

Eversource Energy

Framing the upcoming reset and equity issuances as we wait for offshore wind

Reiterate Rating: UNDERPERFORM | PO: 50.00 USD | Price: 54.98 USD

Remain cautious with 10% downside to consensus

We reiterate our non-consensus Underperform on shares of Eversource Energy (ES), a New England regulated utility and offshore wind developer. Despite relatively underperforming utility peers -20% TTM, we still see a challenging setup with -10% downside to 2026 consensus. With the January 8th \$1.4-1.6Bn impairment, ES did **not** reaffirm its long-term 5-7% EPS growth rate, a change from prior communications. We model a 1-2% EPS CAGR 2023E-2028 and do not see the current guidance as intact. We maintain \$50 PO with a -15% discount, vs the -5-6% implied by Street (see Page 8).

We model \$1Bn block equity in 1Q24 & \$3.3Bn '24-'26

We increase and accelerate the equity issuances in our forecast after the latest incremental negative credit rating and offshore wind updates. We forecast \$3.3Bn (up from ~\$2Bn before) with \$1.1Bn annually 2024-2026 to support ~13.3% funds from operations (FFO) / debt. This is notably higher than management's comparable guidance of \$1.3Bn via \$1Bn ATM and ~\$100Mn treasury shares per year. From our conversations, the broader investor expectation is that ES will look to sell a portion of its Connecticut water utility operations to reduce its equity needs. If there is a willing buyer given the adverse Connecticut regulatory climate, this could reduce dilution versus our forecast.

2024E EPS is flat/down followed by 2025E down too

We lower 2024E adj EPS to \$4.37, -3% below \$4.51 consensus and -5% below the \$4.60 implied guidance midpoint. We model +5% net income growth, declining EPS, and estimate that FY23 had \$0.25-\$0.30 non-recurring positive items that should reverse. Our FY24 also includes the benefit of guided offshore wind tax credits which could temporarily improve EPS. *If Eversource ceased capitalizing interest expense on its offshore wind projections, our FY24 adjusted EPS forecast would be closer to \$4.00.*

Waiting on offshore wind sale as Orsted looks to sell too

Eversource guided to a comprehensive offshore wind update in June 2023 which was delayed to YE23 and now there is no timeline for a sale. Orsted recently announced its plans to independently monetize stakes in the same joint venture assets. [This likely further delays the sale process and could lead to lower proceeds – details here.](#)

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	3.86	4.09	4.40	4.37	4.32
GAAP EPS	3.54	4.05	4.40	4.37	4.32
EPS Change (YoY)	6.0%	6.0%	7.6%	-0.7%	-1.1%
Consensus EPS (Bloomberg)			4.35	4.51	4.70
DPS	2.41	2.55	2.70	2.86	2.94
Valuation (Dec)					
P/E	14.2x	13.4x	12.5x	12.6x	12.7x
GAAP P/E	15.5x	13.6x	12.5x	12.6x	12.7x
Dividend Yield	4.4%	4.6%	4.9%	5.2%	5.3%
EV / EBITDA*	14.7x	12.7x	12.8x	12.1x	11.3x
Free Cash Flow Yield*	-6.3%	-5.4%	-2.4%	-8.4%	-8.5%

* For full definitions of *IQmethod*SM measures, see page 12.

12 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2023E EPS	4.37	4.40
2024E EPS	4.40	4.37
2025E EPS	4.37	4.32

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Stock Data

Price	54.98 USD
Price Objective	50.00 USD
Date Established	16-Oct-2023
Investment Opinion	B-3-7
52-Week Range	52.03 USD - 81.36 USD
Mrkt Val (mn) / Shares Out (mn)	19,235 USD / 349.9
Free Float	99.1%
Average Daily Value (mn)	180.93 USD
BofA Ticker / Exchange	ES / NYS
Bloomberg / Reuters	ES US / ES.N
ROE (2023E)	9.7%
Net Dbt to Eqty (Dec-2022A)	140.8%
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](#)".

