

# Entergy

## One of the best regulated opportunities continues to look strong: Reiterate Buy

Reiterate Rating: BUY | PO: 113.00 USD | Price: 103.13 USD

### Relative profile looking even better as peers had setbacks

We reiterate Buy on shares of Entergy Corp (ETR), a Gulf Coast oriented regulated utility. Entergy offers premium 7%+ EPS growth (accelerating in future years), an improving balance sheet (14%+ FFO/debt), and better regulatory predictability than in recent years (still below average). With positive rates of change and importantly stumbles from peer utilities (ES, D, AEP, EXC, AEE, WEC, and DTE to name more than a few), the comparable profile of Entergy looks more like a sector average vs a historical deep discount. See background in our November upgrade: [Can premium growth drive positive re-rating? Yes, with risk reduction](#). We increase our PO +\$3/sh to \$113 on MtM (+\$2) and higher estimates (+\$1). (See page 6)

### All eyes on Louisiana: cautiously optimistic on FRP

The most important regulatory item for Entergy in 2024 is securing a formula rate plan (FRP) extension in Louisiana. We remain cautiously optimistic that parties can agree on a reasonable FRP but agree that a base rate case path brings elevated risk that could limit the positive re-rating. A well designed FRP should eliminate material risk of a destructive outcome like peers experienced in Illinois. The other primary items we are monitoring are (1) potential SERI settlements with Louisiana or New Orleans; (2) storm hardening and resiliency proposals.

### Don't forget about Texas and transmission

We and most investors we speak to are bullish on Texas capital growth opportunities with peers discussing the potential to have 15% distribution rate base growth profiles or better. Entergy management has been relatively quiet and conservative here ahead of regulatory filings: look for more regulatory details on the TX resiliency programs Jan 18. With respect to transmission, ETR was awarded over \$3Bn of the \$9Bn 2023 expansion plan. This provides visibility to above-average rate base growth in 2027+.

### Credit improvement is a key attribute

While the majority of our coverage universe is facing declining credit metrics, Entergy is improving. ETR should finish 2023 with above 14% FFO / debt, consistent with guidance and Moody's expectations. We forecast this strengthening to 15%+ in 2027 due to \$1.4Bn equity 2025-2026 and an improved pension position.

| Estimates (Dec) (US\$)    | 2021A  | 2022A  | 2023E | 2024E | 2025E |
|---------------------------|--------|--------|-------|-------|-------|
| EPS                       | 6.02   | 6.42   | 6.75  | 7.27  | 7.71  |
| GAAP EPS                  | 0      | 0      | NA    | NA    | NA    |
| EPS Change (YoY)          | -16.7% | 6.6%   | 5.1%  | 7.7%  | 6.1%  |
| Consensus EPS (Bloomberg) |        |        | 6.74  | 7.20  | 7.73  |
| DPS                       | 3.86   | 4.10   | 4.34  | 4.59  | 4.87  |
| Valuation (Dec)           |        |        |       |       |       |
| P/E                       | 17.1x  | 16.1x  | 15.3x | 14.2x | 13.4x |
| Dividend Yield            | 3.7%   | 4.0%   | 4.2%  | 4.5%  | 4.7%  |
| EV / EBITDA*              | 11.0x  | 11.8x  | 10.9x | 10.3x | 9.6x  |
| Free Cash Flow Yield*     | -17.7% | -14.3% | -2.0% | -5.9% | -4.7% |

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 10.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 11 to 13. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

12646147

Timestamp: 16 January 2024 05:45AM EST

16 January 2024

### Equity

#### Key Changes

| (US\$)        | Previous | Current  |
|---------------|----------|----------|
| Price Obj.    | 110.00   | 113.00   |
| 2024E Rev (m) | 14,972.6 | 14,989.3 |
| 2025E Rev (m) | 15,401.0 | 15,405.4 |
| 2023E EPS     | 6.81     | 6.75     |
| 2024E EPS     | 7.34     | 7.27     |
| 2025E EPS     | 7.74     | 7.71     |

**Paul Zimbardo**  
Research Analyst  
BofAS  
+1 646 855 1470  
[paul.zimbardo@bofa.com](mailto:paul.zimbardo@bofa.com)

**Julien Dumoulin-Smith**  
Research Analyst  
BofAS  
+1 646 855 5855  
[julien.dumoulin-smith@bofa.com](mailto:julien.dumoulin-smith@bofa.com)

**Dariusz Lozny, CFA**  
Research Analyst  
BofAS  
[dariusz.lozny@bofa.com](mailto:dariusz.lozny@bofa.com)

### Stock Data

|                                |                        |
|--------------------------------|------------------------|
| Price                          | 103.13 USD             |
| Price Objective                | 113.00 USD             |
| Date Established               | 16-Jan-2024            |
| Investment Opinion             | B-1-7                  |
| 52-Week Range                  | 87.10 USD - 111.90 USD |
| Mkt Val (mn) / Shares Out (mn) | 21,888 USD / 212.2     |
| Free Float                     | 99.6%                  |
| Average Daily Value (mn)       | 139.92 USD             |
| BofA Ticker / Exchange         | ETR / NYS              |
| Bloomberg / Reuters            | ETR US / ETR.N         |
| ROE (2023E)                    | 10.7%                  |
| Net Dbt to Eqty (Dec-2022A)    | 199.8%                 |
| ESGMeter <sup>TM</sup>         | 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"](#).

