

Southern Company

Layering in the Whitespace: Remain Neutral, A Bit Early for Real EPS Upside

Reiterate Rating: NEUTRAL | PO: 70.00 USD | Price: 71.71 USD

Regulated capex, 2024 range remain key debates into Q4

Southern Co (SO) was one of the top large-cap regulated utility performers of 2023 and focus shifts to levers for continued growth in 2024 and beyond. Mgmt's guidance range of \$3.95-4.10 has been in place for over a year, with the low end lowered last year by 5c to account for an expected delay in Unit 4 until March, which remains the base case. The 2023 refresh of Georgia Power's resource plan included a meaningful inflection in owned generation needs to support ongoing economic development, but the key question remains how this manifests in earnings growth. In fall meetings mgmt talked up the customer cost angle while downplaying earnings uplift.

Southern Power opportunity still uncertain in GA

SO has not detailed specific growth targets for the unregulated Southern Power segment. Georgia resource needs may be met through the regulated utility or unregulated Power segment, with bias toward the proposed solar generation and battery storage segments, with proposed natural gas additions likely in rate base.

Assume more Georgia capex with partial equity funding

We refresh our forecast to reflect +\$4.5B additional whitespace (ie potential expansion opportunities from existing base or of existing assets) capex across 2024-2028, with \$500m in 2024 and \$1B annually thereafter. Funding is assumed to be 40% parent equity, which mgmt has framed as likely non-block issuance. Across the forecast we assume earned ROEs consistent with SO's historical performance (no significant change in regulatory regime). Holdco debt remains the biggest component of parent drag, while this is modestly improved based on recent moves in rates we still see parent drag in line with 2024's levels across the forecast period. Our EPS CAGR remains above the 6% midpoint, though we do not see meaningfully higher growth on a consolidated basis even with equity-funded upside at the regulated utilities.

Reiterate Neutral, PO up to \$70 despite lower EPS estimates

Mark to market our valuation to the latest peer multiples of 14.2x for electric and 13.8x for gas, with a resulting PO of \$70. Tweak '24+ EPS estimates a nudge lower. We reiterate our Neutral rating based on the modest upside implied by our valuation.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	3.39	3.60	3.61	4.01	4.27
GAAP EPS	2.24	3.26	3.61	4.01	4.27
EPS Change (YoY)	5.0%	6.2%	0.3%	11.1%	6.5%
Consensus EPS (Bloomberg)			3.60	4.01	4.32
DPS	2.62	2.70	2.78	2.86	2.97
Valuation (Dec)					
P/E	21.2x	19.9x	19.9x	17.9x	16.8x
GAAP P/E	32.0x	22.0x	19.9x	17.9x	16.8x
Dividend Yield	3.7%	3.8%	3.9%	4.0%	4.1%
EV / EBITDA*	20.6x	16.8x	14.5x	15.1x	14.3x
Free Cash Flow Yield*	-1.9%	-2.1%	1.0%	1.4%	0.9%

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

08 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	69.00	70.00
2023E Rev (m)	30,615.4	30,982.9
2024E Rev (m)	29,573.3	30,302.7
2025E Rev (m)	30,253.3	31,068.1
2024E EPS	4.05	4.01
2025E EPS	4.35	4.27

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Stock Data

Price	71.71 USD
Price Objective	70.00 USD
Date Established	8-Jan-2024
Investment Opinion	A-2-7
52-Week Range	58.85 USD - 75.80 USD
Mrkt Val (mn) / Shares Out (mn)	76,299 USD / 1,064.0
Free Float	99.2%
Average Daily Value (mn)	307.17 USD
BofA Ticker / Exchange	SO / NYS
Bloomberg / Reuters	SO US / SO.N
ROE (2023E)	12.8%
Net Dbt to Eqty (Dec-2022A)	148.7%
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: 08 January 2024 06:00AM EST

iQprofileSM Southern Company

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	2.9%	3.6%	4.0%	4.1%	4.2%
Return on Equity	13.0%	13.4%	12.8%	13.8%	14.0%
Operating Margin	16.0%	18.3%	20.7%	19.2%	19.9%
Free Cash Flow	(1,416)	(1,621)	727	1,056	699

