EQT Corporation

ETRN: compelling logic, rate of change drives recognition of value. Buy

Reiterate Rating: BUY | PO: 60.00 USD | Price: 34.21 USD

11 March 2024

Equity

Key Changes

(US$)	Previous	Current
Price Obj.	52.00	60.00

Doug Leggate
Research Analyst
BofAS
+1 713 247 6013
doug.leggate@bofa.com

John H. Abbott
Research Analyst
BofAS
john.h.abbott@bofa.com

Kalei Akamine
Research Analyst
BofAS
kalei.akamine@bofa.com

Noah Hungness
Research Analyst
BofAS
noah.hungness@bofa.com

Carlos Escalante
Research Analyst
BofAS
carlos.escalante@bofa.com

Compelling logic reverses prior management mis-steps

We spent last week on the road with EQT in Europe. The dominant theme was a focus on lowering its b/even gas price as a critical advantage through a volatile commodity environment. Management opined on two options – find a way to bring its midstream costs back 'in house', or look for a greater mix of liquids in future M&A. This morning, EQT's acquisition of ETRN brings two almost perfectly integrated businesses back together and resets EQT's competitive cost advantage, with options on synergies & potential disposals. We see the logic compelling and a bold move by an innovative management team to change the risk profile of its outlook.

EQT joins 'rate of change' E&P's: start with de-leveraging

The deal is all-stock where EQT will pay 0.3504 EQT shares for each ETRN share (implied premium of 12% or $589mm); to be fair ETRN shares recently benefited from positive news on MVP start-up & speculation that it was considering strategic options. EQT will own 74% of the combined entity. Pro forma net debt is $12bn, 35% of the pro-forma EV, with a glidepath to $7.5bn through FcF & $3.5bn of asset sales including non-op Marcellus and regulated pipeline asset sales. EQT expects to maintain its IG rating with a hybrid E&P / midstream ratings structure. Critically, the deal elevates EQT to a group of large E&P's with rate of change to drive market recognition of value.

B/even <$2.00 leaves material upside to our PO

Bringing EQT and ETRN back together lifts EQT's volume integration to 90% and resets low-cost inventory (from 1,000 locations to 3,000). Stable midstream c/flow estimated at ~30% of NewCo lowers FcF volatility - and in our view trumps a simplistic view of FcF accretion: given an all equity deal on a midstream business with no leverage to gas prices, relative FcF dilution / accretion will vary with gas price. At our base case ($4.00/mcf), the deal is slightly dilutive (~4%) by 2028; at $3.50/mcf we see it accretive by ~5% and defensive at lower prices. Frankly we see the accretion math as irrelevant: on a 'value in value out'. with a reduction on EQT's corporate b/even below $2.00/mcf; with every $0.01c adding $22mm to FcF, our current base case that assumes $4.00/mcf long term gas from 2026 means >$4.4bn of FcF and >$5bn of unlevered FcF on a $35bn EV. Our first looks leaves material upside to our revised PO of $60/sh ($4.00/mcf gas). Note we transfer coverage to Doug Leggate as EQT transitions to the large cap E&Ps.

Estimates (Dec) (US$)	2022A	2023A	2024E	2025E	2026E
EPS	3.11	2.32	1.40	3.89	5.70
GAAP EPS	4.37	4.27	1.40	3.89	5.70
EPS Change (YoY)	224.0%	-25.4%	-39.7%	177.9%	46.5%
Consensus EPS (Bloomberg)			1.79	4.73	5.10
DPS	0.55	0.62	0.63	0.63	0.63
Valuation (Dec)					
P/E	11.0x	14.7x	24.4x	8.8x	6.0x
GAAP P/E	7.8x	8.0x	24.4x	8.8x	6.0x
Dividend Yield	1.6%	1.8%	1.8%	1.8%	1.8%
EV / EBITDA*	4.3x	4.9x	6.8x	4.6x	3.8x
Free Cash Flow Yield*	13.5%	8.3%	4.0%	13.6%	17.7%

* For full definitions of *iQmethod*SM measures, see page 15.

Stock Data

Price	34.21 USD
Price Objective	60.00 USD
Date Established	11-Mar-2024
Investment Opinion	C-1-7
52-Week Range	28.11 USD - 45.23 USD
Mrkt Val (mn) / Shares Out (mn)	15,067 USD / 440.4
Free Float	99.3%
Average Daily Value (mn)	179.80 USD
BofA Ticker / Exchange	EQT / NYS
Bloomberg / Reuters	EQT US / EQT.N
ROE (2024E)	4.2%
Net Dbt to Eqty (Dec-2023A)	38.8%
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".

AMT: Alternative minimum tax
Bcfe: Billion cubic feet of gas equivalent
GP&T: Gathering, processing & transmission
HH: Henry Hub
LNG: Liquid natural gas
Mcf: thousand cubic feet
MVP: Mountain Valley Pipeline
NGL: Natural gas liquids

iQprofile℠ EQT Corporation

iQ**method*℠ **– Bus Performance

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	10.1%	8.5%	3.6%	7.9%	10.3%
Return on Equity	10.8%	6.7%	4.2%	11.0%	14.4%
Operating Margin	34.5%	33.5%	17.7%	32.5%	40.8%
Free Cash Flow	2,027	1,257	598	2,047	2,667

iQ**method*℠ **– Quality of Earnings

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.7x	3.4x	4.5x	2.4x	1.9x
Asset Replacement Ratio	0.9x	1.1x	1.1x	1.0x	1.0x
Tax Rate	23.7%	17.6%	22.9%	23.0%	23.0%
Net Debt-to-Equity Ratio	31.5%	38.8%	35.3%	21.5%	6.3%
Interest Cover	10.4x	10.5x	3.9x	9.4x	13.3x

Income Statement Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	7,498	6,909	6,193	7,758	8,744
% Change	144.6%	-7.9%	-10.4%	25.3%	12.7%
Gross Profit	5,080	4,497	3,401	4,841	5,777
% Change	466.2%	-11.5%	-24.4%	42.3%	19.3%
EBITDA	4,824	4,248	3,075	4,514	5,441
% Change	601.2%	-11.9%	-27.6%	46.8%	20.5%
Net Interest & Other Income	(250)	(220)	(282)	(267)	(267)
Net Income (Adjusted)	**1,262**	**937**	**623**	**1,734**	**2,539**
% Change	**303.1%**	**-25.8%**	**-33.4%**	**178.1%**	**46.4%**

