

Sunnova Energy

4Q23 review: messaging misses mark with investors, FY24 numbers likely won't

Reiterate Rating: BUY | PO: 16.00 USD | Price: 8.57 USD

Cash guide of \$200-500mn in FY25 overlooked

We reiterate Buy on shares of residential solar-focused Sunnova Energy (NOVA). NOVA's 4Q23 print and commentary drove significant volatility that we attribute to introduction of an at-the-market equity issuance facility (ATM) and noncommittal to redeployment of cash to purchase its outstanding convertible debt issuance ([initial 4Q23 reaction here](#)). While investors were caught off guard by these updates, we note the underlying story actually saw very little change: FY24 guide was reaffirmed with multiple paths to upside, including from clearer ITC adder guidance and loan portfolio monetization that could bolster reported EBITDA and drive real cash in the door for redeployment. Further, NOVA provided an annual run rate cash generation target of \$200Mn to \$500Mn exiting 2024 that, if achieved, could meaningfully reduce future parent capital issuances. Still, investors seem skeptical given the -26% decline in shares over the session; clawing back lost value could take time as NOVA mentioned a back-half FY24 bias to key metrics in line with the broader outlook for residential solar in the U.S. All said, we see the story still intact and identify current levels as a particularly attractive buying opportunity off the print.

Pause on select growth initiatives helps 2024 opex

4Q23 results and commentary on cost structure improvement seem to have been overlooked by the street, but new initiatives to drive at least a -20% YoY decline in adjusted opex per customer in 2024 should be received favorably. A question in our mind is to what degree growth initiatives have been cut that may affect NOVA's ability to leverage a recovery in resi solar exiting 2024, and how quickly they can snap back.

PO unchanged at \$16; upside to estimates, guidance

Our estimates remain aligned with unchanged FY24 guidance, as we see FY24 EBITDA of \$422Mn versus \$350-\$450Mn guide. We identify ITC adders as a primary source of upside to our adj. EBITDA estimate, provided our 2024 model incorporates baseline ITC of 30%, which could be conservative with clearer guidance for domestic content and other adders. Management noted further FY24 upside to its initial estimate for \$35-\$40Mn of ITC sales per quarter. We see these items, in addition to loan portfolio optimization, as potential sources of cash that could ultimately be redeployed toward the outstanding converts. While we appreciate that optics of the ATM's implementation (following continued insistence from management of no parent capital in 2024) and continued inaction with the 2026 converts would seem to affirm beliefs of skeptics that a paucity of cash generation could lead to significant shareholder dilution, we assess the bigger picture to generally refute those concerns. PO still \$16; methodology unchanged.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(1.06)	(3.53)	(2.89)	(2.44)	(2.52)
EPS Change (YoY)	10.9%	-233.0%	18.1%	15.6%	-3.3%
Consensus EPS (Bloomberg)			(1.61)	(1.20)	(1.13)
DPS	0	0	0	0	0
Valuation (Dec)					
EV / EBITDA*	110.9x	48.1x	31.3x	27.8x	21.8x
Free Cash Flow Yield*	-114.5%	-197.2%	-237.3%	-233.7%	-259.2%

* For full definitions of *IQmethod*SM measures, see page 9.

23 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	1,078.1	1,017.3
2025E Rev (m)	1,337.8	1,279.4
2026E Rev (m)	1,437.5	1,409.9
2024E EPS	-1.40	-2.89
2025E EPS	-1.62	-2.44
2026E EPS	-1.97	-2.52

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Stock Data

Price	8.57 USD
Price Objective	16.00 USD
Date Established	1-Feb-2024
Investment Opinion	C-1-9
52-Week Range	7.62 USD - 24.56 USD
Mrkt Val (mn) / Shares Out (mn)	1,050 USD / 122.5
Free Float	86.7%
Average Daily Value (mn)	60.13 USD
BofA Ticker / Exchange	NOVA / NYS
Bloomberg / Reuters	NOVA US / NOVA.N
ROE (2024E)	-18.9%
Net Dbt to Eqty (Dec-2023A)	343.0%
ESGMeter TM	High

