

NorthWestern Energy Group

4Q23 Preview: New name, same game for NorthWestern as capex accelerates

Reiterate Rating: BUY | PO: 55.00 USD | Price: 48.38 USD

A cleaner SMID-cap setup that's still underappreciated

We maintain our Buy rating on NorthWestern Energy Group, an electric and gas utility holding company with operations in Montana and South Dakota. We continue to view NWE's setup favorably with visibility to 6% rate base growth and 5%+ EPS growth that is still underappreciated in consensus estimates, with further generation upside to boot. We preview what we expect to be a quiet 4Q23 earnings update and revise EPS estimates following NWE's capital forecast revision provided at EEI calling for \$2.5Bn total capex from 2024 to 2028. As we see it, NWE stands apart from many SMID-cap peers with growth acceleration that does not come at a steep price of significant equity dilution or elevated regulatory risk, and as such we see its -1x P/E discount to SMID-cap peers on 2026 consensus estimates as incongruous to the relative fundamentals.

Estimates revised to reflect updated capex

We revise our EPS to reflect an incremental \$167Mn of capital expenditures outlined in the most recent capital forecast, partially offset by lower ROEs to account for more significant regulatory lag given accelerated investment. We do not expect balance sheet erosion from 2024 to 2028, with FFO/debt staying above the 14% downgrade threshold, assuming less than \$100Mn of at-the-market equity issuance total.

PO to \$55 on MtM; implies mid-teens upside

We adjust our PO to \$55 from \$56 prior. We roll forward our relative P/E valuation to 2026E EPS, applying the group peer multiple of 13.4x, grossed up 5% for growth to 14.1x. We continue to value NWE at parity to the electric peer group, as our EPS estimates trend toward the top half of the long-term guidance range with a solid balance sheet. We see cause for rerating following constructive rate case outcomes in Montana and South Dakota that have heretofore been underappreciated in improving NWE's risk profile, with future proceedings in both jurisdictions likely to be less significant albeit more frequent. Of note, the company has effectuated its holding company reorganization plan, with the new holding company NorthWestern Energy Group now trading under the same ticker NWE. The company now holds two utility subsidiaries: NorthWestern Corporation in Montana and NorthWestern Energy Public Service Corporation in South Dakota and Nebraska.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	3.51	3.18	3.09	3.56	3.73
GAAP EPS	3.60	3.28	3.09	3.56	3.73
EPS Change (YoY)	4.8%	-9.4%	-2.8%	15.2%	4.8%
Consensus EPS (Bloomberg)			3.05	3.52	3.69
DPS	2.48	2.52	2.56	2.60	2.68
Valuation (Dec)					
P/E	13.8x	15.2x	15.7x	13.6x	13.0x
GAAP P/E	13.4x	14.8x	15.7x	13.6x	13.0x
Dividend Yield	5.1%	5.2%	5.3%	5.4%	5.5%
EV / EBITDA*	15.7x	15.9x	14.2x	12.4x	11.6x
Free Cash Flow Yield*	-7.4%	-7.2%	-4.9%	-3.0%	-2.0%

* For full definitions of *IQmethod*SM measures, see page 9.

24 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	56.00	55.00
2024E Rev (m)	1,646.0	1,646.4
2025E Rev (m)	1,705.2	1,707.5
2024E EPS	3.61	3.56
2025E EPS	3.84	3.73

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Stock Data

Price	48.38 USD
Price Objective	55.00 USD
Date Established	24-Jan-2024
Investment Opinion	B-1-7
52-Week Range	45.97 USD - 61.24 USD
Mrkt Val (mn) / Shares Out (mn)	2,893 USD / 59.8
Free Float	98.8%
Average Daily Value (mn)	20.98 USD
BofA Ticker / Exchange	NWE / NAS
Bloomberg / Reuters	NWE US / NWE.OQ
ROE (2023E)	6.9%
Net Dbt to Eqty (Dec-2022A)	97.9%
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: 24 January 2024 06:00AM EST

