

## Black Hills Corporation

# 4Q23 Preview: could macro improvement restore EPS CAGR target visibility?

Reiterate Rating: UNDERPERFORM | PO: 49.00 USD | Price: 51.34 USD

## More interest rate help needed to meet 4-6% EPS CAGR

We reiterate Underperform on natural gas & electric utility Black Hills Corporation (BKH). Despite lessening headwinds from refinancing \$2.1Bn of parent level debt from 2023 to 2028, we still forecast a 3.3% EPS CAGR through 2028, short of the 4-6% guidance target. Incremental cost control and better regulatory outcomes could help close this gap, but we still see a discounted valuation as appropriate. BKH is among the most interest-rate exposed utilities in our coverage universe. We calculate every -25bps of lower interest rates equals +\$0.05 higher EPS given upcoming maturities. As such, our discussions with investors indicate difficulty in disentangling the story from broader macro considerations. This complicates the investment thesis as a regulated utility.

## 4Q23 and FY24 EPS in line; delta vs. street widens '25-'28

We update our EPS estimates for updated financing assumptions at the parent. Our utility and unregulated generation estimates remain largely unchanged with no corresponding impact to our valuation assumption. We expect FY24 guidance to be roughly in line vs Street, though 2024 EPS will likely rely on significant non-core items to deliver 4-6% EPS growth in line with the long-term CAGR given roughly 26c of one-time items embedded in base-year 2023 EPS. Commentary on FY24 earnings mix and visibility to potential upside capex for generation in Colorado and Wyoming from 2025 to the end of the decade are likely to be important considerations on the 4Q23 earnings call. Given our assumption of only modest underearning at the electric and natural gas utilities, we continue to believe Consensus does not reflect the magnitude of potential refinancing headwinds. We are -4% below the Street in 2026E and -8% in 2027E.

## PO still \$49; discount due to guidance revision risk

We maintain our PO of \$49, as unfavorable MtM of electric and gas peer groups offsets the impact of lower assumed borrowing costs on debt refinancings expected to occur from 2024 to 2028. We continue to value BKH's utilities at a -2x discount to peer groups, reflecting below-average EPS growth, while acknowledging the improvement. BKH's balance sheet improvement and strengthening is positive and a contrast to peers. FFO/debt forecasts throughout the planning period of 14-15% well above S&P's 12% downgrade threshold: this had been a concern of ours but the steady improvement shows the efforts that management has taken.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	3.74	3.97	3.81	3.90	4.05
GAAP EPS	3.74	3.90	3.74	3.82	4.00
EPS Change (YoY)	0.3%	6.1%	-4.0%	2.4%	3.8%
Consensus EPS (Bloomberg)			3.81	3.87	4.11
DPS	2.29	2.41	2.50	2.55	2.59
Valuation (Dec)					
P/E	13.7x	12.9x	13.5x	13.2x	12.7x
GAAP P/E	13.7x	13.2x	13.7x	13.4x	12.8x
Dividend Yield	4.5%	4.7%	4.9%	5.0%	5.0%
EV / EBITDA*	10.2x	9.4x	8.1x	7.3x	6.9x
Free Cash Flow Yield*	-21.3%	-0.6%	-1.0%	-7.1%	-2.7%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 10.

BoFA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 11 to 13. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

12647498

Timestamp: 18 January 2024 06:00AM EST

18 January 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
2023E Rev (m)	2,661.1	2,657.7
2024E Rev (m)	2,793.2	2,792.2
2025E Rev (m)	2,900.1	2,904.5
2023E EPS	3.85	3.81
2025E EPS	3.95	4.05

**Julien Dumoulin-Smith**

Research Analyst  
BoFA  
+1 646 855 5855  
[julien.dumoulin-smith@bofa.com](mailto:julien.dumoulin-smith@bofa.com)

**Paul Zimbardo**

Research Analyst  
BoFA  
+1 646 855 1470  
[paul.zimbardo@bofa.com](mailto:paul.zimbardo@bofa.com)

