

Cheniere Energy Inc

Revisiting the model after fruitful summer
– Reiterate Buy

Reiterate Rating: BUY | PO: 194.00 USD | Price: 162.72 USD

Deep model scrub yields positive estimate, PO revisions

We revise numerous factors across our model raising our PO to \$194 (from \$172), and reiterate our Buy rating. Scrub includes updating project-level debt schedules, standardizing our unit economic assumptions for expansion projects. We assume contract pricing of \$2.75/MMBtu for expansions and capex costs of \$850/tonne (except for Corpus Christi Stage 3 at \$550/tonne). We also update our valuation methodology to better reflect Cheniere's economic interest in Sabine Pass, which we estimate in the low-60% range on a run-rate basis. Our est revisions result in a +\$11 change to our PO (debt schedule update: about +\$6; expansion standardization: about +\$5) while our valuation results in +\$11.

Commercialization efforts tracking well for expansions...

We reiterate Buy on shares of Cheniere Energy while highlighting the company's successful commercialization efforts of late. Since initiating the permitting process for a 20 MTPA expansion of Sabine Pass in February, Cheniere has inked four long-term sales contracts totaling 4.75 MTPA. FERC approval remains a 2025+ event in our view. Critical to watch will be regulatory progress on the proposed 48-inch TX-LA pipeline to supply the facility. Typically, interstate pipelines receive elevated scrutiny from regulators. Still, Cheniere's historical success in dealing with FERC bodes well, in our view.

...and economics still attractive despite inflation, rates

Despite elevated financing costs and inflationary pressures, we see returns in the mid-teens on incremental capacity additions. Critically this assumes SPA pricing in the high-\$2/MMBtu range. Our conversations with industry stakeholders suggest favorable trends in industry pricing of late. That said, we believe the levels we assume in our analysis are still reserved only for top-tier operators with a proven track record. In that vein, we are constructive on prospects for Cheniere's expansions as commercialization progresses.

Volatility, winter prospects more a '24 driver

Cheniere exited 2Q23 with less than 10 TBtu of unsold volumes for the remainder of 2023. Considering this, we do not expect meaningful upside to current EBITDA guidance of \$8.3-8.8Bn. Commodity price volatility spurred by labor strikes in Australia remain a watch item for impacts to 2024, as does winter weather. We note a \$1/MMBtu change in international natural gas prices results in a \$122Mn change to our 2024E EBITDA.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(9.25)	5.64	40.47	13.29	11.57
EPS Change (YoY)	NM	NM	617.6%	-67.2%	-12.9%
Consensus EPS (Bloomberg)			28.00	10.61	9.67
DPS	0	0.33	1.58	1.74	1.91
Valuation (Dec)					
P/E	NM	28.9x	4.0x	12.2x	14.1x
GAAP P/E	NM	28.9x	4.0x	12.2x	14.1x
Dividend Yield	0%	0.2%	1.0%	1.1%	1.2%
EV / EBITDA*	231.0x	6.2x	8.5x	10.4x	11.3x
Free Cash Flow Yield*	3.8%	22.2%	13.4%	7.8%	3.0%

* For full definitions of *IQmethod*SM measures, see page 11.

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Timestamp: 14 September 2023 06:00AM EDT

14 September 2023

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	172.00	194.00
2023E EPS	37.85	40.47
2024E EPS	12.10	13.29
2025E EPS	11.07	11.57
2023E EBITDA (m)	8411.5	8422.8
2024E EBITDA (m)	6670.2	6891.9
2025E EBITDA (m)	6273.9	6337.2

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Stock Data

Price	162.72 USD
Price Objective	194.00 USD
Date Established	14-Sep-2023
Investment Opinion	B-1-7
52-Week Range	135.00 USD - 182.35 USD
Mrkt Val (mn) / Shares Out (mn)	39,154 USD / 240.6
Average Daily Value (mn)	218.05 USD
BofA Ticker / Exchange	LNG / NYS
Bloomberg / Reuters	LNG US / LNG.A
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter™	Medium

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".

