

US Utilities & Clean Tech

PowerPoints: AEP-Icahn, FE legal update, inflation/rates, Texas power, & AQN news

Industry Overview

AEP: Icahn joins Board with standstill agreement

American Electric Power (AEP) announced that it reached an agreement with Icahn Capital L.P. (Icahn Group) to appoint two directors to the pro-forma 12-person Board. Board nominee Hunter Gray's appointment is subject to regulatory approval. The filed agreement requires AEP to use "all reasonable efforts" to obtain regulatory approvals to vote until January 1, 2025. The agreement specifies that Icahn Group must hold a 2.675Mn (sub-1% of shares outstanding) share net long position to retain its Board designation right. As long as at least 5.35Mn (~1% of shares outstanding) common shares are owned, AEP will not adopt a rights plan to increase the cost of a potential acquirer with a threshold below 10%. 5.35Mn shares would represent a top-15 shareholder, based on Bloomberg data. The Icahn Group also agreed to standstill and mutual non-disparagement restrictions. Shares of AEP were outperforming utility peers ~150bp in early trading. We do not expect a material sustained positive response in shares with Icahn controlling 2 of 12 pro-forma Board seats and agreeing to standstill limitations. We continue to see a challenged earnings and cash flow outlook for AEP from a series of regulatory setbacks and core imprudence data points. For example, see the Louisiana recommended fuel disallowance in the full report. We believe that these are largely embedded in the current discount valuation and maintain our Neutral rating as we await any changes.

FE: Former CEO & external affairs indicted. "Ohio hole"

On Monday, February 12, the Ohio Attorney General (AG) hosted a press conference announcing indictments of former FirstEnergy (FE) CEO Chuck Jones, former FE senior vice president of external affairs Mike Dowling, and former Public Utilities Commission of Ohio (PUCO) Chairman Sam Randazzo on 27 combined felony counts, including bribery, corrupt activity, fraud, and money laundering. The charges relate to an investigation led by the Ohio Organized Crime Investigations Commission (OOCIC). A quote from the indictment is "If FirstEnergy were forced to file a new rate case before the PUCO, it would have publicly revealed that the company was 'over earning' through high electricity rates, and the PUCO would likely have ordered it to lower the rates it charged customers for electricity." At the press conference, the Attorney General praised the work of current FirstEnergy management and Board members in cooperating with the investigation. Former CEO Jones' attorney issued a media statement that "most importantly, the facts necessary to understand what actually happened have not yet been made public. When those facts are presented, they will set the record straight and restore the excellent reputation that Mr. Jones built over a lifetime of service to Ohio electric customers, FirstEnergy employees, his industry, and his community." FE declined to comment to the media related to the new indictments but stated that FE has a new management team and is "instilling a culture of ethics, integrity and accountability". The indictments and prospects of trial of the former FE CEO during the 2024 Ohio rate case, which is discussed prominently in the indictment, are an overhang for shares of FE. The former FE CEO's attorney stated that there will be new disclosures made regarding the facts of the situation, which we will be watching for closely. We maintain our Underperform rating on shares of FE, which are relatively expensive versus utility peers.

13 February 2024

Equity
United States
Utilities & Clean Tech

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AG: Attorney General

GW: gigawatt

Icahn: Icahn Capital L.P. or Icahn Group

mmbtu: million British thermal units

MW: megawatt

MWh: megawatt hour

OOCIC: Ohio Organized Crime Investigations Commission

PUCO: Public Utilities Commission of Ohio

w/o: without

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Timestamp: 13 February 2024 11:13AM EST

AEP: Louisiana recommends fuel disallowances

On February 2, the Louisiana Public Service Commission (PSC) had a final administrative law judge (ALJ) recommendation finding Southwestern Electric Power Company (SWEPCO, American Electric Power [AEP] subsidiary) imprudent related to its 650MW (40% owned) Dolet Hills coal power plant retirement (Docket U-35753). The ALJ states that SWEPCO's cost of lignite in the fuel adjustment clause was \$191/MWh in 2020 and \$310/MWh (\$13+/mmbtu) in 2021: as a result, operating the plant as a 'must-run' asset was not prudent. The ALJ recommends a \$167.6Mn disallowance, with \$55.3Mn relating to Louisiana. The non-fuel plant costs for Dolet Hill will be recoverable from customers in the prior retirement rider (Docket U-35441). SWEPCO filed a request for oral arguments at an upcoming Louisiana PSC Business and Executive Session (open meeting).

