H, inflection in resi sales, and backdrop for marketing 'IRA repeal deals' nationally in 2H all should accrue. Finally, greater ability to garner domestic contents adds in a pervasive manner as panels become more widely available and as attach rates tick up (hopefully all enabled by fully 10% eligible deals) could make this a better year in 2H than previously anticipated. We expect management to focus sharply on addressing debt paydown in a clear further nod to investor concerns. We maintain our Buy with shares off the most of any peer clean energy company to date.

Exhibit 1: Sunnova Energy Performance vs. ICLN

NOVA down 41% YTD 2024; most significant decline in our clean tech coverage



Source: Bloomberg

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Production Deflation is at the doorstep

We continue to see product inroads by both Tesla Energy and Hoymiles as key further competitors ramping in the inverter space. Watch for how both are including in formalized 'approved' equipment for financing (on the ABL list). Specifically, both



products were featured prominently at NOVA's conference despite not yet being formally included as a vendor. We expect both to be included in '23. To this end, Hoymiles 4-panels-to-1 micro-inverter solution was quoted at 22c/W (vs 30c/W+ or higher for ENPH); related we see sizable potential for Tesla's Powerwall 3 product considering its \$7-8k price tag for a 13kWh battery and embedded inverters. Customer product questions and confidence in its service continue to dominate the dialogue as to why it is not more widely adopted. Recall NOVA's existing battery default product is the Powerwall 2 (expect a pivot to the 3.0 version as inventories of the legacy are sold off). Bottom line, see product deflation as a meaningful and verifiable factor to enabling renewed sector health. Slow pace of realizing this deflation has been notable beyond panel drops.

Further thoughts on ENPH... why we like NOVA more. Adds to our conviction.

We see the positive reaction today to Enphase Energy (ENPH) commentary around reaching a 'low' in the residential sector – with improving microinverter sales thru '24. We see this as having a clear positive read to the balance of the space. Why are we so positive on NOVA yet more cautious on ENPH despite leverage to a similar end-market? We see NOVA shares as uniquely under pressure from credit and dealer considerations that should alleviate themselves here shortly as well as from more headline concerns on IRA repeal. We see NOVA as benefitting from *greater* tailwinds than ENPH as margins actively expand thru '24 and prove-out its resilience in a much clearer fashion in our view. The competitive landscape as we emerge from the inventory backdrop remains the primary intervening factor between ENPH and NOVA, with NOVA specifically poised to start approving both Tesla's new powerwall and Hoymiles micro-inverters in coming months.

[Enphase Energy: The long road to recovery winds on – Reiterate Underperform 07 February 2024](#)

Estimates unchanged; expect FY24 to be intact

We enter 4Q23 earnings with an outlook in line with guidance but above the Street. Our numbers assume continuation of rising (Power Purchase Agreement) PPA/lease mix relative to loans. We see creation costs rising year-over-year in 2024 as a result of higher storage attachment, which ultimately features a stronger EBITDA at the expense of higher COGS. We've outlined our broader expectations for the 4Q23 earnings call in a prior note, [linked here](#). We still believe there could be meaningful upside to our \$416Mn adjusted EBITDA estimate in FY24, depending on levels of loan portfolio monetization that could drive gains on sale over the course of the year. We also see further conservatism in implied \$50-90Mn of ITC-related EBITDA in FY24 guidance versus what could be over \$100Mn of ITC-related EBITDA just in 4Q24 alone.

Street estimates remain uniquely cautious against their FY24 guidance on customers and Adj EBITDA affirming the 'low bar' to drive shares higher upon guide reaffirmation.

Exhibit 3: Sunnova Guidance - BofA vs Consensus

No change to estimates; still see 2024 customer additions and EBITDA within guidance ranges

	2023 BofA Est	2023 Prior BofA Est	2023 Cons Est	FY23 Guidance	2024 BofA Est	2024 Prior BofA Est	2024 Cons Est	FY24 Guidance
New Customer Additions	144,500	144,500	141,591	135-145	188,375	188,375	178,752	185-195
Adj. EBITDA	\$239	\$239	\$214	235-255	\$416	\$416	\$352	350-450
P&I	\$268	\$268	\$268	260-300	\$426	\$426	\$402	360-440
Principal	\$156	\$156		150-190	\$247	\$247		210-250
Interest	\$112	\$112		110-120	\$180	\$180		150-190

Source: BofA Global Research estimates, Company filings, Bloomberg

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Valuation: PO unchanged at \$16

Below we detail our updated sum-of-the-parts valuation for NOVA. We continue to use a 15% discount rate for NOVA's OpCo resulting in an unchanged overall ~\$12/sh, reflecting inclusion of updated cash, CWIP, and inventory balances following 3Q23

earnings. We principally detail our growth below where we use a 20% discount rate, unchanged from prior assumptions. We attribute \$4/sh of value to growth, which appears unappreciated by the Street at current levels. We remain confident in overall volumetric growth trends despite a likely underwhelming trend for the wider sector in '24.