Glossary

ATM: At the market
FFO: Funds from operations
TTM: Trailing twelve months

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Timestamp: 12 February 2024 06:15AM EST

iQprofileSM Eversource Energy

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	3.5%	3.5%	3.7%	3.7%	3.7%
Return on Equity	9.2%	9.3%	9.7%	9.4%	8.8%
Operating Margin	20.2%	17.9%	24.7%	25.9%	26.7%
Free Cash Flow	(1,212)	(1,041)	(457)	(1,615)	(1,626)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.5x	1.7x	2.9x	2.0x	2.0x
Asset Replacement Ratio	2.4x	2.1x	4.9x	3.3x	3.1x
Tax Rate	21.9%	24.3%	23.2%	23.2%	23.3%
Net Debt-to-Equity Ratio	132.5%	140.8%	144.3%	136.1%	132.5%
Interest Cover	3.4x	3.2x	3.7x	3.1x	2.8x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	9,863	12,289	9,701	9,972	10,297
% Change	10.8%	24.6%	-21.1%	2.8%	3.3%
Gross Profit	6,491	7,275	5,656	5,927	6,252
% Change	9.7%	12.1%	-22.3%	4.8%	5.5%
EBITDA	3,328	3,841	3,809	4,054	4,331
% Change	5.7%	15.4%	-0.8%	6.4%	6.8%
Net Interest & Other Income	(582)	(678)	(656)	(826)	(985)
Net Income (Adjusted)	1,330	1,419	1,539	1,614	1,649
% Change	8.0%	6.7%	8.5%	4.9%	2.1%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	1,228	1,412	1,547	1,622	1,535
Depreciation & Amortization	1,335	1,643	1,010	1,470	1,586
Change in Working Capital	(277)	(75)	1,672	41	(18)
Deferred Taxation Charge	347	347	293	158	124
Other Adjustments, Net	(670)	(926)	3	(83)	38
Capital Expenditure	(3,175)	(3,442)	(4,982)	(4,823)	(4,892)
Free Cash Flow	-1,212	-1,041	-457	-1,615	-1,626
% Change	3.8%	14.2%	56.1%	-253.6%	-0.7%
Share / Issue Repurchase	0	197	0	1,100	1,100
Cost of Dividends Paid	(813)	(868)	(950)	(1,006)	(1,066)
Change in Debt	2,044	2,827	2,617	868	1,562

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	221	522	248	310	317
Trade Receivables	1,226	1,517	2,781	2,848	2,902
Other Current Assets	1,823	2,184	1,278	1,316	1,356
Property, Plant & Equipment	33,378	36,113	40,085	43,438	46,744
Other Non-Current Assets	11,844	12,895	12,895	12,895	12,895
Total Assets	48,492	53,231	57,287	60,806	64,214
Short-Term Debt	2,742	2,806	1,222	1,311	1,249
Other Current Liabilities	3,105	3,994	6,023	6,170	6,246
Long-Term Debt	17,024	19,724	22,441	23,409	25,071
Other Non-Current Liabilities	10,866	11,079	11,659	12,342	12,467
Total Liabilities	33,737	37,602	41,345	43,232	45,033
Total Equity	14,755	15,629	16,226	17,941	19,631
Total Equity & Liabilities	48,492	53,231	57,570	61,173	64,664

* For full definitions of iQmethodSM measures, see page 12.

Company Sector

Electric Utilities

Company Description

Eversource (ES) is a utility company and offshore wind developer. ES provides electric and gas distribution as well as electric transmission services to customers in CT, MA and NH. It also owns a water utility (Aquarion) which serves the same three states. ES has invested in offshore wind and announced a strategic review of the business in 2022.

Investment Rationale

Our Underperform rating on Eversource is based on our view of a below-average EPS growth profile and lower balance sheet credit metrics than the overall utility average. Further, we see challenging Connecticut jurisdiction, forthcoming EPS reset, and the ongoing offshore wind strategic review that has been a setback for investor confidence.

Stock Data

Average Daily Volume 3,290,799

Quarterly Earnings Estimates

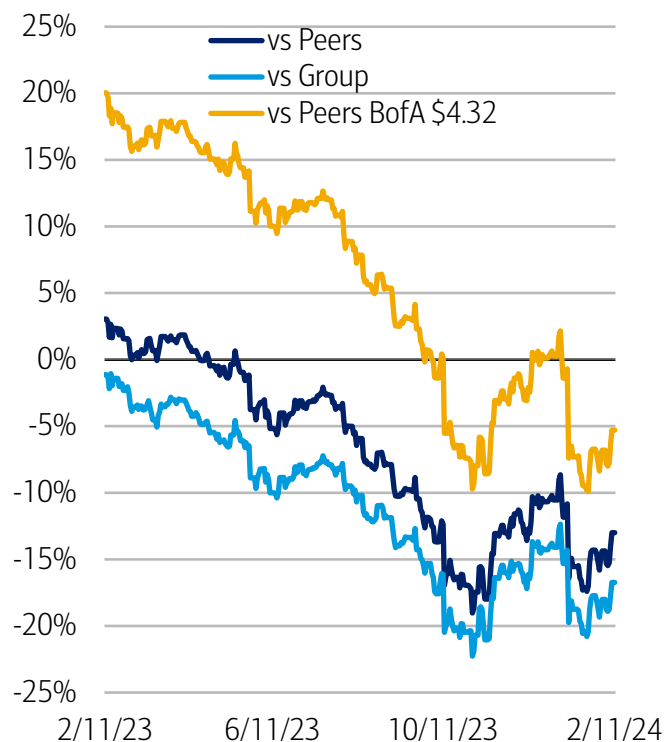
	2022	2023
Q1	1.30A	1.41A
Q2	0.86A	0.99A
Q3	1.01A	0.97A
Q4	0.88A	0.99E