The ALJ report stating that AEP operated coal plants at power prices meaningfully above market prices is the latest cautious operating data point for the company. AEP has had a series of small negative earnings and cash flow updates, which lead to our adjusted EPS being below the company's guidance.

See the report,

[American Electric Power: Reset lower likely coming with 2024 guidance 12 October 2023.](#)

FE: 10K new disclosures on the Ohio investigation

In FE's 10K filed this morning, the company updated the OOCIC disclosure while indicating that the House Bill 6 investigations and state regulatory audits are still pending: "On February 12, 2024, and in connection with the OOCIC's ongoing investigation, an indictment by a grand jury of Summit County, Ohio was unsealed against the former chairman of the PUCO, Samuel Randazzo, and two former FirstEnergy senior officers, Charles E. Jones, and Michael J. Dowling, charging each of them with several felony counts, including bribery, telecommunications fraud, money laundering and aggravated theft, related to payments described in the DPA. No contingency has been reflected in FirstEnergy's consolidated financial statements, as a loss is neither probable, nor is a loss or range of loss reasonably estimable."

See the report, [FirstEnergy: Dialing up the capex: FE ramps up utility spending to offset coal mining & pension 9 February 2024.](#)

Texas: New 1.2GW brownfield CCGT announced for 2028

Sandow Lakes Energy Company announced that it is building a 2x 600MW 1,200MW combined cycle gas turbine (CCGT) for 2028 commercial operations. The plant will use Siemens SGT6-9000HL gas turbines, described as among the most advanced in the world in the press release. The plant is being built at the former Luminant (Vistra) site, which had a 1,200MW coal plant.

New power generation development should have a negative impact on Texas wholesale power prices in the long term. As this proposed new build indicates, the earliest that new large generation resources could reach in-service is 2028.

See the report, [Vistra: Yes, we see further upside, but execution is the key – Reiterate Buy 13 February 2024.](#)

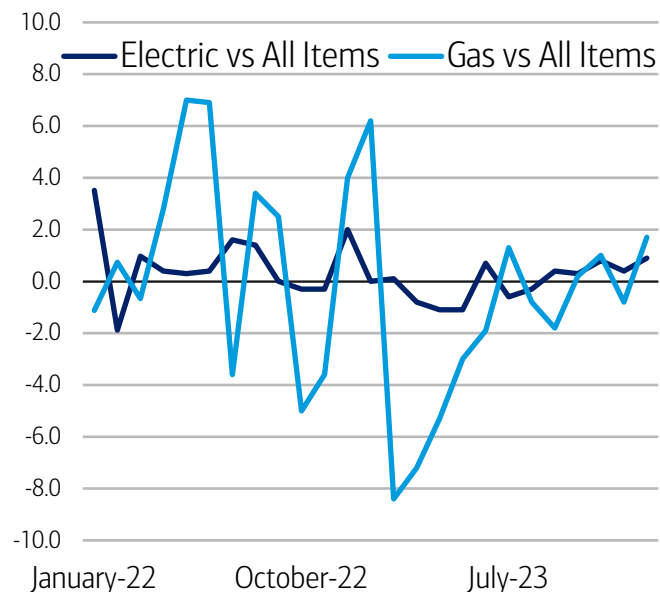
Inflation: Utility costs continue to outpace all goods

The Bureau of Labor Statistics (BLS) released January Consumer Price Index (CPI) data, which showed a +30bp QoQ seasonally adjusted increase in prices (3.1% annualized), above consensus expectations. Treasury yields increased +5-10bp after the faster-than-anticipated inflation update, with the 30-year Treasury yield rising to ~4.45%, the highest since late November 2023.

Utility costs have continued to be a source of inflation, with energy services +140bp MoM, including +120bp electricity and +200bp utility (piped) gas service. High utility inflation is a risk for companies facing rate cases and other regulatory activity.

