

Duke Energy

Support for linear growth into 2024 and beyond

Reiterate Rating: BUY | PO: 105.00 USD | Price: 98.54 USD

2024 EPS preview: linear growth led by rate hikes

We preview DUK's 2024 EPS, maintaining our estimate published in late Dec ([Duke Energy: Our go-to mega cap Utility pick should continue to work in 2024 28 December 2023](#)). Key upside drivers include approved rates at Duke Energy Progress (DEP) and Duke Energy Carolinas (DEC) in North Carolina, along with smaller decisions in Kentucky and South Carolina (expected August) as well as the third year of approved Florida rates. Reversion of last year's agility is expected to be a drag, offset by weather normalization after 2023's historically mild temps. While DUK does not have the fastest rate base or earnings growth on our forecast, at north of 6% we see leeway within the company's 5-7% target CAGR ahead of a key capital and financing update in Feb.

South Carolina and Florida top 2024 reg priorities

After a very busy regulatory calendar in 2023, Duke's South Carolina rate case and next iteration of the three-year multi-year rate plan (MYRP) in Florida are expected to be top priorities. In South Carolina the company is requesting a \$239mm or +11.4% base increase net of tax benefit flow backs, which compounds at a reasonable annual rate considering the last filing was in 2018. In Florida the current MYRP is in its third year – given 2021's success in pre-filing a settlement and constructive developments in the interim, expectations are for a constructive outcome. While DUK is not insulated from rate case risks, the magnitude of outstanding asks vs. previous years combined with the contrast between DUK and peer utilities provides a favorable setup.

PO \$105, Reiterate Buy: The Defensive Go to

We mark to market our valuation to reflect the latest peer multiples applied to our 2026 EPS forecast of 13.9x for electric and 13.4x for gas. We also update the premia applied to the Carolinas utilities to +2x from +1x to reflect recent constructive rate decisions and to +3x from +2x at Duke Florida to reflect an expected constructive outcome in the latest iteration of the multi year plan which will likely be filed this year. The resulting PO is \$105 (from \$102) and we reiterate our Buy rating on DUK given the double digit total return implied by our valuation.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	5.24	5.27	5.58	6.03	6.39
GAAP EPS	4.94	3.33	5.42	5.31	5.51
EPS Change (YoY)	2.3%	0.6%	5.9%	8.1%	6.0%
Consensus EPS (Bloomberg)			5.60	5.98	6.34
DPS	4.05	4.04	4.18	4.33	4.47
Valuation (Dec)					
P/E	18.8x	18.7x	17.7x	16.3x	15.4x
GAAP P/E	19.9x	29.6x	18.2x	18.6x	17.9x
Dividend Yield	4.1%	4.1%	4.2%	4.4%	4.5%
EV / EBITDA*	17.7x	16.2x	14.4x	14.1x	13.3x
Free Cash Flow Yield*	-1.9%	-5.0%	-2.7%	-2.1%	-2.9%

* For full definitions of *IQmethod*SM measures, see page 8.

09 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	102.00	105.00

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Stock Data

Price	98.54 USD
Price Objective	105.00 USD
Date Established	8-Jan-2024
Investment Opinion	A-1-7
52-Week Range	83.06 USD - 106.43 USD
Mrkt Val (mn) / Shares Out (mn)	75,777 USD / 769.0
Free Float	99.7%
Average Daily Value (mn)	331.61 USD
BofA Ticker / Exchange	DUK / NYS
Bloomberg / Reuters	DUK US / DUK.N
ROE (2023E)	8.9%
Net Dbt to Eqty (Dec-2022A)	144.1%
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"](#).

