

SunRun

4Q23 Preview: Still room to RUN, but investors will need to see cash

Reiterate Rating: BUY | PO: 20.00 USD | Price: 17.78 USD

Maintain Buy; lower materials, borrowing costs, rates

We maintain our Buy rating on RUN and raise our estimates for NPV of growth asset cash flows, though we expect growth in 2024 to be more muted as residential solar demand begins recovering. We see lower rates (US 10-yr treasury down 80bps since our last update) supporting both lower project level borrowings and less onerous discount rates for future cash flows. We also see creation costs benefitting from 20% lower hardware costs by year-end 2024 (full benefit realized in 2025) and higher net margins from strong storage attach rates ([see in-depth storage assessment here](#)). After doubling since early November on growth optimism, the next bogey will likely be read-throughs to RUN's sustainable cash generation target of \$200-\$500Mn by year-end 2024, with contributions from adders that could accelerate tender of convertibles.

Reducing 2024 growth estimate; 2025+ estimates intact

We expect a shallow bottoming of MWs deployed in 2024, reducing our year-over-year growth estimate to -4% versus -2% prior to account for a potential demand recovery lag following indications of improved borrowing conditions. This caution follows RUN's 3Q23 reduction in FY23 volume targets to just 2-5% year-over-year growth. Our 2024 estimate of 980 MW deployed slightly trails consensus of 990 MW, with low expectations possibly cushioning the impact of potentially weaker guidance on the 4Q23 call. Our MW estimates for 2025 to 2029 remain unchanged given we do not see growth being limited by any severe supply or capacity constraints.

PO to \$20; growth no longer free, but still undervalued

We update our valuation for higher expected cash flows on growth assets as lower borrowing and discount rates provide a compounding benefit to our new PO of \$20/sh versus \$17/sh prior. We now estimate DevCo value of \$10/sh versus \$7/sh prior, also reflecting a modest benefit to creation costs from less expensive hardware. After RUN has doubled from early November to late December, assumptions for growth have now begun to embed within the valuation, though we contend there is still double-digit upside from current levels with reasonable assumptions for borrowing costs and discount rates for future cash flows. Our valuation does not explicitly contemplate renewal value, which would represent an incremental contribution to our assessment. We also identify visible upside to our estimates, which reflect modest low-to-mid single digit MW growth from 2025 to 2030.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(0.39)	0.79	(1.86)	(3.95)	(4.15)
EPS Change (YoY)	68.5%	NM	NM	-112.4%	-5.1%
Consensus EPS (Bloomberg)			(4.47)	(1.14)	(0.89)
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	22.5x	NM	NM	NM
EV / EBITDA*	NM	NM	NM	254.5x	203.3x
Free Cash Flow Yield*	-64.6%	-73.8%	-88.3%	-75.2%	-79.4%

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

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Timestamp: 04 January 2024 10:07AM EST

04 January 2023

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	17.00	20.00
2024E Rev (m)	2,693.1	2,661.9
2025E Rev (m)	2,945.0	2,941.6
2023E EPS	-1.35	-1.86
2024E EPS	-3.00	-3.95
2025E EPS	-2.76	-4.15

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Stock Data

Price	17.78 USD
Price Objective	20.00 USD
Date Established	4-Jan-2024
Investment Opinion	C-1-9
52-Week Range	8.43 USD - 29.72 USD
Mrkt Val (mn) / Shares Out (mn)	3,874 USD / 217.9
Free Float	97.0%
Average Daily Value (mn)	262.57 USD
BoFA Ticker / Exchange	RUN / NAS
Bloomberg / Reuters	RUN US / RUN.OQ
ROE (2023E)	-6.2%
Net Dbt to Eqty (Dec-2022A)	95.1%
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"](#).