Exhibit 1: Electric and Gas versus All Items January 2022-Current

Natural gas price increases have been more volatile

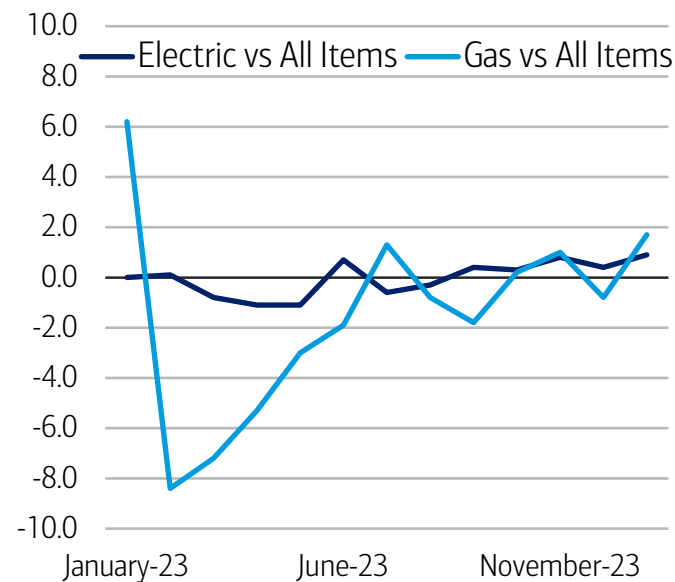


Source: Bureau of Labor Statistics

BofA GLOBAL RESEARCH

Exhibit 2: Electric and Gas versus All Items January 2023-Current

Electricity has been steadily outpacing overall inflation in recent months



Source: Bureau of Labor Statistics

BofA GLOBAL RESEARCH

Below we show the historical relationship between US utilities (Blue) and 30-year Treasury rates. Utilities have lagged the implied move in interest rates in recent weeks, which we attribute to more challenging microeconomic, stock-specific factors for many companies.

Exhibit 3: US Utilities (Blue) versus Long-Term 30-year US Treasury Rates (Red)

US utilities have had a very strong correlation with interest rates, but that relationship has weakened in 2024



Source: Bloomberg

BofA GLOBAL RESEARCH

AQN: Latest regulatory updates do not inspire confidence

We highlight recent regulatory datapoints for Algonquin Power & Utilities (AQN), as we wait for the company's pending strategic and management updates. The recent rise in interest rates has depressed expectations for the value of the renewables asset under review for sale. We maintain our Neutral rating on AQN shares, which we think have a balanced risk/reward; however, the New Hampshire regulatory datapoints send a cautious signal.

See the report, [Algonquin Power & Utilities Corp: Are we at peak uncertainty? Reset and management key questions ahead 26 January 2024](#).

New Hampshire rate case at risk of dismissal due to lack of robust financial info

The New Hampshire Public Utilities Commission (PUC) recently scheduled a six-hour in-person hearing for the Department of Energy's (DOE) request to dismiss Liberty Utilities' (AQN) +\$21Mn rate increase request (DE 23-039). The hearing was on January 23 at 10am-4pm and relates to the DOE's argument that Liberty's October 2022 financial software upgrade made financial information unreliable. The PUC extended the stay from January 31 to February 16 and then to February 29, with the February 13th hearing cancelled. Surprisingly, in early January, Liberty Utilities stated that it found even more errors or "additional adjustments" that are required in the past few weeks. The PUC granted the DOE's request for a stay of the proceeding in December 2022, which was also supported by the Office of Consumer Advocates. Algonquin filed on February 5 that it has engaged PwC for an independent review, which is expected to be submitted on March 6, and thus requested that the stay be extended through March 15.

The DOE opposes a multi-year rate plan (MYP), but to the extent that a MYP is adopted, the DOE recommends +\$7.5Mn (+\$3.9Mn 2023/2024, +\$1.2Mn 2024/2025, and +\$2.3Mn 2025/2026).



\$570Mn intercompany overstatement identified in the regulatory process

When scheduling the hearing, the PUC requested that Liberty file the ten largest dollar SAP-related issues in 2022 which included a \$572,938,250 intercompany overstatement that was "erroneously computed" that did not have a revenue requirement impact. The other items were less than \$4Mn. For reference, Algonquin consolidated has a ~\$4Bn USD market capitalization, potentially highlighting that such an error should have been routinely identified if more robust controls were in place.

The challenges in successfully implementing a routine financial software upgrade are the latest in a list of regulatory stumbles for the company over the years.

Missouri wind small asset issue but a reminder that these have a merchant tail

The 150MW North Fork Ridge Wind Farm recently had a small ~2MW turbine collapse at the Empire District Electric (EDE) subsidiary. The renewables assets, including North Fork Ridge, are subject to regulation under the Missouri Protection Plan (MPP), which shares risks with shareholders if performance does not meet certain parameters. There is 50% sharing if the assets generate harm over the long term, as measured annually when comparing market revenues (power, renewable energy certificates, and critically congestion revenues/ancillaries). In the last filing, EDE calculated a ~\$60Mn benefit with \$12Mn annual wind value in year one ended May 31, 2023. The filings are made in Case ER-2021-0312, and we look to the next annual update likely in July 2024 to see how the regionally below-average wind in 2023 impacted the project, if at all.