Free Cash Flow Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,771	1,726	623	1,734	2,539
Depreciation & Amortization	1,666	1,732	1,986	2,051	2,051
Change in Working Capital	99	384	0	0	0
Deferred Taxation Charge	566	460	168	362	107
Other Adjustments, Net	(636)	(1,122)	26	26	26
Capital Expenditure	(1,438)	(1,922)	(2,206)	(2,126)	(2,056)
Free Cash Flow	**2,027**	**1,257**	**598**	**2,047**	**2,667**
% Change	**NM**	**-38.0%**	**-52.4%**	**242.4%**	**30.3%**
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	(223)	(249)	(281)	(281)	(281)
Change in Debt	(226)	0	0	0	0

Balance Sheet Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,459	81	193	1,960	4,346
Trade Receivables	1,438	1,438	1,438	1,438	1,438
Other Current Assets	4,522	4,461	4,461	4,461	4,461
Property, Plant & Equipment	17,415	20,405	20,563	20,638	20,643
Other Non-Current Assets	902	902	902	902	902
Total Assets	**25,736**	**27,287**	**27,557**	**29,399**	**31,790**
Short-Term Debt	423	292	292	292	292
Other Current Liabilities	4,125	3,791	3,791	3,791	3,791
Long-Term Debt	5,256	5,503	5,236	5,236	5,236
Other Non-Current Liabilities	2,517	2,977	3,145	3,507	3,614
Total Liabilities	**12,321**	**12,564**	**12,464**	**12,827**	**12,934**
Total Equity	**13,415**	**14,724**	**15,093**	**16,572**	**18,857**
Total Equity & Liabilities	**25,736**	**27,287**	**27,557**	**29,399**	**31,790**

* For full definitions of *iQmethod*℠ measures, see page 15.

Company Sector

Oil & Gas Producers

Company Description

EQT is the largest natural gas producer in the US, with estimated 2021 year-end proved reserves of approximately 24.9 Tcfe (approximately 94% natural gas / 69% developed) with almost all of its assets in Pennsylvania, Ohio and West Virginia.

Investment Rationale

Our Buy rating on EQT reflects optionality on natural gas, where we project a 10c move in the back in the futures curve is worth approximately $4 per share, and that we continue to view the company as a rate of change story.

Stock Data

Average Daily Volume	5,255,883

Quarterly Earnings Estimates

	2023	2024
Q1	1.70A	0.69E
Q2	-0.17A	0.15E
Q3	0.30A	0.12E
Q4	0.48A	0.44E

Sets stage for rate of change

Compelling logic reverses prior management mis-steps

Note that post this announcement we transfer coverage to Doug Leggate as we see the company now firmly in the large cap space.

We spent last week on the road with EQT in Europe. The dominant theme was a focus on lowering its b/even gas price as a critical advantage through a volatile commodity environment. While ancient history, the challenge legacy management's separation of Equitrans in 2018 left the E&P business paying unnecessary costs through elevated GP&T costs. Debating options on how to lower that cost, management opined on two options

- find a way to bring its midstream costs back 'in house', or
- look for a greater mix of liquids in future M&A.

This morning, EQT's acquisition of ETRN essentially brings two almost perfectly integrated businesses back together, and in our view resets EQT's competitive cost advantage, with options on synergies & potential disposals – a few months before the long-awaited start-up of MVP (2Q23). We see the strategic logic compelling and a bold move by an innovative management team to change the risk profile of what is still, the largest natural gas producer in the US.

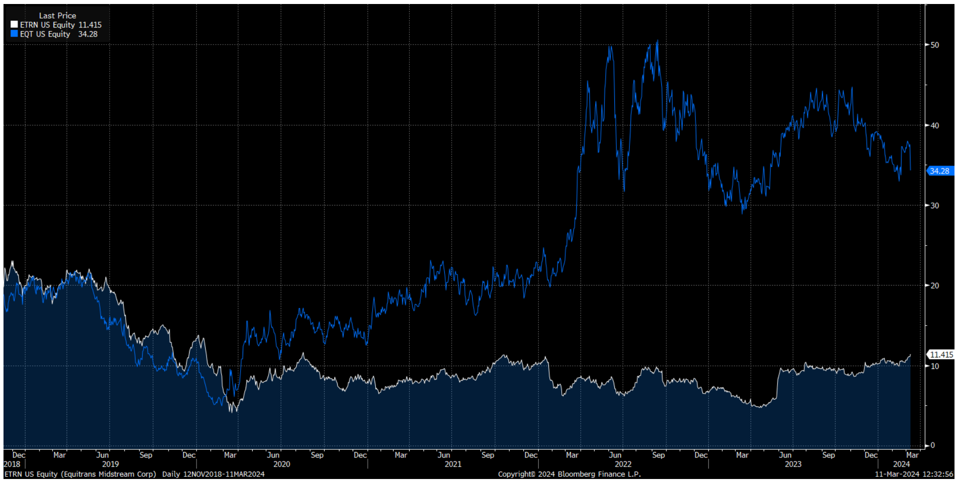
EQT joins 'rate of change' E&P's: start with de-leveraging

The transaction is all-stock where EQT will pay 0.3504 EQT shares for each ETRN share, for an implied premium of 12% or $589mm

To be fair, ETRN's recent share performance had benefited from positive news on MVP start-up & speculation that it was considering strategic options including a sale. However, we see the bigger story that EQT's ~200% absolute appreciation c/w a 43% decline since ETRN was spun out on Nov-18:

- ETRN's EV at the time of the spin was $13.6bn (32% net debt) vs $12.2bn currently (60% net debt). EQT will own 74% of the combined company.
- Pro forma net debt is $12bn, 35% of the pro-forma EV, with a glidepath to $7.5bn through FcF & $3.5bn of asset sales including non-op Marcellus and regulated pipeline asset sales.

Exhibit 1: EQT vs ETRN
EQT has materially outperformed sin ETRN was spun out in Nov 2018



Source: Bloomberg

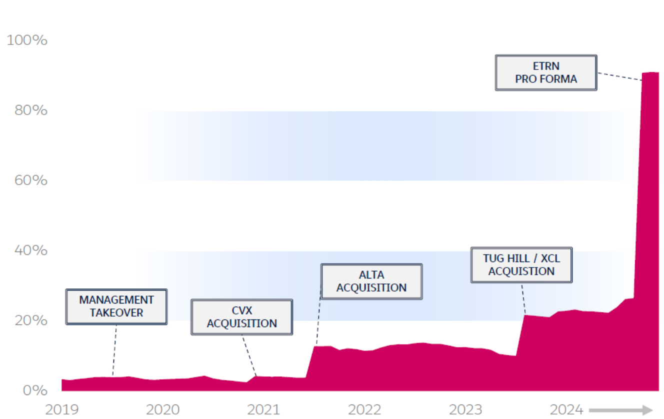
BofA GLOBAL RESEARCH

EQT expects to maintain its IG rating with a hybrid E&P / midstream ratings structure. Critically, the deal elevates EQT to a group of large E&P's with rate of change to drive market recognition of value.