ESGMeterTM 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: 23 February 2024 07:15AM EST

iQprofileSM Sunnova Energy

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	1.3%	-2.3%	-1.1%	0%	0.3%
Return on Equity	-9.8%	-25.8%	-18.9%	-18.8%	-22.8%
Operating Margin	17.4%	-33.8%	-14.8%	0.1%	4.5%
Free Cash Flow	(1,202)	(2,070)	(2,491)	(2,453)	(2,721)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	8.0x	11.9x	12.3x	10.8x	8.6x
Tax Rate	NM	0.2%	NM	NM	NM
Net Debt-to-Equity Ratio	267.5%	343.0%	331.6%	315.1%	302.7%
Interest Cover	1.3x	-1.0x	-0.8x	0x	0.2x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	558	721	1,017	1,279	1,410
% Change	130.7%	29.2%	41.2%	25.8%	10.2%
Gross Profit	521	624	916	1,177	1,300
% Change	134.5%	19.7%	46.9%	28.4%	10.4%
EBITDA	119	275	422	476	605
% Change	39.0%	130.5%	53.6%	12.8%	27.2%
Net Interest & Other Income	(69)	(260)	(191)	(291)	(361)
Net Income (Adjusted)	(121)	(418)	(342)	(289)	(298)
% Change	10.2%	-244.9%	18.2%	15.4%	-3.1%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(154)	(502)	(342)	(289)	(298)
Depreciation & Amortization	108	153	182	218	267
Change in Working Capital	(346)	(104)	(371)	(274)	(658)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	59	215	281	233	276
Capital Expenditure	(868)	(1,833)	(2,241)	(2,341)	(2,308)
Free Cash Flow	-1,202	-2,070	-2,491	-2,453	-2,721
% Change	-57.3%	-72.3%	-20.3%	1.5%	-10.9%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	2,115	2,019	2,246	2,449	2,365

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	360	213	210	383	636
Trade Receivables	237	294	294	175	193
Other Current Assets	351	429	633	633	633
Property, Plant & Equipment	3,785	5,639	7,513	9,549	11,479
Other Non-Current Assets	3,604	4,766	6,029	7,353	8,432
Total Assets	8,337	11,341	14,679	18,092	21,373
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	256	478	658	709	601
Long-Term Debt	5,409	7,514	9,810	12,315	14,840
Other Non-Current Liabilities	784	1,220	1,316	1,278	1,233
Total Liabilities	6,449	9,212	11,784	14,302	16,674
Total Equity	1,887	2,129	2,895	3,787	4,692
Total Equity & Liabilities	8,337	11,341	14,679	18,089	21,366

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Alternative Energy

Company Description

Founded in 2012, Sunnova (NOVA) is a technology-agnostic residential solar service provider headquartered in Houston, TX. Similar to residential solar service provider peer SunRun (RUN), NOVA principally finances, installs, services, and owns solar panel and battery storage systems on residential customer premises.

Investment Rationale

We are Buy rated on NOVA as we see value in shares with the company offering an optimistic growth outlook for 2024 and benefitting from declining rates. We emphasize prospective storage attachment, and limited absolute exposure to a downside case in California as supporting a value in a stock where very little growth is embedded into the current valuation. Also see street concerns of potential liquidity needs or parent capital raises to be overly priced in at current levels.