The North Fork Ridge wind project was completed in November-December 2020 and has Vestas V120 turbines.

We do not view this outage as material for the EDE subsidiary or AQN consolidated, but it is a reminder and supports the discounted relative valuation we apply to shares.

BofA Global Research Reports

Title: Subtitle

[Vistra Corp: Yes, we see further upside, but execution is the key – Reiterate Buy](#)

[TransAlta Corporation: Screens attractive but setup complicated by Alberta power market dynamics](#)

[Duke Energy: Shares closer to fair value after strong run: Downgrade to Neutral](#)

[Eversource Energy: Framing the upcoming reset and equity issuances as we wait for offshore wind](#)

[Generac Holdings Inc.: Noodling on segment prospects into '24 – Stay Neutral, Raise PO. Key year to put up](#)

[US Utilities & IPPs: Power Points: FTS beat/MISO complexity: MDU FY24 guide conservative](#)

[FirstEnergy: Dialing up the capex: FE ramps up utility spending to offset coal mining & pension](#)

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09 February 2024

09 February 2024

Exhibit 4: Primary stocks mentioned in this report

Prices and ratings for primary stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AEP	AEP US	American Elec Power	US\$ 77.59	A-2-7
FE	FE US	FirstEnergy	US\$ 37.77	B-3-7
AQN	AQN US	Algonquin Power	US\$ 5.88	B-2-8
YAQN	AQN CN	Algonquin Power	C\$ 7.89	B-2-8

Source: BofA Global Research

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Price objective basis & risk

Algonquin Power & Utilities Corp (AQN / YAQN)

Our PO of \$6.00 (C\$8.00) is based on a SOTP valuation. We assign P/E multiples on 2025E (13.7x electric, 13.3x gas, 20.4x for water) EPS based on expected 2025 breakdown. We reflect a -3x discount to the peer multiples to reflect risk of capex reductions and lack of clarity on growth prospectively. We back out future tax differential stemming out of tax rate normalization.

We value AQN's non-reg on EV/EBITDA basis. We assign a -2x discount to thermal, hydro, solar, and wind from the peer mult of 10x 2024E EBITDA to reflect the fact that as a likely seller AQN may see pressure on realized pricing.

We valued AQN's 44.2% stake in AY on mark to market basis and net out non-Utility debt.

Our assumed shares o/s numbers reflect our estimated equity issuance including converts in 2025.

Upside risks: 1) Higher USD/CAD F/X rate, 2) Constructive regulatory outcomes, 3) Lower interest rate, 4) Execution on the capital plan, 5) Dividend Growth from AY.

Downside risks: 1) Higher interest rates, 2) Lower USD/CAD F/X rate depending upon the exposure to the US, 3) Dilution risk associated with substantial equity issuance to finance capex, 4) Unfavorable regulatory actions, 5) Increase in Tax rate, 6) AY may not be able to sustain its current dividend levels, 7) Exposure in CA Renewables, 8) Balance Sheet quality, and 9) Natural disasters which could impact utility operating systems.

American Electric Power (AEP)

Our price objective of \$78 is based on sum-of-the-parts (SOTP) analysis. We ascribe a peer forward FY26E P/E multiple (13.6x) with a 1.0x premium for its Texas transmission and distribution utilities and transmission-only utilities segments and a 0x premium (in-line multiple) for Ohio. We apply a -3x for ApCo on under-earn and coal securitization risk. We apply -4x at SWEPCO on regulatory execution risk. Elsewhere we apply -2x on earnings lag and below-average jurisdictions. Vertically integrated utilities are assigned a -2x discount on regulatory and execution risks. For the unregulated portion, we apply a 3.5x discount to the legacy energy supply and marketing business and an 8x premium to the contracted renewables business to reflect sale aspirations. Risks to achievement of the price objective are 1) regulatory outcomes are less favorable than expected, which could result in reduced return on equity (ROE), 2) large capital intensive projects are subject to delays or cost overruns, which can change the return profile, 3) natural disasters or catastrophic events can affect system reliability and are subject to regulatory cost recovery risk, 4) utilities are subject to interest rate risk to fund their business, which affects cost of capital, 5) uncertainty around announced asset divestitures versus guidance expectations, 6) volatility in volume of electric sales, 7) other adverse regulatory, political, or similar actions.