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Timestamp: 09 January 2024 05:30AM EST

iQprofileSM Duke Energy

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	3.5%	3.7%	4.2%	4.1%	4.1%
Return on Equity	8.6%	8.6%	8.9%	9.4%	9.7%
Operating Margin	21.4%	21.5%	26.7%	26.1%	26.8%
Free Cash Flow	(1,425)	(3,788)	(2,022)	(1,621)	(2,163)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.1x	1.5x	2.3x	2.2x	2.2x
Asset Replacement Ratio	1.7x	1.7x	2.2x	2.1x	2.2x
Tax Rate	5.1%	8.0%	12.0%	11.0%	11.0%
Net Debt-to-Equity Ratio	135.8%	144.1%	147.0%	152.2%	157.6%
Interest Cover	2.7x	2.7x	2.8x	2.6x	2.5x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	25,097	28,768	27,723	27,949	28,924
% Change	5.1%	14.6%	-3.6%	0.8%	3.5%
Gross Profit	12,108	12,998	14,230	14,419	15,300
% Change	4.6%	7.4%	9.5%	1.3%	6.1%
EBITDA	10,350	11,251	12,677	12,936	13,770
% Change	11.9%	8.7%	12.7%	2.0%	6.4%
Net Interest & Other Income	(2,280)	(2,439)	(3,049)	(3,070)	(3,347)
Net Income (Adjusted)	4,030	4,060	4,301	4,649	4,938
% Change	6.6%	0.8%	5.9%	8.1%	6.2%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	3,243	3,830	4,477	4,453	4,589
Depreciation & Amortization	5,663	5,663	5,318	5,634	6,027
Change in Working Capital	0	0	(152)	(13)	(96)
Deferred Taxation Charge	191	191	400	400	550
Other Adjustments, Net	(807)	(3,757)	(115)	(94)	(109)
Capital Expenditure	(9,715)	(9,715)	(11,950)	(12,000)	(13,125)
Free Cash Flow	-1,425	-3,788	-2,022	-1,621	-2,163
% Change	-35.6%	-165.8%	46.6%	19.8%	-33.5%
Share / Issue Repurchase	5	5	0	0	250
Cost of Dividends Paid	(3,114)	(3,114)	(3,223)	(3,336)	(3,453)
Change in Debt	4,237	4,237	3,691	4,813	5,272

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	343	409	49	455	362
Trade Receivables	3,610	4,415	4,302	4,327	4,432
Other Current Assets	5,987	8,398	7,588	7,622	7,649
Property, Plant & Equipment	111,408	111,748	118,380	124,747	131,844
Other Non-Current Assets	48,239	53,291	52,291	52,291	52,291
Total Assets	169,587	178,261	182,610	189,441	196,578
Short-Term Debt	6,691	5,447	5,605	5,918	6,262
Other Current Liabilities	9,240	13,426	12,352	12,396	12,432
Long-Term Debt	60,448	67,061	69,994	74,493	79,422
Other Non-Current Liabilities	44,072	42,341	42,522	42,789	43,013
Total Liabilities	120,451	128,275	130,473	135,597	141,130
Total Equity	49,174	50,024	51,382	52,539	54,143
Total Equity & Liabilities	169,625	178,299	181,854	188,135	195,272

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Electric Utilities

Company Description

Duke Energy Corporation operates as a predominately US regulated utility based in Charlotte, NC. The company operates regulated electric utilities in the Midwest, Florida and the Carolinas and supplies electric service to approximately 7.5 million residential, commercial, and industrial customers. Duke owns 50,000MW of capacity. The regulated gas utilities serve more than 1.6 million customers in the Carolinas and Ohio. A commercial arm owns contract renewables and pipelines across the US.

Investment Rationale

We rate Duke Energy (DUK) at Buy due to improving regulatory profile and a large generation decarbonization plan. Duke is investing in grid modernization that is enhanced by sustained load growth and other spending to meet decarbonization targets through the end of the decade. We see valuation as attractive at current levels with improving visibility to earnings via implementation of performance-based regulation.

Stock Data

Average Daily Volume 3365,282

Quarterly Earnings Estimates

	2022	2023
Q1	1.30A	1.19A
Q2	1.16A	0.91A
Q3	1.78A	1.93A
Q4	1.04A	1.54E

2024 EPS: Approved rate increases support linear growth

We forecast DUK's 2024 EPS at \$6.03, representing +6.7% growth from the *original* midpoint of 2023's guidance range of \$5.65.

