

## MDU Resources Group, Inc.

# Rarified air: above average EPS growth and no near-term equity

Reiterate Rating: BUY | PO: 25.00 USD | Price: 22.48 USD

## Analyst Day provides visibility to above average growth

We reiterate our Buy rating on North Dakota-based electric utility MDU Resources (MDU) following the company's 2024 Analyst & Investor Day. We see high visibility to meeting new formal 6-8% regulated EPS guidance and see lack of equity issuance through 2027 as a clear differentiator for our smid-cap coverage. We forecast proforma regulated and other EPS CAGR of 6.8% through 2028 on 7% rate base growth through the plan, with capex upside in 2027 and 2028 likely given management's disclosure for only high-visibility projects. Our forecast assumes electric ROEs approximately 50bps higher in the upper 8% to low 9% range given upside from interruptible customer contracts (approx.. 9.5% electric ROE in 2023 ex. pension gain, first year with interruptible load). See further bump in electric ROEs in 2028 after JETx transmission line enters into service in FERC jurisdiction with 10.62% ROE.

## Underappreciated investment and regulatory profile

We view MDU Resource's \$2.8Bn capex plan to be highly executable given its focus on T&D resilience and expansion projects. All 4 electric jurisdictions and 7 of 8 natural gas jurisdictions limit regulatory lag with forward test years. This is not a discount setup.

## PO raised to \$25; low risk near-term with upside potential

We raise our PO to \$25 from \$23 prior, reflecting our updated estimates and mtm of peer multiples. In our view, MDU Resources' above-average smid-cap growth rate midpoint of 7% and considerable regulatory diversity merits a multiple at least at parity with the broader utility group. See similar relative treatment for the FERC regulated pipeline business and construction services subsidiary, the latter of which is expected to host an investor event providing more detailed prospective guidance ahead of the proposed separation transaction later this year. The primary risk we identify to the story is the potential magnitude of equity required in 2027-2028 to support the contemplated capital expenditures plan, which is uncertain given low visibility to the pro-forma capital structure of the resulting entities following separation. Still, we see this being long-dated and at least partially offset by multiple sources of conservatism in our EPS, most significantly from low ROEs in the mid-to-high 7% at the natural gas utility that could potentially be revised upward with four natural gas rate cases planned for this year.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.25	1.49	1.55	1.70	1.84
GAAP EPS	0.68	1.82	1.55	1.70	1.84
EPS Change (YoY)	-33.2%	19.2%	4.0%	9.7%	8.2%
Consensus EPS (Bloomberg)			1.57	1.70	1.88
DPS	0.88	0.79	0.51	0.54	0.58
Valuation (Dec)					
P/E	18.0x	15.1x	14.5x	13.2x	12.2x
GAAP P/E	33.1x	12.4x	14.5x	13.2x	12.2x
Dividend Yield	3.9%	3.5%	2.3%	2.4%	2.6%
EV / EBITDA*	13.6x	11.7x	11.2x	10.4x	9.8x
Free Cash Flow Yield*	0.7%	-4.1%	-1.5%	2.2%	3.4%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 8.

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14 March 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	23.00	25.00
2024E Rev (m)	4,584.7	4,661.3
2025E Rev (m)	4,774.7	5,080.5
2026E Rev (m)	4,964.1	5,517.3
2024E EPS	1.52	1.55
2025E EPS	1.62	1.70
2026E EPS	1.71	1.84

**Julien Dumoulin-Smith**

Research Analyst

BofAS

+1 646 855 5855

julien.dumoulin-smith@bofa.com

### Stock Data

Price	22.48 USD
Price Objective	25.00 USD
Date Established	13-Mar-2024
Investment Opinion	B-1-7
52-Week Range	18.04 USD - 23.03 USD
Mkt Val (mn) / Shares Out (mn)	4,579 USD / 203.7
Free Float	98.3%
Average Daily Value (mn)	28.19 USD
BofA Ticker / Exchange	MDU / NYS
Bloomberg / Reuters	MDU US / MDU.N
ROE (2024E)	10.5%
Net Dbt to Eqty (Dec-2023A)	79.7%
ESGMeter <sup>TM</sup>	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".**