FirstEnergy (FE)

Our \$30 price objective is based on a sum-of-the-parts valuation. Our multiples are driven by relative P/E premiums/discounts to the 13.4x 2025E regulated peer multiple. Peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector, a consistent approach across our coverage universe. We apply -2x discount to reflect rate review risk, below average risk, and pension exposure. We subtract out the holding company debt given the above-average leverage. The unregulated coal mining business Signal peak is valued at 5x P/E

Upside and downside risks to the Price Objective are: 1) regulatory/political/legislative outcomes, 2) ability to earn the allowed ROEs and/or other changes in regulatory earnings, 3) weather and natural disasters, 4) investigation revelations and liabilities, 5) equity needs versus forecasts, 6) capital expenditures, 7) pension plan returns, discount rate changes, and interest/service costs associated with the plan, 8) economic conditions & interest rates, and 9) taxes.

Analyst Certification

We, Julien Dumoulin-Smith and Paul Zimbardo, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective 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
	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	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Julien Dumoulin-Smith
	Nexttracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Energy Group	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Corp	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Paul Zimbardo
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Paul Zimbardo
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	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
	Maxeon 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
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Julien Dumoulin-Smith

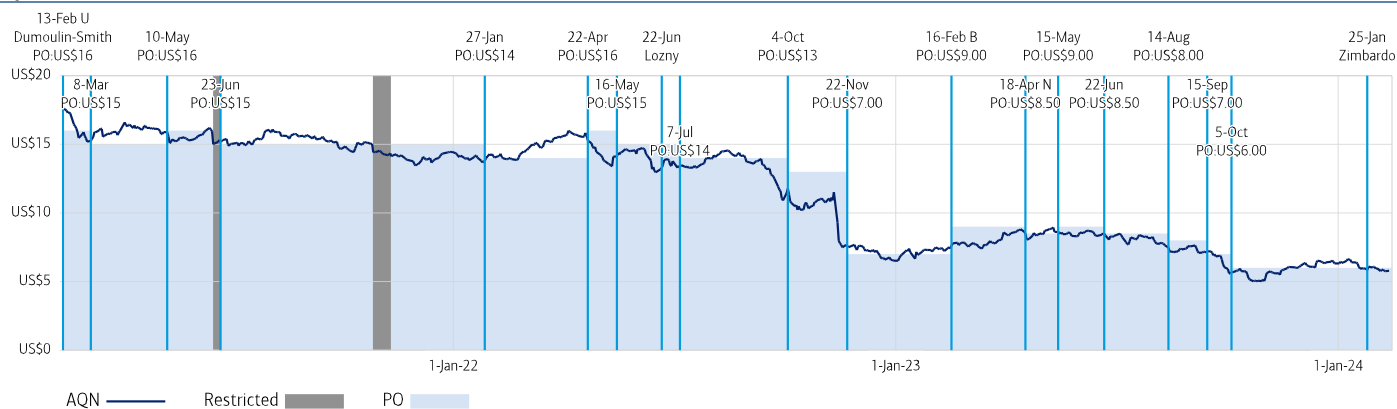
North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