MW-megawatt

iQprofileSM SunRun

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-4.1%	-3.5%	-3.0%	-2.3%	-2.0%
Return on Equity	-1.3%	2.7%	-6.2%	-14.1%	-16.9%
Operating Margin	-41.4%	-28.5%	-30.5%	-21.8%	-19.2%
Free Cash Flow	(2,503)	(2,860)	(3,423)	(2,912)	(3,075)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	-4.9x	NM	NM	NM
Asset Replacement Ratio	4.4x	4.5x	5.4x	3.9x	4.0x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	79.2%	95.1%	104.0%	111.2%	117.3%
Interest Cover	-2.0x	-1.5x	-1.1x	-0.8x	-0.7x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	1,610	2,321	2,221	2,662	2,942
% Change	74.6%	44.2%	-4.3%	19.9%	10.5%
Gross Profit	244	299	270	348	428
% Change	36.8%	22.2%	-9.6%	28.8%	23.1%
EBITDA	(278)	(211)	(153)	67	84
% Change	-25.2%	24.1%	27.4%	NM	25.2%
Net Interest & Other Income	(305)	(185)	(590)	(690)	(781)
Net Income (Adjusted)	(79)	173	(404)	(858)	(902)
% Change	54.2%	NM	NM	-112.3%	-5.1%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(981)	(850)	(1,271)	(1,274)	(1,348)
Depreciation & Amortization	388	451	524	649	649
Change in Working Capital	(485)	(411)	(4)	69	65
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	260	(39)	127	134	140
Capital Expenditure	(1,686)	(2,011)	(2,799)	(2,488)	(2,580)
Free Cash Flow	-2,503	-2,860	-3,423	-2,912	-3,075
% Change	-94.4%	-14.2%	-19.7%	14.9%	-5.6%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	1,609	1,850	2,578	2,003	2,137

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	850	953	2,012	2,781	3,644
Trade Receivables	146	214	204	244	270
Other Current Assets	551	931	995	973	984
Property, Plant & Equipment	57	67	86	104	122
Other Non-Current Assets	14,878	17,104	19,360	21,182	23,095
Total Assets	16,483	19,269	22,656	25,284	28,115
Short-Term Debt	208	186	186	186	186
Other Current Liabilities	804	970	909	920	945
Long-Term Debt	6,638	8,548	11,126	13,129	15,265
Other Non-Current Liabilities	1,260	1,387	1,497	1,574	1,651
Total Liabilities	8,911	11,090	13,718	15,808	18,047
Total Equity	7,573	8,179	8,939	9,476	10,069
Total Equity & Liabilities	16,483	19,269	22,656	25,284	28,115

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

Company Sector

Alternative Energy

Company Description

Founded in 2007, SunRun finances, installs and services solar power arrays on customer premises. The company acquires customers directly as well as through a partnership model. The majority of the company's solar installations are leased from SunRun by its customers, with a smaller portion of the business comprised of systems sold to customers outright.

Investment Rationale

We are Buy rated seeing underappreciated attribution to future value creation and prospective renewal value reflected in the shares. While we note the confluence of current macro headwinds, we note RUN's history on execution navigating a series of policy headwinds in the past.

Stock Data

Average Daily Volume

14,767,845

Quarterly Earnings Estimates

	2022	2023
Q1	-0.42A	-1.12A
Q2	-0.06A	0.25A
Q3	0.95A	-4.92A
Q4	0.29A	-1.42E

Estimates tweaked for 2024 bottom

We have tweaked our forward estimates ahead of RUN's 4Q23 earnings. We have reduced our assumption for 2024 MW leased to 832 MW versus 850 MW prior, reflecting an incremental headwind of 200 bps to total MW for the year. This reflects greater conservatism in the near-term market recovery, although from 2025 to 2029 our assumptions for total MW remain unchanged. Conversely, starting in 2025 we have further reduced our assumptions for installation cost per watt, reflecting the expectation that hardware costs are expected to decline by over 20% from 2Q23 peaks. While some of the overall benefit to creation cost could be obscured by unfavorable mix for higher storage, the impact should be more visible to net margins, where higher battery mix represents a tailwind. We have also reduced our project-level interest rate by 80bps, relatively in line with the decline in yield for 10-year treasury note since November 1. Our estimates remain conservative, with little credit given to tax credit adder value at this point. Our baseline ITC assumed in the model is 31%-32% on average versus RUN's indications of 34% on a run rate potential and >\$400Mn in annual cash generation from adders alone.