FERC: Federal Energy Regulatory Commission

MMBtu: Million British thermal units

MTPA: Million tonnes per annum

TX-LA: Texas-Louisiana

iQprofileSM Cheniere Energy Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-1.4%	11.1%	31.2%	13.3%	11.6%
Return on Equity	NM	NM	NM	132.2%	83.4%
Operating Margin	-4.4%	13.6%	68.7%	35.2%	32.8%
Free Cash Flow	1,503	8,693	5,259	3,059	1,184

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	7.4x	0.8x	1.8x	1.9x
Asset Replacement Ratio	1.0x	1.6x	2.0x	2.2x	3.2x
Tax Rate	31.3%	14.8%	5.0%	5.0%	5.0%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	NM
Interest Cover	-0.5x	3.2x	10.0x	4.5x	3.9x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	15,864	33,428	18,616	16,422	15,789
% Change	69.5%	110.7%	-44.3%	-11.8%	-3.9%
Gross Profit	2,091	7,796	15,718	8,630	8,112
% Change	-59.8%	272.8%	101.6%	-45.1%	-6.0%
EBITDA	310	11,564	8,423	6,892	6,337
% Change	-91.3%	NM	-27.2%	-18.2%	-8.0%
Net Interest & Other Income	(1,577)	(1,465)	(1,271)	(1,288)	(1,325)
Net Income (Adjusted)	(2,343)	1,428	9,783	3,053	2,531
% Change	NM	NM	585.1%	-68.8%	-17.1%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(1,565)	2,635	10,938	4,272	3,655
Depreciation & Amortization	1,011	1,119	1,074	1,107	1,164
Change in Working Capital	(1,255)	(307)	649	23	(3)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	4,278	7,076	(5,304)	116	117
Capital Expenditure	(966)	(1,830)	(2,098)	(2,460)	(3,749)
Free Cash Flow	1,503	8,693	5,259	3,059	1,184
% Change	NM	478.4%	-39.5%	-41.8%	-61.3%

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,404	1,353	4,140	3,968	2,456
Trade Receivables	1,506	1,944	1,489	821	789
Other Current Assets	2,146	2,311	1,717	1,797	1,792
Property, Plant & Equipment	30,288	31,528	32,552	33,904	36,489
Other Non-Current Assets	3,914	4,130	4,130	4,130	4,130
Total Assets	39,258	41,266	44,028	44,620	45,657
Short-Term Debt	366	813	813	813	813
Other Current Liabilities	4,327	5,982	5,582	5,017	4,978
Long-Term Debt	29,449	24,055	25,209	25,422	25,991
Other Non-Current Liabilities	5,149	10,587	10,587	10,587	10,587
Total Liabilities	39,291	41,437	42,191	41,839	42,368
Total Equity	(33)	(171)	1,837	2,782	3,289
Total Equity & Liabilities	39,258	41,266	44,028	44,620	45,657

* For full definitions of iQmethodSM measures, see page 11.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

Cheniere Energy, Inc. (NYSE: LNG) is a Houston-based energy company primarily engaged in LNG-related businesses. It owns the Corpus Christi liquefaction and pipeline business, as well as Cheniere Marketing. In addition, it is a partial owner of the Sabine Pass liquefaction facility and Cheniere Creole Trail pipeline.

Investment Rationale

We rate Cheniere Buy with heavily contracted cash flows and potential for further expansion longer-term through various development opportunities. The significant strengthening of the natural gas and LNG commodity environment bolsters the short-term marketing outlook in addition to long-term investment opportunities. We further see free cash flow upside from additional refi/debt paydown strategies. Cheniere is the only US pure-play LNG investment.