JETx: Jamestown to Ellendale transmission line

FERC: Federal Energy Regulatory Commission

T&D: Transmission & Distribution

mtm: mark-to-market

MISO: Midcontinent Independent System Operator

CSG: Construction Services Group

# iQprofile<sup>SM</sup> MDU Resources Group, Inc.

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	3.8%	4.7%	5.5%	5.8%	6.1%
Return on Equity	7.3%	9.4%	10.5%	10.7%	10.8%
Operating Margin	8.3%	9.1%	10.3%	10.3%	10.3%
Free Cash Flow	32	(187)	(70)	101	156

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.0x	1.1x	1.7x	1.8x	1.8x
Asset Replacement Ratio	2.3x	2.4x	2.7x	2.3x	2.2x
Tax Rate	16.7%	17.0%	18.0%	18.2%	18.2%
Net Debt-to-Equity Ratio	65.1%	79.7%	79.7%	74.2%	67.8%
Interest Cover	4.6x	3.7x	4.3x	4.4x	4.5x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	4,442	4,657	4,661	5,080	5,517
% Change	-21.8%	4.9%	0.1%	9.0%	8.6%
Gross Profit	4,442	4,657	4,661	5,080	5,517
% Change	-21.8%	4.9%	0.1%	9.0%	8.6%
EBITDA	595	693	721	779	829
% Change	NA	16.4%	4.1%	8.0%	6.5%
Net Interest & Other Income	(65)	(58)	(94)	(101)	(109)
<b>Net Income (Adjusted)</b>	<b>255</b>	<b>305</b>	<b>317</b>	<b>347</b>	<b>376</b>
<b>% Change</b>	<b>-32.6%</b>	<b>19.9%</b>	<b>3.9%</b>	<b>9.5%</b>	<b>8.5%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	138	371	317	347	376
Depreciation & Amortization	210	214	222	235	241
Change in Working Capital	0	0	0	52	67
Deferred Taxation Charge	21	(4)	0	0	0
Other Adjustments, Net	141	(247)	0	0	0
Capital Expenditure	(478)	(520)	(609)	(532)	(529)
<b>Free Cash Flow</b>	<b>32</b>	<b>-187</b>	<b>-70</b>	<b>101</b>	<b>156</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>62.4%</b>	<b>NM</b>	<b>53.6%</b>
Share / Issue Repurchase	(9)	(7)	3	3	3
Cost of Dividends Paid	(177)	(161)	(104)	(111)	(119)
Change in Debt	346	283	171	7	(39)

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	70	77	77	77	77
Trade Receivables	1,064	943	944	927	896
Other Current Assets	877	344	344	352	360
Property, Plant & Equipment	4,776	5,121	5,508	5,805	6,093
Other Non-Current Assets	2,873	1,349	1,349	1,349	1,349
<b>Total Assets</b>	<b>9,661</b>	<b>7,833</b>	<b>8,221</b>	<b>8,509</b>	<b>8,775</b>
Short-Term Debt	86	156	156	156	156
Other Current Liabilities	1,393	919	920	963	1,007
Long-Term Debt	2,318	2,237	2,408	2,415	2,376
Other Non-Current Liabilities	2,223	1,564	1,564	1,564	1,564
<b>Total Liabilities</b>	<b>6,074</b>	<b>4,928</b>	<b>5,100</b>	<b>5,149</b>	<b>5,155</b>
<b>Total Equity</b>	<b>3,587</b>	<b>2,905</b>	<b>3,121</b>	<b>3,360</b>	<b>3,620</b>
<b>Total Equity &amp; Liabilities</b>	<b>9,661</b>	<b>7,833</b>	<b>8,221</b>	<b>8,509</b>	<b>8,775</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 8.

## Company Sector

Electric Utilities

## Company Description

MDU operates through the following business segments: Electric, Natural Gas Distribution, Pipeline and Midstream, Construction Services. The company generates about one-third of its earnings from its unregulated construction business with the balance from its regulated electric, gas, and pipeline segments. MDU is headquartered in Bismarck, North Dakota.

## Investment Rationale

We are Buy-rated as we see shares as attractive on a sum of the parts basis given ongoing simplification story. More predictable 6-8% EPS growth and a focus on regulated businesses should drive a re-rating, in our view, aided by highly visible capital expenditures and 7% rate base growth.