Exhibit 1: RUN Growth Assumptions

Step-back in 2024 followed by 2025 recovery; 2025-2028 MWs deployed unchanged from prior estimates

	2021E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E
Total New MWs	792	991	240	297	258	226	1,021	980	1,050	1,103	1,147	1,181
growth	31%	25%	12%	20%	1%	-18%	3%	-4%	7%	5%	4%	3%
Guidance	30%	20%+					+2-5%					
MW's Leased	643	715	188	247	229	203	867	832	892	937	974.20	1,003
% share	81%	72%	78%	83%	89%	90%	85%	85%	85%	85%	85%	85%
System sales	149	276	52	50	29	23	154	148	158	166	172.77	178
% share	19%	28%	22%	17%	11%	10%	15%	15%	15%	15%	15%	15%
Total	792	991	240	297	258	226	1,021	980	1,050	1,103	1,147	1,181
New Customers	110,234	136,985	32,413	39,755	33,806	29,511	134,634	129,249	138,555	145,482	151,302	155,841
growth	30.4%	24%	10%	16%	-5%	-21%	-2%	-4%	7%	5%	4%	3%
New Subscribers	88,834	99,497	25,154	32,389	29,303	26,026	110,926	106,489	114,156	119,864	124,659	128,399
Cumulative Customers	660,311	797,296	829,709	869,464	903,270	932,781	931,930	1,190,428	1,328,983	1,474,465	1,625,767	1,781,608

Source: BofA Global Research, Company filings, Bloomberg, Visible Alpha

BofA GLOBAL RESEARCH

Valuation: PO higher on tighter cost structure, lower rates

We increase our PO to \$20/sh from \$17/sh prior. We value the current portfolio and cash and work in progress (WIP) at \$10/sh, with net cash/WIP representing \$8 of the \$10. For the remainder, we use a DCF to estimate RUN's levered cash flows today at a 15% discount (we compare this conservatively to the 14% yield on RUN's convertible debt, which has declined 200 basis points since our last PO update in November). We now apply a 15% discount rate for RUN's DevCo versus 17% earlier, reflecting lower cost of capital evidenced by the lower yield on the convert versus our prior update. Our higher expectations for growth reflect 80bps of lower project-level borrowing costs for the Devco from 2024 and beyond. We have also slightly reduced our creation cost estimates in line with expectations for flow-through of lower hardware costs, partially offset by unfavorable mix from higher storage attachment.



Exhibit 2: Asset level IRRs – still challenged in 2024 but improving thereafter with higher storage attachment, lower hardware costs

Pricing pressure in 2024/2025 abating through end of decade with cost-out supporting higher profitability

	2022	2023	2024	2025	2026	2027	2028	2029
Unlevered IRR	11%	12%	11%	12%	12%	12%	12%	12%
Unlevered IRR Contracted	9%	11%	10%	11%	11%	11%	11%	11%
Unlevered Profitability, \$/W								
PV-5 / W	1.56	1.86	1.51	1.59	1.64	1.54	1.47	1.37
PV-6 / W	1.17	1.44	1.16	0.92	0.99	0.92	0.88	0.80
PV-8 / W	0.57	0.79	0.60	0.66	0.74	0.68	0.65	0.58
Cost of Debt	5.50%	7.25%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Levered Profitability, \$/W								
PV-5 / W	1.48	1.41	1.17	1.24	1.30	1.21	1.16	1.07
PV-7 / W	1.25	1.21	1.00	1.07	1.14	1.06	1.01	0.92
PV-10 / W	0.49	0.51	0.42	0.50	0.58	0.52	0.49	0.42