B/even <$2.00 leaves material upside to our PO

Midstream has been at the core of EQT's M&A strategy to lower costs (CVX Appalachia, Alta and Tug Hill). Bringing EQT and ETRN back together lifts EQT's volume integration to 90% and resets the economics of its lowest cost inventory (from 1,000 to 3,000).

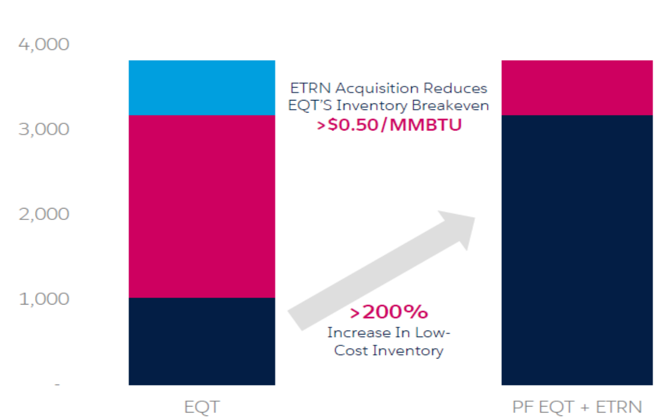
Exhibit 2: Integrated gathering
90% vs 20% previously



Source: EQT

BofA GLOBAL RESEARCH

Exhibit 3: Location accretion
Lowest cost locations increase 3x from 1,000 to 3,000



Source: EQY

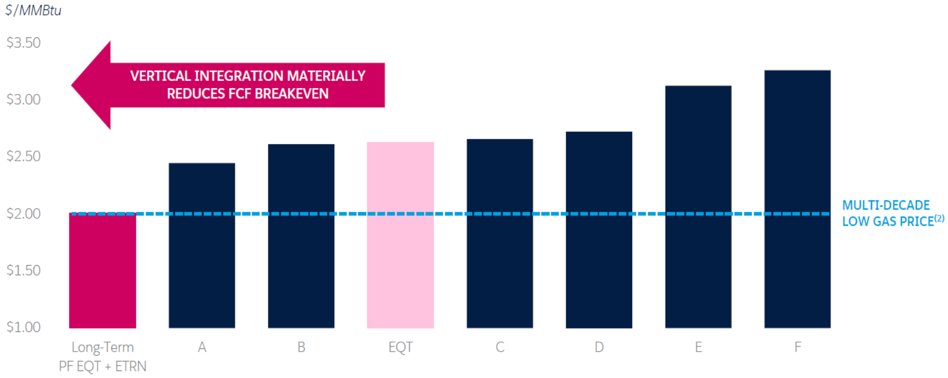
BofA GLOBAL RESEARCH

Stable c/flow from midstream estimated at ~30% of NewCo lowers FcF volatility - and in our view trumps a simplistic view of FcF accretion:

- Given an all equity deal on a midstream business with no leverage to gas prices, relative FcF dilution / accretion will vary with gas price.
- At our base case ($4.00/mcf), the deal is slightly dilutive (~4%) by 2028; at $3.50/mcf we see it accretive by ~5% and defensive at lower prices.

Frankly we see the accretion math as irrelevant: on a 'value in value out', EQT is paying a $580mm premium to secure $250mm - $425mm of annual synergies with a present value of 3x - 6x that level.

Exhibit 4: EQT's estimated corporate natural gas break / even pre / post ETRN deal
From ~$2.55/mcf to <$2.00/mcf



Source: EQT

BofA GLOBAL RESEARCH

Accretion/ Dilution math

A more stable business, defensive on the downside

The table below shows standalone metrics under our BofA price deck assuming l/term $4 HH, with sensitivity at l/term $3.50 HH. Given an all equity deal on a midstream business that has no leverage to gas prices, relative FcF dilution / accretion will vary with gas prices. At our base case that assumes $4.00/mcf l/term HH gas, the deal is very slightly dilutive FcF (~4%) by 2028. At $3.50/mcf we see the deal accretive by ~5% and more defensive at lower prices.

Exhibit 5: Deal adds stability to free cash flow outlook

Slightly FcF dilutive at $4 HH by 2028, but it accretive at lower gas prices

BofA Price deck (assumes long term 4 HH)					
EPS	**2024**	**2025**	**2026**	**2027**	**2028**
Standalone EQT		3.94	5.77	6.04	6.98
Pro forma		4.01	5.14	5.34	6.03
Accretion / dilution		2%	-11%	-12%	-14%
CFPS					
Standalone EQT		9.48	10.72	10.98	11.88
Pro forma		8.71	9.66	9.85	10.52
Accretion / dilution		-8%	-10%	-10%	-11%
Free CF per share before dividend					
Standalone		4.65	6.06	6.34	7.25
Pro Forma		4.71	6.07	6.28	6.96
Accretion / dilution		1.3%	0.2%	-0.9%	-4.0%
Net Debt to EBITDA		2.1x	1.4x	1.0x	0.5x
Pro forma Net Debt	12,644	10,225	6,997	3,646	(107)
long-term 3.50 HH					
EPS	**2024**	**2025**	**2026**	**2027**	**2028**
Standalone EQT		3.94	3.78	3.95	4.81
Pro forma		4.01	3.66	3.79	4.42
Accretion / dilution		2%	-3%	-4%	-8%
CFPS					
Standalone EQT		9.48	8.73	8.89	9.71
Pro forma		8.71	8.18	8.30	8.91
Accretion / dilution		-8%	-6%	-7%	-8%
Free CF per share before dividend					
Standalone		4.65	4.06	4.25	5.08
Pro Forma		4.71	4.59	4.73	5.34
Accretion / dilution		1.3%	13.0%	11.3%	5.3%
Net Debt to EBITDA		2.1x	1.7x	1.3x	0.9x
Pro forma Net Debt	12,644	10,225	7,874	5,441	2,644

Source: BofA Global Research

BofA GLOBAL RESEARCH

Frankly we see the accretion math as irrelevant: on a 'value in value out', EQT is paying a $580mm premium to secure synergies with a present value of 3x - 6x that level. Moreover, we expect the more stable underlying c/flow to lower EQT's cost of capital. Other assumptions are as follows: pro forma share count of ~593mm; Near-term synergies of $250mm and incremental longer-term synergies of $175m; For ETRN, we are holding our midstream estimates flat in 2027 and 2028 per BofA estimates.