FRP: Formula rate plan  
SERI: System Energy Resources Inc  
FFO: Funds from operations  
O&M: Operating and maintenance  
FERC: Federal Energy Regulatory Commission

# iQprofile<sup>SM</sup> Entergy

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

| (US\$ Millions)            | 2021A   | 2022A   | 2023E | 2024E   | 2025E   |
|----------------------------|---------|---------|-------|---------|---------|
| Return on Capital Employed | 3.5%    | 3.1%    | 3.7%  | 3.8%    | 3.8%    |
| Return on Equity           | 10.7%   | 10.6%   | 10.7% | 11.0%   | 11.2%   |
| Operating Margin           | 18.8%   | 14.5%   | 16.7% | 17.2%   | 17.8%   |
| Free Cash Flow             | (3,879) | (3,124) | (433) | (1,288) | (1,022) |

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

| (US\$ Millions)          | 2021A  | 2022A  | 2023E  | 2024E  | 2025E  |
|--------------------------|--------|--------|--------|--------|--------|
| Cash Realization Ratio   | 1.9x   | 2.0x   | 2.5x   | 2.4x   | 2.4x   |
| Asset Replacement Ratio  | 2.8x   | 2.6x   | 1.9x   | 2.3x   | 2.1x   |
| Tax Rate                 | 14.9%  | NM     | NM     | NM     | NM     |
| Net Debt-to-Equity Ratio | 223.4% | 199.8% | 198.2% | 202.7% | 194.6% |
| Interest Cover           | 2.4x   | 2.0x   | 2.5x   | 2.3x   | 2.3x   |

## Income Statement Data (Dec)

| (US\$ Millions)              | 2021A         | 2022A        | 2023E        | 2024E        | 2025E        |
|------------------------------|---------------|--------------|--------------|--------------|--------------|
| Sales                        | 11,045        | 13,421       | 14,678       | 14,989       | 15,405       |
| % Change                     | 20.4%         | 21.5%        | 9.4%         | 2.1%         | 2.8%         |
| Gross Profit                 | 7,471         | 8,308        | 8,410        | 8,722        | 9,138        |
| % Change                     | 9.3%          | 11.2%        | 1.2%         | 3.7%         | 4.8%         |
| EBITDA                       | 6,189         | 5,808        | 6,265        | 6,652        | 7,134        |
| % Change                     | 6.2%          | -6.2%        | 7.9%         | 6.2%         | 7.2%         |
| Net Interest & Other Income  | (439)         | (812)        | (883)        | (1,008)      | (1,092)      |
| <b>Net Income (Adjusted)</b> | <b>1,215</b>  | <b>1,319</b> | <b>1,434</b> | <b>1,560</b> | <b>1,692</b> |
| <b>% Change</b>              | <b>-16.4%</b> | <b>8.5%</b>  | <b>8.8%</b>  | <b>8.8%</b>  | <b>8.5%</b>  |

## Free Cash Flow Data (Dec)

| (US\$ Millions)                        | 2021A         | 2022A         | 2023E        | 2024E          | 2025E         |
|----------------------------------------|---------------|---------------|--------------|----------------|---------------|
| Net Income from Cont Operations (GAAP) | 2,575         | 2,193         | 3,004        | 3,070          | 3,292         |
| Depreciation & Amortization            | 2,243         | 2,190         | 2,099        | 2,204          | 2,338         |
| Change in Working Capital              | (1,561)       | (491)         | 0            | 0              | 0             |
| Deferred Taxation Charge               | NA            | NA            | NA           | NA             | NA            |
| Other Adjustments, Net                 | (957)         | (1,307)       | (1,585)      | (1,557)        | (1,647)       |
| Capital Expenditure                    | (6,179)       | (5,710)       | (3,950)      | (5,005)        | (5,005)       |
| <b>Free Cash Flow</b>                  | <b>-3,879</b> | <b>-3,124</b> | <b>-433</b>  | <b>-1,288</b>  | <b>-1,022</b> |
| <b>% Change</b>                        | <b>-86.3%</b> | <b>19.4%</b>  | <b>86.2%</b> | <b>-197.7%</b> | <b>20.6%</b>  |
| Share / Issue Repurchase               | 201           | 853           | 160          | 160            | 700           |
| Cost of Dividends Paid                 | (775)         | (842)         | (922)        | (984)          | (1,068)       |
| Change in Debt                         | 3,054         | (350)         | 1,195        | 2,112          | 1,390         |

## Balance Sheet Data (Dec)

| (US\$ Millions)                       | 2021A         | 2022A         | 2023E         | 2024E         | 2025E         |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalents                    | 443           | 224           | 224           | 224           | 224           |
| Trade Receivables                     | NA            | NA            | NA            | NA            | NA            |
| Other Current Assets                  | 3,181         | 3,871         | 3,871         | 3,871         | 3,871         |
| Property, Plant & Equipment           | 42,244        | 42,477        | 44,329        | 47,129        | 49,796        |
| Other Non-Current Assets              | 13,586        | 12,023        | 12,023        | 12,023        | 12,023        |
| <b>Total Assets</b>                   | <b>59,454</b> | <b>58,595</b> | <b>60,447</b> | <b>63,247</b> | <b>65,914</b> |
| Short-Term Debt                       | 2,241         | 3,137         | 2,313         | 2,487         | 2,603         |
| Other Current Liabilities             | NA            | NA            | NA            | NA            | NA            |
| Long-Term Debt                        | 24,842        | 23,624        | 25,642        | 27,580        | 28,855        |
| Other Non-Current Liabilities         | 20,447        | 18,551        | 18,504        | 18,456        | 18,409        |
| <b>Total Liabilities</b>              | <b>47,529</b> | <b>45,311</b> | <b>46,459</b> | <b>48,524</b> | <b>49,867</b> |
| <b>Total Equity</b>                   | <b>11,925</b> | <b>13,284</b> | <b>13,988</b> | <b>14,723</b> | <b>16,047</b> |
| <b>Total Equity &amp; Liabilities</b> | <b>59,454</b> | <b>58,595</b> | <b>60,447</b> | <b>63,247</b> | <b>65,914</b> |

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 10.