Source: BofA Global Research, Visible Alpha

BofA GLOBAL RESEARCH

Below we deconstruct how our model changes increase our PO from \$17/sh to \$20/sh:

- Reduced DevCo loan interest from 2024 to 2029 by 80bps, in line with lower cost of debt (\$1.00/sh)
- Lower installation cost per watt in 2025 reflecting less expensive hardware, down 6% year-over-year now versus down 4% prior (+50c/sh)
- Reduced assumed discount rate on DevCo cash flows to 15% from 17%, in line with yield on RUN's 2026 converts (+\$1/sh)
- Reduced assumed discount rate on PowerCo retained value to 15% from 16% (+50c/sh)

In our view, RUN continues to look attractive, with its prospective growth still undervalued at current levels. Though not contemplated in our estimates or our PO, we identify further potential upside from renewal value at the opco as long-term contracts mature. With the prospect of lower cost of capital and discount rates providing comfort to investors in residential solar and enabling RUN to double since early November, there are still watch items that may drive share price performance in the coming months. A primary focus will be RUN's ability to show progress toward its annualized recurring cash generation goal of \$200-\$500Mn by 4Q2024. Investor attention will also gravitate toward progress of storage attachment and flow through of adders supporting higher margins.

Exhibit 4: RUN SOTP

PO to \$20; \$10/sh for existing book and \$10/sh for growth, which has become more priced in with 4Q runup. Still double-digit % upside

Sunrun: Consolidated Sum of the Parts Valuation**Power Co (Retained Lease Value) - as of 4Q22 (at 10% Unlevered Discount Rate)**

Levered FCF Contract Period - RUN (incl. VSLR)

	NPV (\$Mn)	Contracted Value (\$/Sh)	Renewal Value Attributed	Renewal Value (\$/Sh)
	\$405	\$1.86	0%	\$0.00
Total Power Co	\$405	\$1.86		\$0.00

	Growth Estimates and Unlevered PV-5 (NPV/W)			Levered PV-10 (Contracted)			Contracted Value Creation					Renewal Value Creation (PV-10)	
	MW Leased	YoY Growth	NPV/W Unlevered PV-5	Solar	Storage	SBC & R&D	NPV (\$Mn)- Pre Discount	Storage NPV - Pre Discount	NPV % Storage	NPV (\$Mn)- Discounted	Contracted Value (\$/Sh)	Renewal NPV (\$Mn)- Pre Discount	Renewal Value (\$/Sh)
Dev Co @ 15% Discount Rate													
DevCo 2023: NPV (Consolidated)	867	-	1.48	0.46	0.18	(0.10)	\$470	\$155	25%	\$355	\$1.63	-	\$0.00
DevCo 2024: NPV (Consolidated)	832	-4%	1.21	0.34	0.18	(0.13)	\$330	\$151	31%	\$217	\$1.00	-	\$0.00
DevCo 2025: NPV (Consolidated)	892	7%	1.29	0.36	0.25	(0.12)	\$437	\$224	34%	\$250	\$1.15	-	\$0.00
DevCo 2026: NPV (Consolidated)	937	5%	1.36	0.44	0.26	(0.11)	\$550	\$240	30%	\$273	\$1.26	-	\$0.00
DevCo 2027: NPV (Consolidated)	974	4%	1.26	0.41	0.22	(0.12)	\$501	\$213	30%	\$217	\$1.00	-	\$0.00
DevCo 2028: NPV (Consolidated)	1,003	3%	1.19	0.40	0.19	(0.12)	\$470	\$186	28%	\$177	\$0.81	-	\$0.00
										Terminal Value Multiple			
										6.0x			
DevCo 2029: NPV (Consolidated)	1,023	2%	\$1.10	\$0.36	\$0.16	(\$0.13)	\$392	\$159		\$770	\$3.54	-	\$0.00
Total Post DevCo Value										\$2,258.04	\$10.39		\$0.00

