

## New Jersey Resources Corp

## Terminating Coverage of New Jersey Resources

Reiterate Rating: UNDERPERFORM | PO: 40.00 USD | Price: 41.74 USD

## We maintain Underperform on New Jersey Resources

New Jersey Resources (NJR) is a utility holding company with natural gas distribution, energy marketing, clean energy development, and midstream operations. We lower our PO to \$44 from \$40 which is based on a 2026E sum-of-the-parts methodology. We value NJR at a ~5% discount to natural gas peers at 14.4x. We view the shares to be expensive given underlying fundamentals.

## Terminating coverage of New Jersey Resources

We terminate coverage of NJR equity due to a reallocation of resources. Our final view of Underperform reflects our analysis as of the date of this research report, and investors should no longer rely on our rating, price objective, estimates or opinions on NJR.

Estimates (Sep) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	2.49	2.68	2.79	2.74	2.92
GAAP EPS	2.85	2.71	2.79	2.74	2.92
EPS Change (YoY)	15.8%	7.6%	4.1%	-1.8%	6.6%
Consensus EPS (Bloomberg)			2.92	2.88	3.07
DPS	1.45	1.56	1.65	1.75	1.86
Valuation (Sep)					
P/E	16.8x	15.6x	15.0x	15.2x	14.3x
GAAP P/E	14.6x	15.4x	15.0x	15.2x	14.3x
Dividend Yield	3.5%	3.7%	4.0%	4.2%	4.5%
EV / EBITDA*	11.5x	10.2x	9.0x	8.9x	8.3x
Free Cash Flow Yield*	-7.5%	-1.7%	3.5%	-5.0%	-6.4%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

15 March 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	45.00	40.00
2024E EPS	2.66	2.79
2025E EPS	2.88	2.74
2026E EPS	NA	2.92
2024E EBITDA (m)	577.9	626.8
2025E EBITDA (m)	625.4	637.3
2026E EBITDA (m)	NA	678.7

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## Stock Data

Price	41.74 USD
Price Objective	40.00 USD
Date Established	15-Mar-2024
Investment Opinion	B-3-7
52-Week Range	38.92 USD - 55.84 USD
Mrkt Val (mn) / Shares Out (mn)	3,686 USD / 88.3
Free Float	99.4%
Average Daily Value (mn)	24.01 USD
BofA Ticker / Exchange	NJR / NYS
Bloomberg / Reuters	NJR US / NJR.N
ROE (2024E)	12.5%
Net Dbt to Eqty (Sep-2023A)	157.5%
ESGMeter™	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"](#).

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# iQprofile<sup>SM</sup> New Jersey Resources Corp

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	5.9%	5.8%	5.8%	5.3%	5.2%
Return on Equity	13.9%	13.8%	12.5%	11.0%	11.1%
Operating Margin	14.0%	20.7%	20.5%	20.8%	20.9%
Free Cash Flow	(275)	(62)	130	(183)	(237)

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.3x	1.8x	2.9x	2.0x	2.0x
Asset Replacement Ratio	4.6x	3.5x	3.9x	4.0x	4.1x
Tax Rate	22.2%	15.9%	19.6%	18.9%	18.6%
Net Debt-to-Equity Ratio	164.2%	157.5%	130.5%	136.1%	143.0%
Interest Cover	4.7x	3.3x	3.2x	3.1x	3.2x

## Income Statement Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,906	1,963	2,224	2,175	2,287
% Change	34.7%	-32.4%	13.3%	-2.2%	5.2%
Gross Profit	957	984	1,071	1,123	1,213
% Change	18.9%	2.8%	8.8%	4.8%	8.0%
EBITDA	492	556	627	637	679
% Change	-4.2%	13.1%	12.7%	1.7%	6.5%
Net Interest & Other Income	(64)	(97)	(121)	(124)	(128)
<b>Net Income (Adjusted)</b>	<b>240</b>	<b>262</b>	<b>276</b>	<b>273</b>	<b>292</b>
<b>% Change</b>	<b>15.7%</b>	<b>8.9%</b>	<b>5.5%</b>	<b>-1.2%</b>	<b>7.1%</b>

## Free Cash Flow Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	275	265	276	273	292
Depreciation & Amortization	129	153	172	186	201
Change in Working Capital	115	(217)	0	0	0
Deferred Taxation Charge	82	30	66	62	65
Other Adjustments, Net	(277)	248	292	34	34
Capital Expenditure	(598)	(541)	(676)	(738)	(829)
<b>Free Cash Flow</b>	<b>-275</b>	<b>-62</b>	<b>130</b>	<b>-183</b>	<b>-237</b>
<b>% Change</b>	<b>-17.7%</b>	<b>77.5%</b>	<b>NM</b>	<b>NM</b>	<b>-29.0%</b>
Share / Issue Repurchase	15	15	18	18	18
Cost of Dividends Paid	(128)	(151)	(164)	(174)	(186)
Change in Debt	188	(19)	15	340	404