## Company Sector

Electric Utilities

## Company Description

Entergy Corporation (ETR) is a holding company encompassing five regulated utilities in the Gulf States region, primarily Louisiana, Mississippi, Arkansas, Texas, and New Orleans. Entergy is one of the largest operators of regulated nuclear in the United States. There are other FERC jurisdictional assets, primarily System Energy Resources Inc (SERI). Entergy previously owned unregulated power assets.

## Investment Rationale

We rate Entergy Corp (ETR) Buy with the large discount to peers overly punitive for the above-average growth rate and risk reduction achieved. Louisiana remains a difficult jurisdiction but we forecast above-average EPS growth and average credit metrics to offset more cautious elements. There are underappreciated renewables/hydrogen opportunities and resiliency/decarbonization potential investment that help to mitigate the impact of less certain regulatory profiles.

## Stock Data

Average Daily Volume 1,356,687

## Quarterly Earnings Estimates

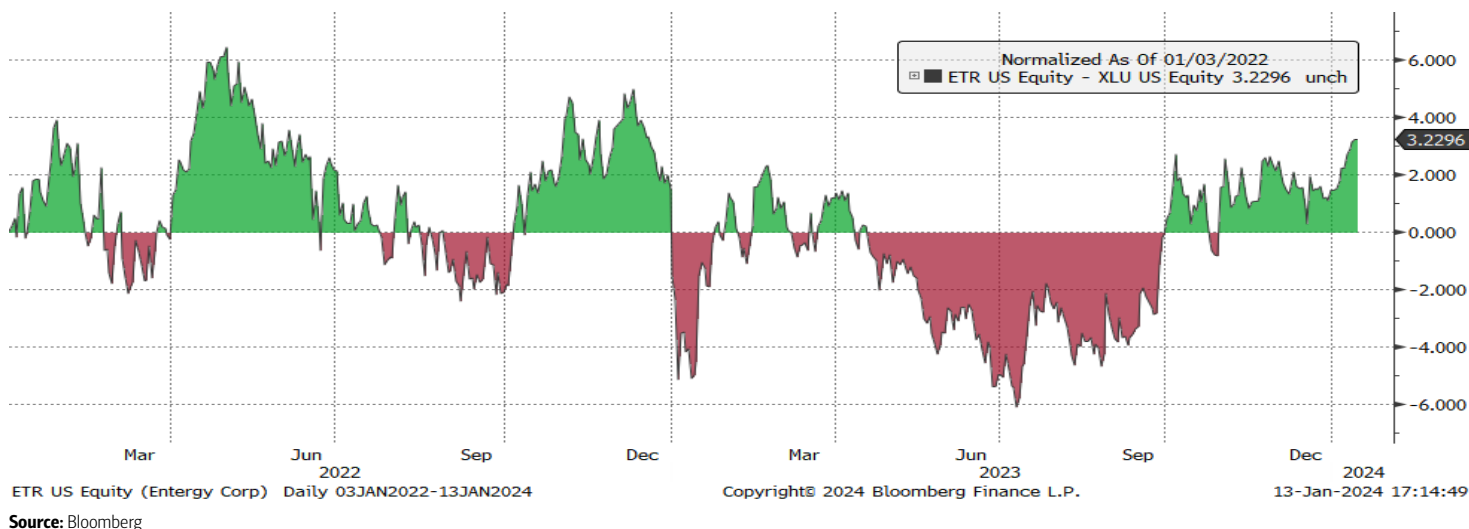
|    | 2022  | 2023  |
|----|-------|-------|
| Q1 | 1.32A | 1.14A |
| Q2 | 1.78A | 1.85A |
| Q3 | 2.83A | 3.27A |
| Q4 | 0.51A | 0.50E |

## Relative profile looking even better

We remain very constructive on the outlook for Entergy despite the stock's relative outperformance as we still see an attractive discount valuation and improving profile compared with peers. While Entergy's financial profile has strengthened with one of the best Edison Electric Institute (EEI) financial conference updates, in contrast, many regulated utilities are facing a combination of increasing balance sheet pressures and declining earnings per share growth rates. With these profiles moving in opposite directions, we see a stronger case for Entergy positive re-rating versus utility peers.

### Exhibit 1: Entergy Corp (ETR) Relative Equity Performance vs Utilities Peers

ETR has meaningfully recovered from the lows but still trades at a large discount – see the next Exhibit.