In contrast with 2023, we expect weather to be a tailwind (assume normal) in 2024 including a +4c contribution in Q4 (assuming 4Q23 comes in milder than normal). DUK initiated a \$300m 'agility' cost cutting program in 2023 in response to historically mild temperatures, and as a result we assume roughly half of this reversing for a -15c drag. Approved rate increases provide the biggest source of upside in our walk at +87c in aggregate, with North Carolina accounting for the bulk. Offsetting these are interest expense (-34c Utility, -9c parent) and D&A at -20c reflecting higher rate base and updated depreciation rates.

Non-weather sales growth is admittedly a wild card. Recall that the North Carolina rate cases instituted residential decoupling, however mgmt. continues to flag strong customer growth as part of the backdrop. Economic growth is expected to contribute 1-2 GWh incremental sales in 2024 based on the company's forecast – note this has been framed as high-visibility and relatively conservative by the company, albeit with commercial and industrial load providing comparatively less margin contribution.

Exhibit 1: DUK EPS walk – we see '24 EPS guidance intact vs Street: should be a strong showing

We see 2024 EPS at \$6.03

	Q1	Q2	Q3	Q4	Total
Starting - 2023 EPS	1.20	0.91	1.94	1.53	5.58
Electric Utilities					
Weather	0.22	0.06	-0.09	0.04	0.23
Volumes	0.03	0.03	0.03	0.02	0.10
Riders and other retail margin	0.03	0.03	0.03	0.03	0.10
Rate case impacts net	0.15	0.20	0.30	0.22	0.87
Duke Energy Progress NC	0.04	0.05	0.08	0.06	0.25
Duke Energy Carolinas NC	0.07	0.09	0.13	0.10	0.45
Florida Multi Year Rate Plan	0.01	0.02	0.02	0.02	0.08
Duke Energy Kentucky	0.01	0.01	0.01	0.01	0.04
Duke Energy South Carolina	0.01	0.01	0.02	0.01	0.05
Wholesale	0.00	0.00	0.00	0.00	0.00
O&M	-0.04	-0.04	-0.04	-0.03	-0.15
Interest expense	-0.08	-0.08	-0.08	-0.10	-0.34
D&A	-0.05	-0.05	-0.05	-0.05	-0.20
Other	0.00	0.00	0.00	0.00	0.00
Electric Utilities	0.25	0.14	0.09	0.12	0.60
Gas Utilities	0.03	0.03	0.03	0.03	0.10
Parent & Other					
Interest expense	-0.02	-0.02	-0.02	-0.03	-0.09
Other - ETR	0.00	0.00	-0.15	0.00	-0.15
Equity dilution	0.00	0.00	0.00	0.00	0.00
Parent & Other	-0.02	-0.02	-0.17	-0.03	-0.24
2024 EPS Adjusted	1.46	1.06	1.89	1.64	6.03
Guidance					TBD

Source: BofA Global Research, Bloomberg

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Estimates

We maintain our estimates – previously updated here: [Duke Energy: Our go-to mega cap Utility pick should continue to work in 2024 28 December 2023](#) - including updated capital assumptions and equity funding. Upsides to our estimates include approval of greater investment in generating capacity as a result of updated investment resource plans (IRPs, as well as closing of the ROE gap in less constructive jurisdictions such as South Carolina.

On a cumulative basis our updated numbers are +1% ahead of Street consensus and reflect a CAGR above the 6% midpoint of the 5-7% target growth range. We see recent regulatory outcomes – North Carolina in particular – as supportive of growth and overall de-risking and reducing volatility.

Exhibit 2: DUK estimates

Continue to reflect +1% vs. Street consensus on capex upside, NC rate case outcomes