Stock Data

Average Daily Volume 1,339,061

Quarterly Earnings Estimates

	2022	2023
Q1	-3.41A	22.11A
Q2	2.90A	5.62A
Q3	-9.54A	4.98E
Q4	15.78A	7.53E

Near-term upside potential outweighs risks

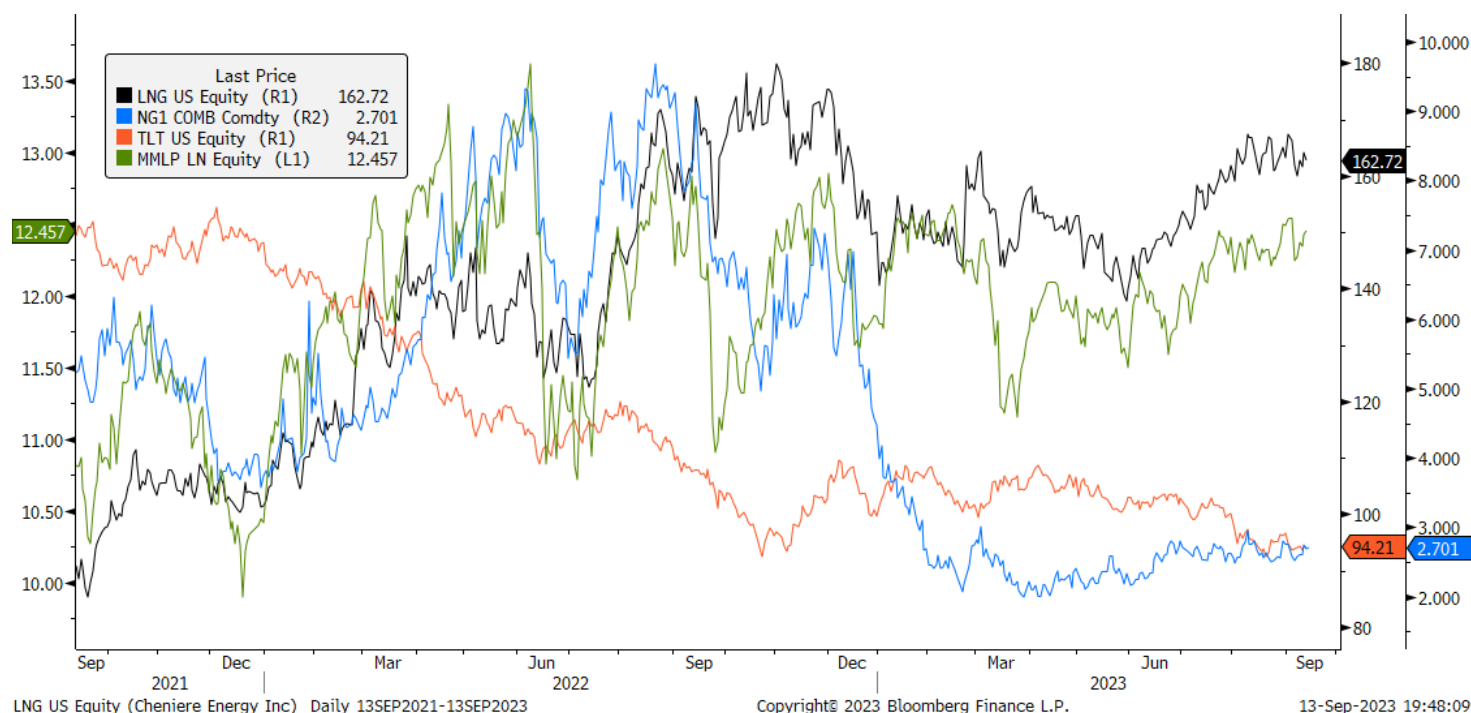
Both interest rate headwinds and weak commodity prices have failed to suppress shares of Cheniere year-to-date: merits of the long-term, defensive natural of the biz are clearly shining thru as mgmt. delivers on long-awaited capital return promises. Even absent a winter spike in commodity prices, we perceive the upside potential for shares as *still* outweighing the downside risks despite its outperformance already.

We expect continued progress on commercialization to drive expectations for positive FID (final investment decision) on the Sabine expansion post-FERC approval (which we view as likely, even if longer-dated). Clear risk remains in the form of interest rates. We stress that over time, should rates remain “higher for longer,” we would expect the stock’s resiliency to abate as discount rates should move higher. Yields on outstanding bonds at Corpus Christi are up 30bps year-to-date (100bps peak-to-trough), which we believe eventually should translate to higher cost of equity even if hard to gauge. Still, with commodity prices at an apparent low and potential catalysts in the form of SPAs ahead, we are biased to the upside near-term. Additionally, returns on expansions have remained intact as we show below, further solidifying our view. We see recent industry discussion of yet higher tolling arrangements (affirming our \$2.75/MMbtu assumption) as only reinvigorating this improving view. Ability to offer expanded view on continued brownfield expansions in 2023 at both of its key sites is a non-trivial factor to its outperformance.

On balance, we’re raising our PO and reiterating our Buy rating. See outperformance as clear, albeit consistent with a wider midstream defensiveness exhibited YTD.