**Tanner W. James, CFA**

Research Analyst  
BoFA  
+1 646 855 2689  
[tanner.w.james@bofa.com](mailto:tanner.w.james@bofa.com)

### Stock Data

Price	51.34 USD
Price Objective	49.00 USD
Date Established	20-Nov-2023
Investment Opinion	B-3-7
52-Week Range	46.43 USD - 73.98 USD
Mrkt Val (mn) / Shares Out (mn)	3,491 USD / 68.0
Free Float	99.3%
Average Daily Value (mn)	22.85 USD
BoFA Ticker / Exchange	BKH / NYS
Bloomberg / Reuters	BKH US / BKH.N
ROE (2023E)	8.4%
Net Dbt to Eqty (Dec-2022A)	133.0%
ESGMeter™	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"](#).

FFO: Funds from operations

# iQprofile<sup>SM</sup> Black Hills Corporation

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	4.7%	4.9%	5.3%	5.5%	5.7%
Return on Equity	8.9%	9.1%	8.4%	8.3%	8.2%
Operating Margin	21.0%	17.8%	20.5%	21.8%	22.8%
Free Cash Flow	(742)	(20)	(34)	(248)	(93)

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	-0.3x	2.2x	2.2x	2.2x	2.2x
Asset Replacement Ratio	2.9x	2.4x	2.1x	2.8x	2.3x
Tax Rate	2.3%	8.5%	15.7%	18.2%	18.1%
Net Debt-to-Equity Ratio	142.6%	133.0%	123.9%	120.4%	117.6%
Interest Cover	2.7x	2.8x	2.4x	2.4x	2.3x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	1,949	2,552	2,658	2,792	2,905
% Change	14.9%	30.9%	4.1%	5.1%	4.0%
Gross Profit	1,949	2,552	2,658	2,792	2,905
% Change	14.9%	30.9%	4.1%	5.1%	4.0%
EBITDA	881	957	1,118	1,226	1,313
% Change	0.5%	8.6%	16.8%	9.7%	7.0%
Net Interest & Other Income	(152)	(159)	(226)	(259)	(287)
<b>Net Income (Adjusted)</b>	<b>237</b>	<b>263</b>	<b>262</b>	<b>280</b>	<b>299</b>
<b>% Change</b>	<b>1.4%</b>	<b>11.0%</b>	<b>-0.4%</b>	<b>7.2%</b>	<b>6.5%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	237	258	257	274	295
Depreciation & Amortization	236	251	287	309	325
Change in Working Capital	(592)	18	0	0	0
Deferred Taxation Charge	7	26	26	26	26
Other Adjustments, Net	48	32	12	12	12
Capital Expenditure	(677)	(604)	(615)	(869)	(751)
<b>Free Cash Flow</b>	<b>-742</b>	<b>-20</b>	<b>-34</b>	<b>-248</b>	<b>-93</b>
<b>% Change</b>	<b>-229.0%</b>	<b>97.4%</b>	<b>-74.6%</b>	<b>-627.4%</b>	<b>62.4%</b>
Share / Issue Repurchase	119	90	160	165	95
Cost of Dividends Paid	(145)	(157)	(172)	(183)	(191)
Change in Debt	778	115	46	267	189

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	9	21	21	21	21
Trade Receivables	322	508	508	508	508
Other Current Assets	478	542	542	542	542
Property, Plant & Equipment	6,449	6,798	7,126	7,687	8,113
Other Non-Current Assets	1,875	1,749	1,749	1,749	1,749
<b>Total Assets</b>	<b>9,132</b>	<b>9,618</b>	<b>9,947</b>	<b>10,507</b>	<b>10,933</b>
Short-Term Debt	0	525	525	525	525
Other Current Liabilities	902	1,142	1,152	1,213	1,256
Long-Term Debt	4,127	3,607	3,643	3,849	3,995
Other Non-Current Liabilities	1,216	1,254	1,280	1,305	1,331
<b>Total Liabilities</b>	<b>6,245</b>	<b>6,528</b>	<b>6,600</b>	<b>6,892</b>	<b>7,107</b>
<b>Total Equity</b>	<b>2,887</b>	<b>3,090</b>	<b>3,347</b>	<b>3,615</b>	<b>3,826</b>
<b>Total Equity &amp; Liabilities</b>	<b>9,132</b>	<b>9,618</b>	<b>9,947</b>	<b>10,507</b>	<b>10,933</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 10.