Exhibit 4: NOVA SOTP

OpCo \$12/sh, growth now \$4/sh = Total Is \$16

Year Ending	12/31/2023 2023	12/31/2024 2024	12/31/2025 2025	12/31/2026 2026	12/31/2027 2027	12/31/2028 2028	12/31/2029 2029
Solar Lease / PPA							
Customers	57,317	72,604	81,589	82,246	82,148	87,802	91,303
MW added	424	508	571	576	575	615	639
Unlevered IRR Solar	12.9%	12.4%	12.7%	12.9%	12.5%	12.4%	12.3%
Unlevered IRR Storage	8.5%	7.4%	7.1%	7.6%	8.9%	8.4%	8.7%
Storage Attach Rate	35.0%	50.0%	60.0%	60.0%	60.0%	60.0%	60.0%
NPV / W Unlevered (6% Discount Rate)	\$1.45	\$1.31	\$1.25	\$1.20	\$1.17	\$1.13	\$1.12
NPV / W Levered (10% discount rate)	\$0.69	\$0.49	\$0.47	\$0.49	\$0.47	\$0.45	\$0.45
Value Created (\$mm)	\$292	\$250	\$271	\$281	\$271	\$277	\$291
Implied Multiple on Value Created (EV / Unlevered Cash Flow)	13.8x	12.6x	12.5x	12.8x	12.8x	12.8x	12.9x
Solar Loan							
Customers	32,155	30,045	29,953	37,041	44,450	46,672	49,006
MW added	244	240	240	296	356	373	392
Unlevered IRR Solar	11.0%	10.8%	11.8%	10.5%	10.5%	10.5%	10.5%
Unlevered IRR Storage	12.4%	12.2%	13.3%	12.0%	12.0%	12.0%	12.0%
Storage Attach Rate	20.0%	35.0%	50.0%	50.0%	50.0%	50.0%	50.0%
NPV / W Unlevered (6% Discount Rate)	\$1.40	\$1.30	\$1.35	\$0.79	\$0.79	\$0.79	\$0.79
NPV / W Levered (10% discount rate)	\$0.74	\$0.92	\$0.89	\$0.36	\$0.36	\$0.36	\$0.36
Value Created (\$mm)	\$180	\$221	\$214	\$107	\$128	\$134	\$141
Accessory Loan							
Customers	40,000	64,000	76,800	88,320	101,568	116,803	128,484
Assumed Customer Balance	\$6,000	\$8,000	\$10,000	\$12,000	\$12,000	\$12,000	\$12,000
NPV per Customer (10% Discount Rate)	\$171	\$227	\$284	\$341	\$341	\$341	\$341
Value Created (\$mm)	\$7	\$15	\$22	\$30	\$35	\$40	\$44
Service Customers	12,000	18,000	27,000	40,500	60,750	91,125	136,688
Cash Sales	3,028	3,726	5,014	5,766	6,631	7,626	7,626
Total Customers	144,500	188,375	220,356	253,874	295,547	350,029	413,105
Memo Total Solar Customers	89,472	102,649	111,542	119,287	126,597	134,474	140,308
Total Customer Growth		30%	17%	15%	16%	18%	18%
Blended IRR Solar Leases	12.3%	11.3%	11.3%	11.7%	11.7%	11.6%	11.6%
Blended IRR Solar Loans	11.2%	11.0%	12.1%	10.9%	10.9%	10.9%	10.9%
IRR Accessory Loans	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%
Weighted Average Return	11.5%	10.9%	11.1%	10.8%	10.8%	10.8%	10.8%
Cost of Debt Solar Lease / PPA	7.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Cost of Debt Solar Loan	7.7%	7.3%	7.3%	7.5%	7.5%	7.5%	7.5%
Cost of Debt Accessory Loans	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Weighted Average Cost of Debt	7.4%	7.5%	7.5%	7.6%	7.6%	7.6%	7.6%
Spread on Origination	4.1%	3.4%	3.6%	3.2%	3.2%	3.2%	3.2%
Total Value Generated (ex Service Customers)	\$479	\$486	\$507	\$417	\$434	\$452	\$476
Less Cash G&A and SBC Opex (\$mm)	(\$229)	(\$261)	(\$393)	(\$420)	(\$434)	(\$437)	(\$431)
Total Value Generated	\$250	\$225	\$114	(\$3)	(\$0)	\$15	\$44
Discounted Value	\$208	\$156	\$66	(\$1)	(\$0)	\$5	\$12