Exhibit 1: Cheniere stock vs. natural gas (NG1), rates (TLT), and midstream (MMLP)

Resiliency exhibited by shares despite macro headwinds suggests potential near-term positive catalysts outweigh risks



Source: Bloomberg

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Economics intact for capacity additions

Below we show our “Liquefaction Mini Model,” which calculates projects returns on a typical liquefaction facility under certain assumptions. Here, we assume build costs of \$850/tonne, which is funded with 50/50 debt/equity. Debt is priced at SOFR+300bps and is amortized over 10 years. We assume 100% of nameplate capacity is contracted for 20 years at a fixed fee of \$2.75/MMBtu. We apply an inflation adjustment of 2.5% annually on 12% of contracted volumes and 100% of opex. Lifting margins are assumed at 5% of Henry Hub natural gas pricing (\$3.00/MMBtu here). This yields gross profit of \$2.90/MMBtu in Year-1. Total opex is assumed at \$0.50/MMBtu (\$0.40 for operations and maintenance and \$0.10 for ongoing capex). **On balance, despite elevated financing costs and inflationary pressures, returns remain attractive in the mid-teens. Still, we note high sensitivities to the following:**

- A \$0.25/MMBtu change in fixed fee results in a ~300bps change in returns.
- A \$50/tonne change in construction costs results in a ~150bps change in returns.
- A 100bps change in interest rates results in a ~50bps change in returns.

Exhibit 2: Liquefaction Mini Model

Returns remain healthy in the mid-teens as SPA pricing keeps pace with rates, inflation

	'23-'26E	2027E	2028E	2029E	2030E	2031E	2046E
Henry Hub (\$/mmbtu)		\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
HH + 115% markup		\$3.45	\$3.45	\$3.45	\$3.45	\$3.45	\$3.45
Fixed fee		\$2.75	\$2.76	\$2.77	\$2.77	\$2.78	\$2.91
Revenues (\$/mmbtu)		\$6.20	\$6.21	\$6.22	\$6.22	\$6.23	\$6.36
Volume (Tbtu)		1034.0	1034.0	1034.0	1034.0	1034.0	1034.0
Revenues (\$mn)		\$6,411	\$6,419	\$6,428	\$6,436	\$6,445	\$6,577
Lifting cost of gas (\$/mmbtu)		\$3.30	\$3.30	\$3.30	\$3.30	\$3.30	\$3.30
Lifting cost of sales (\$mn)		3412.2	3412.2	3412.2	3412.2	3412.2	3412.2
Gross margin (\$mn)		\$2,999	\$3,007	\$3,016	\$3,024	\$3,033	\$3,165
Contract margin (\$/mmbtu)		\$2.90	\$2.91	\$2.92	\$2.92	\$2.93	\$3.06
O&M cost (\$/mmbtu)		\$0.40	\$0.41	\$0.42	\$0.43	\$0.44	\$0.64
Maint capex (\$/mmbtu)		\$0.10	\$0.10	\$0.11	\$0.11	\$0.11	\$0.16
O&M cost (\$mn)		413.6	423.9	434.5	445.4	456.5	661.2
Maint capex (\$mn)		103.4	106.0	108.6	111.4	114.1	165.3
Interest expense (\$mn)		681.5	631.5	577.3	518.7	455.2	(0.0)
Debt Amortization (\$mn)		578.4	626.5	678.5	734.8	795.7	0.0
Construction costs (\$mn)	(17,000)						
Debt Issuance/Repayment (\$mn)	8,500						
Project cash flows (\$mn)	(\$8,500)	\$1,222	\$1,219	\$1,217	\$1,214	\$1,211	\$2,339
Project size (mtpa)	20						
Construction - EPC cost (\$/t)	\$850						
Total construction cost	\$17,000						
Debt/Equity	50%						
Interest rate (SOFR + 300bps)	8.3%						
Amortization Period	10						
Revenues - Henry Hub markup	115%						
Cost of gas (% of Henry Hub)	110%						
Inflation rate	2.5%						
% of fixed fee subject to inflation	12%						
Levered IRR	16.0%						
Build Multiple (Capex/EBITDA)	6.9x						

Source: BofA Global Research

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We see 2023 tracking towards the midpoint of guidance

We forecast 2023 EBITDA for Cheniere of \$8.42Bn, which is approximately at the midpoint of mgmt.'s guidance range (\$8.2-8.7Bn). Cheniere's earnings were heavily weighted to 1H23 given higher volumes and realized pricing on open cargoes. As of 2Q23 earnings, Cheniere had less than 10 MTPA of unsold volumes. We assume most of these are sold in 4Q23 to capitalize on an presumed rebound in pricing in the winter. Our forecast is ~7.3% below Consensus for 3Q23 and 13.1% below for 4Q23. Consensus appears to be pricing in a more robust pricing environment than we are. Our view is informed by the current position of futures curves.