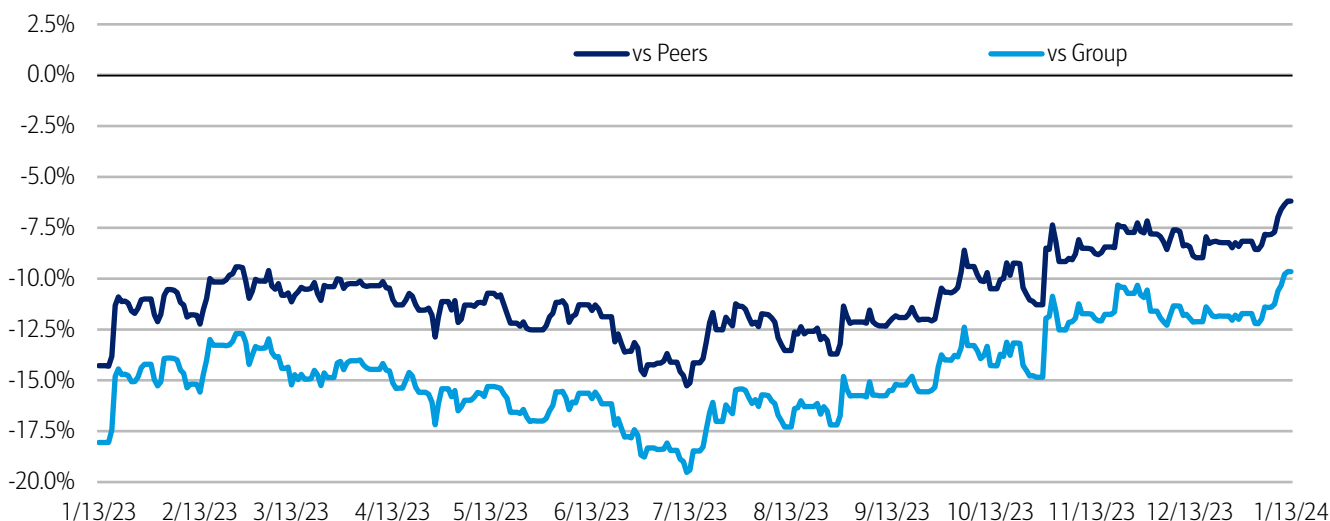


BofA GLOBAL RESEARCH

While Entergy has outperformed +10% in the past six months, shares still trade at a large discount. ETR is now a -10% discount to the utilities sector vs -20% in July 2023.

### Exhibit 2: ETR 2025E P/E versus Similar P/E Peers (Dark Blue) and Overall Utilities Index (Light Blue)

ETR has steadily positively re-rated from overly discounted levels. We still see the ability to outperform and shrink the relative discount.



Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH



## FY24 Adjusted EPS

The FY24 adjusted EPS drivers are below. We generally see favorable 2023 weather unfavorably reversing -\$0.44 but offset by lower base operating costs +\$0.42 as management flexed costs here in 2023. After the back-to-back strong weather years in 2022-2023, Entergy was able to flex operating costs and charitable contributions higher. This creates substantial cushion for 2024 in particular but in forward years as well.

### Exhibit 3: ETR FY24 Adjusted EPS Drivers

+1% ahead of Consensus and the guidance midpoint with reasonable assumptions and Louisiana FRP conservatism. LA FRP is still critical to 2024+ EPS.