The full detailed analysis at our base case ($4.00 / mcf from 2026) is shown below.

Exhibit 6: Detailed pro forma scenario analysis assuming $4 HH

Estimate 4% dilutive in 2028 on free cash flow

EQT shares	**440.4**				
ETRN shares	152.8445				
	593.2445				
	EQT	**ETRN**		**Pro forma**	
Shares	440.4	152.8	593.2		
Sh Price	37.52	37.52	37.52		
Market Cap	16,524	5,735	22,259		
Debt	6,242	7,277	13,519		
Cash	81	259	340		
Net Debt	6,161	7,018	13,179		
EV	22,685	12,753	35,437		
	2024	**2025**	**2026**	**2027**	**2028**
Stand alone financials					
EQT Earnings		1,736	2,542	2,658	3,072
EQT Operating CF		4,173	4,723	4,835	5,234
EQT EBITDA		4,512	5,438	5,449	5,793
EQT capex		2,126	2,056	2,044	2,042
ETRN Earnings		537	400	400	400
ETRN Operating CF		888	902	902	902
ETRN EBITDA		1,504	1,532	1,532	1,532
ETRN Capex		360	360	360	360
Pro forma financials					
Pro forma Earnings	**2024**	**2025**	**2026**	**2027**	**2028**
EQT Earnings		1,736	2,542	2,658	3,072
ETRN Earnings		537	400	400	400
Synergies		108	108	108	108
		2,381	3,049	3,166	3,580
Pro forma operating cash flow					
EQT Operating CF		4,173	4,723	4,835	5,234
ETRN Operating CF		888	902	902	902
Synergies		108	108	108	108
		5,169	5,733	5,844	6,243
Pro Forma EBITDA					
EQT EBITDA		4,512	5,438	5,449	5,793
ETRN EBITDA		1,504	1,532	1,532	1,532
Synernies		140	140	140	140
		6,156	7,110	7,122	7,465
Pro forma capex					
EQT Capex		2,126	2,056	2,044	2,042
ETRN Capex		360	360	360	360
Synergies		-110	-285	-285	-285
		2,376	2,131	2,119	2,117
Free cash flow					
EQT standalone Free CF		2,047	2,667	2,791	3,192
Pro forma Free CF		2,793	3,601	3,725	4,127
Dividend		(374)	(374)	(374)	(374)
Free cash flow after dividend		2,419	3,228	3,351	3,753
		Standalone and Pro forma metrics			
EPS	**2024**	**2025**	**2026**	**2027**	**2028**
Standalone EQT		3.94	5.77	6.04	6.98
Pro forma		4.01	5.14	5.34	6.03
Accretion / dilution		2%	-11%	-12%	-14%
CFPS					
Standalone EQT		9.48	10.72	10.98	11.88
Pro forma		8.71	9.66	9.85	10.52
Accretion / dilution		-8%	-10%	-10%	-11%
Free CF per share before dividend					
Standalone		4.65	6.06	6.34	7.25
Pro Forma		4.71	6.07	6.28	6.96
Accretion / dilution		1.3%	0.2%	-0.9%	-4.0%
Net Debt to EBITDA		2.1x	1.4x	1.0x	0.5x

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Tales from the road (Pre ETRN)

Rate of change in cost embedded in EQT's outlook: PO $60

Over the past week we had an opportunity to travel with EQT senior management, CEO Toby Rice and CFO Jeremy Knop.

From BofA's standpoint, completion of the Tug Hill acquisition last year and now ETRN, that has obviously shifted EQT to the large cap E&P's, we transition coverage to view the strategy, management philosophy and outlook against large cap E&P peers. Our team conclusion reinforces EQT's position as the one of the highest quality US gas producers as defined by inventory depth, cost structure and balance sheet quality, noting EQT is the only current large cap producer of scale with an investment grade credit.

Critically, we view EQT's focus on cash break even, where hedging has the sole objective of synthetically reducing its break even, as opposed to meeting some required metric related to debt or credit. With a break even around $2.55mcf, free cashflow at strip that is ~, and a 'core' inventory life over 15 years we, see EQT amongst the best combinations of value and downside risk amongst the US gas E&Ps.

Much or our discussions took place prior to the ETRN announcement – and for now, our valuation remains ex ETRNS pending closure expected in 4Q23. On a standalone basis, our rating remains Buy; after a review of its long-term cost, capital and decline outlook with our DCF based PO moves up to $60/sh at long-term $4.00 HH gas. Still, on our preliminary view of the deal, not included below we see our valuation risked higher beyond arbitrage trading on the shares.

Exhibit 8: DCF Value: $4.00 long term gas from 2026

Bridged to steady state maintenance capital from 2026-38; assumes 2100 gross locations vs