## Stock Data

Average Daily Volume

1,254,204

## Quarterly Earnings Estimates

	2023	2024
Q1	0.65A	NAE
Q2	0.38A	NAE
Q3	0.30A	NAE
Q4	0.49A	NAE

## Estimates updated for Analyst Day guide

Below we provide our updated estimates for MDU Resources. We have separated out EPS attributable to the regulated and other segments so as to directly compare our estimates to pro-forma EPS guidance of 6-8%. We forecast 6.8% regulated and other EPS CAGR from 2023 to 2028E, predicated on 7% rate base growth that matches guidance. Our capex forecast replicates that of MDU guide, yet we acknowledge there will likely be upside to fill in comparatively lower 2028 capex of \$434Mn versus 2024-2027 average of \$582Mn.

### Exhibit 1: MDU Resources Earnings Snapshot

Regulated EPS toward the midpoint of 6-8% EPS CAGR guidance range

	2022	2023	2024E	2025E	2026E	2027E	2028E	2023-28 CAGR
Electric	0.28	0.35	0.32	0.34	0.36	0.38	0.42	3.5%
Gas	0.22	0.24	0.29	0.34	0.37	0.40	0.42	12.2%
Pipeline	0.18	0.23	0.26	0.27	0.27	0.29	0.29	5.0%
Services	0.64	0.70	0.71	0.78	0.86	0.90	0.95	6.4%
Other	-0.07	-0.02	-0.03	-0.03	-0.03	-0.03	-0.03	3.8%
<b>MDU EPS</b>	1.25	1.50	1.55	1.70	1.84	1.94	2.05	6.5%
<b>MDU Regulated + Other Pro-forma EPS</b>		<b>0.79</b>	<b>0.85</b>	<b>0.92</b>	<b>0.98</b>	<b>1.03</b>	<b>1.10</b>	6.8%
<b>MDU Regulated + Other EPS Growth</b>			6.3%	8.8%	6.4%	5.7%	6.7%	
Consensus		1.35	1.57	1.70	1.88			
<b>Pro-forma Regulated Snapshot:</b>								<b>2023-28 CAGR</b>
Electric Utility Rate Base Growth	4%	4%	4%	6%	9%	13%	3%	6.7%
Electric Utility ROE	8.4%	10.2%	9.1%	9.0%	8.9%	8.8%	9.0%	
Natural Gas Utility Rate Base Growth	11%	11%	13%	10%	8%	6%	5%	8.3%
Natural Gas Utility ROE	7.5%	7.1%	7.5%	7.7%	7.7%	7.8%	7.8%	
Pipeline Rate Base Growth	16%	11%	9%	5%	1%	9%	2%	5.0%
Pipeline ROE	7.1%	8.3%	8.8%	8.8%	8.8%	8.8%	8.8%	
<b>Regulated Rate Base Growth</b>		8.5%	8.9%	7.4%	6.7%	8.6%	3.7%	7.0%

Source: BofA Global Research estimates, Company filings, Bloomberg

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We forecast 3.5% electric utility EPS CAGR through the planning period, though adjusting for 2023 pension benefit of \$4.7Mn our growth rate more appropriately reflects 5-6% electric EPS growth. We forecast higher electric ROEs to reflect the interruptible service opportunity within MDU's North Dakota service territory, as margin from incremental load to the customer sourced during periods of high congestion should accrue to MDU without an associated capital cost. We note the normalized 9.5% ROE ex. pension in 2023 to be illustrative of the agreement's accretion to the bottom line.

In our view, the largest source of conservatism in our forecast could be natural gas utility ROEs that trend in the high 7% through the planning period. We see the Washington multi-year rate case expected to be filed later this year to be a pivotal indication of the pace of potential ROE improvement through the plan. MDU Resources intends to file four natural gas rate cases this year (Washington MYRP, Montana, Wyoming, and Oregon). Even with conservative ROEs, we still forecast 12% natural gas EPS CAGR through 2028E.