Stock Data

Average Daily Volume 7,016,699

Quarterly Earnings Estimates

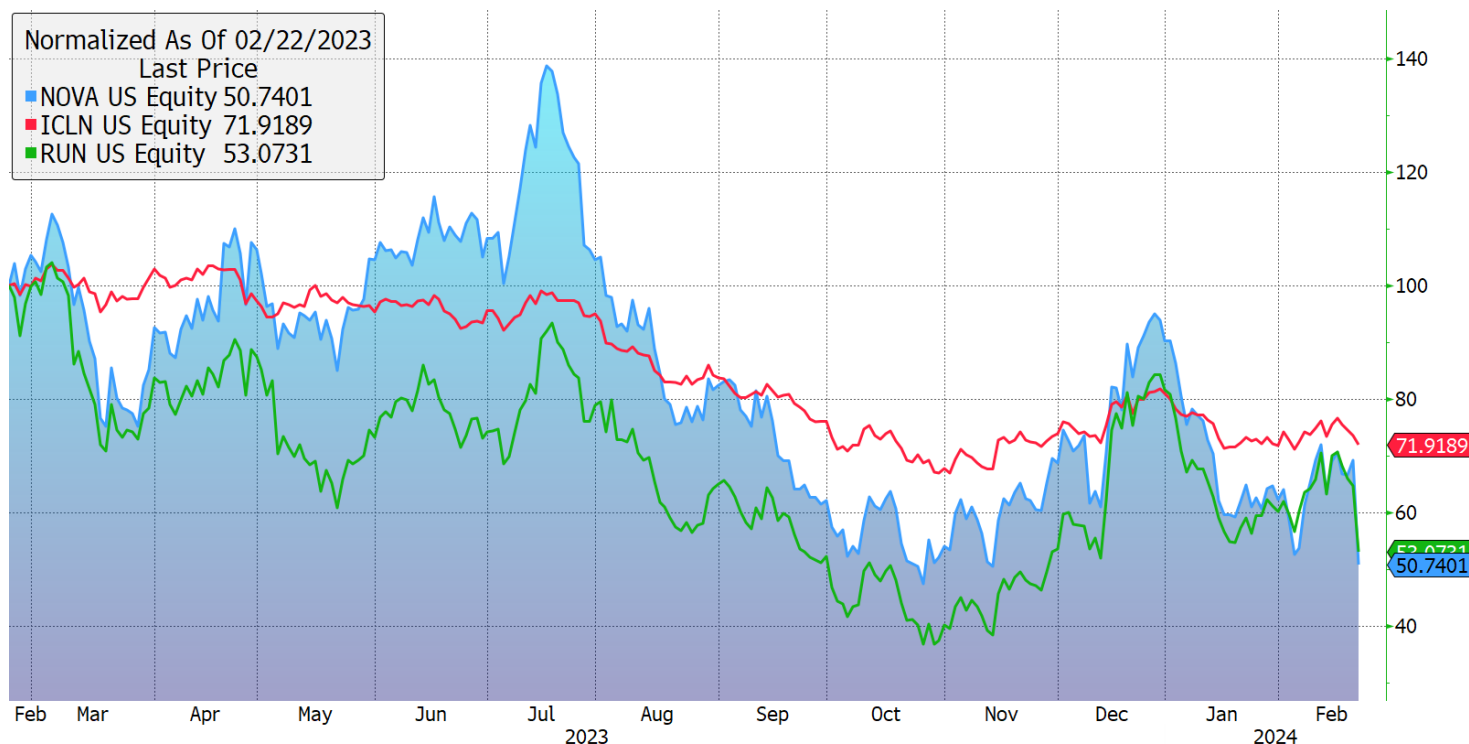
	2023	2024
Q1	NAA	NA
Q2	NAA	NA
Q3	NAA	NA
Q4	NAA	NA

Busy 4Q23 with lots of moving parts

NOVA's 4Q23 results were fairly strong, with EBITDA of \$191mn surpassing both BofA's est. of \$156mn and cons of \$131 million. However, net contracted customer value (NVCC) for FY23 was \$3.1Bn at a 6% discount rate, coming in below expectations due to timing of tax equity closures and lower than anticipated customer additions in the final quarter of the year. NOVA reaffirmed FY24 guidance across all metrics, but perhaps most notably provided a liquidity schedule forecasting \$200Mn of cash generation in 2025 and \$300Mn in 2026, assuming zero proceeds from corporate capital. From our discussions, investors appear skeptical of the flat cash guide in 2024, and are reading through to the ATM as potentially necessary support in the event of a shortfall. NOVA anticipates generating sufficient cash through securitizations and sales, net of costs in 2024 to support working capital needs for achieving their growth targets while maintaining a relatively flat cash position. We take comfort in the optionality for loan portfolio monetization, which has been thoroughly discussed but heretofore not effectuated. With \$1Bn in the warehouse facilities and another \$1Bn of expected net origination over the course of the next 12 months, we see a strong opportunity to supplement cash generation to support meeting 2024 targets.