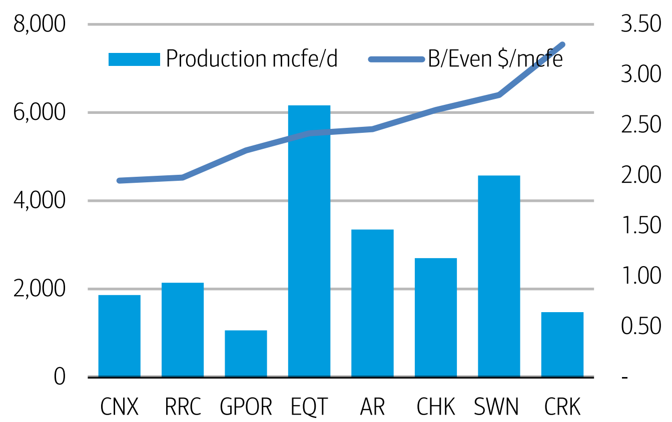
Discount Rate	**7.34%**	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**2025**	**2026**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**
Production (Mmcfe/d)		6,328	5,824	6,151	6,163	6,320	6,320								
% sequential growth		3.2%	-8.0%	5.6%	0.2%	3.3%	0.0%								
% Natural gas		95%	94%	95%	94%	94%	94%								
Commodity deck															
Henry Hub ($/Mmbtu)		$2.50	$2.50	$2.75	$3.25	$3.55	$4.00								
WTI ($ / bbl)		$72.5	$77.5	$77.5	$72.5	$72.5	$70.0								
Realizations															
Natural gas ($/Mcf)		$2.91	$2.44	$2.39	$2.75	$3.26	$3.71								
Oil ($ / Bbl)		$55.0	$60.0	$60.0	$55.0	$55.0	$57.4								
Ethane ($ / Bbl)		$5.70	$5.48	$5.94	$6.82	$7.66	$7.66								
C3+ NGLs		$37.5	$35.5	$35.7	$36.5	$34.7	$34.4								
Consolidated:															
Debt Adjusted C/Flow		980	629	640	826	4,382	4,797	5,044	4,035	3,349	2,880	2,534	2,281	2,076	1,910
Dividends from ETRN															
Capital Expenditures		(593)	(524)	(524)	(565)	(2,126)	(2,056)	(2,042)							
Other (+/-)															
Free Cash Flow	-	-	**105**	**116**	**261**	**2,257**	**2,740**	**3,002**	**4,035**	**3,349**	**2,880**	**2,534**	**2,281**	**2,076**	**1,910**
Present Value (2021-25)	9,116														
AnnuityValue (2026-35)	11,615														
Terminal PDP value	11,314														
Total PV	**32,045**								20%	17%	14%	12%	10%	9%	8%
Net Debt	(5,414)														
Adjusted net debt	**(5,414)**														
Equity Value	26,631														
Equity/sh	**60**														
Shares Outstanding	445														

Source: BofA Global Research

BofA GLOBAL RESEARCH

At the simplest level, consider EQT's unhedged break even in 2024 – estimated at around $2.55/mcfe. By 2028, we estimate that this would drops to around $2.35/mcfe through a combination of lower midstream costs, mainly as a consequence of the step down in fees related to the expected startup of MVP. While the original pace has been tempered by the delayed start of MVP, the trajectory remains in place that will see overall costs drop by a net ~$0.10 - $0.15/mcf by 2028. Of course, this was before the ETRN deal. Based on management's guidance this now drops below $2.00/mcf on the same time frame.

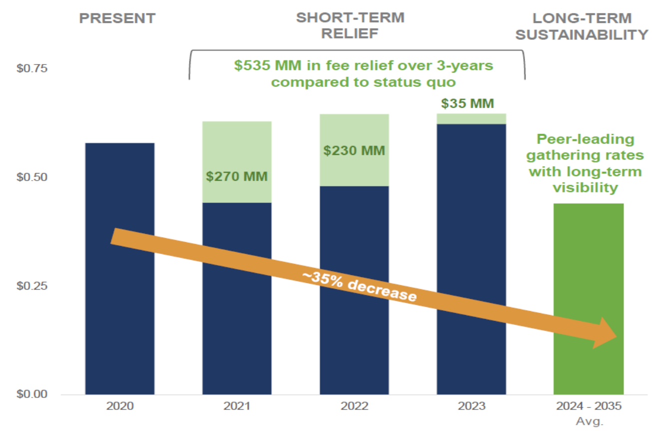
Exhibit 8: Estimated break even $/mcfe (Pre ETRN)
EQT is the biggest; break even is mid-range – but moving lower



Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 10: MVP provides visibility on costs
A step down of $0.15 – $0.20/mcf



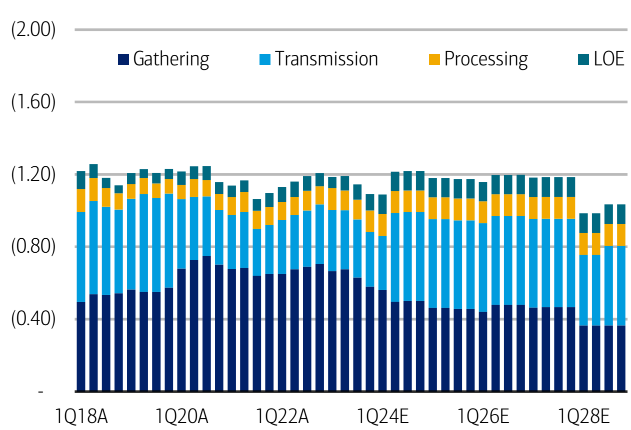
Source: EQT

BofA GLOBAL RESEARCH

Downstream bottlenecks exist on the Transco system, which mean for a period, EQT's share of an 80c tariff will increase its transport costs near term, but partially offset by lower gathering and processing as part of its agreement with Equitrans. This is embedded in prior 2024 guidance and in our view, is well understood by the market.

Still, with line of sight to a ~$0.20/mcf drop in its portfolio break-even over the next three years, before the ETRN acquisition, its worth considering that across 2.25 bcfe (before recently announced curtailments), at maintenance levels of production, EQT's projected annual cost savings of some $450mm is of a similar magnitude of the headline savings suggested by Chesapeake from its pending merger with SWN.

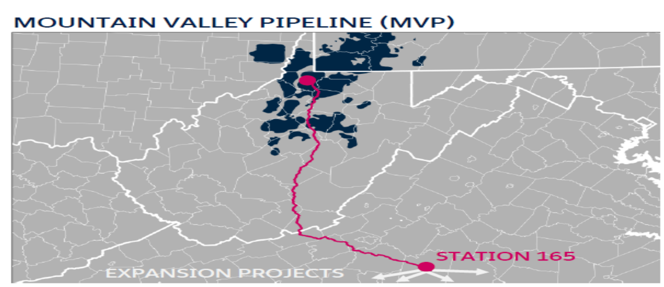
Exhibit 11: EQT's total operating costs has line of sight to step down
The impact of MVP



Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 12: MVP bottlenecks get resolved from 2027
The biggest step change as Williams expands Transco



UPCOMING STATION 165 EXPANSIONS

PROJECT	MMBTU/D	EXPECTED IN-SERVICE
A	160,000	Winter 2024
B	78,000	Winter 2024
C	105,000	Winter 2025
D	1,587,000	Winter 2027
E	550,000	Summer 2028
Total	2,480,000	

Source: EQT

BofA GLOBAL RESEARCH

These cost reduction opportunities are clearly now risked higher - $250mm initially from ETRN, rising to $425mm as lower line pressures reduce drilling, with the offset on additional compression spending.