Consensus EPS appears too high

Our core view since our 2022 downgrade is that Eversource's earnings power is impaired and below average due to the slowing Northeast utility investment needs and management's net present value negative offshore wind bids. As interest rates increased, the stock price decreased, core utility performance weakened, and the offshore outlook dimmed - the magnitude of a reset has grown. Consensus has reduced expectations -7%; however, we remain the sole Underperform per Bloomberg and still see expectations as too high as shown in Exhibit 5. On BofA estimates, ES trades at only a 5-6% discount vs utility peers rather than the 15-17% that Consensus implies.

Exhibit 1: ES Relative 2025E P/E versus Similar P/E Peers (Dark Blue), Overall Utilities Index (Light Blue), and Using BofA 2025 EPS (Orange)

ES discount vs peers appears far larger when using Consensus vs BofA



Source: Company Filings, Bloomberg, & BofA Global Research

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Exhibit 2: ES FY25 Consensus EPS

Consensus has declined -7% over the past year but we still see significant downside. Street still models a 4-5% EPS CAGR



Source: Bloomberg

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Unlike high profile resets for peer utilities, there is not a robust investor expectation of how Eversource management lowers its financial outlook. Many investors we speak to believe that ES will simply extend its growth rate again.

Call focuses on EPS rather than relative discount but downside on both

Our valuation implies a -15% P/E discount on 2026E, which is similar to the current discount on Consensus EPS. The bull pitch on shares, primarily from generalists and non-dedicated investors, centers on a reliance on Consensus EPS plus a view that ES will have a clean exit from offshore wind. Our thesis is that Consensus EPS is materially too high rather than that ES should trade at a significantly wider discount, although we see valid argument that ES should trade at the lowest P/E in the sector as it offers the lowest EPS growth and has one of the weakest credit metrics.

Relative loser in energy transition and data center boom

Like many of its regional peers, ES is disadvantaged by not being able to own regulated generation in scale (i.e. only immaterial pilots). With high energy prices and lack of cheap land, New England and ES's service territory is unlikely to benefit from the data center



demand boom and is thus relatively disadvantaged with respect to infrastructure growth. Further, will growing stakeholder scrutiny on “asset condition”/“supplemental project” transmission threats to slow the rate base growth further. The Maine consumer advocate’s latest challenge will be important to watch. ES’ forecasts significantly shifting its transmission spending from Connecticut and New Hampshire to Massachusetts in its five-year plan. For example, Connecticut falls from \$417Mn in 2022 to \$136Mn in 2027 while Massachusetts rises to \$748Mn in 2027 versus \$438Mn in 2022.

Offshore wind process continues to face stumbles

The smallest and theoretically easiest 130MW South Fork wind project has been repeatedly delayed which does not inspire confidence in the company’s time and cost estimates. With Orsted recently announcing its plans to monetize the Revolution and South Fork offshore wind joint venture assets, we anticipate even further delays. **We reduce and delay our asset sale proceeds again to ~\$275Mn in 2026 from \$525Mn in 2024.**

Read the 10K after the call for offshore wind and other clues

On the 3Q23 earnings call management stated many times that it had a secured offshore wind transaction, including price. From our conversations, it seems this caused many investors to become bullish and buy shares. It was apparent from reading the 3Q23 10Q that a price was not secure. Also on the third quarter earnings call, Eversource stated that it was simply waiting for Orsted to approve the customary joint venture agreement as the last item in finalizing the sale. Orsted senior management stated that Eversource is in control of its own process. As is customary after a company significantly underperforms in a calendar year, we will read the 10K more closely for any new litigation, regulatory proceedings, or audit findings/qualifications.