EPS Estimates	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Electric									
Carolinas	1.25	1.86	2.17	2.38	2.57	2.72	2.90	3.07	3.24
Indiana	0.56	0.65	0.36	0.50	0.67	0.60	0.60	0.62	0.65
Ohio - Electric	0.22	0.18	0.25	0.29	0.32	0.35	0.36	0.38	0.38
Progress- Carolinas	0.54	1.33	1.34	1.46	1.47	1.59	1.73	1.91	2.09
Progress- Florida	1.06	1.00	1.21	1.22	1.23	1.32	1.39	1.43	1.47
Eliminations/Adjustments	1.17	-0.01	-0.08	0.00	0.00	0.00	0.00	0.00	0.00
Consolidated Earnings	4.80	5.10	5.46	5.85	6.27	6.57	6.98	7.41	7.83
Guidance	4.94	5.07	5.44	5.98					
Gas									
Ohio - Gas	0.13	0.10	0.16	0.16	0.18	0.18	0.18	0.19	0.19
Piedmont (PNY)	0.36	0.41	0.43	0.47	0.54	0.61	0.67	0.74	0.81
Midstream Pipelines	-2.21	0.00	0.02	0.04	0.04	0.05	0.05	0.05	0.05
Eliminations/Adjustments	2.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Consolidated Earnings	0.60	0.53	0.61	0.67	0.76	0.84	0.90	0.98	1.05
Guidance	0.72	0.54	0.60	0.65					
Commercial Renewables	0.38	0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Guidance	0.33	0.29	0.17						
Parent/Other	-0.68	-0.77	-0.80	-0.94	-1.00	-1.01	-1.09	-1.10	-1.08
Guidance	-0.73	-0.75	-0.68	-0.98					
Adjustments									
BofAe EPS	5.11	5.12	5.27	5.58	6.03	6.39	6.80	7.28	7.79
Previous Estimates	5.12	5.24	5.27	5.58	6.03	6.39	6.80	7.28	7.79
Guidance	5.05-5.45	5.00-5.30	5.20-5.30	5.55-5.65					
Consensus	5.11	5.24	5.30	5.60	5.98	6.34	6.72	7.16	7.67
Mgmt EPS CAGR: 5-7% off '23 (\$5.65 base)				5.65	5.99	6.35	6.73	7.14	7.57
Low End				5.55	5.93	6.23	6.54	6.87	7.21
High End				5.75	6.05	6.47	6.92	7.41	7.92
Delta vs Consensus				-0.4%	0.9%	0.9%	1.1%		
CAGR off 2023 midpoint \$5.65					6.7%	6.4%	6.3%	6.6%	6.6%

Source: BofA Global Research estimates, Bloomberg

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Valuation

We mark to market our valuation to reflect the latest peer multiples applied to our 2026 EPS forecast of 13.9x for electric and 13.4x for gas. We also update the premia applied to the Carolinas utilities to +2x from +1x to reflect recent constructive rate decisions and to +3x from +2x at Duke Florida to reflect an expected constructive outcome in the latest iteration of the multi year plan which will likely be filed this year. The resulting PO is \$105 (from \$102) and we reiterate our Buy rating on DUK given the double digit total return implied by our valuation.