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.7x	1.6x	2.3x	2.2x	2.2x
Asset Replacement Ratio	1.9x	1.9x	1.9x	1.9x	2.0x
Tax Rate	10.4%	18.8%	22.5%	10.0%	10.0%
Net Debt-to-Equity Ratio	152.8%	148.7%	151.7%	150.2%	148.8%
Interest Cover	2.0x	2.7x	2.6x	2.6x	2.7x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	23,113	29,279	30,983	30,303	31,068
% Change	13.4%	26.7%	5.8%	-2.2%	2.5%
Gross Profit	16,149	17,451	18,978	18,540	19,209
% Change	5.5%	8.1%	8.7%	-2.3%	3.6%
EBITDA	7,671	9,434	10,916	10,495	11,044
% Change	-12.7%	23.0%	15.7%	-3.9%	5.2%
Net Interest & Other Income	(1,122)	(1,147)	(1,377)	(865)	(887)
Net Income (Adjusted)	3,618	3,894	3,965	4,414	4,716
% Change	5.2%	7.6%	1.8%	11.3%	6.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	2,309	3,428	3,965	4,414	4,716
Depreciation & Amortization	3,973	4,064	4,492	4,672	4,863
Change in Working Capital	(783)	(783)	0	0	0
Deferred Taxation Charge	239	670	670	670	670
Other Adjustments, Net	431	(1,077)	0	0	0
Capital Expenditure	(7,585)	(7,923)	(8,400)	(8,700)	(9,550)
Free Cash Flow	-1,416	-1,621	727	1,056	699
% Change	-71.4%	-14.5%	NM	45.2%	-33.8%
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(2,777)	(2,907)	(3,054)	(3,147)	(3,278)
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,798	1,917	2,149	1,984	2,034
Trade Receivables	2,962	3,716	3,932	3,846	3,943
Other Current Assets	4,205	4,783	5,061	4,950	5,075
Property, Plant & Equipment	91,108	94,570	98,358	102,386	107,073
Other Non-Current Assets	27,461	29,905	29,905	29,905	29,905
Total Assets	127,534	134,891	139,405	143,071	148,030
Short-Term Debt	1,440	2,609	2,758	2,936	3,202
Other Current Liabilities	9,481	13,115	13,320	13,238	13,330
Long-Term Debt	50,120	50,656	53,146	54,491	56,496
Other Non-Current Liabilities	33,926	33,979	34,737	35,495	36,253
Total Liabilities	94,967	100,359	103,962	106,160	109,282
Total Equity	32,567	34,532	35,443	36,911	38,748
Total Equity & Liabilities	127,534	134,891	139,405	143,071	148,030

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

Company Sector

Electric Utilities

Company Description

Southern Company has three electric utility subsidiaries, AL Power, GA Power, and MS Power. The company also has a network of Gas local distribution companies as well as midstream operations and an unregulated business (Southern Power) that owns a portfolio of wind and solar in the US. Southern Company serves over 9 million customers across the electric and gas segments. SO is building new nuclear plants in Georgia: Vogtle Units 3 & 4.

Investment Rationale

We rate Southern Company (SO) Neutral. The stock's premium valuation accurately reflects a strengthening balance sheet, defensive earnings characteristics, constructive jurisdictions, and Vogtle de-risk via the prudence stipulation.

Stock Data

Average Daily Volume 4364,129

Quarterly Earnings Estimates

	2022	2023
Q1	0.97A	0.80A
Q2	1.07A	0.79A
Q3	1.31A	1.29A
Q4	-1.51A	-0.46E

2024 range seen intact at \$3.95-4.10 on easing rates

Our 2024 EPS estimate for SO is \$4.01. Our preliminary 2024 EPS walk of \$4.01 is in line with street estimates of \$4.01 based on known and measurables to date. We note mgmt provided an initial 2024 EPS range of \$4.00-4.30 over a year ago given disproportionate focus on the year that both Vogtle units are expected to be in service. The upper end of the range has since been moved down to account for increased parent interest expense and for O&M inflation. Unit 4 delays have been manageable and mgmt's latest messaging continues to point to a March in-service date, consistent with lowering the bottom end of the range by 5c. Achieving this range may have looked challenging in the middle of 2023 as rates peaked (recall the last update was Feb 2023) but with the recent move we expect mgmt will likely maintain or tighten by 5c. The bigger question in our view is the degree to which SO can sustain growth from the 2024 base relative to its 5-7% guidance.