Current Cash Balance (as of 3Q23)**Construction in Progress (as of 3Q23)****Total Equity Value Per Share****Equity Value Summary**

	% Storage		Contracted	Net Cash	Total
Total PowerCo Value (Incl. Renewal) + Net Cash			\$1.90	\$8.12	\$10.00
Total DevCo Value	\$2,258	23%	\$10.39		\$10.00
Total Equity Value Per Share (Contracted)					\$20.00

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH



Price objective basis & risk

SunRun (RUN)

We arrive at our \$20/share price objective in two pieces: PowerCo and DevCo. Our PowerCo attribution of \$10/sh remains unchanged, reflecting the DCF of existing home contracts benchmarked against a 15% discount rate plus net cash / debt at the corporate level. We have reduced our discount rate by 100bps reflecting lower cost of capital assumptions in line with lower rates.

We are raising our DevCo attribution to \$10/sh from \$7/sh prior, reflecting DCF of future years of subscribing new customers benchmarked to a 15% discount rate. We had previously used a 17% discount rate, but have reduced this to account for lower cost of capital assumptions, comparing conservatively to the 300bps decline in yield on RUN's convertible debt maturing in December 2026. We discount the value creation of the future years of subscribing customers at a 15% discount rate and apply an 6x terminal value multiple on our 2029E NPV discounted back to 2023. We have reduced this discount rate to 15% from 17%, similarly reflecting lower capital costs as evidenced by a decline in yield on RUN's convertible debt maturing in 2026 since our last assessment. We net out holding company recourse debt and cash within our PowerCo valuation.

Downside risks: are associated with the ability to meet cost reduction expectations, MW deployment guidance, Net Energy Metering (NEM), and access to debt capital markets given the highly leveraged strategy employed.

Analyst Certification

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

North America - Utilities and Alt Energy Coverage Cluster

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

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
	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
	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

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 & 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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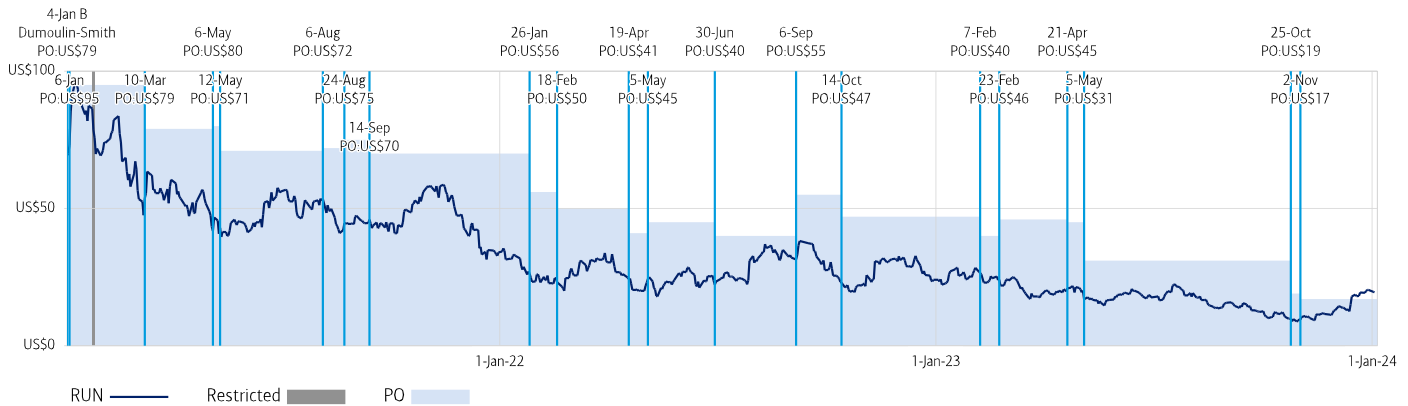
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SunRun (RUN) Price Chart



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

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

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

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

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

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

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