Exhibit 3: Cheniere 2023 EBITDA build

We forecast 2023 EBITDA at the approximate midpoint of guidance

Spot margin estimates (\$/mmbtu)	1Q23	2Q23	3Q23	4Q23	FY2023
Realized LNG price [A]	29.58	18.45	13.00	18.00	25.10
Henry Hub price - adj.	\$2.80	\$2.32	\$2.65	\$3.00	\$2.69
Liquefaction costs - 10% of Henry Hub	0.28	0.23	0.27	0.30	0.27
FOB cost	3.08	2.55	2.92	3.30	2.96
O&M	0.50	0.50	0.50	0.50	0.50
Shipping cost	2.00	2.00	2.00	2.00	2.00
Contract unit cost [B]	5.58	5.05	5.42	5.80	5.46
Estimated unit margin [A] - [B]	\$24.00	\$13.39	\$7.59	\$12.20	\$19.64
CMI open volumes shipped in previous period (Tbtu)	5	0			5
CMI open volumes shipped in current period (Tbtu)	103	52	8	8	170
TOTAL CMI open volumes recognized in revenue (Tbtu)	108	52	8	8	175
Blended margin estimate (\$/mmbtu)	\$24.00	\$13.39	\$7.59	\$12.20	\$19.64
Margin estimate - Uncontracted exposure (\$mn)	\$2,592	\$697	\$57	\$92	\$3,437
Run-rate margin (\$/mmbtu)	\$2.25	\$2.25	\$2.25	\$2.25	
Uncontracted margin estimate @ run-rate (\$mn)	\$243	\$117	\$17	\$17	\$394
Incremental margin upside vs. run-rate (\$bn)	\$2.35	\$0.58	\$0.04	\$0.07	\$3.04
Run-Rate (\$bn)	\$1.43	\$1.43	\$1.43	\$1.43	\$5.70
Other adjustments (\$bn)	(\$0.18)	(\$0.14)			(\$0.32)
Implied EBITDA (\$bn)	\$3.60	\$1.86	\$1.47	\$1.50	\$8.42
Guidance (\$bn)					\$8.20-8.70
Consensus (\$bn)		\$1.62	\$1.58	\$1.73	\$8.70
BofA vs. guidance					-0.3%
BofA vs. Consensus		14.7%	-7.3%	-13.1%	-3.2%

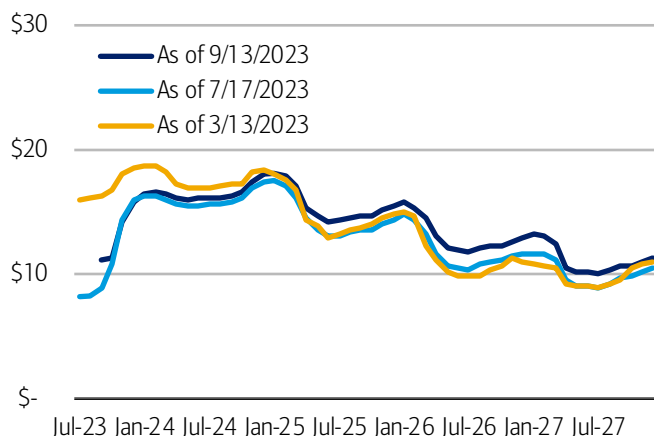
Source: Company filings, BofA Global Research

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From a commodity standpoint, we note mild price volatility of late spurred by labor strikes in Australia. Aside from this, 2024 and beyond appear relatively unchanged since our last update in July. We continue to monitor futures curves considering Cheniere's exposure vis-à-vis open cargoes. For example, we note a \$1/MMBtu change in international natural gas prices results in a \$122Mn change in our 2024E EBITDA