iQprofileSM NorthWestern Energy Group

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	4.0%	3.6%	3.9%	4.4%	4.5%
Return on Equity	8.2%	7.1%	6.9%	7.8%	7.9%
Operating Margin	20.1%	17.8%	19.4%	22.1%	23.1%
Free Cash Flow	(214)	(208)	(142)	(87)	(57)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.2x	1.7x	2.0x	1.9x	1.9x
Asset Replacement Ratio	2.3x	2.6x	2.4x	2.3x	2.2x
Tax Rate	NM	0.3%	10.0%	12.0%	13.0%
Net Debt-to-Equity Ratio	109.1%	97.9%	102.1%	106.6%	107.6%
Interest Cover	2.9x	2.6x	2.7x	3.0x	3.1x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	1,372	1,478	1,554	1,646	1,707
% Change	14.5%	7.7%	5.2%	5.9%	3.7%
Gross Profit	947	986	1,058	1,147	1,204
% Change	6.1%	4.1%	7.4%	8.3%	5.0%
EBITDA	463	458	511	585	625
% Change	11.4%	-1.1%	11.6%	14.4%	6.9%
Net Interest & Other Income	(85)	(81)	(94)	(116)	(128)
Net Income (Adjusted)	182	177	187	218	231
% Change	7.2%	-2.6%	5.2%	16.9%	6.1%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	194	182	187	218	231
Depreciation & Amortization	187	195	210	221	232
Change in Working Capital	(154)	(59)	(20)	(27)	(15)
Deferred Taxation Charge	1	(9)	(9)	0	0
Other Adjustments, Net	(7)	(2)	0	0	0
Capital Expenditure	(434)	(515)	(510)	(500)	(505)
Free Cash Flow	-214	-208	-142	-87	-57
% Change	-299.8%	3.0%	31.9%	38.4%	34.4%
Share / Issue Repurchase	197	278	76	31	61
Cost of Dividends Paid	(128)	(140)	(155)	(159)	(166)
Change in Debt	149	76	222	218	165

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	3	22	23	25	27
Trade Receivables	199	245	263	285	299
Other Current Assets	236	285	293	303	309
Property, Plant & Equipment	5,247	5,657	5,957	6,236	6,509
Other Non-Current Assets	1,095	1,108	1,108	1,108	1,108
Total Assets	6,780	7,318	7,644	7,956	8,252
Short-Term Debt	3	148	160	172	182
Other Current Liabilities	377	473	480	484	490
Long-Term Debt	2,553	2,483	2,694	2,901	3,057
Other Non-Current Liabilities	1,508	1,549	1,540	1,540	1,540
Total Liabilities	4,441	4,653	4,873	5,097	5,268
Total Equity	2,340	2,665	2,772	2,860	2,984
Total Equity & Liabilities	6,780	7,318	7,644	7,956	8,252

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Electric Utilities

Company Description

NorthWestern is a public regulated utility that provides electricity and natural gas services throughout Montana, South Dakota and Nebraska. The company generates and distributes electricity as NorthWestern Energy, with its main businesses segmented between electric operations and natural gas operations. The company's electric business represents 80% of total gross margin, with the remainder coming from gas operations.

Investment Rationale

We are Buy rated on shares of Northwestern Energy (NWE) which is potentially at an inflection point due to recent positive regulatory data points. We are optimistic that the recent constructive rate case settlement and Commission and Staff commentary represents a turning point for NWE and the state. We see a favorable risk-return profile ahead: we see a lower risk setup and/or potential upside to capital investments.

Stock Data

Average Daily Volume 444,763

Quarterly Earnings Estimates

	2022	2023
Q1	1.09A	1.05A
Q2	0.54A	0.34A
Q3	0.43A	0.50A
Q4	1.13A	1.20E

Updating estimates for higher capex

We detail our updated EPS estimates below, updating our assumptions to match NWE's updated capital expenditures forecast provided at EEI in November. Our estimates now reflect \$167Mn of incremental capex from 2024 to 2028 as outlined in the updated capital forecast, with the impact to EPS modestly tempered by lower assumed ROEs to account for slightly higher regulatory lag. NWE expects to be a more consistent rate case filer in its MT and SD jurisdictions over this investment period to smooth out bill increases to customers and limit regulatory lag, which is reflected in our assumptions for an average of 40bps of lag through the planning period. We forecast less than \$100Mn of at-the-market equity issuance from 2024 to 2028.