| ETR Earnings Walk                                                     | Guidance         | EPS           | 1Q24          | 2Q24          | 3Q24          | 4Q24          |
|-----------------------------------------------------------------------|------------------|---------------|---------------|---------------|---------------|---------------|
| <b>FY23A UP&amp;O Adjusted EPS</b>                                    | <b>6.65-6.85</b> | <b>\$6.75</b> | <b>\$1.47</b> | <b>\$1.85</b> | <b>\$3.14</b> | <b>\$0.30</b> |
| <b>Operating Revenue</b>                                              |                  |               |               |               |               |               |
| <b>Weather</b>                                                        |                  | <b>(0.44)</b> | <b>0.22</b>   | <b>(0.07)</b> | <b>(0.63)</b> | <b>0.04</b>   |
| Weather vs Normal in FY23                                             |                  | (0.44)        | 0.22          | (0.07)        | (0.63)        | 0.04          |
| Weather vs Normal in FY24                                             |                  | -             |               |               |               |               |
| <b>Volume: +1% driven by C&amp;I: 3%</b>                              | <b>+3%</b>       | <b>0.08</b>   | <b>0.03</b>   | <b>0.02</b>   | <b>0.02</b>   | <b>0.01</b>   |
| <b>Retail Price</b>                                                   |                  |               |               |               |               |               |
| <b>2023</b>                                                           |                  |               |               |               |               |               |
| E-AR: FRP Jan 2023                                                    | 80               | 0.07          | 0.07          |               |               |               |
| E-LA: FRP September Electric 2023                                     | 85               | 0.24          | 0.08          | 0.08          | 0.08          |               |
| E-LA: FRP May Gas 2023                                                | 6                | 0.01          | 0.01          | 0.00          |               |               |
| E-MS: FRP April 2023                                                  | 27               | 0.03          | 0.02          | 0.01          |               |               |
| E-MS: FRP July 2023-June 2024 (Offset)                                | -                |               |               |               |               |               |
| ES-MS: Grid Mod & PMR Riders July 2023                                | 12               | 0.01          | 0.01          | 0.00          |               |               |
| ES-MS: Vegetation Mgmt April 2023                                     | (5)              | (0.00)        | (0.00)        |               |               |               |
| E-NO: FRP September 2023                                              | 17               | 0.05          | 0.02          | 0.02          | 0.02          |               |
| E-TX: Base Rate Case June 2023                                        | 54               | 0.08          | 0.05          | 0.03          |               |               |
| <b>2024</b>                                                           |                  |               |               |               |               |               |
| E-AR: FRP \$89Mn cap Jan 2024                                         | 89               | 0.33          | 0.08          | 0.08          | 0.08          | 0.08          |
| E-MS: FRP April 2024                                                  | 27               | 0.07          |               | 0.02          | 0.02          | 0.02          |
| E-LA: FRP September 2024 +\$190Mn w/ \$55Mn D&A                       | 86               | 0.13          | -             | -             | 0.05          | 0.08          |
| E-NO: FRP September 2024                                              | 17               | 0.03          | -             | -             | 0.01          | 0.02          |
| E-TX DCRF                                                             | 56               | 0.13          |               | 0.03          | 0.05          | 0.05          |
| E-TX TCRF                                                             | 35               | 0.08          |               | 0.02          | 0.03          | 0.03          |
| SERI: \$205Mn capex                                                   | 10               | 0.05          | 0.01          | 0.01          | 0.01          | 0.01          |
| <b>Utility Operating revenue - net</b>                                |                  | <b>0.94</b>   | <b>0.60</b>   | <b>0.25</b>   | <b>(0.25)</b> | <b>0.35</b>   |
| <b>Non-Fuel O&amp;M: \$2.74Bn original FY23 guide vs \$2.7Bn FY24</b> |                  |               |               |               |               |               |
| Base Non-Fuel O&M                                                     | 0.42             | 0.42          | 0.12          | (0.30)        | 0.35          | 0.25          |
| Pension Discount Rate/Change in Plan Assets: 25bp=\$0.02              |                  | 0.06          | 0.02          | 0.02          | 0.02          | 0.02          |
| <b>Refueling Outage Expense: Lower YoY</b>                            | <b>Down</b>      | <b>0.03</b>   | <b>0.01</b>   | <b>0.01</b>   | <b>0.01</b>   | <b>0.01</b>   |
| <b>Decommissioning Expense</b>                                        |                  | <b>(0.04)</b> | <b>(0.01)</b> | <b>(0.01)</b> | <b>(0.01)</b> | <b>(0.01)</b> |
| Taxes Other Than Income                                               | Higher           | (0.04)        | (0.01)        | (0.01)        | (0.01)        | (0.01)        |
| <b>Depreciation: ~\$1.9Bn adj FY23 ~\$2.0Bn FY24</b>                  | (0.43)           | (0.43)        | (0.10)        | (0.10)        | (0.11)        | (0.12)        |
| <b>Other Income: Higher AFUDC</b>                                     | Higher           | 0.15          | 0.02          | 0.03          | 0.04          | 0.06          |
| <b>Interest Expense: Higher Average Interest Rate</b>                 | Higher           | (0.41)        | (0.09)        | (0.09)        | (0.10)        | (0.12)        |
| <b>Taxes: Effective Tax Rates: ~24% 2024 vs. ~24% 2023</b>            |                  | -             | -             | (0.03)        | (0.05)        | 0.08          |
| <b>Parent &amp; Other (Excluding Corporate Tax Rate Above)</b>        | <b>Higher</b>    | <b>(0.10)</b> | <b>(0.02)</b> | <b>(0.02)</b> | <b>(0.03)</b> | <b>(0.03)</b> |
| Parent Other Income                                                   |                  |               |               |               |               |               |
| Parent Interest Expense                                               |                  |               |               |               |               |               |
| <b>Dilution</b>                                                       |                  | <b>(0.07)</b> | <b>(0.01)</b> | <b>(0.02)</b> | <b>(0.04)</b> | <b>(0.00)</b> |
| <b>Preferred Dividends</b>                                            |                  |               |               |               |               |               |
| <b>FY24E UP&amp;O Adjusted EPS</b>                                    | <b>7.05-7.35</b> | <b>\$7.27</b> | <b>\$1.98</b> | <b>\$1.60</b> | <b>\$3.01</b> | <b>\$0.69</b> |
| <b>FY24 Consensus</b>                                                 |                  | <b>\$7.20</b> | <b>\$1.45</b> | <b>\$1.78</b> | <b>\$3.00</b> | <b>\$1.10</b> |
| <b>BofA Forecasted Beat/(Miss) vs Consensus</b>                       |                  | <b>1%</b>     | <b>37%</b>    | <b>-10%</b>   | <b>0%</b>     | <b>-38%</b>   |
| <b>FY24 UP&amp;O Guidance</b>                                         |                  |               | <b>\$1.56</b> | <b>\$1.97</b> | <b>\$3.35</b> | <b>\$0.32</b> |
| <b>BofA Forecasted Beat/(Miss) vs Guidance/Implied</b>                |                  | <b>1%</b>     | <b>27%</b>    | <b>-19%</b>   | <b>-10%</b>   | <b>118%</b>   |

Source: Company Filings, Bloomberg, & BofA Global Research estimates. \* UP&O: Utility Parent & Other

BofA GLOBAL RESEARCH

## Adjusted EPS: Moderating near-term but increasing LT

We lower FY23 down -\$0.06 towards the midpoint of the guidance range which was revised higher with 3Q23. 4Q23 weather was mild and we did not see publicly announced late year charitable contributions which could have signaled more robust earnings relative to the guidance range.

Our long term EPS improves slightly from lower interest rates on non-regulated debt since our last report. ETR also provided refreshed interest rate assumptions at EEI before the November Federal Reserve update which could likely prove conservative. For 2024, ETR embedded a ~6.25-7.25% short-term before moderating to ~5-6% in 2025 and ~4.25-5.25% in 2026. For the long-term the weighted-average rate assumption is 6.0-6.25% on the planned financing plan.

Our utility EPS forecasts are slightly higher in Arkansas and Louisiana on small model refinements. The 30Yr US Treasury rate has fallen to 4.2% in mid-January 2024 vs 4.6% November 20, 2023 which generates ~\$0.05 interest rate savings in 2026+.

Entergy has had minimal EPS revisions although FY26 has increased to +\$8.30 from \$8.25.

### SERI conservatism embedded – particularly for 2024

As an important reminder, our SERI forecast assumes all off-takers have the benefit of a lower authorized rate of return January 1, 2024. This is an approximately -\$0.08 negative item that we believe management has embedded in guidance. To the extent the FERC does not authorize a change earlier, this builds a cushion into the forecast. Said differently, without FERC action on SERI in 2024, our EPS would be +\$0.08 higher, all else equal (ie no O&M flex spending).