Exhibit 4: TTF (Europe) natural gas prices

Volatility persists though to a lesser degree

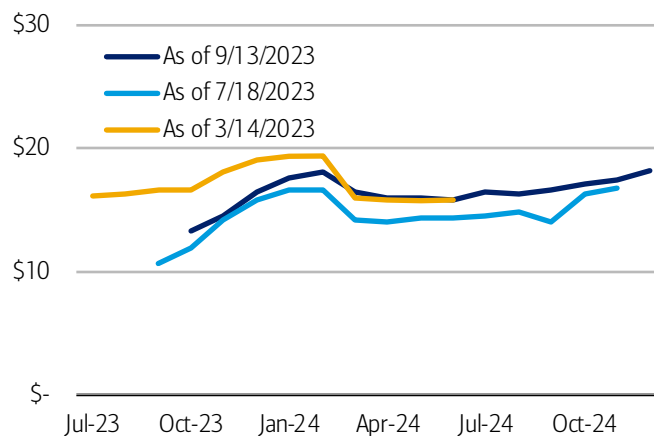


Source: Bloomberg, BofA Global Research

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Exhibit 5: JKM (Asia) natural gas prices

Volatility persists though to a lesser degree



Source: Bloomberg, BofA Global Research

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Long-term estimates layer in expansions

Below we show our long-term forecast for Cheniere relative to guidance and Consensus. We note our projections through 2027 factor in Corpus Christi Stage 3 expansion (~38% complete as of 2Q23) and Midscale Trains 8 & 9 (pre-FID). We are modestly above guidance and Consensus in the out years, which we believe is attributable to our assumptions for open cargo pricing and volumes, but below on the current year (and towards lower end of the guidance range). We assume open cargo volumes of 144 TBtu for 2024, and 124 TBtu for 2025-2027 (vs. 170 TBtu for 2023). This is consistent with mgmt. commentary indicating a drop in open cargos as incremental long-term contracts turn on. For pricing, we assume \$17.00/MMBtu in 2024, \$13.50/MMBtu in 2025, and \$10.50/MMBtu in 2026 and 2027.

Exhibit 6: Cheniere earnings dashboard

We forecast steady growth as incremental capacity turns on

	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Consolidated Adj. EBITDA	3,961	4,867	11,564	8,423	6,892	6,337	7,205	7,540
Prior Adj. EBITDA			11,564	8,411	6,670	6,274	7,114	
Consensus			11,450	8,702	6,651	6,543	7,138	7,614
BofAe Adj. EBITDA vs. Consensus			1.0%	(3.2%)	3.6%			
Guidance - Adjusted EBITDA	3800-4100	4600-5000	11000-11500	8300-8800				
BofAe Adj. EBITDA vs. Guidance				2.1%				
Guidance - Run-Rate Adj. EBITDA	3800-4100	4300-4600	4400-4900	5300-5700		6400-6900	6700-7300	
			8 trains	9 trains		+ CCS3	+ T8 & 9	
Marketing Margin - Portfolio Plus Open (\$/mmbtu)		\$3.45	\$10.09	\$8.37	\$4.32	\$2.50	\$2.50	\$2.50
Marketing Margin - Portfolio Plus Open (\$/Mn)		1,669	6,984	4,158	3,098	1,905	1,242	1,240
Less: Interest Expense	(1,990)	(2,190)	(1,360)	(1,278)	(1,295)	(1,289)	(1,250)	(1,223)
Guidance - Interest Expense				1,200				
Less: CQP DCF Attributable to Minority Interest	(630)	(660)	(1,330)	(1,155)	(1,219)	(1,124)	(1,068)	(988)
Guidance - CQP DCF Attributable to Minority Interest		600-700	1200-1300	900-1000			900-1000	
Less: Maint capex, income tax & other			(150)	(350)	(500)	(550)	(600)	(600)
			200-300	300-400				
Distributable Cash Flow (\$Mn)	1,341	2,017	8,724	5,640	3,878	3,374	4,286	4,729
Guidance - Distributable Cash Flow	1000-1300	1800-2100	8100-8600	5800-6300				
Guidance - Run-Rate DCF	1500-1700		3100-3600	2600-3000		3200-3500	3900-4300	
Distributable Cash Flow per Share (\$/sh)	\$5.31	\$7.96	\$34.43	\$23.33	\$16.89	\$15.42	\$20.44	\$22.98
Guidance - Run-Rate DCF/share	\$5.40-\$6.30		\$7.25-\$8.75	\$11-\$13		\$13-\$15	\$18-\$20	\$20-\$22
Distributable Cash Flow Yield (%)	3.2%	4.9%	21.0%	14.2%	10.3%	9.4%	12.5%	14.0%

Source: Company filings, BofA Global Research

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Valuation refresh: Raise PO to \$194 on revisions

Below we show our simplified sum-of-the-parts (SotP) for Cheniere, which breaks out valuation related to contracted and uncontracted volumes. On a consolidated basis, our SotP implies a 10.4x EV/EBITDA multiple on 2026E earnings. For contracted volumes (ex-Cheniere Marketing [CMI]), we arrive at an 11.0x EV/EBITDA multiple, which is implied after netting our CMI at 8.0x EV/EBITDA. We believe 8.0x represents a fair valuation for CMI. Assuming 4.5x EV/EBITDA for uncontracted CMI volumes implies 9.1x EV/EBITDA on contracted volumes. While below “ex-CMI” volumes, we believe 9.1x is appropriate considering the higher mix of shorter-duration agreements at CMI.

