

AES

Debating valuation, catalysts, and more. Can AES catch the datacenter halo?

Maintain Rating: NEUTRAL | PO: 18.00 USD | Price: 16.00 USD

Shares have been volatile with interest rates

We maintain our Neutral rating on shares of AES Corp (AES) while highlighting some of the key debate points on shares. AES has been particularly volatile in 2023-2024 after crashing to ~\$13/share in October before recovering to \$20/share, only to slump back down to \$16. The recent pullback has increasingly gained attention from investors seeking to capitalize on the buildout of new renewables and data center angle at a reasonable price. AES is among the largest and fastest growing renewable developers in the space, with a contracted backlog of ~13 gigawatts (GW). While we see AES as well-positioned to achieve mgmt.'s growth targets for renewables, we see limited upside for shares on underwhelming consolidated growth the appears appropriately priced in. With the backdrop, we are more constructive after the relative weakness as management has made progress on asset sales and balance sheet improvement in recent months.

Datacenter talks has largely skipped renewables firms

We have received intense inbound interest from generalist and tech investors across the coverage universe regarding ways to invest in the emerging datacenter and artificial intelligence theme. Despite the flurry of investor attention, we have received almost no inquiries related to AES or renewable development peers. This is despite AES actually hosting a data center investor event on January 18th discussing the company's historical and prospective attributes.

Three key debates: renewables growth, asset sales, value

We summarize three key areas of investor focus in the full report: (1) can management deliver its renewables development targets underlying its EBITDA CAGR? (2) will the company be successful in executing asset sales to reduce the need for common equity? (3) what is the right valuation methodology and level for the complex business without clear comparable peers?

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.52	1.67	1.72	1.89	2.15
GAAP EPS	(0.62)	(0.77)	1.26	1.87	2.13
EPS Change (YoY)	5.6%	9.9%	3.0%	9.9%	13.8%
Consensus EPS (Bloomberg)			1.72	1.89	2.06
DPS	0.67	0.73	0.80	0.87	0.95
Valuation (Dec)					
P/E	10.5x	9.6x	9.3x	8.5x	7.4x
GAAP P/E	NM	NM	12.7x	8.6x	7.5x
Dividend Yield	4.2%	4.6%	5.0%	5.4%	5.9%
EV / EBITDA*	NM	48.5x	14.0x	11.2x	10.4x
Free Cash Flow Yield*	-1.9%	-16.1%	-13.7%	-9.4%	-7.6%

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

14 February 2024

Equity

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Stock Data

Price	16.00 USD
Price Objective	18.00 USD
Date Established	5-Dec-2023
Investment Opinion	B-2-7
52-Week Range	11.43 USD - 26.77 USD
Mkt Val (mn) / Shares Out (mn)	11,384 USD / 711.5
Free Float	98.2%
Average Daily Value (mn)	94.37 USD
BofA Ticker / Exchange	AES / NYS
Bloomberg / Reuters	AES US / AES.N
ROE (2023E)	69.4%
Net Dbt to Eqty (Dec-2022A)	376.8%
ESGMeter TM	High

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

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Timestamp: 14 February 2024 09:46AM EST