Exhibit 1: NOVA share price down nearly 50% over last year

NOVA and close peer Sunrun (RUN) significantly underperforming ICLN over past year; resi solar recovery and rate declines potential catalysts for turnaround



NOVA US Equity (Sunnova Energy International Inc) Daily 22FEB2023-22FEB2024

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Source: Bloomberg

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An interlude on the converts – what's being considered?

Management addressed the 2026 convertible debt by stating their intention to be patient, remarking upon the cheap 0.25% coupon on the debt and its maturity in late 2026, which affords ample time to plan and act. However, given the stock's poor reaction to the 4Q23 print, we would not be surprised to see some proactive repurchase on the open market in FY24 to the degree cash is made available through loan portfolio monetization or earnings upside. The price on the converts has only become more attractive over the last month and especially of recent, with the bonds yielding 25% and priced at 53c on the dollar as of today. Still, we expect progress on the repurchase of the converts to be slow and steady, given the low likelihood that NOVA could monetize a



large bulk of its eligible loan portfolio for sufficient proceeds to eliminate the converts in one or two chunks. What pace could quell investor concern for the convert? NOVA's comfort with smaller bites might yet again mismatch market expectations, but this far out we welcome any progress that demonstrates proof of concept to the street.

2024 ITC sales, lease economic upside

In 2023, NOVA experienced a pronounced back-end weighting of ITC sales due to delayed treasury guidance. However, we anticipate a more evenly distributed contribution from this activity in 2024. Given prior conservatism in ITC guidance, we sense management's initial guide of \$35-\$40Mn per quarter could be exceeded, depending on pace of lease deployment and availability of ITC and tax equity partners. Additionally, we continue to anticipate potential ITC adder upside as visibility to domestic content and energy community bonuses improves. Precise guidance to the upside of these adders may have to wait until late 2024 or early 2025, but management's preliminary sizing of 32%-40% (guidance embeds a lower assumption) indicates meaningful upside to our numbers and to the Street.

Estimates: FY24 mostly unchanged, growth story intact

We have updated our estimates for FY24 and FY25, principally accounting for what management defined as at least a -20% reduction in adjusted operating expense per customer expected in 2024. This drives our adj. EBITDA estimate for 2024 slightly higher to \$422Mn versus \$416Mn prior. Our model aligns with all facets of management's FY24 guidance. Our adjustments for the 4Q23 update were fairly muted, in contrast to the share price volatility driven by thematic discussions of adequate prospective cash generation and deliberation over whether the 2026 convertible debt should be retired.

Exhibit 2: NOVA Key Metrics

FY24 estimates largely unchanged; improved adj. EBITDA for higher opex cost-out

	FY24 Metrics				FY25 Metrics			
	2024 BofA Est	2024 Prior BofA Est	2024 Cons Est	FY24 Guidance	2025 BofA Est	2025 Prior BofA Est	2025 Cons Est	FY25 Guidance
New Customer Additions	189,774	188,375	141,591	185-195	221,867	220,356	181,748	N/A
Adj. EBITDA	\$422	\$416	\$358	350-450	\$476	\$450	\$504	N/A
P&I	\$427	\$426		360-440	\$633	\$627		N/A
Principal	\$247	\$247		210-250	\$384	\$380		
Interest	\$180	\$180		150-190	\$249	\$247		

Source: BofA Global Research, Company filings, Bloomberg, Visible Alpha

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Valuation: PO still \$16/sh; trading below opco + net debt

Below we detail our updated sum-of-the-parts valuation for NOVA. We continue to use a 15% discount rate for NOVA's OpCo resulting in value attribution of ~\$11/sh (-\$1/sh versus prior) reflecting inclusion of updated cash, CWIP, and inventory balances following 4Q23 earnings. This implies NOVA is trading below intrinsic value even removing future growth from all consideration. We principally detail our growth below where we use a 20% discount rate, unchanged from prior assumptions. We attribute \$5/sh of value to growth (up from \$4/sh prior), which continues to be unappreciated by the Street at current levels. We remain confident in overall volumetric growth trends despite a likely underwhelming trend for the wider sector in '24. We see cost and cash focus driving stronger economics in FY24, with spreads on originations continuing to remain healthy given management's disclosure of near-term 600 basis point spread. Even more so than most cleantech names, NOVA is a clear beneficiary of rate cuts, which could provide upside on origination spreads and cash generation, as well as discount values on future cash flows.