## Balance Sheet Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1	2	2	2	2
Trade Receivables	222	98	98	98	98
Other Current Assets	533	433	433	433	433
Property, Plant & Equipment	4,650	5,022	5,526	6,078	6,705
Other Non-Current Assets	855	983	983	983	983
<b>Total Assets</b>	<b>6,261</b>	<b>6,537</b>	<b>7,041</b>	<b>7,593</b>	<b>8,221</b>
Short-Term Debt	499	368	369	409	457
Other Current Liabilities	605	438	438	438	438
Long-Term Debt	2,485	2,768	2,782	3,082	3,439
Other Non-Current Liabilities	855	972	1,038	1,099	1,164
<b>Total Liabilities</b>	<b>4,444</b>	<b>4,547</b>	<b>4,628</b>	<b>5,029</b>	<b>5,499</b>
<b>Total Equity</b>	<b>1,817</b>	<b>1,991</b>	<b>2,413</b>	<b>2,564</b>	<b>2,722</b>
<b>Total Equity &amp; Liabilities</b>	<b>6,261</b>	<b>6,537</b>	<b>7,041</b>	<b>7,593</b>	<b>8,221</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Gas Utilities

## Company Description

New Jersey Resources Corporation (NYSE: NJR) is an energy services holding company that provides natural gas to over half a million customers in New Jersey. NJR's five subsidiaries include: 1) NJ Natural Gas Company (NJNG), 2) NJR Clean Energy Ventures Corporation, 3) NJR Energy Services Company, 4) NJR Midstream Holdings Corp and 5) NJR Home Services Co.

## Investment Rationale

We rate NJR Underperform given the current valuation relative to our outlook on the underlying fundamentals.

## Stock Data

Average Daily Volume 575,250

## Quarterly Earnings Estimates

	2023	2024
Q1	0.72A	1.41E
Q2	1.15A	1.40E
Q3	0.10A	-0.16E
Q4	0.71A	0.09E

## Price objective basis & risk

### New Jersey Resources Corp (NJR)

Our \$40 PO is off our 2026E SOTP, based on gas peers of 14.4x. For non-reg biz, we apply a 9x multiple. For Midstream, we capitalize EBITDA at a base multiple of 9.0x but add a 1x discount to the business as we see less growth potential than the peer set. We value CEV at \$17/share, taking the sum of the NPV of remaining unlevered Power cash flows, a terminal value associated with these cash flows, total DevCo value discounted at 18%, and SREC inventory balances. For parent, we apply a 50/50 weighting for holdco debt/interest expense for re-capitalization purposes.

Upside risks: Constructive regulatory outcomes, decrease in interest rates, incremental capex opportunities, extension of subsidies and further renewables acceleration

Downside risks: Poor regulatory outcomes, increase in interest rates, and lower capex.

## 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
<b>BUY</b>				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	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
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	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
	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
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Corp	VST	VST US	Julien Dumoulin-Smith



## North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
<b>NEUTRAL</b>				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	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	Julien Dumoulin-Smith
	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
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
<b>UNDERPERFORM</b>				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	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
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE 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
	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
<b>RVW</b>				
	New Fortress Energy	NFE	NFE US	Julien Dumoulin-Smith

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

### Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

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

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

### Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

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

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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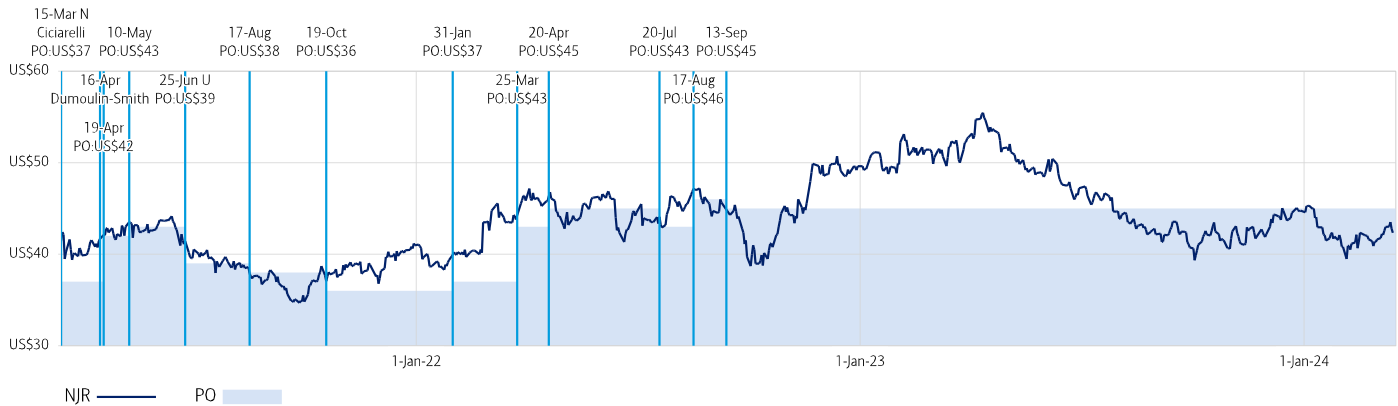
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### New Jersey Resources (NJR) Price Chart



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 <sup>R1</sup>	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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

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

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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