iQprofileSM AES

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-2.3%	0.6%	2.8%	4.9%	5.1%
Return on Equity	43.9%	66.4%	69.4%	58.9%	50.0%
Operating Margin	-9.6%	-1.3%	12.5%	18.4%	20.1%
Free Cash Flow	(214)	(1,836)	(1,554)	(1,070)	(870)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.9x	2.3x	2.0x	2.2x	2.0x
Asset Replacement Ratio	2.0x	4.3x	2.7x	2.6x	2.5x
Tax Rate	7.9%	NM	56.3%	30.7%	31.2%
Net Debt-to-Equity Ratio	304.9%	376.8%	388.6%	370.6%	340.0%
Interest Cover	-1.2x	-0.2x	1.6x	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	11,141	12,617	12,487	12,319	12,708
% Change	15.3%	13.2%	-1.0%	-1.3%	3.2%
Gross Profit	2,711	2,548	2,317	2,047	2,334
% Change	0.7%	-6.0%	-9.1%	-11.6%	14.0%
EBITDA	(8)	884	3,071	3,816	4,121
% Change	NM	NM	247.4%	24.2%	8.0%
Net Interest & Other Income	(613)	(728)	(573)	397	401
Net Income (Adjusted)	1,011	1,187	1,224	1,345	1,530
% Change	5.6%	17.4%	3.1%	9.9%	13.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(1,544)	(1,162)	434	1,843	2,032
Depreciation & Amortization	1,056	1,053	1,506	1,553	1,569
Change in Working Capital	(1,362)	(289)	0	0	0
Deferred Taxation Charge	(406)	4	4	4	3
Other Adjustments, Net	4,158	3,109	501	(469)	(474)
Capital Expenditure	(2,116)	(4,551)	(4,000)	(4,000)	(4,000)
Free Cash Flow	-214	-1,836	-1,554	-1,070	-870
% Change	NM	-757.9%	15.3%	31.2%	18.7%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	(401)	(422)	(567)	(618)	(674)
Change in Debt	(37)	3,432	2,122	1,688	881

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	943	1,551	1,551	1,551	1,551
Trade Receivables	1,418	1,799	1,799	1,799	1,799
Other Current Assets	2,995	4,293	4,293	4,293	4,293
Property, Plant & Equipment	19,906	23,039	25,533	27,980	30,411
Other Non-Current Assets	7,701	7,681	7,681	7,681	7,681
Total Assets	32,963	38,363	40,857	43,304	45,735
Short-Term Debt	1,367	1,758	1,758	1,758	1,758
Other Current Liabilities	3,365	4,733	4,733	4,733	4,733
Long-Term Debt	17,332	21,740	23,862	25,549	26,430
Other Non-Current Liabilities	5,075	4,307	4,311	4,314	4,981
Total Liabilities	27,139	32,538	34,663	36,355	37,902
Total Equity	5,824	5,825	6,193	6,949	7,833
Total Equity & Liabilities	32,963	38,363	40,857	43,304	45,735

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

Company Sector

Electric Utilities

Company Description

The AES Corporation is a global power company with 38+ GW of generation capacity, operations in 24 countries, and goals to expand generation and utility segments in mature and emerging markets. AES operates four main business segments: contracted generation, competitive supply, large utilities, and growth distribution. A domestic and global player, 28% of the company's capacity is derived from South America generation, 26% from North America generation, and 19% from North America utilities.

Investment Rationale

We rate AES as Neutral, seeing sizable execution from renewable development buildout offset by legacy fossil/thermal biz exit risks. We see both ambiguities in the ramp of the renewable biz as well as dilution in the divestment of the legacy assets as key execution challenges. Will become among largest global renewable development companies in short order.

Stock Data

Average Daily Volume 6,038,237

Quarterly Earnings Estimates

	2022	2023
Q1	0.21A	0.22A
Q2	0.36A	0.21A
Q3	0.63A	0.60A
Q4	0.47A	0.69E

Debate #1: AES will outpace peers in terms of renewables growth

AES's backlog is impressive and supports multiple years of growth ahead. Following 3.5GW of deployments in 2023, we forecast additions of 4.25GW in 2024E and 5.0GW in 2025E. Together with further growth in 2026E and 2027E, our current forecast calls for cumulative deployments of 25.0GW from 2023E-2027E. While this is at the low end of management's guidance for deployments of 25.0-30.0GW, we see potential for upside to our forecast to the extent AES continues to deliver against origination targets. The company has discussed 'dozens of gigawatts' of non-AES distressed power purchase agreements (PPAs) that could be attractive acquisition targets. We look for management to continue to drive growth by both 'organic' originations as well as smaller 'tuck-in' acquisitions. Management's ability to deliver on return targets in the low to mid-teens will be key to watch as these 'brownfield' projects come into the capacity mix. This will be critical for AES to achieve its 19-21% EBITDA CAGR target through 2027. We see data centers as another key end market to watch that could drive upside to deployments in the coming years. While still early, we sense mgmt. is acutely focused on this angle and sees opportunity to capitalize on end market growth.