BofA Global Research Reports

Title: Subtitle

[US Utilities & Clean Tech: US Offshore Wind Woes: Orsted pursuing asset sales in latest financial refresh](#)
[Eversource Energy: Offshore Wind Goes from Bad to Worse: Latest impairment leaves little value](#)
[US Utilities & Clean Tech: PowerPoints: ES Credit & CT, WEC Capex, PJM Power, AWK NJ, and New Nuclear](#)
[US Utilities & IPPs: PowerPoints: ES MA, EXC Labor, FE/AEP Ohio, Texas Earned ROEs, and NEP Latest](#)
[US Utilities & IPPs: PowerPoints: ES Earnings, Brookfield Offshore Wind, & POR Rate Case](#)
[Eversource Energy: Sunset for Sunrise Wind: Why We Are Still Cautious on ES, EPS & Credit Reset Ahead](#)
[US Utilities & Clean Tech: Offshore Wind Setbacks Mounting: Siemens charge, Dominion/ES vessel delay](#)
[Eversource Energy: Offshore Impairment Grows, Long-term EPS pressured by future CT rate cases](#)
[Eversource Energy: Offshore Under Water? Why we still see a cautious setup for this Connecticut utility](#)
[Eversource Energy: Capex up and EPS down, ES delivers \\$3.3Bn capex but LT guide disappoints](#)
[Eversource Energy: Remain Cautious on Prospects Post-IRA: How much capex can the team deliver?](#)
[Eversource Energy: Life after offshore: contemplating the pro forma regulated profile & pension negative](#)
[Eversource Energy: Revisiting Offshore Wind Strategy after Earlier Reset: How much value is there?](#)

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 20 April 2023
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 19 September 2022
 03 August 2022
 05 May 2022

FY23 Adjusted EPS Drivers

Eversource is positioned to beat its FY23 guidance midpoint for the first time in multiple years due to the estimated \$0.25-\$0.30 non-recurring items and lack of equity issuance during the year. We forecast a +4% 4Q23 beat at \$1.01 vs \$0.98 consensus which would support a +1% FY23 beat at \$4.40 (\$4.35 Consensus and \$4.37 guidance midpoint).

Exhibit 3: ES FY23 Adjusted EPS Drivers

'Core' operating performance has been lackluster in 2023 but non-core drivers have more than compensated and set the company for a beat vs guidance

ES Earnings Walk	EPS	1Q	2Q	3Q	4Q
Adjusted EPS - Prior Year	\$4.09	\$1.30	\$0.86	\$1.01	\$0.92
Electric Distribution					
NSTAR Electric +\$64Mn Jan 1, 2023	0.14	0.03	0.03	0.03	0.03
NSTAR Electric Rate Design	-	0.04	-	(0.08)	0.04
PSNH Distribution: \$8.9Mn Nov. 1 2022	0.02	0.00	0.00	0.00	0.00
PSNH Storm Cost Recovery \$45.3Mn May 2023	0.10		0.10		
O&M: 3Q23 Storm costs -\$0.04	0.01	0.02	0.01	(0.04)	0.02
Trackers: -\$0.01 per quarter	0.04	0.01	0.01	0.01	0.01
Interest Expense	(0.14)	(0.01)	(0.04)	(0.05)	(0.05)
Pension Income Decline: \$0.04 guidance	(0.06)	(0.01)	(0.01)	(0.01)	(0.01)
Energy Assistance Contribution \$10Mn pre-tax	0.02				0.02
Depreciation & Property Taxes	(0.05)	(0.01)	(0.01)	(0.01)	(0.01)
Electric Transmission					
Ratebase Increase: \$0.02-\$0.04 per Quarter	0.10	0.03	0.02	0.02	0.03
Change in ROE/Equity Ratio					
Other					
Natural Gas Distribution					
Trackers: Sub-\$0.01 per quarter	0.02	0.00	0.00	0.00	0.00
NSTAR Gas PBR: \$21.7Mn (\$4.5Mn taxes)	0.05	0.02	0.01	0.00	0.02
EGMA: -\$11Mn October 31, 2022	0.03	0.02	0.01	0.01	-
Regulatory Lag	(0.07)	(0.01)	(0.01)	(0.04)	(0.01)
Water Distribution					
Aquarion Rate Case: -\$1Mn March 2023/Stayed	-				
Torrington Water Company: \$72Mn	0.01	0.00	0.00	0.00	0.00
Regulatory Lag	(0.00)	(0.01)	-	-	0.01
Parent & Other					
Interest Expense	(0.07)	(0.02)	(0.01)	(0.02)	(0.01)
Parent Renewable Energy Investment	0.03	0.03			
Lower Effective Tax Rate	0.18		0.03	0.15	
Dilution	(0.03)	(0.02)	(0.01)	(0.01)	(0.00)
FY23E Adjusted EPS	\$4.40	\$1.41	\$1.00	\$0.97	\$1.01
FY23 Consensus	\$4.35	\$1.36	\$0.91	\$0.99	\$0.98
BofA Forecasted Beat/(Miss) vs Consensus	1.1%	3.6%	9.8%	-1.4%	3.5%
FY23 Adj EPS Guidance	4.25-4.43				
BofA Forecasted Beat/(Miss) vs Guide	0.7%	1.6%	8.7%	-9.6%	2.8%
FY23 Adj EPS Guidance	4.37	1.38	0.92	1.07	0.98