#### Exhibit 4: Entergy Financial Profile – remain broadly above Street on all years '24+ and at higher end of EPS guide range

Reducing near-term EPS but increasing long-term due to lower financing assumptions

| Entergy Adjusted EPS Estimates          | 2020A     | 2021A     | 2022A     | 2023E     | 2024E     | 2025E     | 2026E     | 2027E     | '23-'26 | '23-'27 |
|-----------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|---------|
| Arkansas (EAI)                          | 1.22      | 1.57      | 1.42      | 1.58      | 1.82      | 1.95      | 2.09      | 2.28      | 9.9%    | 9.7%    |
| Louisiana (ELL)                         | 5.38      | 3.24      | 4.16      | 3.84      | 4.08      | 4.29      | 4.63      | 4.84      | 6.4%    | 6.0%    |
| Mississippi (EMI)                       | 0.70      | 0.83      | 0.96      | 0.97      | 0.99      | 1.07      | 1.15      | 1.26      | 5.8%    | 6.7%    |
| New Orleans (ENOI)                      | 0.25      | 0.16      | 0.31      | 0.34      | 0.34      | 0.38      | 0.37      | 0.37      | 3.3%    | 2.3%    |
| Texas (ETI)                             | 1.07      | 1.12      | 1.47      | 1.26      | 1.35      | 1.45      | 1.59      | 1.79      | 8.0%    | 9.2%    |
| System Energy Resources (SERI)          | 0.49      | 0.53      | 0.61      | 0.51      | 0.43      | 0.44      | 0.44      | 0.44      | -4.9%   | -3.4%   |
| Other                                   | (2.04)    | (0.19)    | (0.73)    | (0.00)    | 0.00      | (0.00)    | 0.00      | 0.00      |         |         |
| Total Utilities                         | 7.08      | 7.25      | 8.20      | 8.49      | 9.01      | 9.58      | 10.27     | 10.98     | 6.5%    | 6.6%    |
| Parent & Other                          | (1.42)    | (1.23)    | (1.78)    | (1.75)    | (1.73)    | (1.86)    | (1.90)    | (1.97)    | 2.8%    | 3.1%    |
| Adjusted EPS                            | 5.66      | 6.02      | 6.42      | 6.75      | 7.27      | 7.71      | 8.37      | 9.01      | 7.4%    | 7.5%    |
| Guidance: 6-8% 2021-2026E               | 5.60-5.70 | 5.90-6.10 | 6.25-6.45 | 6.65-6.85 | 7.05-7.35 | 7.50-7.90 | 8.05-8.45 | 8.65-9.05 | 7.7%    | 7.7%    |
| Midpoint of Guidance                    | 5.60      | 5.95      | 6.30      | 6.75      | 7.20      | 7.70      | 8.25      | 8.85      | 6.9%    | 7.0%    |
| BofA vs Guidance                        | 1.1%      | 1.2%      | 1.9%      | 0.0%      | 1.0%      | 0.2%      | 1.5%      | 1.8%      |         |         |
| 2022E EPS CAGR (6-8% LT off '22 \$6.30) |           |           | 7.9%      | 7.1%      | 7.4%      | 7.0%      | 7.4%      | 7.4%      |         |         |
| Change vs Prior                         |           | 0.0%      | 0.0%      | -0.9%     | -0.9%     | -0.3%     | 0.9%      | 0.8%      |         |         |
| Prior Estimates                         |           | 6.02      | 6.42      | 6.81      | 7.34      | 7.74      | 8.30      | 8.94      | 6.8%    |         |
| Consensus                               | 5.63      | 5.98      | 6.39      | 6.74      | 7.20      | 7.73      | 8.30      | 8.88      | 7.2%    | 7.1%    |
| BofA vs Consensus                       | 0.6%      | 0.6%      | 0.5%      | 0.1%      | 1.0%      | -0.2%     | 0.8%      | 1.5%      |         |         |
| Dividend                                | 3.74      | 3.86      | 4.10      | 4.34      | 4.59      | 4.87      | 5.17      | 5.54      | 6.0%    | 6.3%    |
| Div Payout 60-65% of UP&O               | 66.1%     | 64.1%     | 63.8%     | 64.3%     | 63.1%     | 63.1%     | 61.7%     | 61.5%     | -2.6%   | -2.8%   |
| Overall ROE                             | 11.9%     | 8.8%      | 7.5%      | 8.9%      | 8.9%      | 8.9%      | 9.1%      | 9.1%      | 0.2%    | 0.2%    |
| FFO/Debt: 14-15% Guidance 2022+         |           |           |           |           |           |           |           |           | 10.9%   | 8.4%    |

11.7% 14.1% 13

Source: Company Filings, Bloomberg, & BofA Global Research estimates

BofA GLOBAL RESEARCH



## Valuation: +\$3/sh on MtM and higher estimates

We value Entergy using a 2026 Sum-of-the-Parts analysis. The base P/E is grossed-up +5%, to reflect capital appreciation across the sector, a consistent methodology across the utilities coverage. We use a 13.8x 2026 average electric utility P/E (vs 13.6x previously). The premiums and discount we apply to subsidiaries are unchanged from our last report.

We value Louisiana at a -2x discount due to a more challenging regulatory climate with elevated volatility versus average jurisdictions. We value Arkansas at an-inline multiple. We value Mississippi, Louisiana, and SERI at -1x discounts to reflect regulatory uncertainty and storm risk. Texas is valued at a +2x premium for the above-average growth and quantum of capital investment. We net out 50% of the parent HoldCo long-term debt and apply a P/E multiple to 50% of the interest expense.

The +\$3/sh increase in our PO is driven by:

- +\$2/sh for +1.5% 13.8x base P/E up from 13.6x November 21<sup>st</sup> as a mark-to-market
- +\$1/sh for +1% increase in 2026 EPS to \$8.37 from \$8.30

### Exhibit 5: Entergy Sum-of-the-Parts Valuation

Double digit potential total return despite including a discounted valuation: easier valuation to get comfortable with to argue upside.