Considering data center focused growth, we see AES as among the only companies to have seriously engaged the investor community on this subject with specific growth ambitions. We remain surprised this has not entered the wider investor thematic debate of late. We see this as a latent source of potential upside to investor perceptions.

Debate #2: Asset sales will support funding in lieu of equity issuances

A precipitous decline in AES share price following the May 2023 Analyst Day led the company to re-tool the renewables buildout funding plan. Originally AES had targeted equity issuances of \$1.6-1.9Bn and asset sale proceeds of \$2.7-3.0bn to fund the long-term capex program. Now, assets sales are targeted to bring in at least \$3.5Bn of proceeds and mgmt. stresses equity issuances will not be pursued with shares at current levels. We see ample opportunity for AES to sell-down stakes across the asset base – both renewable and conventional assets alike. At the same time, earnings dilution from asset sales remains a key consideration that could threaten consolidated growth targets. Mgmt. targets a consolidated EBITDA CAGR of 3-5% (2023-2027) and EPS CAGR of 6-8% (2023-2027). **Our latest forecast calls sits approximately at the midpoint for EPS and the high-end of EBITDA.** Given a somewhat opaque financing backdrop we see several moving factors limiting clarity on this front.

Recent datapoints on potential Brazil exit per media add to our curiosity on the latest divestment perspectives. Timing of dilution from exits remains a key nuance to watch. Considering renewable opportunities available in Brazil we're curious on wider potential implications.

Debate #3: Shares are increasingly attractive at current valuation

We struggle to fully agree with the argument that shares screen attractive at current valuation, and attempt to illustrate this in the below charts. Despite the latest pull-back in shares, we estimate current levels imply a ~11% free cash flow (FCF) yield based on our 2025E or ~12% excluding the value of Fluence (FLNC) shares owned. We view this an appropriate level of risk-reward and highlight that it approximates our implied valuation on shares of Constellation Energy (CEG). On an EV/EBITDA basis, shares imply a ~10x multiple on 2025E. This has moved higher over the last several months as Consensus has recalibrated to align with mgmt.'s focus on EBITDA as the preferred KPI. Importantly, current levels show only a ~1x discount to shares of NextEra (NEE), which remains the largest developer in the space: this last point is potentially the biggest bear point on shares. We stress that with renewable sector valuations still depressed, we see muted willingness to return to more bullish sum-of-the-parts development company (DevCo) valuations to potential development activity.

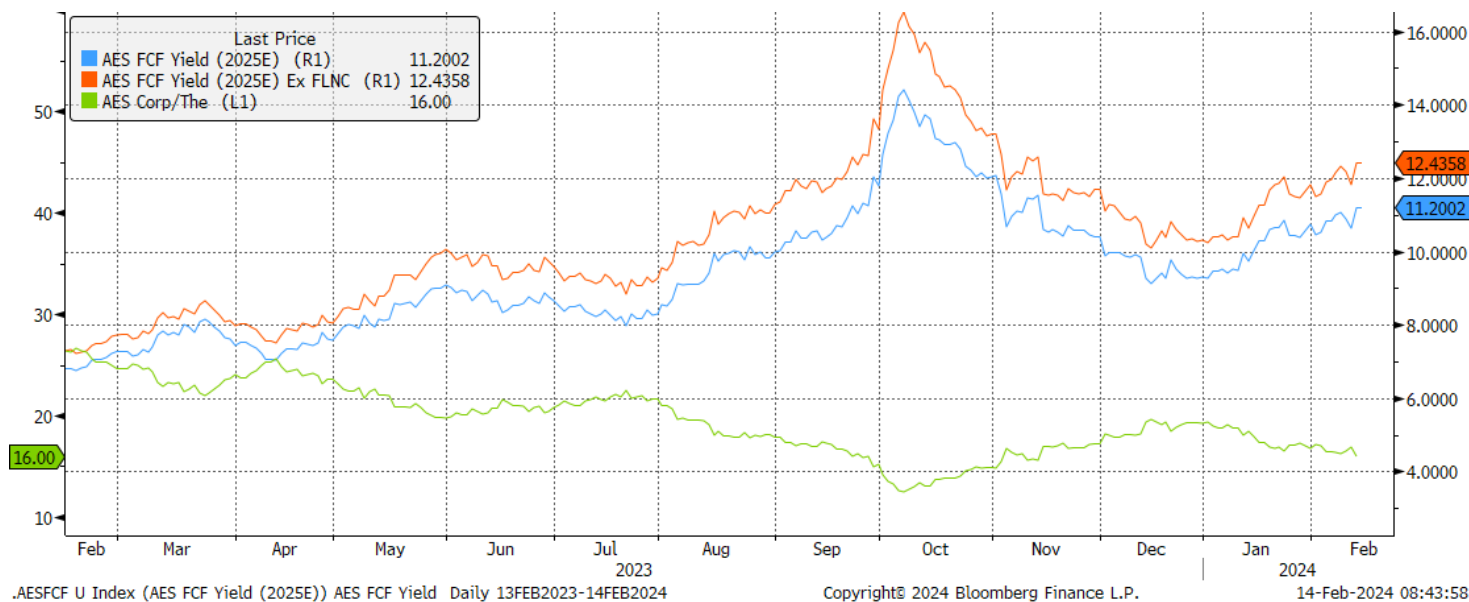
Lastly, on a P/E basis, valuation has declined throughout the last year even despite lower EPS estimates. We view this as likely signifying investors' tendency not to capitalize