## Company Sector

Electric Utilities

## Company Description

Black Hills Corporation is a vertically integrated electric and gas utility headquartered in South Dakota. The company is primarily a regulated electric and gas utilities business with the remainder consisting of long-term contracted power production (269MW) and coal production. The company serves approximately 1.25mn customers in Colorado, Kansas, Montana, Nebraska, South Dakota, Arkansas, Iowa, and Wyoming.

## Investment Rationale

We rate Black Hills Corp (BKH) Underperform with a negative risk/reward profile. We see risk to the stated long-term EPS CAGR of 4-6%, with significant parent debt maturities from 2023 to 2028 creating a significant headwind to consolidated EPS growth.

## Stock Data

Average Daily Volume 436,330

## Quarterly Earnings Estimates

	2022	2023
Q1	1.82A	1.73A
Q2	0.52A	0.35A
Q3	0.54A	0.67A
Q4	1.10A	1.06E

## Macro dominates the conversation

BKH has underperformed peers -11% since February 10, 2023, with a continued correction after the 4Q22 earnings call reset ~10%. The relative valuation steadily declined through much of the second half of 2023, reflecting investor concern that refinancing the company's upcoming long-term debt maturities at the parent from 2023-2028 would pressure short-term and long-term earnings power. Our conversations with investors have been dominated by the broader macro conversation and refinancing quantifications rather than core regulatory utility discussions (rate cases, requests for proposals, etc.). Management has been highly focused on controlling operating costs and the elements within their control, showing much stronger cost containment going back to the last quarter. As we currently see it, current interest rate headwinds could still largely disable the company from meeting the 4-6% EPS CAGR, a discomfoting fact following last year's long-term guidance reduction from 5-7% prior. That said, as March approaches, investors have looked to a potential acceleration in the pace of interest rate cuts as a strong opportunity for BKH's outlook to materially improve.

### Exhibit 1: BKH Relative P/E Valuation to IXU Index

Interest rate optimism leveled off in late 2023 and early 2024, worsening relative discount to utility peers



Source: Bloomberg

BofA GLOBAL RESEARCH

## Interest rates largest source of upside to estimates, stock

Operationally, we see the BKH story as straightforward: accelerated rate case activity should right-size utility operating and financing costs throughout the planning period, with mid-to-late 2020s rate base growth driven by expenditures for 570MW of generation in Wyoming and Colorado materializing by 2030. Our assumptions, with current interest rates held in place for refinancings at the parent, result in 2028E EPS of \$4.40, or approximately 16c below the level implied to be the low-end of BKH's 4-6% EPS CAGR. As such, showing our interest rate math on the next page, we demonstrate that all other factors equal BKH could need to observe at least a 75bps reduction in interest rates before locking in new refinancing for parent debt in order to recover its pace to meeting the long-term EPS CAGR target. Alternatively, additional cost efforts,



upside capital investment, and/or more efficient financing avenues could be other areas to offset the headwinds.

The \$600Mn maturity of debt bearing 1.04% interest in August 2024 represents a particularly sizable headwind of -\$26Mn higher interest expense annually on a pre-tax basis. BKH has stated that there are likely to be modest offsets that improve the realized spread versus the prior lower-cost financing, yet without significant declines in interest rates and borrowing costs, we view the long-term outlook as being at-risk of another downward revision.