We don't look for management to deviate from its existing '24 ranges, albeit certainly don't see upside. Rather '25 EPS appears a bit light vs Street too – although not substantively to get us concern. Much of the upside likely to be discussed with 4Q is likely to be biased towards '26+. See fewer factors to enable (further) positive re-rating with whitespace capex seemingly already substantively reflected.

Other areas attracting less attention of late beyond generation will be items such as coal ash where we could yet see further spending pending resolution of settlement talks with EPA in Alabama for instance.

Exhibit 1: SO EPS walk

Expect 2024 in line with guidance range of \$3.95-4.10

SO Earnings Walk	FY24	1Q23E	2Q23E	3Q23E	4Q23E
Prior Period (FY23)	\$3.61	\$0.79	\$0.79	\$1.42	\$0.61
Weather (vs Normalize YoY)	\$0.08	\$0.13	\$0.04	-\$0.09	\$0.00
Actual Weather (vs Normal '23)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Georgia Power Gross Margin	\$0.60	\$0.10	\$0.12	\$0.25	\$0.13
AL/MS Growth	\$0.10	\$0.03	\$0.03	\$0.03	\$0.03
Retail Revenue Impacts	\$0.70	\$0.13	\$0.15	\$0.28	\$0.16
Retail Sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rates Usage and Pricing	\$0.70	\$0.13	\$0.15	\$0.28	\$0.16
O&M	\$0.11	\$0.02	\$0.03	\$0.03	\$0.03
Other (D&A, interest, etc.)	-\$0.48	-\$0.12	-\$0.12	-\$0.12	-\$0.12
State-Regulated Electrics	\$0.41	\$0.16	\$0.10	\$0.10	\$0.07
Nicor	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
AGL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
VA & TN	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Retail Revenue Impacts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
O&M	\$0.04	\$0.01	\$0.01	\$0.01	\$0.01
Other (D&A, interest, taxes, etc.)	\$0.05	\$0.01	\$0.01	\$0.01	\$0.02
Southern Company Gas	\$0.09	\$0.02	\$0.02	\$0.02	\$0.03
New/Existing Assets	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
O&M	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Southern Power	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other/Interest	-\$0.08	-\$0.02	-\$0.02	-\$0.02	-\$0.02
Dilution	-\$0.02	\$0.00	\$0.00	\$0.00	\$0.00
Current Period	\$4.01	\$0.94	\$0.88	\$1.51	\$0.67
FY24 Diluted Shares	1,100	1,099	1,100	1,101	1,101
FY23 Diluted Shares	1,099	1,098	1,098	1,099	1,099
Consensus Estimates	\$4.01	\$0.93	\$0.96	\$1.47	\$0.58
Delta vs Consensus	0.0%	1.7%	5.1%	3.3%	16.5%

Source: BofA Global Research, Bloomberg

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Estimates

We make small tweaks to our model with EPS growth through 2028 compounding at +6.4% using 2022 as a base year, with estimates 1-2% below Street consensus in 2025-26 and incrementally higher in 2027+.

We continue to see 2024 as the future anchor for the company's 5-7% EPS CAGR with our estimate of \$4.01 near the midpoint of the \$3.95-4.10 guidance range and inline with Street consensus which has trended higher in recent months. Our updated forecast sees growth compounded at +6.4% through 2028 off the baseline of the 2022 EPS guidance midpoint.

Ahead of the expected 2024 EPS and capex roll-forward, we add additional whitespace capex at Georgia Power of \$4.5B across 2024-2028, with \$500m in 2024 and \$1B annually thereafter. Georgia Power's resource plan which was updated in 2023 flags substantial need for additions of owned generation resources to keep up with growing demand spurred by economic development in the state. Our whitespace capex is supported by 40% equity funding at the parent – note that mgmt has been transparent about expectations for incremental (non-block) equity funding to add additional capital to the plan given that targets for premium balance sheet targets remain in place.

Below Street on '24/'25 along with a robust premium already on shares holds us back from being constructive. Upside appears bias towards later years of the plan, both around reinvigorated capex upside and in terms of sales growth. Look for datapoints around SO mid-cycle IRP with a focus on storage ownership as a further positive; related, look for how Alabama IRP spending is eventually incorporated into the plan.