investment tax credits (ITCs) in valuation. We also highlight the relative spread to NextEra (NEE) has remained largely consistent over the last year.

Exhibit 1: AES share price and FCF Yield

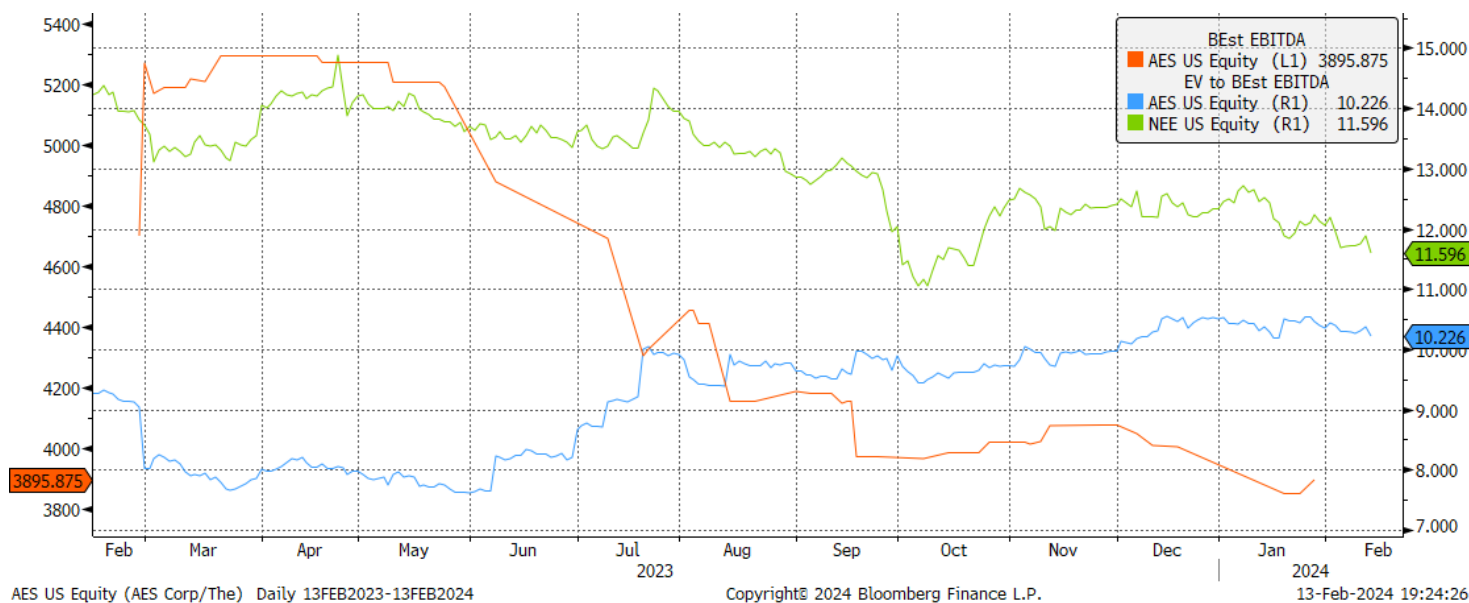
Shares remain below the \$20 level while FCF yield (2025 – BofAe) has risen – still view current ~11% level as appropriate risk-reward