Exhibit 3: NOVA Valuation

No change to PO or methodology; valuation rolled forward for FY1 2024

Year Ending	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
	2024	2025	2026	2027	2028	2029	2030
Solar Lease / PPA							
Customers	73,548	82,647	83,287	88,797	94,784	98,634	98,634
MW added	515	579	583	622	663	690	690
Unlevered IRR Solar	12.4%	12.8%	13.0%	12.6%	12.5%	12.3%	12.3%
Unlevered IRR Storage	7.4%	7.1%	7.6%	8.9%	8.4%	8.7%	10.1%
Storage Attach Rate	50.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
NPV / W Unlevered (6% Discount Rate)	\$1.31	\$1.26	\$1.21	\$1.18	\$1.14	\$1.13	\$1.16
NPV / W Levered (10% discount rate)	\$0.49	\$0.48	\$0.49	\$0.48	\$0.46	\$0.46	\$0.49
Value Created (\$mm)	\$253	\$279	\$288	\$297	\$304	\$319	\$337
Implied Multiple on Value Created (EV / Unlevered Cash Flow)	12.6x	12.5x	12.8x	12.8x	12.8x	12.9x	13.1x
Solar Loan							
Customers	30,500	30,406	37,602	39,482	41,456	43,529	45,706
MW added	244	243	301	316	332	348	366
Unlevered IRR Solar	10.8%	11.8%	10.5%	10.5%	10.5%	10.5%	10.5%
Unlevered IRR Storage	12.2%	13.3%	12.0%	12.0%	12.0%	12.0%	12.0%
Storage Attach Rate	35.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
NPV / W Unlevered (6% Discount Rate)	\$1.30	\$1.42	\$0.83	\$0.83	\$0.83	\$0.83	\$0.83
NPV / W Levered (10% discount rate)	\$0.92	\$0.92	\$0.37	\$0.37	\$0.37	\$0.37	\$0.37
Value Created (\$mm)	\$225	\$224	\$111	\$116	\$122	\$128	\$135
Accessory Loan							
Customers	64,000	76,800	88,320	101,568	116,803	128,484	141,332
Assumed Customer Balance	\$8,000	\$10,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
NPV per Customer (10% Discount Rate)	\$171	\$213	\$256	\$256	\$256	\$256	\$256
Value Created (\$mm)	\$11	\$16	\$23	\$26	\$30	\$33	\$36
Service Customers	18,000	27,000	40,500	60,750	91,125	136,688	170,859
Cash Sales	3,726	5,014	5,766	6,631	7,626	7,626	7,626
Total Customers	189,774	221,867	255,476	297,229	351,795	414,960	464,157
Memo Total Solar Customers	104,048	113,053	120,889	128,279	136,241	142,163	144,339
Total Customer Growth		17%	15%	16%	18%	18%	12%
Blended IRR Solar Leases	11.3%	11.3%	11.7%	11.7%	11.6%	11.6%	11.9%
Blended IRR Solar Loans	11.0%	12.2%	10.9%	10.9%	10.9%	10.9%	10.9%
IRR Accessory Loans	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%
Weighted Average Return	10.9%	11.2%	10.8%	10.8%	10.8%	10.8%	10.8%
Cost of Debt Solar Lease / PPA	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Cost of Debt Solar Loan	7.3%	7.3%	7.5%	7.5%	7.5%	7.5%	7.5%
Cost of Debt Accessory Loans	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Weighted Average Cost of Debt	7.5%	7.5%	7.6%	7.6%	7.6%	7.6%	7.6%
Spread on Origination	3.4%	3.7%	3.2%	3.2%	3.2%	3.2%	3.2%
Total Value Generated (ex Service Customers)	\$489	\$520	\$422	\$440	\$456	\$480	\$508
Less Cash G&A and SBC Opex (\$mm)	(\$211)	(\$330)	(\$353)	(\$363)	(\$362)	(\$353)	(\$353)
Total Value Generated							
Discounted Value	\$193	\$110	\$33	\$31	\$31	\$35	\$36
Discounted Value Created Through 2029 (\$mm)	\$470						
Terminal Multiple	6.0x						
Terminal Value (Discounted) (\$mm)	\$217						
Total Value	\$686						
\$/sh	5						
Shares Outstanding	128						
OpCo Value Including Net Debt	\$11						
Price Objective \$/sh	\$16						