Exhibit 2: SO estimates

Tweak estimates lower but still see a CAGR above midpoint

	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	'22-'28
Mississippi Power	0.14	0.15	0.15	0.15	0.18	0.18	0.18	0.19	0.19	3.7%
Alabama Power	1.08	1.16	1.24	1.28	1.41	1.46	1.52	1.58	1.65	4.9%
Georgia Power	1.72	1.73	1.68	1.86	2.03	2.18	2.33	2.54	2.81	9.0%
Total Electric	2.94	3.04	3.07	3.29	3.62	3.82	4.03	4.30	4.65	7.2%
Guidance	2.88	3.00	3.18	3.35						
Gas LDCs	0.39	0.40	0.44	0.44	0.53	0.57	0.61	0.65	0.68	7.5%
Guidance	0.36	0.39	0.44	0.45						
SO Power	0.22	0.25	0.33	0.24	0.25	0.26	0.26	0.26	0.26	-4.0%
Gas Midstream	0.09	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	-0.5%
Gas Retail (South Star)	0.05	0.06	0.06	0.07	0.07	0.08	0.08	0.08	0.09	5.5%
Total Energy Infrastructure (SO Power + Midstream)	0.37	0.39	0.47	0.39	0.39	0.41	0.41	0.42	0.42	-1.8%
Guidance	0.37	0.40	0.34	0.39						
Other & Eliminations	(0.48)	(0.44)	(0.38)	(0.51)	(0.53)	(0.53)	(0.53)	(0.54)	(0.54)	6.0%
Guidance - Parent Drag	(0.45)	(0.49)	(0.46)	(0.63)						
Consolidated	3.23	3.39	3.60	3.61	4.01	4.27	4.52	4.82	5.22	6.4%
Guidance: 5-7% Long-Term			3.50-3.60	3.55-3.65	3.95-4.10	4.23	4.48	4.75		
BofA vs Guidance				-4.1%	-3.3%	1.0%	0.8%	1.5%		
Consensus				3.60	4.01	4.33	4.54	4.76		
BofA vs Consensus				0.3%	0.0%	-1.2%	-0.6%			
<i>BofA Change vs Prior</i>				0.0%	-0.9%	-1.8%	-1.6%			
Dividend per Share	2.54	2.62	2.70	2.78	2.86	2.97	3.09	3.21		3.5%
Payout Ratio	78.7%	77.3%	75.0%	77.0%	71.3%	69.5%	68.4%	66.6%		
CAGR off 2024 midpoint - 6% growth					4.03	4.27	4.52	4.79		

Source: BofA Global Research, Bloomberg

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Valuation

Mark to market our valuation to the latest peer multiples of 14.2x for electric and 13.8x for gas, with a resulting PO of \$70. We reiterate our Neutral rating based on the modest upside implied by our valuation.

We acknowledge litany of derisking factors tied to Vogtle and Georgia overall in recent months have contributed to shares maintain a robust premium to peers. This makes sense to us.

Exhibit 3: SO valuation: premium company with a premium valuation to match already: sticking with Neutral.

PO \$70, reiterate Neutral

Southern Company (SO) Sum of the Parts Analysis

All figures in \$Mn except per share

	2026 EPS	Peer	Prem/(Discount)	Base P/E	Equity Value
Group Peer Multiple - Electric		14.2x			
Group EPS CAGR		5.0%			
Electric Utilities		14.9x			
Mississippi Power	\$0.18		2.0x	16.9x	\$3.10
Alabama Power	\$1.52		2.0x	16.9x	\$25.66
Georgia Power (ex-CWIP)	\$1.92		2.0x	16.9x	\$32.55
Nuclear Earnings	\$0.40		2.0x	16.9x	\$6.82
Total Electric Utility Value	\$4.03		2.0x	16.9x	\$68.13
Group Peer Multiple - Gas		13.8x			
Group EPS CAGR		5.0%			
Gas Utilities		14.5x			
Southern Gas Utilities	\$0.61	14.5x	0.0x	14.5x	\$8.79
Infrastructure	2026 EPS				
SO Power Core - Wind	\$0.12		0.0x	14.9x	\$1.80
SO Power Core - Solar	\$0.01		0.0x	14.9x	\$0.17
SO Power Core - Gas	\$0.09		0.0x	14.9x	\$1.40
SO Power Core - Other	\$0.03		0.0x	14.9x	\$0.47
SO Gas - Midstream	\$0.08		0.0x	14.5x	\$1.10
SO Gas - Retail	\$0.08		0.0x	14.5x	\$1.16
Net Infrastructure Equity	\$0.41		0.8x	14.8x	\$6.10
Parent	2026 EPS	14.0x			
Parent & Other	-\$0.53	14.0x	0.0x	14.0x	-\$7.46
Add Back: Parent Interest Expense- 50% Weighted	\$0.61	14.0x	0.0x	14.0x	\$4.29
Parent Debt - 50% Weighted	\$22,754				-\$10.27
Parent & Other					-\$13.44
Shares Outstanding					1,107
Total Equity Value					\$70.00
Stock Price					\$71.25
Potential Stock Return					-1.7%
NTM Dividend Yield (%)					3.9%
Total Potential Return					2.2%

