

Fortis

2024 EPS preview: Upside catalysts largely played out last year

Reiterate Rating: UNDERPERFORM | PO: 50.00 CAD | Price: 55.88 CAD

2023 a strong year: raise EPS estimates ~2% but risks linger

We raise our EPS estimate for 2023 to reflect progress thus far as well as positive regulatory outcomes, in particular the generic cost of capital (GCOC) outcome in British Columbia (BC) which was retroactive to Jan 1 of last year. The authorized equity step up to 41% for electric and 45% for gas was a clear positive and puts these utilities ahead of many regulated Canadian peers. Prospectively we continue to see more modest 3-4% EPS growth in the long term as rate base growth is the top upside driver with incremental equity issuance built in as well as parent borrowing needs. There is a risk that FX shifts to a headwind from a tailwind in recent years reflecting rate moves.

Transmission ROFR puts modest Iowa capital at risk

The court challenge to the Iowa right of first refusal (ROFR) remains pending in Iowa – expect updates here to be incremental on the Q4 call. FTS' transmission subsidiary (ITC) has approximately \$300m of projects in Iowa in its current capital plan that are up for competitive bid vs. a multi-year ITC capital plan in excess of C\$7B, making potential impact manageable, though uncertainty continues to weigh on the segment.

Shares pricey, PO to C\$50/\$37, reiterate Underperform

Fortis was a solid performer in 2023 which saw a fairly wide disparity in share performance across regulated peers, while on average US regulated Utilities underperformed Canadians. While FTS' relative premium to the peer group has contracted of late, shares remain pricey based on our latest refresh – the lower relative premium vs the group is largely a factor of rising Street estimates in the out years. We refresh to peer multiples of 13.5x for electric and 15.1x for gas applied to 2026 estimates. Resulting PO is C\$50 for FTS CN and \$37 for FTS US – we accordingly reiterate our Underperform rating given the total return implied by our PO.

Estimates (Dec) (C\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.59	2.78	3.04	3.08	3.24
GAAP EPS	2.61	2.78	3.04	3.08	3.24
EPS Change (YoY)	0.8%	7.3%	9.4%	1.3%	5.2%
Consensus EPS (Bloomberg)			3.06	3.17	3.34
DPS	2.05	2.17	2.28	2.39	2.49
EPS (FTS - US\$)	2.07	2.14	2.26	2.29	2.41
DPS (FTS - US\$)	1.64	1.67	1.70	1.78	1.85
Valuation (Dec)					
P/E	21.6x	20.1x	18.4x	18.1x	17.2x
GAAP P/E	21.4x	20.1x	18.4x	18.1x	17.2x
Dividend Yield	3.7%	3.9%	4.1%	4.3%	4.5%
EV / EBITDA*	16.2x	14.6x	13.3x	12.7x	12.0x
Free Cash Flow Yield*	-1.8%	-2.9%	-3.6%	-3.9%	-4.0%

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

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Timestamp: 16 January 2024 06:30AM EST

16 January 2024

Equity

Key Changes

(C\$)	Previous	Current
Price Obj.	49.00	50.00
2023E Rev (m)	11,304.8	11,417.9
2024E Rev (m)	11,611.2	11,754.4
2025E Rev (m)	12,016.0	12,170.8
2023E EPS	2.98	3.04
2024E EPS	2.99	3.08
2025E EPS	3.13	3.24

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Stock Data

Price (TOR / NYS)	55.88 CAD / 41.02 USD
Price Objective	50.00 CAD / 37.00 USD
Date Established	11-Jan-2024 / 20-Sep-2023
Investment Opinion	A-3-7 / A-3-7
52-Week Range	49.82 CAD - 62.02 CAD
Market Value (mn)	27,296 CAD
Free Float	98.7%
Average Daily Value	95.50 USD
Shares Outstanding (mn)	488.5 / 488.5
BofA Ticker / Exchange	YFTS / TOR
BofA Ticker / Exchange	FTS / NYS
Bloomberg / Reuters	FTS CN / FTS.TO
ROE (2023E)	6.4%
Net Dbt to Eqty (Dec-2022A)	115.2%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