Source: BofA Global Research, Company filings, Bloomberg, Visible Alpha

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Price objective basis & risk

Sunnova Energy (NOVA)

Our price objective for Nova is \$16/share based on sum-of-the-parts valuation. We value the PowerCo portion of the company by taking NPV of Net Customer Value (excl. Net Cash), equivalent to discounting cash flows from the existing asset base by a 15% discount rate. This equates to \$11/sh.

We value expected future installed assets through 2030 on a DCF basis with value created discounted to present at a 20% cost of equity assumption. Including a 6x terminal value multiple on 2030E NPV and the NPV of G&A expense, including non-cash SBC costs and future expected corp capital needs, this equates to \$5/sh.

Downside risks to PO being achieved: NOVA is particularly exposed to rate sensitivity, credit spreads, net metering policies, and risk of broadly competitive environment for customer acquisition squeezing development margins.

Upside risks to PO being achieved: Better than expected recovery in rates and capital market conditions, better than expected growth prospects, better NEM 3.0 outcome, and if the ITC is extended beyond the current schedule.

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
	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
	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
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
	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
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
RSTR	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	SunRun	RUN	RUN 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

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

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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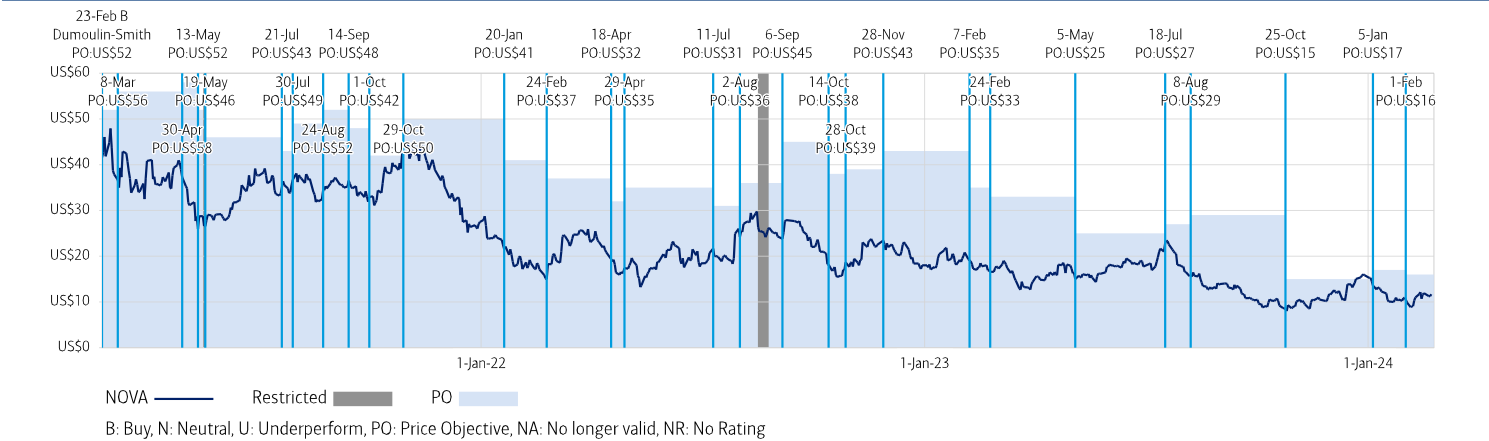
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Sunnova Energy (NOVA) Price Chart



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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	8	47.06%	Buy	8	100.00%
Hold	5	29.41%	Hold	3	60.00%
Sell	4	23.53%	Sell	1	25.00%

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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