## Exhibit 2: Parent Interest Expense Profile and Sensitivity Analysis

Every -25bps to interest rates reduces annualized refinancing burden to EPS by -5c by 2028

Maturity Year	Principal	Assumed Refinancing Interest Rate	Prior Interest Rate	Annualized Interest Expense Impact	After-tax/sh
2023	\$525Mn	6.15% (Actual)	4.25%	\$10.0Mn	-\$0.12
2024	\$600Mn	5.39%	1.04%	\$26.1Mn	-\$0.32
2026	\$300Mn	5.39%	3.95%	\$4.3Mn	-\$0.05
2027	\$400Mn	5.39%	3.15%	\$9.0Mn	-\$0.11
2028	\$300Mn	5.39%	5.95%	-\$1.7Mn	\$0.02
Cumulative Base Case Net Refinancing Impact to EPS at Current Rates					-\$0.58
-25 bps to rates					-\$0.53
-50 bps to rates					-\$0.48
-75 bps to rates					-\$0.43
-100 bps to rates					-\$0.39

\*Prevailing 4.2% rate for 30yr Treasury, plus 119bps spread seen on 2023 refinancing

\*Using 2023 weighted-average shares outstanding

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

## FY23 Adjusted EPS Drivers

We provide modest revisions to our forecasted drivers for 4Q23 earnings, forecasting EPS of \$1.07 versus consensus of \$1.09. Our estimate implies modestly lower year-over-year EPS with rate increases at Cheyenne Power & Light, Rocky Mountain Natural Gas, one month of higher rates in Arkansas, and interim rider recovery. Given the mild winter weather across BKH's service territories in the fourth quarter, we now forecast a -6c headwind from lower gas volumes and heating load.

BKH has reaffirmed the FY23 \$3.65-\$3.85 and pointed to the top-end of the range on the 3Q23 call in early November. **We embed a -\$0.06 headwind for 4Q23 weather, noting that BKH has had outsized weather volatility in some 4Q periods such as -\$0.16 in 4Q21.**

## Exhibit 3: 4Q23 Earnings Walk

BofA estimates slightly below consensus on -6c unfavorable weather

BKH Earnings Walk	EPS	1Q22	2Q22	3Q22	4Q22
<b>FY22A Adjusted EPS</b>	<b>\$3.97</b>	<b>\$1.82</b>	<b>\$0.52</b>	<b>\$0.54</b>	<b>\$1.11</b>
Carrying Costs - One time	(0.12)		(0.12)		
Return to Normal Weather	(0.12)	(0.06)	(0.01)		(0.05)
Electric Residential/Non-Resi Growth & Usage	0.05	0.05			
Non Regulated Margin: Coal Mining & Other	0.06	0.03	0.03		
Transmission Services and Off-System Sales	0.08	0.03	0.05		
Electric Weather	(0.07)	0.00	(0.03)	(0.04)	(0.02)
<b>Electric Margin</b>	0.31	0.05	0.06	0.15	0.03
Reversal Mark to Market Energy Contracts	0.03	(0.04)	0.03		0.04
Current Mark to Market Energy Contracts	(0.05)	(0.04)	0.01	(0.02)	
Gas Residential/Non-Resi Growth & Usage	0.07	0.04	0.01	0.02	
Gas Weather	(0.09)	(0.03)	(0.01)	(0.02)	(0.04)
<b>Gas Margin</b>	0.17	0.06	0.03	0.03	0.06
Gain on Sale: \$0.09 1Q23	0.15	0.09		0.06	
Core O&M	(0.25)	(0.16)	(0.15)	0.04	0.02
D&A	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)