C\$: Canadian dollar

iQprofileSM Fortis

iQmethodSM – Bus Performance*

(C\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	4.3%	4.4%	4.7%	4.7%	4.7%
Return on Equity	5.9%	6.1%	6.4%	6.3%	6.5%
Operating Margin	26.1%	24.8%	27.5%	28.0%	28.8%
Free Cash Flow	(479)	(791)	(978)	(1,073)	(1,105)

iQmethodSM – Quality of Earnings*

(C\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.4x	2.3x	2.3x	2.3x	2.2x
Asset Replacement Ratio	2.2x	2.3x	2.5x	2.6x	2.6x
Tax Rate	14.3%	16.0%	16.0%	16.0%	16.0%
Net Debt-to-Equity Ratio	115.5%	115.2%	119.3%	121.6%	123.9%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(C\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	9,448	11,043	11,418	11,754	12,171
% Change	5.7%	16.9%	3.4%	2.9%	3.5%
Gross Profit	9,448	11,043	11,418	11,754	12,171
% Change	5.7%	16.9%	3.4%	2.9%	3.5%
EBITDA	3,974	4,408	4,837	5,057	5,342
% Change	1.0%	10.9%	9.7%	4.6%	5.6%
Net Interest & Other Income	(830)	(937)	(1,123)	(1,195)	(1,269)
Net Income (Adjusted)	1,220	1,331	1,478	1,527	1,642
% Change	2.1%	9.1%	11.1%	3.3%	7.5%

Free Cash Flow Data (Dec)

(C\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	1,294	1,394	1,540	1,593	1,706
Depreciation & Amortization	1,505	1,668	1,698	1,771	1,833
Change in Working Capital	(144)	(317)	0	0	0
Deferred Taxation Charge	147	182	182	207	232
Other Adjustments, Net	105	147	(71)	(75)	(79)
Capital Expenditure	(3,386)	(3,865)	(4,327)	(4,569)	(4,797)
Free Cash Flow	-479	-791	-978	-1,073	-1,105
% Change	64.2%	-65.1%	-23.6%	-9.7%	-3.0%
Share / Issue Repurchase	60	53	300	550	550
Cost of Dividends Paid	(747)	(829)	(1,201)	(1,273)	(1,352)
Change in Debt	805	1,541	1,884	1,801	1,913

Balance Sheet Data (Dec)

(C\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	131	209	214	219	226
Trade Receivables	1,511	2,339	2,418	2,490	2,578
Other Current Assets	1,086	1,721	1,748	1,773	1,803
Property, Plant & Equipment	37,816	41,663	44,292	47,090	50,054
Other Non-Current Assets	17,115	18,320	18,320	18,320	18,320
Total Assets	57,659	64,252	66,994	69,892	72,981
Short-Term Debt	247	253	276	294	313
Other Current Liabilities	4,555	6,364	6,247	6,106	5,970
Long-Term Debt	24,040	26,267	28,128	29,911	31,806
Other Non-Current Liabilities	7,901	8,526	8,708	8,915	9,147
Total Liabilities	36,743	41,410	43,360	45,225	47,235
Total Equity	20,916	22,842	23,634	24,667	25,746
Total Equity & Liabilities	57,659	64,252	66,994	69,892	72,981

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

Company Sector

Electric Utilities

Company Description

FTS is a Canadian utility holding company primarily comprising North American regulated electric and gas utility businesses. The company serves five Canadian provinces, nine US states and three Caribbean countries. 65% of FTS' asset base is outside of Canada. The company's largest primary growth drivers are its US based businesses, including ITC Transmission Company, UNS Energy (AZ), and Central Hudson Utilities (NY). The company also develops energy infrastructure projects.