Still, an incremental $250-$425mm of annual synergies spread over a 17 year 'core' asset life (2,100 locations, 130 wells / year) has a current value of $1.7bn - $3.0bn that places EQT amongst the rate of change players amongst US E&Ps.

In our view, the value of this rate of change is not being recognized by the market – most likely as much of the visibility is longer dated, with the step down in costs largely dependent on the expansion projects underway by Williams on its Transco system.

From discussions with management on the road, its target to continue to lower unit cost break-even, including sustaining capital remains the primary focus of its strategy, and has multiple steps:

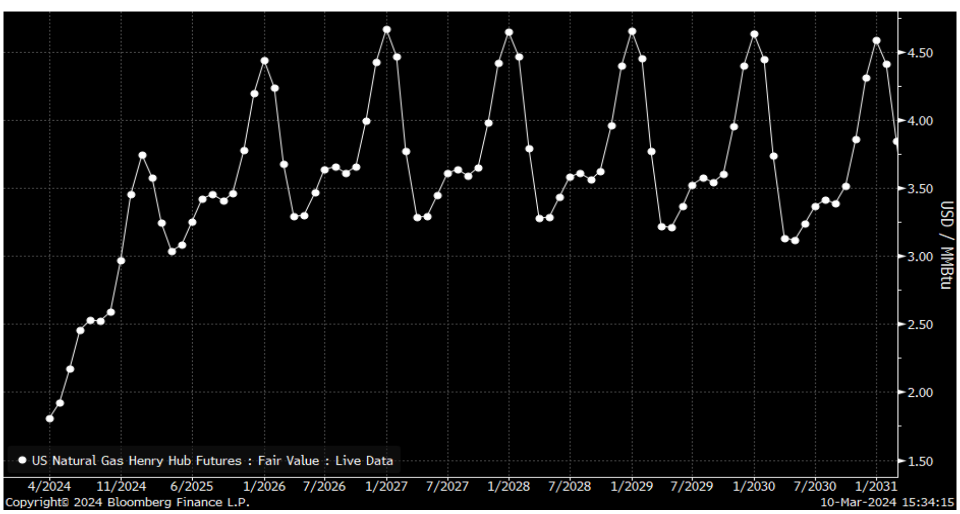
- With 4Q23 earnings management affirmed multiple midstream projects, including water handling as part of strategic growth capital targeted at $200-$300mm in '24;
- Additionally, it is acquiring a 34% interest in a gathering system already operated by EQT, from WES for $205mm and expected to lower portfolio costs by $0.01/mcf.
- Lastly, two long term (10 year) gas contracts with Duke Energy and Southern Co. at premiums to in basin expected to average ~$0.60/mcfe, or $0.15 - $0.20/mcfe across the portfolio.

While these incremental changes sound small, in aggregate consider that with gas equivalent production of $2.25bce per year (95% gas), every 1c equates to over $20mm, so that the FcF yield on the WES acquisition for example is over 10%.

At this scale, consider than what EQT's FcF trajectory looks like at current strip prior to the proposed ETRN acquisition.

- Keeping things simple, consider that the current forward curve stands at ~$4.00 from 2026, EQT's pre-tax incremental free cashflow above a $2.55 / mcfe current break even equates to ~$3.26bn of annual FcF (pre-tax) in 2026 rising to over $3.8bn by 2028.
- Allowing tax shield on Intangible drilling costs, and assuming an AMT of 15% thereafter, we see annual FcF at ~$3bn, held flat for 17yrs (noting 2,100 'core' locations at the current pace), supporting fair value for EQT of ~$60 per share.

Exhibit 13: Forward HH gas curve remains in steep contango
Having traded between $3.50 - $4.25/mcf over the past year post 2026



Source: Bloomberg

BofA GLOBAL RESEARCH

Note we assume annual spending (pre ETRN) remains at $2bn. However. Per management incorporating efficiency improvements across drilling and completions on recently completed acquisitions (Tug Hill, ETRN), management expects its underlying annual decline to moderate towards 20% by 2028, and sustaining capital to move towards ~$1.8bn for the E&P business.

Focus on unit cost reduction will remain EQT's 'North Star'

With the opportunity to debate EQT's business philosophy at length, we find remarkable alignment with many of the positions we have laid out across our sector coverage over the past decade.

- Recall the underlying principles of our sector view: value is defined by sustainable free cashflow and framed by three key management inputs: sustaining capital, the associated break-even oil & gas prices and inventory depth.
- Together, we see these as the outputs of asset quality and operations that respectively define capital efficiency, portfolio cost and value, with asset life the critical constraint.
- Critically, the multiple is the output, and for an E&P business that is inherently a price taker, we believe there is a reasonable argument that the appropriate priority of free cash flow, when available should be balance sheet first as the critical arbiter of equity volatility and route to multiple expansion.

The business school philosophy of 'efficient leverage' does not work at the trough a volatile commodity cycle when debt trades significantly below par.

With our view that the future of the US gas market will be characterized by extreme volatility following a decade of demand expansion where storage and infrastructure has lagged, we see a favorable rate of change in total cost basis and visible inventory duration as critical inputs to stock selection through the most consequential period of change in the dynamics of US gas markets over the next five years.

In our view, EQT fits this model. Its self-described 'north star' - to lower its cost base - frames all aspects of its strategy. Within this, is a critical but sometimes overlooked objective of capital allocation which is to lower midstream costs, and to bring the fees payable for gathering and processing back inside EQT, in part to reverse the unfavorable impact of legacy EQT's decision to split its E&P & midstream business in two: Equitrans is still the key midstream service provider for EQT and with expected startup of the Mountain Valley Pipeline, EQT will dedicate 4bcf/d of production under Minimum Volume Contracts (MVC's), in an agreement that contributes to a step down in transport costs over the next few years.