As noted above, a key adjustment made to our valuation involves Cheniere’s economic interest in Sabine Pass. Sabine Pass is held at Cheniere Energy Partners (CQP), and Cheniere holds 51.6% of outstanding CQP units (239.9Mn Common Units representing 48.6% and 9.9Mn general partner units representing 2.0%). However, through incentive distribution rights, Cheniere’s economic interest in Sabine Pass (and consequently CQP) is closer to 63%. In our prior model, we deducted the current market value of CQP common units not held by Cheniere from our NPV of Sabine Pass. In our revised model, we instead deduct 37% of the NPV of Sabine Pass, which represents the economic interest of CQP units not held by Cheniere.

Importantly, we maintain our 8% discount rate on operating assets (12% during developmental phase). We stress our valuation remains highly sensitive to rate moves. A 100bps change in our discount rates results in a \$15 change to our PO. We acknowledge this as the greatest source of single pushback in our valuation amidst higher equity discount rates across our wider Infrastructure-sector peers.

Exhibit 7: Cheniere simplified SotP

Our valuation implies a 10.4x EV/EBITDA multiple on 2026E

	EV	EBITDA (2026E)	EV/EBITDA
Contracted (ex-CMI)	\$63,043	\$5,743	11.0x
CMI - Contracted	\$10,074	\$1,102	9.1x
CMI - Uncontracted	\$1,621	\$360	4.5x
Total CMI	\$11,695	\$1,462	8.0x
Total LNG	\$74,738	\$7,205	10.4x
Less: Net Debt (2026E)	(\$26,751)		
Less: Minority Interest	(\$7,929)		
LNG Equity Value	\$40,058		
PO	\$194.00		
Shares (2026E)	206.4		
Current LNG Share Price (As of 09/12/23)	\$164.09		
2024E Dividend Yield	1.1%		
Total Potential Return	19.3%		

Source: Company filings, Bloomberg, BofA Global Research

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Exhibit 8: Cheniere full SotP

We arrive at a \$194 PO

	2026E Avg. Margin (\$/MMBtu)	2026 EBITDA (\$Mn)	EV/EBITDA Multiple	EV (\$mn)	EV (\$/Sh)
1. Cheniere Marketing (Blended EBITDA)	2.91	1,462	8.0x	11,695	\$56.67
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
2. NPV of CC 1-3 Trains		8,809	100%	8,809	\$42.68
Incremental Value if Contracts Extended		1,433	75%	1,082	\$5.24
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
3. NPV of Corpus Christi Stage 3		5,189	100%	5,189	\$25.15
Incremental Value if Contracts Extended		1,287	75%	972	\$4.71
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
4. NPV of CC Midscale Trains 8 & 9		735	75%	555	\$2.69
Incremental Value if Contracts Extended		427	50%	216	\$1.05
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
5. NPV of Sabine Pass Trains 1-6		15,601	100%	15,601	\$75.60
Incremental Value if Contracts Extended		3,109	75%	2,331	\$11.30
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
6. NPV of Sabine Pass Expansion Opportunity		3,583	75%	2,705	\$13.11
Incremental Value if Contracts Extended		2,289	50%	1,156	\$5.60
		<u>NPV (\$Mn)</u>	<u>Probability</u>		
7. NPV of Corpus Christi Expansion Opportunity		2,165	50%	1,093	\$5.30
Incremental Value if Contracts Extended		1,593	25%	406	\$1.97
		<u>Sabine NPV</u>	<u>Cheniere Economic Interest (Run-Rate)</u>		
8. CQP (Non-Controlling Interest)		21,793	63.6%	(7,929)	(\$38.42)
<u>Less: HoldCo Debt</u>					
9. Cheniere Corporate Debt				(1,500)	(\$7.27)
10. CQP Proportional Debt				(2,323)	(\$11.25)
<u>Share Buybacks</u>					
Future buybacks estimated for 2023 (\$mn)			2,250		
Buyback Share Price (\$/sh)			\$164.09		
Future buybacks estimated for 2024 (\$mn)			2,000		
Buyback Share Price (\$/sh)			\$164.09		
Future buybacks estimated for 2025 (\$mn)			1,750		
Buyback Share Price (\$/sh)			\$164.09		
Future buybacks estimated for 2026 (\$mn)			1,500		
Buyback Share Price (\$/sh)			\$164.09		
Shares repurchased (mn)			45.7		
Pro forma shares outstanding (mn)					206.4
Total LNG Valuation				\$40,058	\$194.00
Current LNG Share Price (As of 09/13/23)					\$162.72
2024E Dividend Yield					1.1%
Potential Return					20.2%