Exhibit 3: DUK valuation

PO \$105, reiterate Buy

Duke Energy Sum of the Parts Valuation 2026E

All figures in \$Mn except per share

	Metric			P/E Multiple			Equity Value		
	2026 EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Electric	-	-	13.9x	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Electric	-	-	5.00%	-	-	-	-	-	-
Electric Utilities			14.6x						
Duke Energy Carolinas	\$2.90	15.6x		2.0x	16.6x	17.6x	\$45.21	\$48.11	\$51.01
Duke Energy Progress/Carolinas	\$1.73	15.6x		2.0x	16.6x	17.6x	\$26.98	\$28.71	\$30.44
Duke Energy Florida	\$1.39	16.6x		3.0x	17.6x	18.6x	\$23.09	\$24.48	\$25.87
Duke Energy Indiana	\$0.60	15.6x		2.0x	16.6x	17.6x	\$9.39	\$10.00	\$10.60
Duke Energy Ohio/Kentucky	\$0.36	13.6x		0.0x	14.6x	15.6x	\$4.86	\$5.22	\$5.58
Total Electric Utility Value	\$6.98						\$109.53	\$116.52	\$123.50
Group Peer Multiple - Gas			13.4x						
Group EPS '18-'22 CAGR - Gas			5.00%						
Gas Utilities	2026 EPS		14.1x						
Duke Energy Piedmont	\$0.67	14.1x		1.0x	15.1x	16.1x	\$9.49	\$10.16	\$10.84
Duke Energy Ohio/Kentucky Gas	\$0.18	13.1x		0.0x	14.1x	15.1x	\$2.40	\$2.59	\$2.77
Total Gas Utility Value	\$0.86						\$11.89	\$12.75	\$13.61
Commercial Segment	2026 EBITDA								
Remaining Midstream assets	\$107	7.0x	8.0x	0.0x	8.0x	9.0x	748	855	962
Transmission Segment	\$6	8.0x	9.0x	0.0x	9.0x	10.0x	48	54	59
Segment Net Debt	-\$1,574						-1,574	-1,574	-1,574
Add back Renewable Debt	\$1,126						1,126	1,126	1,126
Net Infrastructure Equity							348	461	574
Net Infrastructure Equity Per Share							\$0.48	\$0.60	\$0.79
Parent	2026 EPS								
NMC (Saudi Chemical JV)	\$0.07	7.6x		-6.0x	8.6x	9.6x	\$0.53	\$0.60	\$0.67
50% Weighting: Parent Debt Interest Expense	-\$0.86	17.4x		0.0x	16.4x	15.4x	-\$7.51	-\$7.08	-\$6.65
50% Weighting: Parent Debt	-\$28,151						-\$18.22	-\$18.22	-\$18.22
Total Equity Value							-\$25.19	-\$24.69	-\$24.19
Shares Outstanding								773	
Total Equity Value							\$97.00	\$105.00	\$114.00
NTM Dividend Yield								4.4%	
Total Return								10.9%	

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH



Price objective basis & risk

Duke Energy (DUK)

Our \$105 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2026E P/E multiples. We apply a 3x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and potential generation opps in IN). We apply a 2x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2023. We value the other regulated electric utilities at 13.9x and the gas utilities at peer group multiples of 13.4x 2026E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2025E EV/EBITDA basis. We use 8.0x multiples for midstream and 9.0x for transmission segments. We subtract out the impact of commercial debt, and add back for the renewable debt. Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment. Macro risks: Increases in interest rates and decreases in equity market valuations.

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	CWENA US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	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
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
UNDERPERFORM				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	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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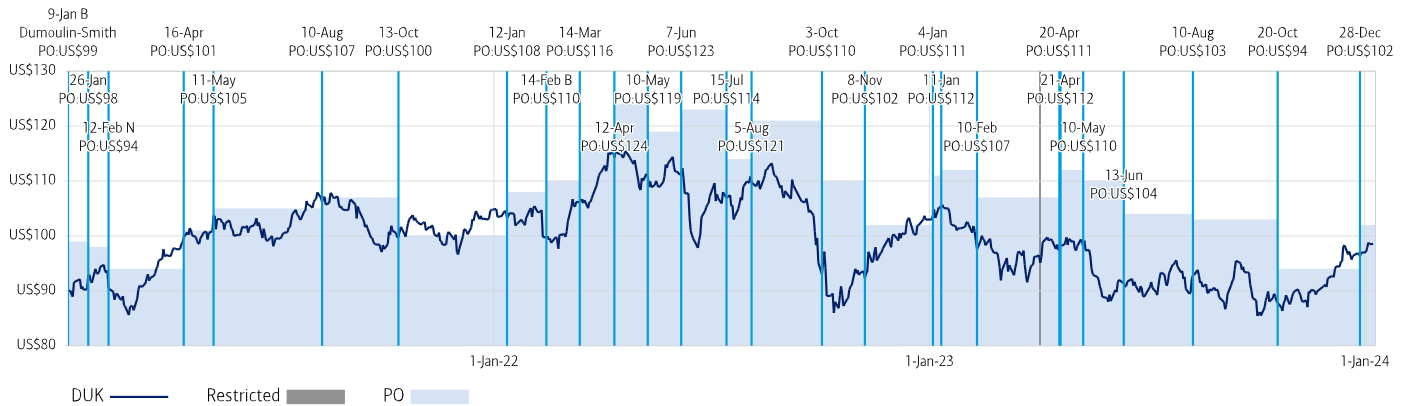
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Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2023)

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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