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Exhibit 2: AES EBITDA forecast and EV/EBITDA (2025E - Consensus)

Decline in Consensus forecast reflects recalibration to mgmt.'s newly preferred KPI (EBITDA) – valuation appears appropriate at ~1x discount to NEE



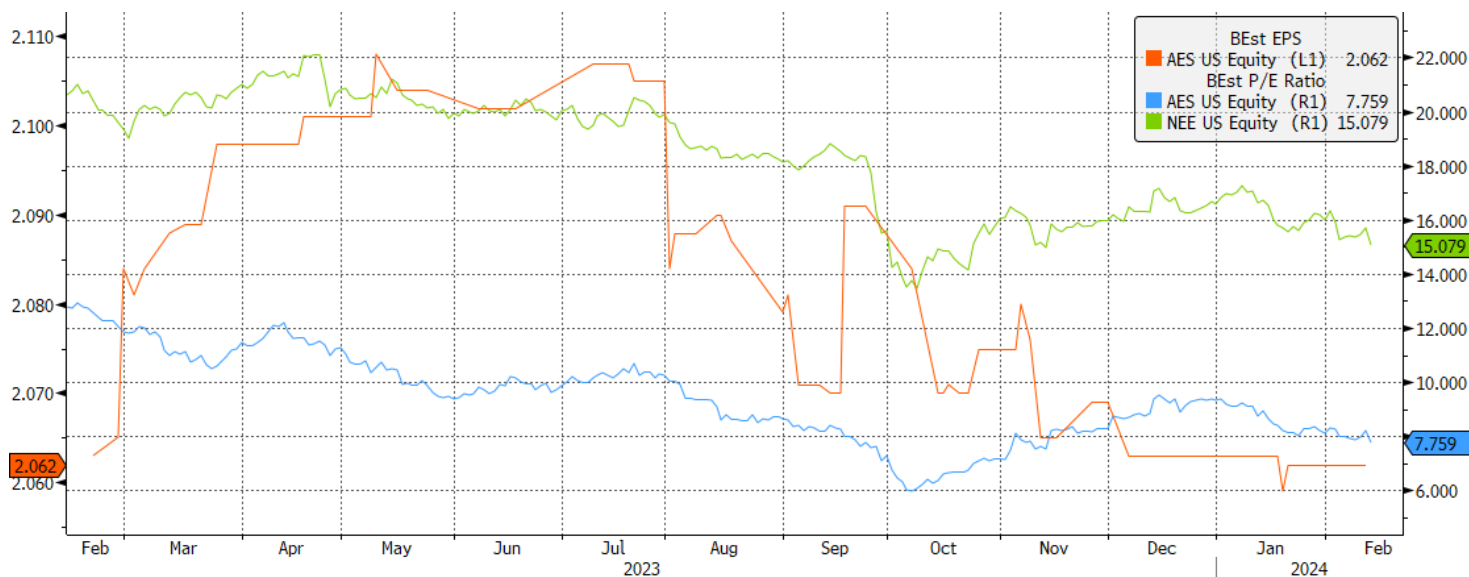
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The best pitch remains simply that shares of AES below their long-term average P/E multiples, even as the company has repositioned around renewable growth. Given the

ongoing ambiguity in the balance sheet reset, this remains the biggest pushback to leveraging historical valuation metrics for shares. Related, we see ongoing pressure in regional peers such as European Utility peers limiting the re-rating potential of AES, which is frequently subject to regional comparisons given their comparable multi-region footprints and hybrid Utility/Renewable platforms.