Source: Company filings, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH



Price objective basis & risk

Cheniere Energy Inc (LNG)

Our \$194 PO is based on an SOTP in which we value LNG's stake in CQP using a fundamental NPV valuation of Sabine Pass less non-controlling interest (valued as full NPV of Sabine Pass less non-Cheniere economic interest). We provide separate value to LNG's marketing business assuming excess capacity of SP 1-6 and CC 1-3 realizes approximately a \$2.91/MMBtu 2026E margin, applying a 8.0x multiple to corresponding EBITDA. We value CC 1-3 on a NPV basis, valuing the initial 20-year contract term at 100% and the 10-yr extension at 75% (reflected risk in pricing assumptions). For CC Stage 3 we again assume initial 20-year contract term at 100% likelihood again weighing the contract extension at 75%. We also incorporate CC T8&9/SP/CC expansions at 75%/75%/50% probabilities for the initial term and 50%/50%/25% for extension terms. For all NPV, we discount cash flows at a 12.0% rate during construction and 8.0% rate during the contracted period given the difference in risk profile. For Sabine Pas and Corpus Christi Expansion opportunities, we discount NPVs at 8% from 2025 (the first year of our NPV calculations) to today.

Downside risks are counterparty credit risk, construction delays, changes in trade policy limiting exports, and changes in commodities.

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				
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	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC 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
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG 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
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC 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
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	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
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG 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
	Xcel Energy Inc	XEL	XEL US	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
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVERG	EVERG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR 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
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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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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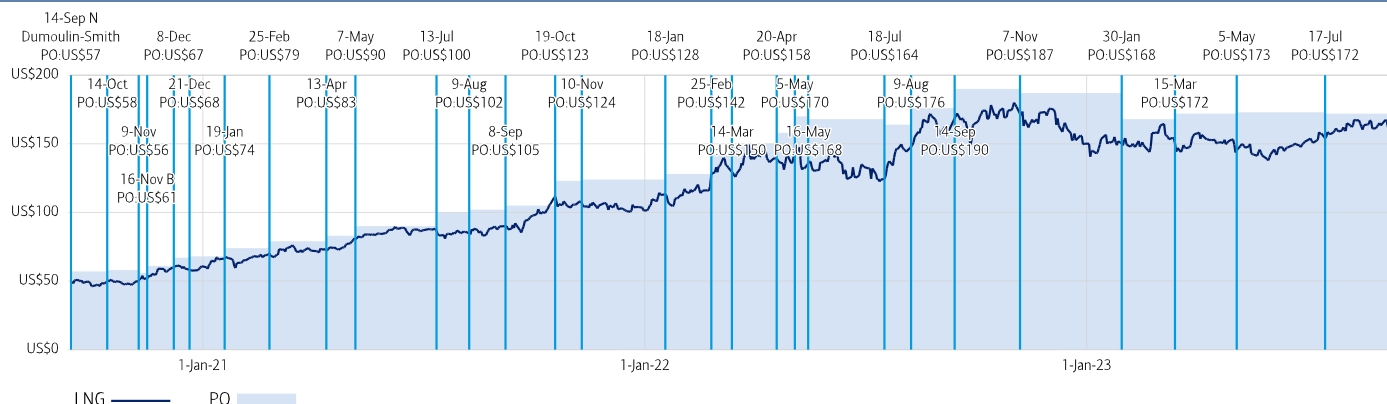
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Cheniere Energy Inc (LNG) Price Chart



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Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	84	61.76%	Buy	65	77.38%
Hold	28	20.59%	Hold	20	71.43%
Sell	24	17.65%	Sell	15	62.50%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

^{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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