**Exhibit 3: 4Q23 Earnings Walk**

BofA estimates slightly below consensus on -6c unfavorable weather

**BKH Earnings Walk**

	EPS	1Q22	2Q22	3Q22	4Q22
Interest Exp	(0.10)	(0.06)	(0.03)	(0.01)	(0.00)
Other Income	(0.09)	0.00	(0.05)	(0.02)	(0.03)
Taxes	(0.04)	(0.02)	0.03	(0.03)	(0.03)
Dilution	(0.12)	(0.04)	(0.01)	(0.02)	(0.04)
<b>FY23E Adjusted EPS</b>	<b>\$3.81</b>	<b>\$1.73</b>	<b>\$0.35</b>	<b>\$0.67</b>	<b>\$1.07</b>
<b>FY24 Consensus</b>	<b>3.87</b>	<b>1.67</b>	<b>0.40</b>	<b>0.51</b>	<b>1.09</b>
<b>BofA Forecasted Beat/(Miss) vs Consensus</b>	<b>-1.5%</b>	<b>3.2%</b>	<b>-12.1%</b>	<b>32.2%</b>	<b>-1.7%</b>
<b>FY23 Adj EPS Guidance</b>	<b>3.65-3.85</b>				
<b>BofA Forecasted Beat/(Miss) vs Guidance</b>	<b>2%</b>	<b>1%</b>	<b>-28%</b>	<b>33%</b>	<b>3%</b>

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

**FY24 Adjusted EPS Drivers**

We also present our FY24 EPS walk below. We calculate base year 2023 EPS to contain 26c of one-time items (including an assumption for unfavorable weather in the unreported fourth quarter), presenting a steep year-over-year headwind to meeting 4-6% EPS growth in 2024. **Per management's guidance, we expect BKH to supplement organic EPS with one-time items in 2024 to meet implied 4-6% EPS growth off the \$3.75 midpoint of 2023 EPS;** we estimate this inorganic support to EPS to be 17c in 2024 with uncertain quarter-by-quarter timing. Management has stated this could take the form of select asset divestitures, land sales to commercial customers, or other miscellaneous items. In our view, the largest driver in year-over-year organic EPS growth is likely to be +41c of higher gas rates following rate cases in Wyoming, Colorado, and Arkansas. Continued progress in executing the company's active rate case strategy will be key to right-sizing the individual utilities to the inflationary costs that have emerged over the last several years. However, perhaps the most significant driver to EPS upside through the planning period could be the pace at which lower interest rates reduces the refinancing burden on parent debt, though the impact to FY24 EPS would be modest.

**Exhibit 4: BKH FY24 EPS Walk text**

BofA estimate includes 17c of one-time items; potential upside from customer growth

<b>BKH Earnings Walk</b>	EPS	1Q23	2Q23	3Q23	4Q23
<b>FY23A Adjusted EPS</b>	<b>\$3.81</b>	<b>\$1.73</b>	<b>\$0.35</b>	<b>\$0.67</b>	<b>\$1.07</b>
Carrying Costs - One time	0.00				
Return to Normal Weather	0.03	(0.03)	0.02	(0.02)	0.06
Electric Residential/Non-Resi Growth & Usage	0.00				
Non Regulated Margin: Coal Mining & Other	0.00				
Transmission Services and Off-System Sales	0.00				
Electric Weather	0.00				
<b>Electric Margin</b>	<b>0.22</b>	<b>0.06</b>	<b>0.06</b>	<b>0.00</b>	<b>0.09</b>
Reversal Mark to Market Energy Contracts	0.03	0.04	(0.01)	0.00	
Current Mark to Market Energy Contracts	0.00				
Gas Residential/Non-Resi Growth & Usage	0.00				
Gas Weather	0.00				
<b>Gas Margin</b>	<b>0.50</b>	<b>0.08</b>	<b>0.10</b>	<b>0.10</b>	<b>0.23</b>
Gain on Sale:	(0.14)	(0.09)		(0.05)	
Miscellaneous One-time Items	0.17		0.09	0.08	
Core O&M	(0.15)	(0.04)	(0.04)	(0.04)	(0.04)
D&A	(0.07)	(0.02)	(0.02)	(0.02)	(0.02)
Interest Exp	(0.21)	(0.03)	(0.03)	(0.06)	(0.09)
Other Income	0.01	0.01			
Taxes	(0.12)		(0.12)		
Dilution	(0.17)	(0.07)	(0.02)	(0.03)	(0.05)
<b>FY24E Adjusted EPS</b>	<b>\$3.90</b>	<b>\$1.63</b>	<b>\$0.39</b>	<b>\$0.64</b>	<b>\$1.26</b>
<b>FY24 Consensus</b>	<b>3.87</b>	<b>1.72</b>	<b>0.47</b>	<b>0.76</b>	<b>1.09</b>
<b>BofA Forecasted Beat/(Miss) vs Consensus</b>	<b>0.8%</b>	<b>-4.7%</b>	<b>-17.3%</b>	<b>-16.3%</b>	<b>15.8%</b>