Source: Company Filings, Bloomberg, & BofA Global Research

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FY24 Adjusted EPS Drivers

In a sharp contrast to utility peers, we forecast ES EPS declining in 2024. This is due to the non-recurring items in 2023 that we anticipate reversing as well as the upfront equity dilution. Our FY24 gives the benefit of +\$0.15 offshore wind tax credits and other offshore wind benefits in 2024 that we do not believe as durable as Eversource exits the business. Importantly we do not have the impact of capitalized interest stopping in 2024 which is the primary factor causing earnings to decline subsequently again in 2025.

Exhibit 4: ES FY24 Adjusted EPS Drivers

Anticipate earnings declining YoY – before the drag of capitalized interest begins in 2025

ES Earnings Walk	EPS	1Q	2Q	3Q	4Q
Adjusted EPS - Prior Year	\$4.40	\$1.41	\$1.00	\$0.97	\$1.01
Electric Distribution					
NSTAR Electric +\$105Mn Jan 1, 2024	0.28	0.07	0.07	0.07	0.07
NSTAR Electric Property Taxes: \$16Mn Jan 1, 2024	0.04	0.01	0.01	0.01	0.01
PSNH Distribution: \$8.9Mn Nov. 1 2022	-				
PSNH Storm Cost Recovery \$45.3Mn May 2023	(0.10)		(0.10)		
O&M: Lower storm costs (3Q23)	0.02		-	0.04	(0.02)
Trackers: ~\$0.01 per quarter	0.04	0.01	0.01	0.01	0.01
Interest Expense	(0.11)	(0.05)	(0.05)	(0.01)	(0.01)
Pension Income ~Flat YoY	-	-	-	-	-
Energy Assistance Contribution \$10Mn 4Q22	-				-
Depreciation & Property Taxes	(0.05)	(0.01)	(0.01)	(0.01)	(0.01)
Electric Transmission					
Ratebase Increase: \$0.02-\$0.04 per Quarter	0.12	0.03	0.03	0.03	0.03
Change in ROE/Equity Ratio					
Other					
Natural Gas Distribution					
Trackers: Sub-\$0.01 per quarter	0.02	0.00	0.00	0.00	0.00
NSTAR Gas PBR: \$21.7Mn (\$4.5Mn taxes)	0.05	0.02	0.01	0.00	0.02
EGMA: ~\$60Mn November 2024 True-up	0.06	-	-	-	0.06
Regulatory Lag	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)
Water Distribution					
Aquarion Rate Case: -\$1Mn March 2023/Stayed	-				
Torrington Water Company: \$72Mn 2023	0.01	0.00	0.00	0.00	0.00
Regulatory Lag	(0.01)	(0.01)	-	0.01	(0.01)
Parent & Other					
Interest Expense	(0.08)	(0.02)	(0.02)	(0.02)	(0.02)
Parent Renewable Energy Investment	(0.03)	(0.03)			
Lower Effective Tax Rate	(0.18)		(0.03)	(0.15)	
Guidance of Offshore Wind Tax Credits	0.15			0.15	
Dilution	(0.23)	(0.07)	(0.05)	(0.05)	(0.06)
FY24E Adjusted EPS	\$4.37	\$1.35	\$0.87	\$1.06	\$1.08
FY24 Consensus	\$4.51	\$1.44	\$0.93	\$1.00	\$1.13
BofA Forecasted Beat/(Miss) vs Consensus	-3.0%	-6.2%	-7.0%	5.6%	-4.2%
FY24 Adj EPS Guidance Implied	4.60				
BofA Forecasted Beat/(Miss) vs Guide	-5.0%	-8.2%	-17.0%	3.8%	2.3%

Source: Company Filings, Bloomberg, & BofA Global Research

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Adjusted EPS: No growth until 2026

As discussed above, we increase FY23 adjusted EPS to remove the equity previously forecast. FY24 declines due to the accelerated equity issuance modeled in 1Q24 and 2025+ moderate from the increased equity as well. Eversource has had one of the weakest credit metrics of all public utility holding companies. ES entered into the merchant offshore wind business from a position of credit weakness and we see \$1.1Bn annual equity to support the 13% FFO / debt in 2024-2026. We estimate \$11.0-\$12.0Bn parent debt currently and there was over \$3Bn debt increase on a consolidated basis through 9/30/23, plus incremental net debt increases.