### Data center load charges with SPP need resolving

In January, Montana-Dakota Utilities submitted a complaint to the Federal Energy Regulatory Commission (FERC Docket No. EL24-61-000) regarding excess congestion charges by Southwest Power Pool (SPP), in which mark-to-market (M2M) coordination of a transmission line in western North Dakota (ND) has resulted in double charges passed through to ND ratepayers. The elevated congestion on the line emerged after the Atlas Data Center in Williston came online in 2023 with 90MW of load initially, scaling to 200MW by April with plans to rise to 700MW upon full buildout. While it is not unusual for payments to flow from SPP to MISO, the immensity of these charges has clearly stepped up since the data center load came online.



MDU sizes the excess charges to ratepayers at \$18Mn; or \$12Mn specifically to North Dakota customers. The North Dakota Public Service Commission (NDPSC) has indicated general support of MDU's claims and could file in the FERC docket as early as this week. Commissioner Julie Fedorchak questioned whether cost of service and customer impact studies conducted by the SPP in its assessment to accommodate the data center load were sufficient. However, PSC chair Randy Christmann did express skepticism over MDU's resource adequacy in the region. Commissioner Sheri Haugen-Hoffart acknowledged the commission needed to better understand Bitcoin and data center load, what the impact might be to customers, and what the absolute benefit is to the company and ratepayers.

Without resolution, we see this could be a potentially emerging long-term issue in the context of customer bill headroom. MDU recently concluded an electric rate case in North Dakota, implementing a \$11Mn rate increase in June 2023 (no change from the interim rates implemented in July 2022). If continued, these excess charges replicate the impact of a rate increase to customers. While we expect this issue to be resolved given delineation of the SPP and MISO seams and congestion charge duplication, until then, we see incremental risk to the story in ND, albeit the impact to the consolidated entity is mitigated by MDU's relative diversity of operations.

### **Valuation: 13% potential total return; multiples at parity with group**

Below we provide an updated valuation assessment. We continue to value MDU Resources at parity with the broader group, reflecting its geographic and regulatory diversity coupled with what we view to be above-average EPS growth for smid-caps, if not utilities generally. We acknowledge the broader discussion of wildfire risk and the potential downside that may imply for certain smaller utilities, yet generally view MDU's normal service territory weather, which is not typically suited to support uncontrollable fire, and relative dispersion of population (i.e. potential damages) to be unappreciated. We raise our PO to \$25 from \$23 prior, reflecting MtM of peer multiples and modestly updated estimates.

Our latest peer group multiples reflect 14.0x for electric (vs 13.3x prior), 14.5x for gas (vs 13.9x prior), 9.7x for pipelines (vs 9.5x prior), and 10.0x for construction services (vs 9.2x prior). Note that for CSG we utilize a comp group of four publicly-traded construction services peers, excluding Quanta (PWR) as it trades at a large premium to the group. We reiterate our Buy rating given the potential total return implied by our valuation and what we view to be relatively lower risk for guidance revision in the early years of the forecast. We also note that our current valuation understates the pro forma dividend yield once the construction services separation has been effectuated, which all-else-equal could be additive to our assessment.

**Exhibit 3: MDU Resources Valuation**

Peer group multiples for all segments; PO up modestly to \$25 from \$23 prior

Group Peer Multiple	Base Year & Metric	Base Multiple	Group EPS CAGR	Effective Base Multiple	
US Electric Utility	2026 EPS	14.0x	5.0%	14.7x	
US Gas Utility	2026 EPS	14.5x	5.1%	15.2x	
Natural Gas Pipeline	2025 EBITDA	9.7x		9.7x	
Construction Services	2025 EBITDA	10.0x		10.0x	
MDU shares outstanding (m)	2026 average diluted	205			
<b>Business Segment Valuation</b>	<b>2026 EPS (\$/sh)</b>	<b>Effective Base Multiple</b>	<b>Premium / Discount</b>	<b>Applied Multiple</b>	<b>Equity Value (\$/sh)</b>
MDU Electric	0.36	14.7x	0.0x	14.7x	5.28
MDU Gas	0.37	15.2x	0.0x	15.2x	5.70
	<b>2025 EBITDA (\$m)</b>	<b>Effective Base Multiple</b>	<b>Premium / Discount</b>	<b>Applied Multiple</b>	<b>Enterprise Value (\$/sh)</b>
Natural Gas Pipeline	116	9.7x	0.0x	9.7x	5.47
Pipeline Net Debt	365				1.78
<b>Regulated Business Equity Value</b>					<b>14.67</b>
<b>Assets to be Separated</b>	<b>2025 EBITDA (\$m)</b>	<b>Effective Base Multiple</b>	<b>Premium / Discount</b>	<b>Applied Multiple</b>	<b>Enterprise Value (\$/sh)</b>
Construction Services Group	255	10.0x	0.0x	10.0x	12.48
CSG Net Debt	284				1.39
<b>CSG implied equity value</b>					<b>11.09</b>
<b>Parent / Holdco</b>	<b>2026 EPS (\$/sh)</b>	<b>Effective Base Multiple</b>	<b>Premium / Discount</b>	<b>Applied Multiple</b>	<b>Equity Value (\$/sh)</b>
Parent Drag	-0.03	15.0x	0.0x	15.0x	-0.44
<b>MDU EQUITY VALUE</b>					<b>25.00</b>
MDU share price					22.44
Price return implied %					11%
Dividend yield %					2%
<b>Total Return Implied %</b>					<b>13%</b>