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH



## Guide revision risk lingers; need rate cut acceleration

We raise our valuation year 2026E EPS to \$4.15 from \$4.07 prior, reflecting improved earnings power from comparatively lower interest rate assumptions on future refinancings relative to prior expectations. Our utility EPS estimate remains largely unchanged at \$4.36. Still, we see BKH's 2023-2028 EPS rising just 3-4% off the base \$3.75 in 2023, falling short of the low end 4-6% EPS CAGR. Management believes it has a line of sight to achieving the 4-6% EPS CAGR by driving operating cost savings and executing an ambitious rate case strategy to recover \$3.5Bn of capex from 2023 to 2027. While possible, we still view there to be significant downside risk to current long-term guidance, reflected in our below-consensus estimates from 2025 to 2028.

### Exhibit 5: BKH Financial Snapshot

Raising estimates on reduced parent drag from lower interest rate differential on refinancing; still below 4-6% EPS CAGR

BKH Financial Snapshot	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	CAGR '23-'28
<b>Utility Earnings</b>	<b>3.50</b>	<b>3.47</b>	<b>3.74</b>	<b>3.93</b>	<b>4.23</b>	<b>4.36</b>	<b>4.49</b>	<b>4.66</b>	<b>4.5%</b>
Electric Utilities	2.13	1.82	1.89	1.66	1.75	1.86	1.92	1.98	0.9%
Gas Utilities	1.37	1.65	1.85	2.27	2.48	2.50	2.57	2.68	7.6%
<b>Market Based EPS</b>	<b>0.46</b>	<b>0.36</b>	<b>0.38</b>	<b>0.37</b>	<b>0.37</b>	<b>0.37</b>	<b>0.37</b>	<b>0.37</b>	<b>-0.2%</b>
Coal	0.19	0.19	0.18	0.17	0.17	0.16	0.16	0.16	-3.0%
IPP	0.26	0.18	0.19	0.20	0.20	0.20	0.21	0.21	2.2%
Parent Drag and eliminations	-0.26	-0.25	-0.31	-0.40	-0.55	-0.58	-0.66	-0.63	15.2%
<b>Adjusted EPS</b>	<b>3.71</b>	<b>3.59</b>	<b>3.81</b>	<b>3.90</b>	<b>4.05</b>	<b>4.15</b>	<b>4.20</b>	<b>4.40</b>	<b>2.9%</b>
EPS Guidance: 2023-2027 4-6% EPS CAGR	3.85-4.00	3.95-4.15	3.65-3.85				Using \$3.75 as base =>		3.2%
Midpoint	3.93	4.05	3.75	3.94	4.13	4.34	4.56	4.79	5.0%
Consensus	3.89	4.02	3.81	3.87	4.11	4.33	4.60	-	5.2%*
BofA vs Consensus	-5%	-11%	0%	1%	-2%	-4%	-9%		*Thru 2027
BofA vs Guidance	-6%	-11%	2%	-1%	-2%	-4%	-8%	-8%	
% Change in Estimates	-1%	-10%	-1%	0%	3%				
Payout Ratio: 55-65% Guidance	62%	67%	66%	65%	64%	63%	64%	62%	
FFO/Debt: 14-15% Target		13.8%	13.5%	14.4%	14.7%	14.7%	14.8%	15.2%	

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

## Valuation: PO still at \$49

We have no change to our PO of \$49. We continue to value BKH using a sum-of-the-parts analysis on 2026 financial results. Our peer group multiples for both electric and gas utilities declined slightly 13.5x and 13.4x, respectively, versus 13.8x and 13.5x prior. We continue to gross up each multiple 5% to reflect capital appreciation across the sector, a consistent methodology. Our -2x discount to both the gas and electric utilities remains unchanged, reflecting the company's below-average growth and potential EPS downside through the planning period. We still value the contracted IPP assets at \$4/sh and wind project assets at less than \$1/sh. Our per share reduction to EPS from parent/nonregulated drag has been reduced to -\$9/sh versus -\$10/sh prior, reflecting lower corporate interest expense on debt held at the holding company level.