Exhibit 3: AES EPS forecast and P/E (2025E)

Depressed P/E likely reflects investors' unwillingness to capitalize tax credit earnings – still P/E valuation appears stable relative to NEE spread



AES US Equity (AES Corp/The) Daily 13FEB2023-13FEB2024

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13-Feb-2024 19:25:07

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Title: Subtitle

[AES: Asset sales to accelerate in lieu of equity – Reiterate Neutral](#)
[AES: Asset sale shifts but no big surprises with 3Q likely: Stay Neutral](#)
[AES: Resetting the outlook as growth pressured – Reiterate Neutral](#)

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Date Published

07 November 2023
 24 October 2023
 12 October 2023



Price objective basis & risk

AES (AES)

Our price objective is \$18 and is based on a sum of the parts analysis applying a blended valuation approach which is the summation of: 1) EV/EBITDA approach for US Renewable Generation using a 10.0x 2025E base for US peers 2.) NPV approach for DevCo using a 13% discount on 5.0GW+ of annual renewables beyond '25, 3.) EV/EBITDA approach for Legacy Southland (US), 4.) NPV for Warrior Run (US) 5.) P/E approach for US Utilities using a 13.4x 2025E base for US peers plus a premium/discount, 6.) EV/EBITDA approach for LATAM non-public subsidiaries, 7.) MTM value of publicly listed LATAM subsidiaries, 8.) Asia Generation is marked to carrying value while the Asian LNG import facility is valued on EPS accretion relative to total build cost. We also credit the company with its investment in Uplight and Fluence.

Risks are: 1) regulatory, legislative, and political changes, 2) international currencies devaluing against the US dollar, 3) changes in value of Fluence (FLNC) subsidiary stock, 4) overall inability to execute on the renewables plan, 5) ability to control costs, 6) financing needs, and 7) tax policies. Upside risk from declining rates & improved commodity backdrop enabling robust divestment values on infra biz. Downside risk principally tied to timely execution of renewable execution ramp.

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
	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
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Energy Group	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	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

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	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
	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
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

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

iQmethodSM 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 valuations. 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.

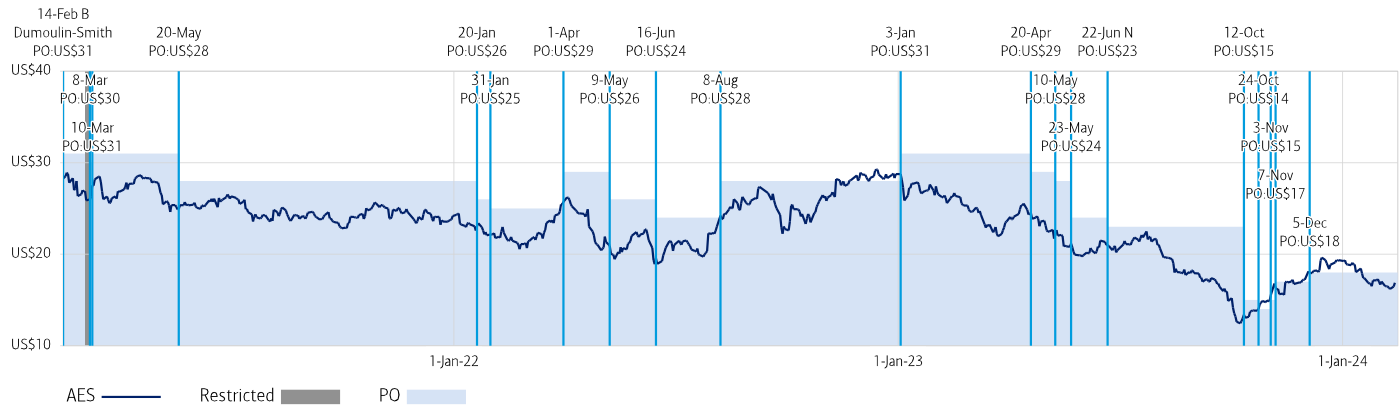
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Disclosures

Important Disclosures

AES Corp (AES) 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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