M&A has had costs reduction at its core

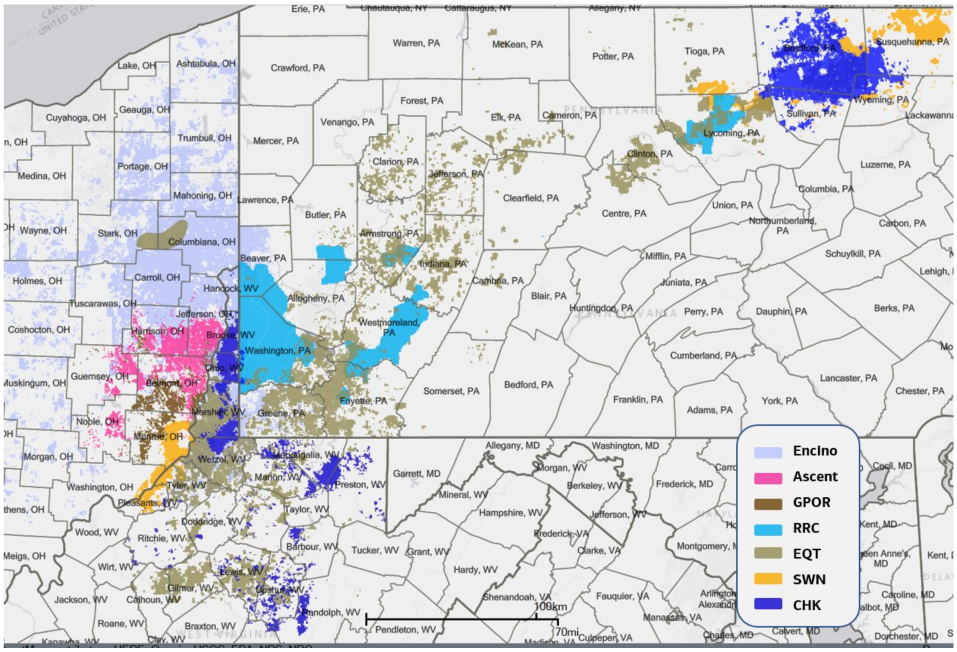
Management has often made thus statement on costs. But the context on how it has designed its strategy to challenge legacy EQT's $3.00/mcf break even underlines that with a deep inventory, management is playing a long game:

- In May 2021, EQT acquired Alta resources, including midstream for $2.925bn; management estimates the break-even of Alta's portfolio at ~$1.85/mcfe
- In Aug 2022 EQT closed the acquisition of Tug Hill and XcL midstream for the equivalent of $**bn; management estimates the break even of the combined portfolio at ~$1.45/mcfe.

Adding to the 2020 acquisition of Chevron Appalachia for $735mm, in an asset where CVX had invested ~$6bn, management has put midstream and to a lesser extent liquids at the center of its strategy to lower its corporate break even. Including the expected benefit of deleveraging, starting with hedge gains in 2024, non-operated sales around CHK acreage and the midstream agreements and acquisitions mentioned above, management has effectively secured line of sight to lower its break even by ~$0.20 / mcfe by 2028. Note, from our standpoint EQT fully expects international players with existing interests in the Marcellus and an 'international' perspective on gas prices to make its asset sale attractive. Assuming the buyer has no wish to operate as was suggested on its 4Q23 earnings call, we look to news flow from CHK's other JV partners.

On lowering its break even, and specifically the quest to increase liquids in its mix, we took then view that management is done yet. Consider the regional map around EQT's position as worth watching on where incremental M&A could come next.

Exhibit 13: Marcellus Acreage map: EQT's overlap vs peers
Includes GPOR, Encino and Ascent Utica acreage



Source: BofA Global Research; Rystad

As a footnote, recent successful results reported by GPOR in the Marcellus is on EQT's radar, with a possible switch from exploration to development something to watch as news flow and confirmatory analogs play out.

Of course, this has all changed with the announced acquisition of ETRN – confirming our sense from the road that EQT is watching recent speculation that Equitrans Midstream may consider a sale at some point post start-up of MVP – but on the assumption that a larger player might consider acquiring the main transmission lines, with EQT in the queue to consider options on for ETRN's gathering and processing assets. In the event EQT is the buyer – with the non-core assets a critical part of the deleveraging plan.

Summary

Buy weakness: establishing a $60 PO at l/term $4.00/mcf HH gas ex ETRN.

There are many other aspects of EQT's strategy that augment the core trajectory that is lowering its break even. Near term, we fully expect management to leverage its long asset life, and 20% access to the US Gulf Coast to translate to 'advantaged' international sales capped at 10% of volume with an attractive floor and ceiling struck at say $4.00/mcf (flange) - $14.00 / mcf (landed) anchored on the theme of supply security. For the domestic market, management is targeting the 'data center alley', the region of its SE US markets for power growth it believes could add natural gas demand of ~7bcf/d by 2030 – at the same time as approved LNG growth accelerates. However, with significant uncertainty on the pace of international LNG build out, management expects to remain nimble on hedging – but as a route to lower its break even as opposed to protecting a balance sheet that is already investment grade. Still, with price expected to be the arbiter of supply given limited US storage, it expects wide swings in price to bring opportunities to opportunistically protect price, with windfalls that first target the balance sheet – and an eventual move towards zero net debt.

But at its root, we see EQT's philosophy as one that acknowledges value as the output of price x volume. Organic growth is off the table; but with the lowest cost portfolio 'of scale' and investment grade balance sheet it will also use its advantage to be patient on its production response to weak gas prices – allowing spot price weakness to 'amp up' pressure on higher cost producers, but then appropriately curtailing its own highest cost production through wide 'digitalization of the gas field' that has been a hallmark of current CEO Toby Rice's tenure since taking control of EQT four years ago. The result, in our view is predictable, sustainable free cash flow that mitigates downside risk, from its low break-even but retains significant leverage to the upside case that is our view on the changing dynamics of US natural gas. While this may not present the 'highest beta' play on a long-term gas recovery, we believe it does present one of the best risk adjusted exposure to US gas markets, and one of the lowest embedded gas prices in the sector, which we estimate at ~$3.30/mcf.

Put simply, we see risk / reward as compelling – and as we transition EQT to our large cap coverage, our rating remains Buy, with our PO moved up to $60/sh recognizing several of the prospective capital efficiencies we expect to play out over the next four years. By our estimates, the acquisition of ETRN leaves upside risk to fair value.

Footnote: Estimate changes

Prior to the ETRN announcement, we adjusted for shut-in assumptions and updated NGL realizations per management guidance.

Exhibit 7: EQT Earnings Estimates

Adjusted for shut-in assumptions and updated NGL realizations.