**Exhibit 6: Black Hills Valuation**

Mostly unchanged except for lower interest expense; still downside to current estimates if interest rates remain elevated

**Black Hills Corp Valuation**

<u>Utilities</u>	<u>2026 EPS</u>	<u>Group P/E Multiple</u>	<u>P/E Adjuster</u>	<u>Value per Share</u>	
Group Peer Multiple - Electric		13.5x		-	
Group EPS CAGR		5.0%		-	
				-	
Group Peer Multiple - Gas		13.4x		-	
Group EPS CAGR		5.0%		-	
				-	
Gas Utilities	\$2.50	14.1x	-2.0x	\$30	
Electric Utilities	\$1.86	14.2x	-2.0x	\$23	
Total 2026 Utilities	\$4.36	12.1x		\$53	
-15%					
Coal Segment EPS	\$0.17	Peer P/E	5.0x	\$0.84	
<u>Contracted IPP Assets</u>	<u>2026 EBITDA</u>	<u>Peer Multiple</u>	<u>Premium</u>	<u>Multiple</u>	<u>EV Value</u>
Wygen Coal Plant (65 MW)	\$15	7.0x	-2.0x	5.0x	\$73
Colorado Electric (Pueblo Airport)	\$216	\$Mn (Predicated on 49% Sale in 2016)			\$216
Net Equity Value					\$289
Net Equity Value per Share					\$4
<u>Wind project (\$91mn)</u>	\$0.04	14.2x	1.0x	15.2x	\$0.59
<u>Debt related to business valued by EV/EBITDA</u>			<u>Amount</u>		
Debt Allocated to IPP, Coal, and O&G Businesses			\$110	-\$1.51	
			'26 EPS		
<u>Parent, Other, and Eliminations</u>			<u>Average Multiple</u>	<u>Amount per Share</u>	
EPS from Segment			-\$0.55	13.5x	-\$7.41
Total Per Share Deductions					-\$8.92
Grand Total Equity					\$3,591
Shares (mn)					72.84
Total Equity per Share					\$49.00
Current Share Price					51.34
NTM Dividend Yield					4.9%
Total Potential Return					0.3%

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH





## Price objective basis & risk

### Black Hills Corporation (BKH)

Our \$49 per share valuation is based on a sum-of-the-parts analysis. We apply the latest peer average electric (13.5x) and natural gas (13.4x) 2026E P/E multiples. We gross-up +5% the base multiples across the coverage universe to reflect capital appreciation in the sector. We apply a -2x discount for below average EPS and dividend growth prospectively. Coal Mine: We apply an 5x peer P/E multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a premium multiple to that portion of the mine. IPP Assets: We use the sale price and '23 EV/EBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag and debt.

Downside risks: inability to earn the authorized rate of return, unfavorable regulatory outcomes, reductions in capital expenditures forecasts, higher operating and financing costs, lower sales volumes, unfavorable political and legislative changes, higher interest rates, and natural disasters.

Upside risks: ability to earn above the authorized rate of return, favorable regulatory outcomes, higher capex deployment, lower operating and financing costs, higher sales volumes, favorable political and legislative changes, decrease in 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
<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
	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
	Nexttracker 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



## North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	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	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	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
	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	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
	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
<b>UNDERPERFORM</b>				
	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	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



## 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

iQmethod<sup>SM</sup> 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 validations. 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.