Investment Rationale

Our Underperform rating is predicated on FTS shares' valuation when balanced versus the regulatory environments in which the company's utilities operate, including NY and AZ which are more challenging jurisdictions. We see better ways to gain exposure to the transmission thematic as well as Canadian pure-play utilities.

Stock Data

Average Daily Volume	2,177,191
Shares / Common - Dual Listed	1.00

Quarterly Earnings Estimates

	2022	2023
Q1	0.78A	0.91A
Q2	0.57A	0.62A
Q3	0.71A	0.84A
Q4	0.77A	0.67E

Key Changes

(US\$)	Previous	Current
2023E EPS	2.22	2.26
2024E EPS	2.23	2.29
2025E EPS	2.33	2.41

Relative valuation continues to screen expensive

Fortis has continued to trade at a premium to the broader Utility sector based on forward relative valuation. While early 2024 sees the relative premium having contracted from Q4 levels, this is in part driven by an increase in forward estimates.

Investor consensus based on our conversations remains skewed bearish, with FTS' premium valuation the most commonly cited factor. While the company has delivered solid growth in 2022-23 our expectations are for this growth to moderate across the forecast period, with interest expense and the exchange rate the most visible near-term headwinds. Balance sheet constraints keep the pace of capital deployment and rate base growth as closer to sector average.

Exhibit 1: Relative valuation

FTS continues to trade at a premium relative to the group



Source: BofA Global Research, Bloomberg

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2024 EPS preview

We raise our forecast estimates for 2024+ on constructive regulatory outcomes for Fortis BC and UNS. While moving higher to C\$3.08 from C\$2.99, we are still below Street consensus at C\$3.17. FTS does not offer EPS guidance. Based on our forecast the 2024 payout ratio is 77%, elevated compared to US utility peers but less so vs. Canadians.

- **Key drivers** – Rate base increases account for the majority of growth at the utilities with ITC at +7c and UNS at +4c. Fortis BC growth will moderate in 2024 based on our estimates as rate base growth is minimal and the generic cost of capital (GCOC) decision from 2023 was retroactive to Jan 1. We continue to embed a full year assumption of a moderating CAD exchange rate to 1.30, from an average 1.35 in 2023 for an incremental EPS drag of -4c. Dilution from incremental equity issuance will account for another -6c drag on our 2024 forecast.
- **Wildcards** – The FX rate, weather which principally impacts the Arizona utilities, and the impact of interest rates on parent borrowing costs are all unknown inputs into our forecast.

Exhibit 2: FTS EPS walk - still below Street on '24 even with our increase here.

We are higher on rate base growth, offset by FX pressure and equity dilution

	EPS	1Q	2Q	3Q	4Q
FY23A Adjusted EPS	3.04	0.91	0.62	0.84	0.67
US Transmission (ITC)	0.07	0.02	0.02	0.02	0.02
UNS	0.04	0.01	0.01	0.01	0.01
Central Hudson	0.04	0.01	0.01	0.01	0.01
FortisBC Energy	0.00	0.00	0.00	0.00	0.00
Fortis Alberta	0.02	0.00	0.00	0.00	0.00
FortisBC Electric	0.00	0.00	0.00	0.00	0.00
Other Electric	0.02	0.01	0.01	0.01	0.01
Energy Infrastructure	0.00	0.00	0.00	0.00	0.00
Foreign Exchange	-0.04	-0.01	-0.01	-0.01	-0.01
Share Count Dilution	-0.06	-0.01	-0.01	-0.01	-0.01
Corp & Elimination	-0.04	-0.01	-0.01	-0.01	-0.01
FY24E Adjusted EPS	3.08	0.92	0.63	0.85	0.68
FY24 Consensus	3.17	0.82	0.61	0.81	0.72
BofA Beat(Miss) vs Consensus	-3%	12%	3%	5%	-6%

Source: BofA Global Research, Bloomberg

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Updating forecast, step change higher then 4-5% growth

We raise our estimates for 2024-25 but remain several cents below Street consensus across the forecast period. The years 2022-23 represented strong growth with upside from constructive rate decisions (Arizona, British Columbia) as well as a tailwind from favorable moves in the exchange rate. On a go-forward basis we see a likelihood of compounded earnings growth tracking closer to the growth of rate base with incremental lag of equity issuance and debt funding.