#### Entergy: Sum of the Parts Valuation Base Electric P/E Calculation

| (SOTP)         |                |                     |  |
|----------------|----------------|---------------------|--|
| Group Peer P/E | Group EPS CAGR | Group Valuation P/E |  |
| 13.8x          | 5%             | 14.5x               |  |
| 13.8x          | 0.7x           | 14.5x               |  |

| Core Regulated Electric Utilities | 2026 EPS       | Premium/(Discount) | Multiple Applied | \$ per Share |                 |
|-----------------------------------|----------------|--------------------|------------------|--------------|-----------------|
| Entergy Arkansas (EAI)            | \$2.09         | 0.0x               | 14.5x            | 0%           | \$30.33         |
| Entergy Louisiana (ELL)           | \$4.63         | -2.0x              | 12.5x            | -14%         | \$57.81         |
| Entergy Mississippi (EMI)         | \$1.15         | -1.0x              | 13.5x            | -7%          | \$15.50         |
| Entergy New Orleans (ENOI)        | \$0.37         | -1.0x              | 13.5x            | -7%          | \$4.99          |
| Entergy Texas (ETI)               | \$1.59         | 2.0x               | 16.5x            | 14%          | \$26.22         |
| System Energy Resources (SERI)    | \$0.44         | -1.0x              | 13.5x            | -7%          | \$5.92          |
| <b>Total Regulated</b>            | <b>\$10.27</b> | <b>-0.8x</b>       | 13.7x            | -5%          | \$140.77        |
| Parent Preferred Income (ELL)     | (\$0.58)       | 0.0x               | 14.5x            | 0%           | (\$8.39)        |
| <b>Total Utility Value</b>        | <b>\$9.69</b>  | <b>-0.8x</b>       | <b>13.7x</b>     | <b>-6%</b>   | <b>\$132.38</b> |

| Parent Debt Adjustments          | \$Mn  | Weight | Weighted Value (\$Mn) |
|----------------------------------|-------|--------|-----------------------|
| HoldCo Long-Term Notes Pro-Forma | 4,050 | 50%    | 2,025 (\$4.48)        |

| Parent Expenses                         | \$Mn     | Premium/(Discount) | Multiple Applied |
|-----------------------------------------|----------|--------------------|------------------|
| HoldCo Interest Expense - 50% Weighting | (\$0.59) | 0.0x               | 14.5x (\$4.28)   |
| Corporate SG&A                          | (\$0.73) | 0.0x               | 14.5x (\$10.53)  |
| <b>Total Parent &amp; Other</b>         |          |                    | <b>(\$19.28)</b> |

|                                     |             |              |              |            |                 |
|-------------------------------------|-------------|--------------|--------------|------------|-----------------|
| <b>Total Equity Value Per Share</b> | <b>8.37</b> | <b>-1.0x</b> | <b>13.5x</b> | <b>-7%</b> | <b>\$113.00</b> |
| ETR Share Price (As of 01/13/24)    |             |              |              |            | \$103.13        |
| Potential Price Return              |             |              |              |            | 9.6%            |
| Dividend Yield                      |             |              |              |            | 4.5%            |
| <b>Potential Total Return</b>       |             |              |              |            | <b>14.0%</b>    |

Source: Company Filings, Bloomberg, & BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

| Title: Subtitle                                                                                                             | Primary Author        | Date Published   |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------|
| <a href="#">Entergy: Upgrade to Buy: Can premium growth drive positive re-rating? Yes, with risk reduction</a>              | Paul Zimbardo         | 21 November 2023 |
| <a href="#">US Utilities &amp; IPPs: PowerPoints: PNM NM, FE-Icahn, ETR SERI &amp; MISO Transmission, and HE Capex</a>      | Julien Dumoulin-Smith | 12 December 2023 |
| <a href="#">US Utilities &amp; Clean Tech: PowerPoints: DTE Cut, ETR Guide Up, GNRC Beat, AVA Capex, Offshore Challenge</a> | Julien Dumoulin-Smith | 01 November 2023 |
| <a href="#">Entergy: SERI Settlement and Natural Gas LDC Sales with a busy management team</a>                              | Paul Zimbardo         | 30 October 2023  |
| <a href="#">Entergy: Another Chapter in the SERI Story: Amended Prudency Complaint to Watch</a>                             | Paul Zimbardo         | 23 October 2023  |
| <a href="#">Entergy: In the eye of the storm: SERI deep dive. Reiterate Neutral</a>                                         | Paul Zimbardo         | 11 October 2023  |
| <a href="#">US Utilities &amp; IPPs: PowerPoints: ETR-SERI, ES/AGR CT, MA Offshore Wind, D, &amp; PCG Fire Victim Trust</a> | Julien Dumoulin-Smith | 07 June 2023     |





## Price objective basis & risk

### Entergy (ETR)

Our \$113 price objective is based on a 2026 sum-of-the-parts analysis. The 2026E electric utilities 13.8x average P/E is grossed-up +5%, to reflect capital appreciation across the sector. We apply -1x discounts to Mississippi, New Orleans, and SERI to reflect elevated regulatory uncertainty. We value Louisiana at a -2x discount due to an even more challenging regulatory climate with elevated volatility versus jurisdictions. Texas has a +2x premium applied for premium growth potential. We net out 50% of the parent HoldCo long-term debt and apply a P/E multiple to 50% of the interest expense.

Upside risks are: (1) constructive regulatory, political, and legislative changes, (2) deploy capex consistent with guidance, (3) higher earned rates of returns at the jurisdictions, (4) lower interest rates, (5) equity issuances relative to mgmt's forecast and access to capital markets, (6) higher pension and nuclear decommissioning fund performance .