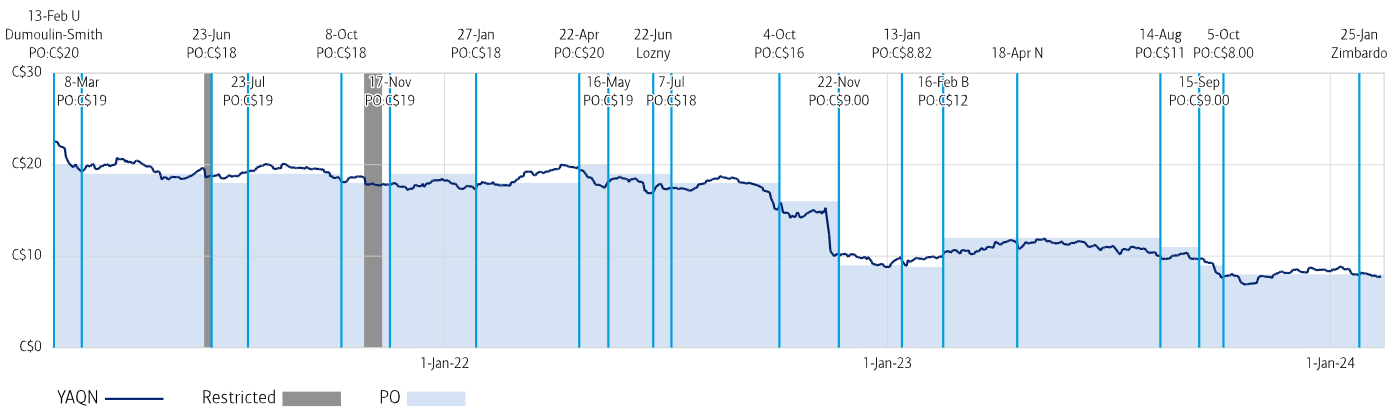
Disclosures

Important Disclosures

Algonquin Power (AQN) Price Chart

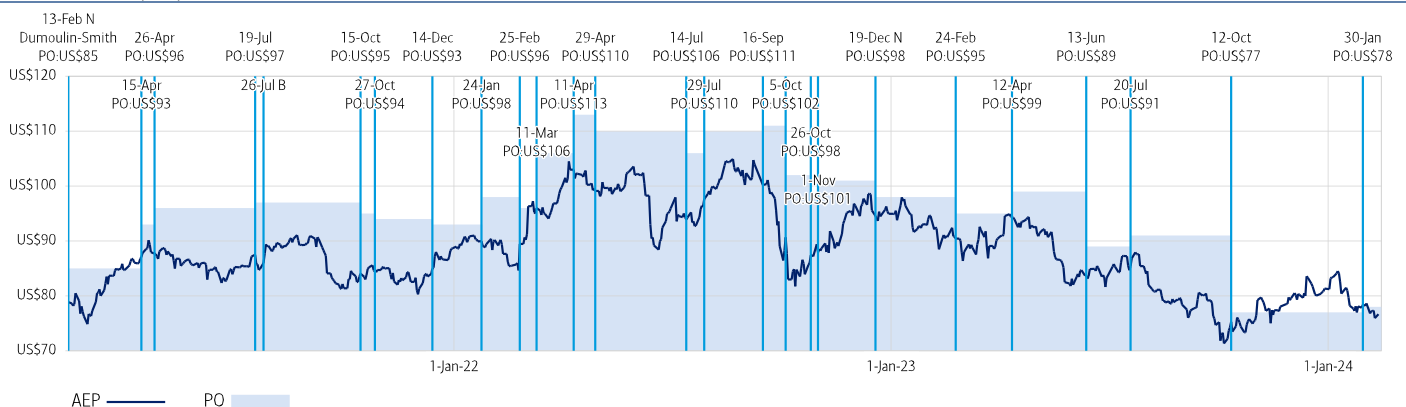


The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey 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.

Algonquin Power (YAQN) Price Chart

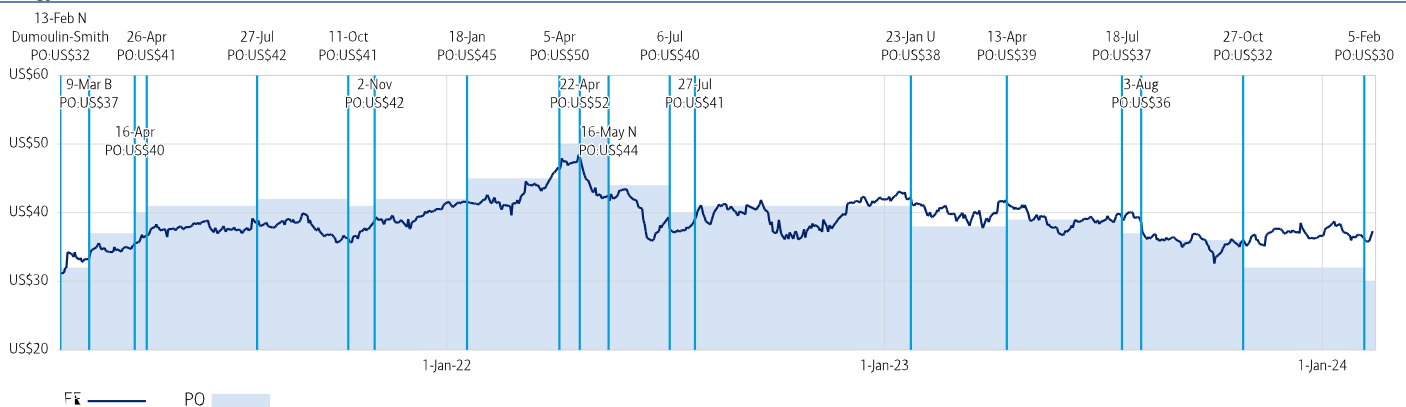
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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American Elec Power (AEP) Price Chart

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

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FirstEnergy (FE) Price Chart

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 ^{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.

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 ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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