The biggest increase to our estimates is at Fortis BC, reflecting the new authorized ROE and higher equity layers across the forecast period. We continue to see equity funding and potentially the CAD exchange rate as downside risks.

Exhibit 3: FTS earnings forecast

We see growth moderating after a solid 2022-23 run

	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Basic EPS (CAD)											
Regulated:											
ITC	0.91	0.90	0.95	1.06	1.09	1.16	1.22	1.27	1.32	1.37	1.43
UNS Energy	0.65	0.62	0.69	0.78	0.80	0.83	0.85	0.88	0.91	0.95	0.99
Central Hudson	0.20	0.19	0.22	0.23	0.26	0.28	0.29	0.30	0.32	0.33	0.35
FortisBC Energy	0.38	0.39	0.42	0.53	0.52	0.55	0.58	0.64	0.68	0.70	0.71
Fortis Alberta	0.29	0.30	0.32	0.33	0.34	0.34	0.35	0.36	0.36	0.40	0.43
Fortis BC Electric	0.12	0.12	0.13	0.14	0.14	0.14	0.15	0.14	0.15	0.15	0.15
Other Electric	0.18	0.17	0.18	0.22	0.23	0.23	0.25	0.25	0.25	0.25	0.26
Caribbean Electric	0.06	0.07	0.08	0.07	0.08	0.09	0.09	0.09	0.10	0.11	0.12
Equity Earnings from Wataynikaneyap	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Total Regulated	2.78	2.77	2.99	3.37	3.46	3.63	3.78	3.95	4.11	4.27	4.44
Non-Regulated	0.08	0.08	0.15	0.08	0.08	0.08	0.08	0.08	0.08	0.07	0.07
Parent & Other	-0.29	-0.26	-0.36	-0.42	-0.46	-0.47	-0.48	-0.53	-0.58	-0.60	-0.60
Consolidated	2.57	2.59	2.78	3.04	3.08	3.24	3.38	3.50	3.61	3.75	3.91
Year/year % change		0.7%	7.3%	9.3%	1.6%	5.0%	4.2%	3.7%	3.3%	3.8%	
Previous Estimates	2.57	2.59	2.78	2.98							
Consensus			2.76	3.06	3.17	3.34					
EPS CAGR off 2022A				9.3%	5.4%	5.3%	5.0%	4.7%	4.5%	4.4%	4.4%
DPS	1.94	2.05	2.17	2.28	2.39	2.49	2.60	2.71	2.83	2.96	3.09
Growth (4-6% through 2027)		6%	6%	5%	4%	4%	4%	4%	4%	4%	4%
DPS Payout (High 60s Low 70s)	75%	79%	78%	75%	77%	77%	77%	78%	78%	79%	79%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Valuation: PO C\$50, reiterate Underperform

We update our valuation, rolling forward to 2026 EPS from 2025 previously. We mark to market our peer multiples to 13.5x for US electric and 15.1x for Canadian (prev 14.9x and 15.3x, respectively). The resulting PO is C\$50 for FTS CN and \$37 for FTS US, and we reiterate our Underperform rating given the negative total return implied by our valuation.