Exhibit 1: NWE EPS Dashboard

EPS higher on stronger capital investment, partially offset by more conservative ROE assumptions

NorthWestern Financial Snapshot	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2023-2027	2022-2027
Consolidated Earnings Per Share	\$3.35	\$3.51	\$3.18	\$3.09	\$3.56	\$3.73	\$3.93	\$4.09	7.3%	5.2%
Consensus	\$3.34	\$3.52	\$3.28	\$3.06	\$3.52	\$3.69	\$3.88	\$4.06	7.3%	4.4%
BofA vs Consensus		-0.2%	-3.0%	0.8%	1.0%	0.9%	1.2%	0.9%		
Guidance: 4-6% 2022 \$3.18 Base			\$3.18	\$3.00-\$3.10	\$3.42-\$3.62	\$3.68	\$3.87	\$4.06	7.4%	5.0%
BofA vs Guidance	-0.7%	0.2%	-2.9%	1.3%	1.0%	1.2%	1.6%	0.9%		
BofA Change vs Prior	0.0%	0.1%	0.0%	0.0%	-1.5%	-3.0%	0.7%	0.1%		
Dividend per Share	\$2.40	\$2.48	\$2.52	\$2.56	\$2.60	\$2.68	\$2.76	\$2.88	3.0%	2.7%
Div Payout Ratio: 60-70%	71.6%	70.6%	79.2%	82.9%	73.1%	71.9%	70.3%	70.3%		
FFO/Debt >14% guidancee	12.9%	13.9%	13.9%	13.6%	14.3%	14.3%	14.3%	14.1%		
Average Rate Base: 4-6%	\$3,952	\$4,095	\$4,353	\$4,696	\$4,985	\$5,261	\$5,508	\$5,745	5.2%	5.7%

Source: BofA Global Research, Company filings, Bloomberg

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Dust settles on rate cases; MPSC elections this year

In a Staff Memorandum from the Montana Public Service Commission (MPSC) in NWE's recent electric and natural gas rate case (Docket 2022-07-078), there were no significant alterations to the ratemaking parameters specified in the rate case settlement approved in November. Some minor motions for reconsideration contemplating future disclosures on bill affordability and implementation of low income customer programs were granted, yet do not pose a material change in NWE's ability recover prudent investment. In South Dakota, NWE's recent settlement with the SD Public Utilities Commission calling for a \$21.5Mn rate increase was approved and implemented on January 10. NWE continued its recent strong regulatory execution, achieving 70% of its requested rate increase. The company expects to file at a more consistent cadence in the future to lessen the single-point-in-time bill impact on customers and commissioners. We view this recent execution and high visibility of less significant filings in the future as an important positive to justifying in line valuation.

In an election year in Montana, terms for commissioners James Brown (Chairman), Jennifer Fielder (Vice Chairman), and Tony O'Donnell are scheduled to end January 1, 2025. Of the three, only O'Donnell is term limited. Brown and Fielder are eligible to run as incumbents in the statewide elections later this year, though Brown has announced a bid to campaign for state auditor. This implies there could be at least two new commissioners by next January.

4Q23 EPS walk: modest beat in quiet quarter

With FY24 EPS guidance and an updated long-term capital investment forecast already provided following the MT rate case outcome in November, we expect a relatively quiet fourth quarter read. We forecast EPS of \$1.19 versus consensus of \$1.17, resulting in FY23 EPS of \$3.08 versus consensus of \$3.06 and guidance of \$3.00 to \$3.10. The primary driver of year-over-year EPS growth from 4Q22 is the inclusion of two-months



of approved final rates in Montana and continued customer growth, partially offset by approximately \$4Mn higher depreciation, marginally higher base O&M, and dilution from issuance of 2.5Mn shares throughout the course of the year.

Exhibit 3: NWE 4Q23 EPS Walk

BofA estimate toward top end of guidance range; MT rate case and customer growth drive EPS higher