ES could reduce its external equity needs by pursuing asset sales. These could be at higher P/Es than ES trades or what we embed in our sum-of-the-parts but would involve losing cash flows. Most investors we speak to believe that the Connecticut water pipes would be a logical target, but we question the buyer prudence of adding Connecticut

cash flows after the regulator recently ordered a rate cut (currently stayed). There is a real scenario where Moody's increases the Baa2 downgrade level to protect creditors from the adverse regulatory risks, as the agency indicated in the factors that could lead to a downgrade related to Connecticut.

Capital increases could enhance earnings but will require more equity too

The capital investment plan refresh will be important to watch. Look for management to include more investment in an attempt to offset the material headwinds the EPS growth is facing. We have removed the Park City offshore wind transmission for the cancelled project although it remains to be seen if management includes it. We do not expect ES to deploy automated meters (AMI) at this time in Connecticut given the uncertainty on regulatory recovery but we would not be surprised to see management include for a stronger rate base growth profile.

Exhibit 5: Eversource Financial Dashboard

Earnings are forecasted to decline in 2024 and 2025 before returning to growth

Eversource EPS by Business	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2023-2028 CAGR
CL&P: CT	1.27	1.35	1.36	1.52	1.51	1.51	1.46	1.43	1.43	1.41	-1.4%
PSNH: NH	0.42	0.43	0.44	0.49	0.51	0.52	0.56	0.60	0.63	0.64	4.6%
WMECO + NSTAR: MA	1.33	1.31	1.38	1.41	1.60	1.58	1.63	1.71	1.70	1.78	2.2%
NSTAR Gas: MA	0.12	0.15	0.21	0.22	0.34	0.37	0.38	0.38	0.40	0.43	4.4%
EGMA: MA		0.04	0.16	0.20	0.21	0.24	0.30	0.32	0.35	0.37	12.8%
Yankee Gas: CT	0.18	0.20	0.22	0.25	0.26	0.26	0.26	0.26	0.27	0.28	1.6%
Parent & Other	0.03	0.05	(0.03)	(0.12)	(0.14)	(0.24)	(0.42)	(0.38)	(0.36)	(0.37)	21.3%
Aquarion	0.10	0.12	0.11	0.11	0.11	0.13	0.15	0.17	0.19	0.21	12.8%
ES Consolidated EPS	3.45	3.64	\$3.86	\$4.09	\$4.40	\$4.37	\$4.32	\$4.48	\$4.59	\$4.74	1.5%
Guidance: 5-7% 2021A Base	3.40-3.50	3.60-3.70	3.81-3.93	4.04-4.14	4.25-4.43	4.60	4.87	5.16	5.47	5.80	6.0%
BofA vs. Guidance				0.0%	1.5%	-4.8%	-11.4%	-13.2%	-16.1%	-18.3%	
Consensus	3.45	3.64	3.85	4.10	4.35	4.51	4.70	4.96	5.25	5.42	4.5%
BofA vs. Consensus				-0.1%	1.2%	-2.9%	-8.2%	-9.7%	-12.6%	-12.5%	
Consensus vs. Guidance	0.2%	0.0%	-0.3%	0.1%	0.3%	-2.0%	-3.5%	-3.9%	-4.0%	-6.6%	
<i>BofA Change in Estimates</i>				0.0%	0.7%	-0.6%	-1.2%	-1.1%	-0.4%	-0.4%	
Previous Estimates	3.45	3.64	3.86	4.09	4.37	4.40	4.37	4.53	4.61	4.76	1.7%
FFO / Debt	12.4%	10.2%	12.2%	12.4%	12.9%	13.6%	13.2%	13.2%	13.4%	13.1%	
Annual Equity Issuance	\$852	\$929	\$0	\$197	\$0	\$1,100	\$1,100	\$1,100	\$100	\$100	
Dividend per Share			2.41	2.55	2.70	2.86	2.94	3.02	3.10	3.18	3.3%
Dividend Payout Ratio (%)			62%	62%	61%	65%	68%	67%	68%	67%	5.7%
Select Utility ROEs											
CT: CL&P Distribution	9.6%	9.8%	8.8%	9.7%	9.3%	9.4%	8.8%	8.3%	7.9%	7.5%	
CT: Yankee Gas	8.8%	9.2%	9.1%	9.1%	9.1%	9.1%	9.1%	8.9%	8.9%	9.0%	

Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

We model dividend per share growth slowing in 2025 to prevent the payout ratio exceeding 70%. In contrast to some peers who have been slowing their dividend growth and targeting lower payout ratios, we see ES increasing its payout ratio notably in 2024+.