Source: BofA Global Research estimates, Company filings, Bloomberg

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## Price objective basis & risk

### MDU Resources Group, Inc. (MDU)

Our \$25 PO is derived from SOTP. At the regulated electric and gas utilities, we use a P/E approach on our 2026 estimates and use peer multiples of 14.0x for electric and 14.5x for gas, we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO.

We value the Construction Services business using a '25 EV/EBITDA estimate, applying a multiple of 10.0x based on an average of several publicly-traded specialty construction services peers.

We value the Pipeline business using a '25 EV/EBITDA est., applying a multiple of 9.7x based on an average of several publicly-traded midstream peers.

We net out total parent drag and back out remaining non-regulated debt.

Upside risks are higher utility capex, improving margins at the construction business, and infrastructure stimulus. Downside risks are a macro downturn pressuring construction margins, and adverse rate case outcomes.

## Analyst Certification

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

### North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Julien Dumoulin-Smith
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Energy Group	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith

## 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 Corp	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
<b>NEUTRAL</b>				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Paul Zimbardo
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Paul Zimbardo
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Julien Dumoulin-Smith
<b>UNDERPERFORM</b>				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
<b>RVW</b>				
	New Fortress Energy	NFE	NFE US	Julien Dumoulin-Smith



## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

### Numerator

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

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### 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

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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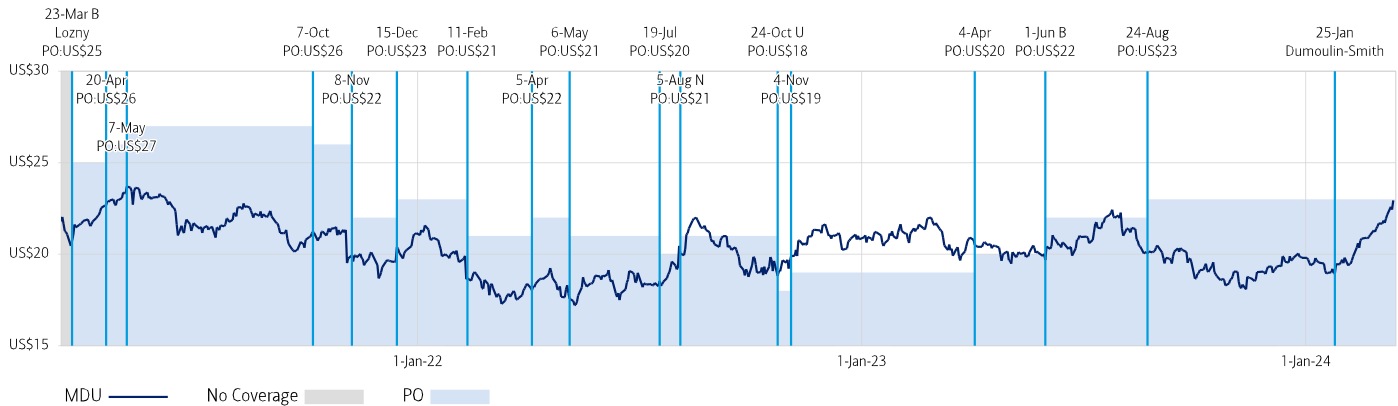
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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

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

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