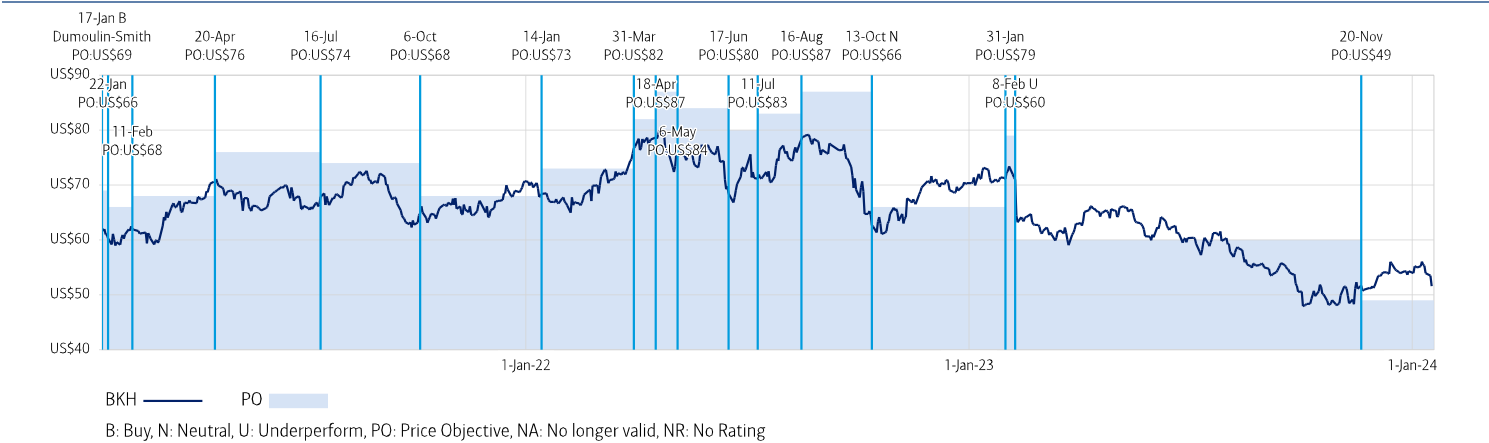
iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

iQprofile<sup>SM</sup>, iQmethod<sup>SM</sup> are service marks of Bank of America Corporation. iQdatabase<sup>®</sup> is a registered service mark of Bank of America Corporation.

# Disclosures

## Important Disclosures

Black Hills (BKH) 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 <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.

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 <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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. Coverage Cluster is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed. BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Black Hills. BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Black Hills Corporat. The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Black Hills Corporat. BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Black Hills Corporat. The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Black Hills Corporat. BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Black Hills Corporat. BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Black Hills. The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Black Hills Corporat. BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America

Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

## Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofA or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

**'BofA Securities' includes BofA Securities, Inc. ('BofAS') and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. 'BofA Securities' is a global brand for BofA Global Research.**

### Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at [www.bofam.com/BofASEdisclaimer](http://www.bofam.com/BofASEdisclaimer); BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSCF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSCF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

### General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile

and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BoFA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BoFAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BoFAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BoFA Securities, through business units other than BoFA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BoFA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BoFAS for the provision of research services for a separate fee, and in connection therewith BoFAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BoFAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BoFAS). If such recipient uses the services of BoFAS in connection with the sale or purchase of a security referred to herein, BoFAS may act as principal for its own account or as agent for another person. BoFAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

#### **BoFA ESGMeter Methodology:**

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BoFA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of the BoFA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

#### **Copyright and General Information:**

Copyright 2024 Bank of America Corporation. All rights reserved. iQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BoFA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BoFA Securities. BoFA Global Research information is distributed simultaneously to internal and client websites and other portals by BoFA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BoFA Securities.

Materials prepared by BoFA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BoFA Securities, including investment banking personnel. BoFA Securities has established information barriers between BoFA Global Research and certain business groups. As a result, BoFA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BoFA Global Research personnel's knowledge of legal proceedings in which any BoFA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BoFA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BoFAS or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BoFA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BoFA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BoFA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BoFA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BoFA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BoFA Securities is under no obligation to update this information and BoFA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BoFA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BoFA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BoFAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BoFA Securities nor any officer or employee of BoFA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.