Earnings mix a growing sector focus: Watch pension income and IT capex.

Eversource has one of the largest corporate investment technology (IT) and facilities capital expenditures components of companies under coverage. ES is investing \$891Mn 2023-2026 (~\$220Mn per year) which is 5% of the "core" capital investment plan. ES also has more pension income than its peers in our utility coverage due to accounting policy that has more upfront mark-to-market for asset performance.

Valuation: Maintain \$50 PO with large discount

We value Eversource using a 2026 sum-of-the-parts analysis. Previously our valuation was based on 2025 with 13.5x electric, 13.5x natural gas, and 20.0x water average P/E valuations. We apply the new 2026 13.1x electric and 13.3x natural gas average multiples. Electric and gas utility base multiples are grossed-up +5% to reflect sector capital appreciation potential, a consistent approach across the coverage universe. There are no changes to our premiums or discounts applied vs the previously report. We value Connecticut utilities CL&P and Yankee Gas at -20% discounts which contracts with the decrease in the base multiples. The other utilities are valued at -15% discounts based on below average consolidated growth and weaker balance sheet metrics. The parent company drag is 1x higher to reflect weak credit metrics, future refinancing exposure, and pension income accounting vs peers.

If Aquarion was valued at the 17.5x average water multiple, that would increase our valuation approximately \$1/share (+\$400Mn excluding taxes).

Exhibit 6: Eversource (ES) Sum of the Parts Valuation

We believe that ES warrants a -15% discount versus utility peers for a variety of reasons

Eversource (ES) Sum of the Parts Valuation

	2026 EPS	Peer	Prem/ Discount	Base	%	\$/Sh
Electric Utilities						
Group Peer Multiple & EPS CAGR	13.1x x 5.0% = 13.8x					
CL&P: CT	\$1.43	13.8x	-2.8x	11.0x	-20%	\$15.76
PSNH: NH	\$0.60	13.8x	-2.1x	11.7x	-15%	\$6.98
WMECO + NSTAR: MA	\$1.71	13.8x	-2.1x	11.7x	-15%	\$20.00
Total Electric Utilities	\$3.74	13.8x	-2.3x	11.4x	-17%	\$42.74
Gas Utilities						
Group Peer Multiple & EPS CAGR	13.3x x 5.0% = 14.0x					
NSTAR Gas: MA	\$0.38	14.0x	-2.1x	11.9x	-15%	\$4.47
EGMA: MA	\$0.32	14.0x	-2.1x	11.9x	-15%	\$3.76
Yankee Gas: CT	\$0.26	14.0x	-2.8x	11.2x	-20%	\$2.95
Total Gas Utilities	\$0.96	13.8x	-2.1x	11.7x	-15%	\$11.18
Water Utilities						
Group Peer Multiple & EPS CAGR	17.5x x N/A = 17.5x					
Aquarion	\$0.17	17.5x	-6.3x	11.2x	-36%	\$1.89
Parent & Other						
Parent & Other	-\$0.38	13.9x	1.0x	14.9x	7%	-\$5.72
Grand Total Equity Value	\$4.48	13.8x	-1.9x	11.2x	-19%	\$50.10
Shares Outstanding 2025E						382
Total Potential Equity Value						\$50.00
Current Eversource price as of 02/11/2024						\$4.98
Potential Stock Return						-9.1%
FY1 Dividend Yield						5.2%
Total Potential Return						-3.9%
Eversource Relative Valuation	PO & Price	2026E	Discount	2026 P/E		
BofA Valuation	\$50.00	\$4.48	-15%	11.2x		
Market/Consensus Valuation	\$54.98	\$4.96	-15%	11.1x		

Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

Below we show alternative views of our Eversource valuation above.