Downside risks are: (1) negative regulatory, political, and legislative changes, (2) natural or nuclear disasters including hurricanes, (3) inability to deploy capex consistent with guidance, (4) lower earned rates of returns at the jurisdictions, (5) higher interest rates, (6) equity issuances not in sync with mgmt's forecast and inability to access capital markets, (7) lower pension and nuclear decommissioning fund performance (8) nuclear accidents, and (9) mgmt turnover.

## Analyst Certification

I, Paul Zimbardo, 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 |
|                   | Duke Energy                          | DUK         | DUK US           | Julien Dumoulin-Smith |
|                   | Enlight Renewable Energy Ltd         | ENLT        | ENLT US          | Julien Dumoulin-Smith |
|                   | Enlight Renewable Energy Ltd         | XENLF       | ENLT IT          | Julien Dumoulin-Smith |
|                   | Entergy                              | ETR         | ETR US           | Paul Zimbardo         |
|                   | First Solar, Inc.                    | FSLR        | FSLR US          | Julien Dumoulin-Smith |
|                   | Fluence Energy                       | FLNC        | FLNC US          | Julien Dumoulin-Smith |
|                   | Hannon Armstrong                     | HASI        | HASI US          | Julien Dumoulin-Smith |
|                   | Hydro One                            | YH          | H CN             | Dariusz Lozny, CFA    |
|                   | MDU Resources Group, Inc.            | MDU         | MDU US           | Dariusz Lozny, CFA    |
|                   | Nextracker Inc                       | NXT         | NXT US           | Julien Dumoulin-Smith |
|                   | NiSource Inc                         | NI          | NI US            | Julien Dumoulin-Smith |
|                   | NorthWestern Corporation             | NWE         | NWE US           | Julien Dumoulin-Smith |
|                   | NRG Energy                           | NRG         | NRG US           | Julien Dumoulin-Smith |
|                   | PG&E Corporation                     | PCG         | PCG US           | Julien Dumoulin-Smith |
|                   | PNM Resources Inc.                   | PNM         | PNM US           | Julien Dumoulin-Smith |
|                   | Portland General Electric Company    | POR         | POR US           | Julien Dumoulin-Smith |
|                   | PPL Corporation                      | PPL         | PPL US           | Paul Zimbardo         |
|                   | Public Service Enterprise Group      | PEG         | PEG US           | Julien Dumoulin-Smith |



## North America - Utilities and Alt Energy Coverage Cluster

| Investment rating   | Company                          | BofA Ticker | Bloomberg symbol | Analyst               |
|---------------------|----------------------------------|-------------|------------------|-----------------------|
|                     | 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 |
| <b>NEUTRAL</b>      |                                  |             |                  |                       |
|                     | 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    |
| <b>UNDERPERFORM</b> |                                  |             |                  |                       |
|                     | 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 |

## 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

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

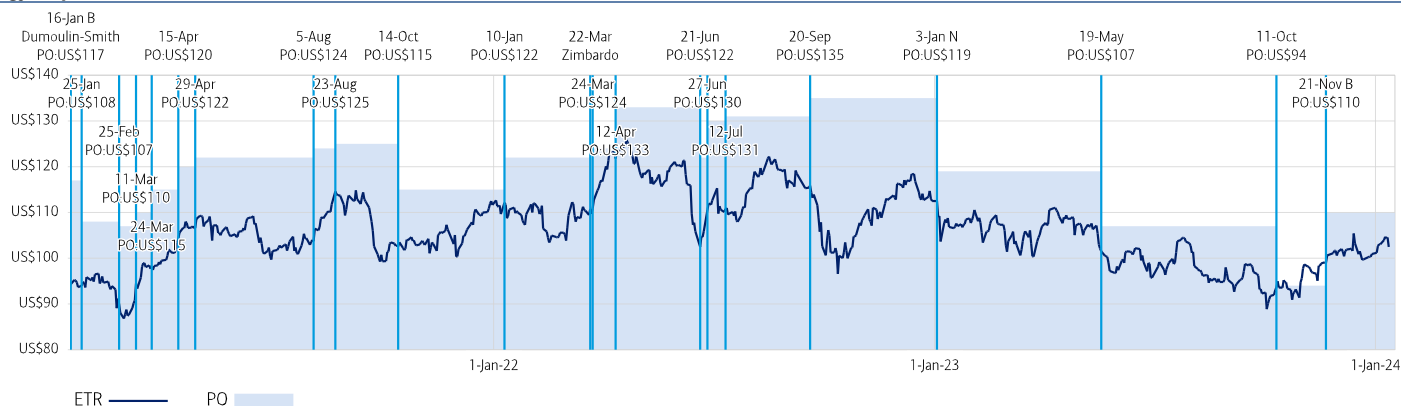
iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

iQprofile<sup>SM</sup>, iQmethod<sup>SM</sup> are service marks of Bank of America Corporation. iQdatabase<sup>®</sup> is a registered service mark of Bank of America Corporation.

# Disclosures

## Important Disclosures

### Entergy Corp. (ETR) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### 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.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

| 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%                                                            |

<sup>R2</sup> 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.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Entergy Corp.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Entergy.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Entergy.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Entergy.

BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Entergy.

BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Entergy.

BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Entergy.



BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Entergy Corp.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Entergy.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

## Other Important Disclosures

BofAS together with its affiliates beneficially owns a net short position of 0.5% or more of the total issued share capital of this issuer. Ownership positions speak as of a date no more than three trading days prior to the date of this report: Entergy.

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

**"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.**

### Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at [www.bofam.com/BofASEdisclaimer](http://www.bofam.com/BofASEdisclaimer); BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

### General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects

may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofA or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information. In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

#### **BofA ESGMeter Methodology:**

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BofA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

#### **Copyright and General Information:**

Copyright 2024 Bank of America Corporation. All rights reserved. iQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.