	Q1	Q2	Q3	Q4	FY	BBG Consensus
2023A	1.70	(0.17)	0.30	0.48	2.32	2.30
2024E	0.69	0.15	0.12	0.44	1.40	1.76
Previous	0.70	0.11	0.10	0.41	1.31	n/a
2025E	1.57	0.59	0.68	1.05	3.89	4.64
Previous	1.62	0.57	0.67	1.02	3.88	n/a
2026E	1.90	1.28	1.17	1.35	5.70	5.09
Previous	1.92	1.26	1.15	1.33	5.67	n/a

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Price objective basis & risk

EQT Corporation (EQT)

Our $60 PO assumes ex growth discounted cash flow value, which assumes $75 Brent and $70 West Texas Intermediate (WTI) long term. We also assume long-term Henry Hub natural gas as $4.00. We apply a long-term (post-tax) weighted average cost of capital (WACC) of 7.3%, which is based on the BofA strategy team's assumed risk premium and a five-year monthly beta.

Potential upside risks: 1) The possibility of tied to higher natural gas realizations long-term, 2) further execution on lower costs and 3) improved local price realizations if MVP comes on-line.

Potential downside risks: 1) the possibility of a future severance tax in Pennsylvania, 2) the possibility that service costs could at some point widen, 3) weak natural gas prices.

Analyst Certification

I, Doug Leggate, 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.

US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	APA Corporation	APA	APA US	Doug Leggate
	Canadian Natural Resources	YCNQ	CNQ CN	Doug Leggate
	Canadian Natural Resources	CNQ	CNQ US	Doug Leggate
	Chesapeake Energy	CHK	CHK US	Doug Leggate
	Chevron Corp.	CVX	CVX US	Doug Leggate
	ConocoPhillips	COP	COP US	Doug Leggate
	Coterra Energy Inc	CTRA	CTRA US	Doug Leggate
	EQT Corporation	EQT	EQT US	Doug Leggate
	ExxonMobil Corp.	XOM	XOM US	Doug Leggate
	Granite Ridge Resources, Inc	GRNT	GRNT US	John H. Abbott
	Imperial Oil	IMO	IMO US	Doug Leggate
	Imperial Oil	YIMO	IMO CN	Doug Leggate
	Kimbell Royalty Partners	KRP	KRP US	John H. Abbott
	Magnolia Oil and Gas	MGY	MGY US	Noah Hungness
	Occidental Petroleum Corp.	OXY	OXY US	Doug Leggate
	Ovintiv Inc	YOVV	OVV CN	Doug Leggate
	Ovintiv Inc	OVV	OVV US	Doug Leggate
	Range Resources Corp	RRC	RRC US	Doug Leggate
	Suncor	YSU	SU CN	Doug Leggate
	Suncor	SU	SU US	Doug Leggate
NEUTRAL				
	California Resources Corporation	CRC	CRC US	Kalei Akamine
	CNX Resources	CNX	CNX US	John H. Abbott
	Delek US Holdings, Inc.	DK	DK US	Doug Leggate
	Devon Energy Corp.	DVN	DVN US	Doug Leggate
	Diamondback Energy Inc.	FANG	FANG US	Doug Leggate
	EOG Resources	EOG	EOG US	Doug Leggate
	Gulfport Energy Corporation	GPOR	GPOR US	Doug Leggate
	HF Sinclair Corporation	DINO	DINO US	Doug Leggate
	Marathon Petroleum Company	MPC	MPC US	Doug Leggate
	PBF Energy	PBF	PBF US	Doug Leggate
	Permian Resources Corporation	PR	PR US	Doug Leggate
	Phillips 66	PSX	PSX US	Doug Leggate
	Valero Energy Corp.	VLO	VLO US	Doug Leggate

US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	Chord Energy Corporation	CHRD	CHRD US	John H. Abbott
	Crescent Energy Company	CRGY	CRGY US	John H. Abbott
	Marathon Oil Corp.	MRO	MRO US	Doug Leggate
	National Fuel Gas Company	NFG	NFG US	John H. Abbott
	Northern Oil and Gas	NOG	NOG US	John H. Abbott
	Vital Energy Inc	VTLE	VTLE US	John H. Abbott
RSTR				
	Pioneer Natural Resources	PXD	PXD US	Doug Leggate

*iQ*method℠ Measures Definitions

Business Performance	**Numerator**	**Denominator**
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings	**Numerator**	**Denominator**
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt – Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	**Numerator**	**Denominator**
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

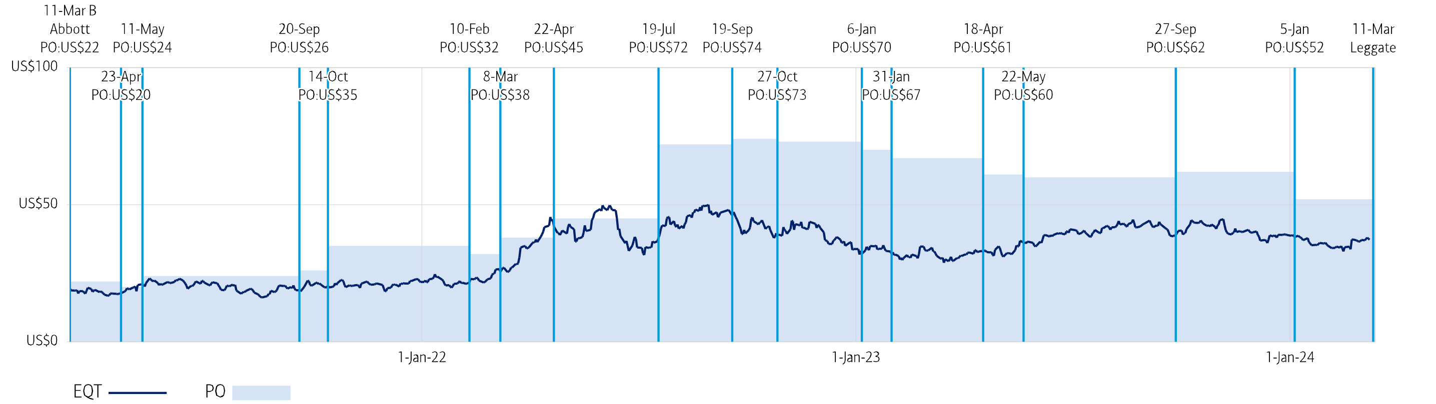
iQmethod℠ is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase® 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.

Disclosures

Important Disclosures

EQT Corp. (EQT) 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: Energy Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

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.

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[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.

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: EQT Corp.
BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: EQT Corp.
The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: EQT Corp.
BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: EQT Corp.
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: EQT Corp.
BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: EQT Corp.
BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: EQT Corp.
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: EQT Corp.
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: EQT Corp.

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 BofAS 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.bofaml.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 (HKSFC); 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 HKSFC; 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:

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 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.