Exhibit 7: Eversource (ES) Sum of the Parts Valuation

ES has 40% of earnings in Connecticut and 50% in Massachusetts

Eversource Relative Valuation		PO & Price	2026E	Discount		2026 P/E		
BofA Valuation		\$50.00	\$4.48	-15%		11.2x		
Market/Consensus Valuation		\$54.98	\$4.96	-15%		11.1x		
ES Mini Sum of the Parts	2026 EPS	EPS Mix	Peer	P/E		\$/Sh		
Electric	\$3.74	83%	13.8x	-2.3x	11.4x	-17%	\$42.74	85%
Gas	\$0.96	21%	13.8x	-2.1x	11.7x	-15%	\$11.18	22%
Water	\$0.17	4%	17.5x	-6.3x	11.2x	-36%	\$1.89	4%
Parent & Other	-\$0.38	-9%	13.8x	1.1x	14.9x	8%	-\$5.72	-11%
Total	\$4.48		13.9x	-2.7x	11.2x	-20%	\$50.10	
ES Mini Sum of the Parts	2026 EPS	EPS Mix	Peer	P/E		\$/Sh	Value Mix	
Connecticut	\$1.87	42%	14.1x	-3.1x	11.0x	-22%	\$20.61	41%
Massachusetts	\$2.40	54%	13.8x	-2.1x	11.8x	-15%	\$28.23	56%
New Hampshire	\$0.60	13%	13.8x	-2.1x	11.7x	-15%	\$6.98	14%
Parent & Other	-\$0.38	-9%	13.8x	1.1x	14.9x	8%	-\$5.72	-11%
Total	\$4.48		13.9x	-2.8x	11.2x	-20%	\$50.10	

Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

CL&P: Connecticut Light and Power

PSNH: Public Service Company of New Hampshire

WMECO: Western Massachusetts Electric Company

EGMA: Eversource Gas Company of Massachusetts

NSTAR: NSTAR



Price objective basis & risk

Eversource Energy (ES)

Our sum of the parts based price objective of \$50 uses P/E multiples on 2026E earnings. The valuation is based on a 2025 sum of the parts analysis. We apply the 2026 average peer P/Es of 13.1x electric, 13.3x natural gas, and 17.5x water. For Connecticut electric & gas utilities, we value at -20% discount (-2.8x) to reflect historical challenges and prospective earnings risks. Connecticut water is valued in-line with natural gas. The other utilities are valued at a -15% discount (-2.1x) for below-average consolidated growth and weaker balance sheet metrics. Parent net loss per share is valued at an -1x discount to the electric utility average.

Upside and downside risks to our Price Objective are 1) regulatory/political/legislative changes, 2) capital expenditures forecasts, 3) ability to earn the regulatory allowed ROE, 4) offshore wind review, 5) natural disasters & storms, 6) operational performance and gas incidents, 7) integration of historical and prospective M&A, 8) pension plan performance, and 9) equity issuances.

Analyst Certification

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

North America - Utilities and Alt Energy Coverage Cluster

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

Numerator

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

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

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

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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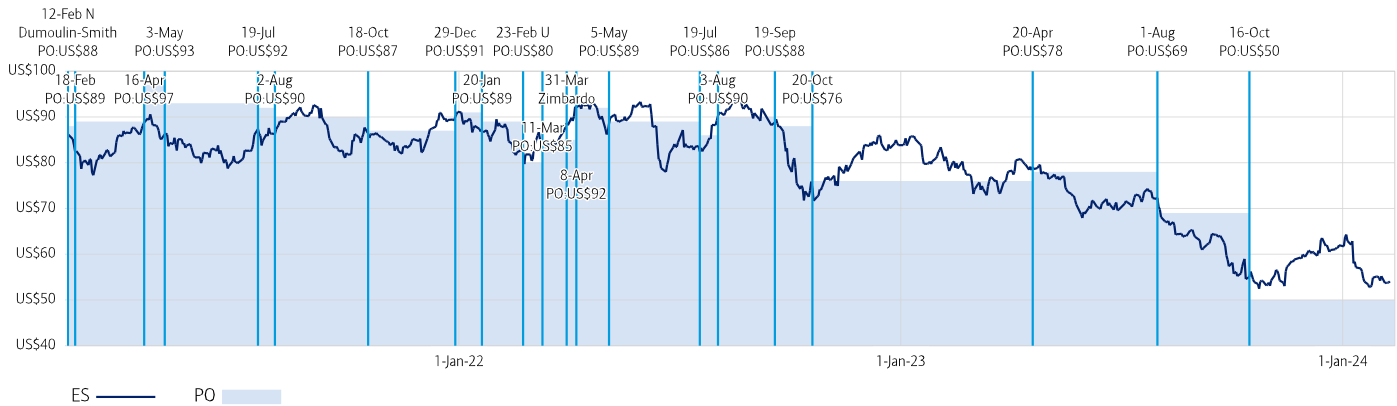
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Important Disclosures

Eversource Energy (ES) Price Chart



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

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 ^{R1}	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

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

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

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

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

^{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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