Exhibit 4: FTS valuation

PO to C\$50, reiterate Underperform

Fortis SOTP Valuation

All figures in Canadian \$ Mn except per share

	Metric		P/E Multiple			
	2026 EPS	Peer	Prem/ Discount			Base
Group Peer Multiple - Electric	-	13.5x	-	-	-	-
Group EPS '20-'24 CAGR - Electric	-	5.00%	-	-	-	-
	-	-	-	-	-	-
United States		14.2x		Multiple applied	Prior multiple	
UNS Energy	\$0.85		0.0x	14.2x	19.6x	\$12.07
Central Hudson	\$0.29		0.0x	14.2x	18.6x	\$4.10
ITC	\$1.22		3.0x	17.2x	21.6x	\$20.88
Total United States Value	\$2.36					\$37.06
Canada Peer Multiple		15.1x				
Group EPS '20-24 CAGR		4.40%				
Canada		15.8x		Multiple applied	Prior multiple	
FortisBC Energy	\$0.58		1.0x	16.8x	18.3x	\$9.67
FortisBC Electric	\$0.15		2.0x	17.8x	19.3x	\$2.58
Eastern Canadian	\$0.25		2.0x	17.8x	19.3x	\$4.35
Fortis Alberta	\$0.35		-2.0x	13.8x	17.3x	\$4.82
Wataynikaneyap	\$0.02		2.0x	17.8x	19.3x	\$0.27
Total Canada Value	\$1.33					\$21.69
Listed Equity	Equity Price (\$C)	Shares Outstanding	Market Cap (Local)	Equity Value	Ownership	Implied P/E
Caribbean Electric	\$11.32	37.90	429	257	60%	5.6x
EPS (Effective 60% ownership)	\$0.09		-	-	-	\$0.51
-	-		-	-	-	-
Non-Regulated	2025 EBITDA	6.0x				
Energy Infrastructure	\$76		0.0x	6.0x		456
Net Infrastructure Equity						456
Net Infrastructure Equity Per Share						\$0.90
FX Downside	-\$0.05	14.2x				-\$0.71
Parent	2025 EPS		HoldCo P/E Multiple			
Corporate & Other/ Intersegment Eliminations	-\$0.48		0.0x	14.2x		-\$6.86
Total Equity Value						-\$6.86
HoldCo Debt Adjustment						
HoldCo Debt (50%)	-2,325					-\$4.59
Add Back: Interest expense (50%)	73		0.0x	14.2x		\$2.05
Total Adjustment						-\$2.54
Shares Outstanding						507
Total EPS	\$3.38					
Total Equity Value						\$50
NTM Dividend						\$2.39
Dividend Yield						4%
Implied P/E						14.8x
Total Return						-4.4%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH



Price objective basis & risk

Fortis (YFTS / FTS)

Our C\$50 (US\$37) PO is based on our sum of the parts methodology. We assign a 2026E forward base peer P/E multiple of 13.5x to the US utility business with an in line multiple for UNS Energy (AZ) to reflect regulatory risk balanced by solid earnings growth, a 3.0x premium for ITC for long-term expansion investment opportunities, and in-line Central Hudson (NY).

For Canadian utilities, we assign a base peer 2026E P/E multiple of 15.1x. Lower ratebase growth profiles and generally lower authorized equity layers/ROEs, paired with a more challenging regulatory environment, will continue to warrant a discount to US peers, in our view.

At Caribbean utilities, we apply 60% ownership share to the publicly listed subsidiaries' current market cap.

We assign an 6.0x 25E EV/EBITDA multiple to FTS's non-regulated segment seeing the contracted nature of its non-regulated segment positively offset lower growth opportunities. We account for FX upside based on current spot prices

Upside risks are: 1) favorable regulatory outcomes, 2) improvement in USD/CAD exchange rate, 3) performance at the unregulated Fortis Energy segment which largely depends on Belize Hydro and moves directionally with seasonal rainfall.