NWE Earnings Walk	EPS	1Q	2Q	3Q	4Q
2022 Adjusted EPS	\$3.18	\$1.09	\$0.54	\$0.44	\$1.11
Utility Margin					
Electric QF Adjustment/Power Costs	0.06	0.02	0.04		0.01
Montana Rates: \$31Mn interim & \$82Mn settle	0.45	0.11	0.10	0.10	0.14
Less: Adjusting out 2022 Recovery	0.06			0.06	
Property Tax Recovery: \$18.7Mn	0.08		0.04	0.02	0.02
South Dakota Rates: +\$31Mn request effective 9/1/23	-				
Electric Customer Growth/Volume	0.09	0.13	(0.04)	(0.03)	0.03
Gas Customer Growth/Volume	0.02	0.05	(0.05)	0.01	0.01
Electric Transmission	(0.02)	0.02	(0.02)	(0.01)	(0.01)
Gas Transmission	0.01		0.01		
Other Gross Margin	0.01	0.02	(0.01)	-	
Base O&M and G&A	(0.01)	0.03	(0.02)	-	(0.01)
Uncollectible Accounts	(0.01)	(0.00)	(0.01)		-
Information Technology	(0.02)	(0.01)	0.00	(0.01)	(0.01)
Labor & Benefits	(0.11)	(0.05)	(0.06)		-
Insurance	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)
Electric Generation Facilities	(0.05)	(0.05)			
Depreciation Expense: \$5Mn increase in 2024	(0.22)	(0.06)	(0.05)	(0.05)	(0.06)
Interest Expense: \$144Mn maturities 2023	(0.16)	(0.06)	(0.06)	(0.04)	
Property & Other Taxes	0.04	-	(0.01)	0.02	0.03
Other	0.01	(0.02)	(0.01)	0.04	
Income Taxes	(0.07)	(0.06)		(0.02)	0.01
CREP Penalty: Adjusted Out	-		-		
Adjustments	-				
Dilution: \$75Mn 2023	(0.22)	(0.09)	(0.03)	(0.03)	(0.06)
2023 Adjusted EPS	\$3.08	\$1.05	\$0.35	\$0.49	\$1.19
2023 Consensus	\$3.06	\$1.11	\$0.51	\$0.65	\$1.17
BofA Expected Beat/(Miss) vs Consensus	1%	-5%	-31%	-25%	2%
2023 Guidance Midpoint ~\$3.05	3.00-3.10				
Expected Beat/(Miss) vs Guidance	-11.3%				

Source: BofA Global Research, Company filings, Bloomberg

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FY24 guidance issued already; see top half of EPS range

Below we detail our quarter-by-quarter FY24 EPS walk. We have reduced our FY24E EPS estimate to \$3.56 from \$3.61 prior, reflecting higher depreciation and higher expectations for unfavorable power costs in the first quarter. We still see EPS toward the top half of NWE's \$3.42 to \$3.56 range and above consensus of \$3.52. Our estimates for rate relief, growth, opex, and other miscellaneous items are generally in line with management's guidance. We see new final rates in Montana and South Dakota as the primary factor to year-over-year EPS growth.

Exhibit 4: NWE FY24 EPS Walk

BofA EPS in top half of guidance range; consensus at exact middle

NWE Earnings Walk	EPS	1Q	2Q	3Q	4Q
2023 Adjusted EPS	\$3.08	\$1.05	\$0.35	\$0.49	\$1.19
Utility Margin					
Electric QF Adjustment/Power Costs	(0.08)	(0.06)	(0.02)	0.00	
Montana Rates: \$31Mn interim & \$82Mn settle	0.69	0.27	0.18	0.16	0.07
Property Tax Recovery:	(0.15)	(0.04)	(0.04)	(0.04)	(0.04)
South Dakota Rates: +\$21.5Mn increase effective Jan 10, 2024	0.34	0.11	0.08	0.07	0.09
Electric Customer Growth/Volume	0.16	0.04	0.03	0.03	0.05
Gas Customer Growth/Volume	0.05	0.01	0.01	0.01	0.02
Electric Transmission	-				
Gas Transmission	-				
Other Gross Margin	-				
Base O&M and G&A	(0.12)	(0.03)	(0.03)	(0.03)	(0.03)
Depreciation Expense:	(0.12)	(0.03)	(0.03)	(0.03)	(0.03)
Interest Expense:	(0.09)	(0.03)	(0.03)	(0.02)	(0.02)
Property & Other Taxes	-				
Other	-				
Income Taxes	(0.15)	(0.04)	(0.04)	(0.04)	(0.04)
CREP Penalty: Adjusted Out	-				
Adjustments	-				
Dilution: 2023	(0.05)	(0.02)	(0.01)	(0.01)	(0.01)
2024 Adjusted EPS	\$3.56	\$1.24	\$0.46	\$0.61	\$1.25
2024 Consensus	\$3.52	\$1.22	\$0.46	\$0.63	\$1.20
BofA Expected Beat/(Miss) vs Consensus	1%	2%	0%	-3%	4%
2024 Guidance Midpoint ~\$3.52	3.42-3.62				
Expected Beat/(Miss) vs Guidance	2.4%				