Source: BofA Global Research, Bloomberg

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Price objective basis & risk

Southern Company (SO)

Our \$70 PO is derived from a sum-of-the-parts analysis (SOTP). We use a P/E valuation approach on 2025 estimates and use peer multiples of 14.2x for electric and 13.8x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross up these multiples by +5% to account for sector wide EPS growth to derive a 12-month forward PO. We also apply an adjustment factor to reflect slightly higher interest rate expectations than Street consensus. We subtract 50% of the 2025 parent interest expense multiple by an electric P/E peer multiple to reflect parent leverage supporting the utilities. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Upside/downside risks to achievement of the PO are: 1) Vogtle construction timing and costs, 2) regulatory, political, and legislative changes, 3) ability to earn the allowed rate of return, 4) changes to the capital expenditure forecast, 5) nuclear incidents, weather, and natural disasters, 6) rate of customer and sales growth, 7) O&M trends, 8) interest rates, 9) environmental policies and regulations, 10) M&A, and 11) interest rates.

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	CWENA 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
	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

North America - Utilities and Alt Energy Coverage Cluster

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



IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

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 & 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

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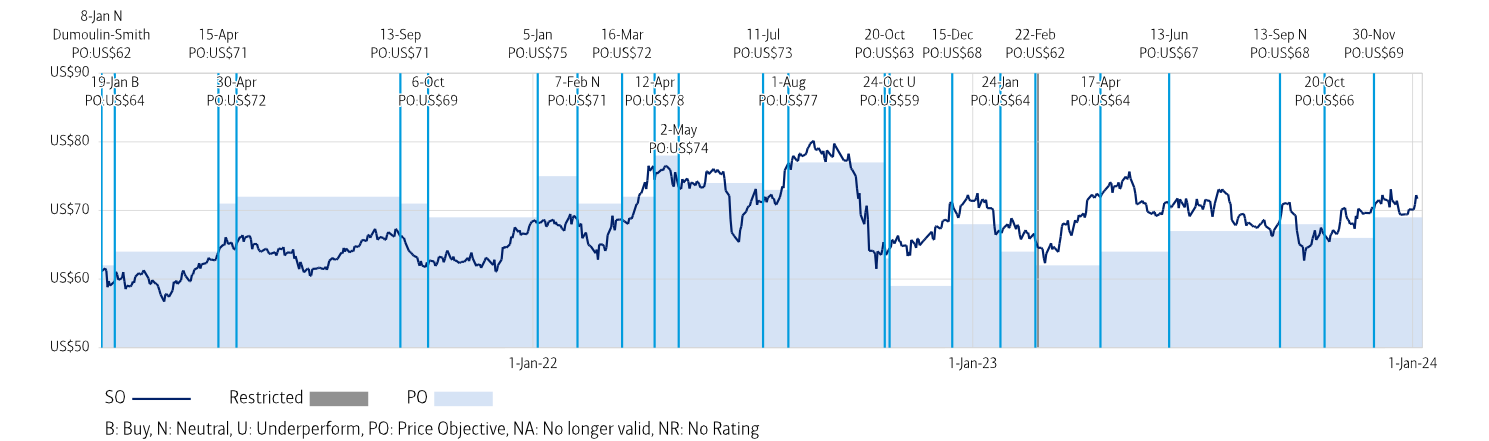
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating
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Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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