Exhibit 4: NOVA SOTP
OpCo \$12/sh, growth now \$4/sh = Total Is \$16

Year Ending	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029
Discounted Value Created Through 2029 (\$mm)	\$446						
Terminal Multiple	6.0x						
Terminal Value (Discounted) (\$mm)	\$62						
Total Value	\$508						
\$/sh	4						
Shares Outstanding	120						
OpCo Value Including Net Debt	\$12						
Price Objective \$/sh	\$16						

Source: BofA Global Research estimates, Company filings, Bloomberg

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Price objective basis & risk

Sunnova Energy (NOVA)

Our price objective for Nova is \$16/share based on sum-of-the-parts valuation. We value the PowerCo portion of the company by taking NPV of Net Customer Value (excl. Net Cash), equivalent to discounting cash flows from the existing asset base by a 15% discount rate. This equates to \$12/sh.

We value expected future installed assets through 2029 on a DCF basis with value created discounted to present at a 20% cost of equity assumption. Including a 6x terminal value multiple on 2029E NPV and the NPV of G&A expense, including non-cash SBC costs and future expected corp capital needs, this equates to \$4/sh.

Downside risks to PO being achieved: NOVA is particularly exposed to rate sensitivity, credit spreads, net metering policies, and risk of broadly competitive environment for customer acquisition squeezing development margins.

Upside risks to PO being achieved: Better than expected recovery in rates and capital market conditions, better than expected growth prospects, better NEM 3.0 outcome, and if the ITC is extended beyond the current schedule.

Analyst Certification

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

North America - Utilities and Alt Energy Coverage Cluster

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

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 Corp	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	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
	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
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	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
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
	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

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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$
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
 $\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$
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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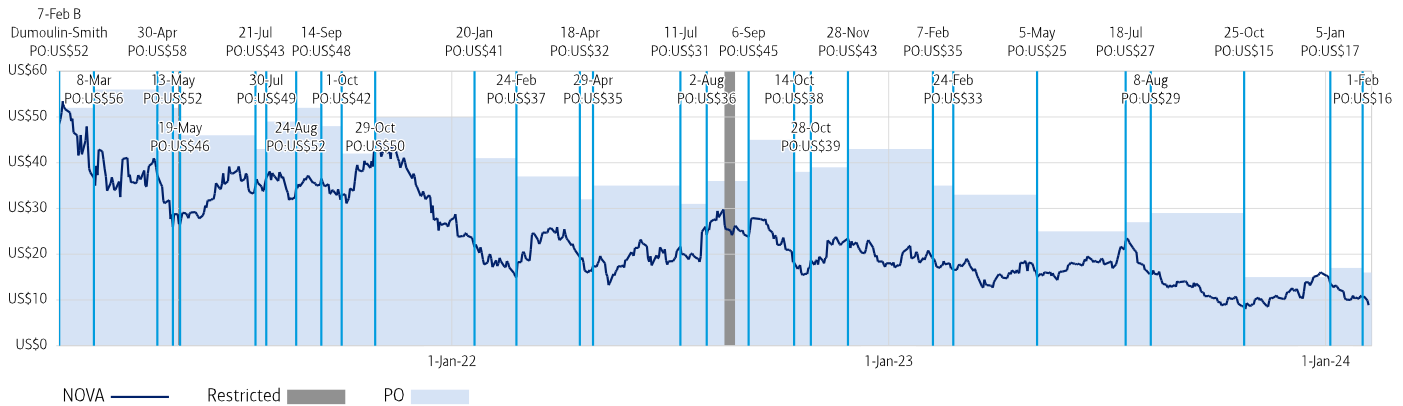
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Important Disclosures

Sunnova Energy (NOVA) Price Chart



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

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	8	47.06%	Buy	8	100.00%
Hold	5	29.41%	Hold	3	60.00%
Sell	4	23.53%	Sell	1	25.00%

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

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

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

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

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

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