Source: BofA Global Research, Company filings, Bloomberg

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PO to \$55; 19%+ total return

We update our PO by rolling over our valuation year to 2026E, using EPS of \$3.93 versus consensus of \$3.88. We apply the MtM electric utility sector P/E of 13.4x as a base then gross-up +5% to reflect capital appreciation across the sector. Of note, applying consensus estimates to our methodology in place of our estimate results in no change to the implied PO. We have been vocal in asserting NWE should no longer trade at a discount given its improving regulatory environment and elevated capital investment opportunity. With our EPS estimates toward the higher end of NWE's target CAGR, we view guidance shortfall risk as less significant and overstated at current valuation levels.

Exhibit 5: NorthWestern Energy Group Sum of the parts Valuation

Strong upside with high visibility to growth; few balance sheet concerns

NorthWestern Corp. Sum of the Parts Valuation

NorthWestern Energy	2026E		Peer	Prem/ Discount	Base	\$/Sh
Electric: Group Peer Multiple & EPS CAGR	13.4x	x	5% = 14.1x	-	-	-
NorthWestern Corporation	\$3.93	-	14.1x	0.0x	14.1x	\$55.00
Total Potential Equity Value						\$55.00
Implied Consolidated P/E						14.0x
Current Price						\$48.38
Potential Stock Return						13.7%
FY1 Dividend Yield						5.4%
Total Potential Return						19.1%

Source: BofA Global Research, Company filings, Bloomberg

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Price objective basis & risk

NorthWestern Energy Group (NWE)

Our \$55 price objective is based 2026E price/earnings (P/E) methodology. We apply the electric utility small and mid-cap sector P/E of 13.4x as a base then gross-up +5% to reflect capital appreciation across the sector. We value at an in-line multiple given improved regulatory treatment and our forecast for sector-average growth through the five-year planning period.

Risks to our price objective are changes in 1) regulatory, political, and legislative outcomes, 2) ability to recover costs and earn the regulatory allowed return on equity [ROE], 3) differences in future equity needs, 4) capital expenditure forecasts, 5) commodity and interest rates, 6) natural disasters and wildfires, and 7) management changes.

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 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
	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	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Corp	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL	AES	AES	AES US	Julien Dumoulin-Smith



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	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
	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	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$
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
 $\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$
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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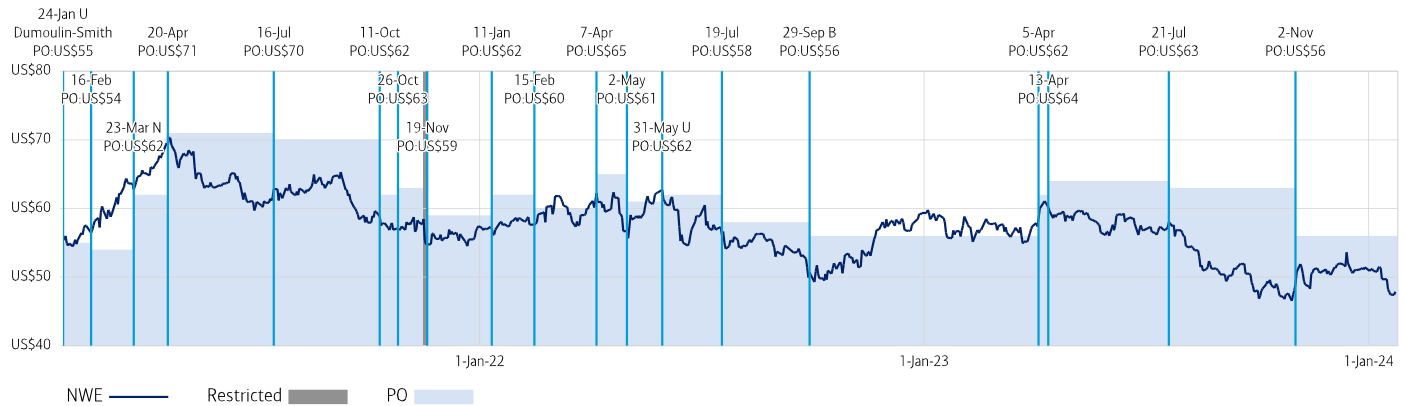
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{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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