Downside risks are: 1) unfavorable regulatory outcomes, 2) regulatory lag and overall inability to achieve the allowed ROEs, 3) deterioration in USD/CAD exchange rate, and 4) dilution from additional equity to strength credit ratings

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

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Nextacker 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
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith

NEUTRAL

	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA

UNDERPERFORM

	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	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



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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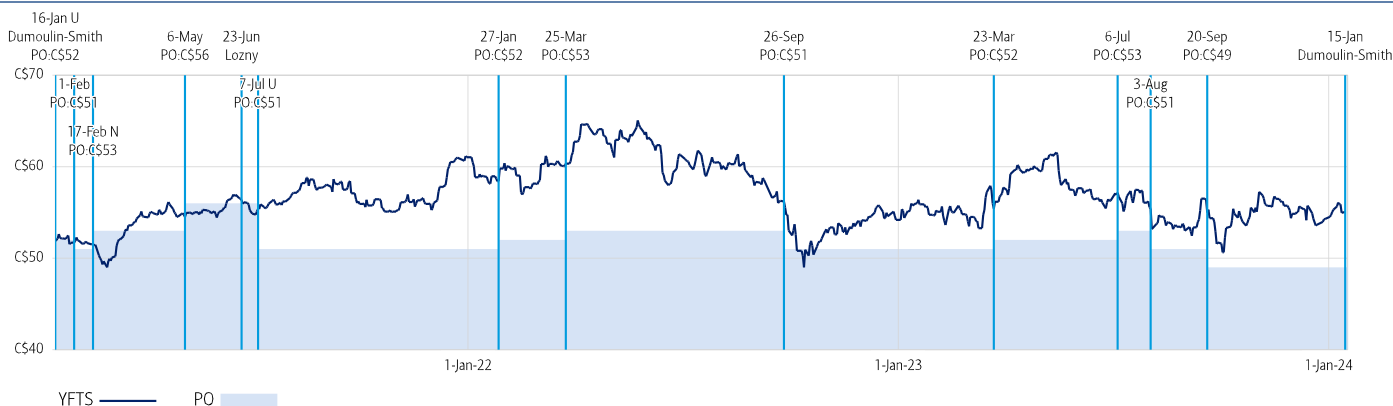
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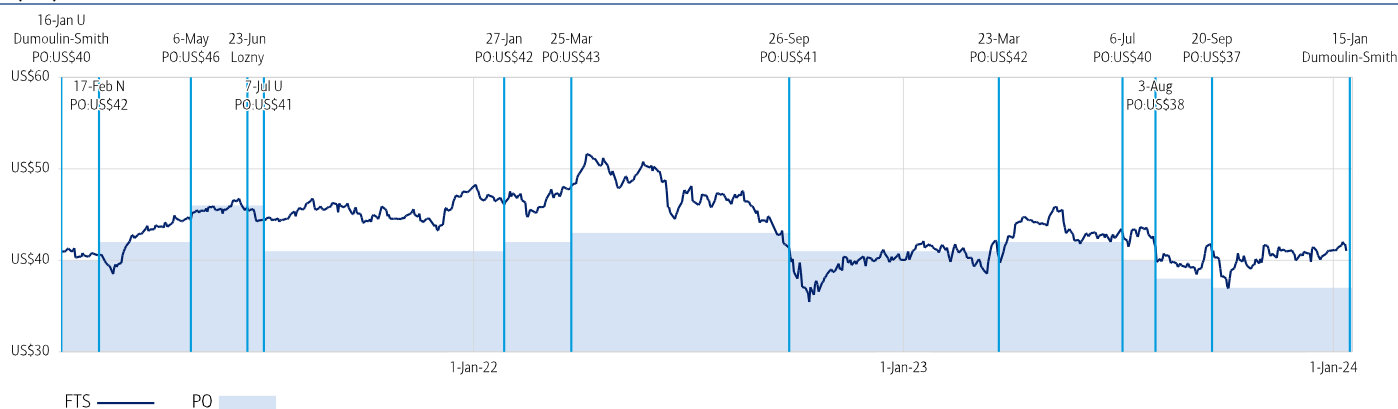
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Fortis (YFTS) Price Chart



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Fortis (FTS) Price Chart



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 ^{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%

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