

Eversource Energy

Offshore Impairment Grows. Long-term EPS pressured by future CT rate cases

Reiterate Rating: UNDERPERFORM | PO: 69.00 USD | Price: 72.33 USD

2Q23 beat due to 2020-2021 storm cost recovery

We reiterate our non-consensus Underperform on Eversource Energy (ES) after 2Q23 earnings release and our latest model refresh where we cut EPS estimates. Eversource reported 2Q23 \$0.04 GAAP EPS and \$1.00 adjusted EPS with the offshore wind impairment larger than guided. \$1.00 is a beat vs \$0.94 BofA/\$0.91 Street. ES incurred a \$401Mn pre-tax, \$331Mn post-tax (\$0.95/sh) impairment with 2Q23 vs a May 25th 8K of a \$220-\$280Mn estimated range. This had the effect of reducing the offshore wind investment balance to \$2,080Mn as of 6/30/23 from \$2,160Mn as of 3/31/23. 2Q23 appears to include +\$0.10 EPS \$45.3Mn pre-tax from New Hampshire 2020-2021 storm cost recovery. This was not listed in the original guidance earnings drivers with the 4Q22 call. We estimate ~\$0.03 benefit in 2Q23 from lower effective tax rate.

Offshore wind long-term ROE removed after impairment

ES has removed the 11-13% “expected long-term average ROE” for offshore wind projects and the expected future spending beyond 2023. The \$1.4-\$1.6Bn 2023 expected spending and project in-service targets were maintained.

Long-term EPS growth appears challenged. Reduce PO

We lower our adj. EPS forecasts and are now -5% below FY25 Consensus and -3% vs the 6% guidance midpoint. Drivers are (1) forecasted headwinds to Connecticut earnings for Connecticut Light & Power and Yankee Gas; (2) less offshore wind proceeds; and (3) higher interest rates. Incremental equity needs would be further downside. *We lower our PO to \$69 from \$78 from -\$5/sh lower EPS, -\$3/sh peer MtM, and -\$1/sh CT discount up.*

Balance sheet remains the question

ES added additional disclosures on “key drivers to enhance funds from operations” to debt (FFO/Debt) from the 12.4% Moody’s adjusted 2022. These are mostly known categories including (1) 2022 regulatory credits/tax payments; (2) lower storm costs; (3) collection of deferrals; (4) recent & planned distribution rate increases; (5) offshore wind proceeds; and (6) equity issuances. We look to understand the prospective lower tax obligation/refunds as ES invests \$575Mn in the offshore wind tax equity partnership to generate investment tax credits in 4Q23 and 1H24.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	3.86	4.09	4.38	4.56	4.71
GAAP EPS	3.54	4.05	4.38	4.56	4.71
EPS Change (YoY)	6.0%	6.0%	7.1%	4.1%	3.3%
Consensus EPS (Bloomberg)			4.36	4.65	4.96
DPS	2.41	2.55	2.70	2.85	3.01
Valuation (Dec)					
P/E	18.7x	17.7x	16.5x	15.9x	15.4x
GAAP P/E	20.4x	17.9x	16.5x	15.9x	15.4x
Dividend Yield	3.3%	3.5%	3.7%	3.9%	4.2%
EV / EBITDA*	16.2x	14.0x	14.1x	13.3x	12.4x
Free Cash Flow Yield*	-4.8%	-4.1%	-0.6%	-6.7%	-6.5%

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

01 August 2023

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	78.00	69.00
2023E Rev (m)	9,678.6	9,700.5
2024E Rev (m)	9,974.8	9,971.7
2025E Rev (m)	10,303.9	10,296.6
2023E EPS	4.34	4.38
2024E EPS	4.60	4.56
2025E EPS	4.86	4.71

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Stock Data

Price	72.33 USD
Price Objective	69.00 USD
Date Established	01-Aug-2023
Investment Opinion	B-3-7
52-Week Range	67.79 USD - 94.41 USD
Mrkt Val (mn) / Shares Out (mn)	25,259 USD / 349.2
Average Daily Value (mn)	141.04 USD
BofA Ticker / Exchange	ES / NYS
Bloomberg / Reuters	ES US / ES.N
ROE (2023E)	9.5%
Net Dbt to Eqty (Dec-2022A)	140.8%
ESGMeter TM	High

ESGMeterTM is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

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iQprofileSM Eversource Energy

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	3.5%	3.5%	3.7%	3.8%	3.8%
Return on Equity	9.2%	9.3%	9.5%	9.4%	9.2%
Operating Margin	20.2%	17.9%	24.7%	25.9%	26.7%
Free Cash Flow	(1,212)	(1,041)	(140)	(1,687)	(1,641)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.5x	1.7x	3.1x	1.9x	1.9x
Asset Replacement Ratio	2.4x	2.1x	3.5x	3.3x	3.1x
Tax Rate	21.9%	24.3%	23.2%	23.2%	23.2%
Net Debt-to-Equity Ratio	132.5%	140.8%	134.8%	115.6%	119.6%
Interest Cover	3.4x	3.2x	3.7x	3.4x	3.2x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	9,863	12,289	9,701	9,972	10,297
% Change	10.8%	24.6%	-21.1%	2.8%	3.3%
Gross Profit	6,491	7,275	5,656	5,927	6,252
% Change	9.7%	12.1%	-22.3%	4.8%	5.5%
EBITDA	3,328	3,841	3,809	4,054	4,331
% Change	5.7%	15.4%	-0.8%	6.4%	6.8%
Net Interest & Other Income	(582)	(678)	(652)	(770)	(856)
Net Income (Adjusted)	1,330	1,419	1,542	1,659	1,751
% Change	8.0%	6.7%	8.7%	7.5%	5.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	1,228	1,412	1,550	1,666	1,637
Depreciation & Amortization	1,335	1,643	1,410	1,470	1,586
Change in Working Capital	(277)	(75)	1,672	41	(18)
Deferred Taxation Charge	347	347	293	42	7
Other Adjustments, Net	(670)	(926)	(83)	(83)	38
Capital Expenditure	(3,175)	(3,442)	(4,982)	(4,823)	(4,892)
Free Cash Flow	-1,212	-1,041	-140	-1,687	-1,641
% Change	3.8%	14.2%	86.6%	NM	2.7%

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	221	522	562	507	398
Trade Receivables	1,226	1,517	2,781	2,848	2,902
Other Current Assets	1,823	2,184	1,278	1,316	1,356
Property, Plant & Equipment	33,378	36,113	39,685	43,038	46,344
Other Non-Current Assets	11,844	12,895	12,895	12,895	12,895
Total Assets	48,492	53,231	57,200	60,604	63,894
Short-Term Debt	2,742	2,806	1,222	1,311	1,249
Other Current Liabilities	3,105	3,994	6,023	6,170	6,246
Long-Term Debt	17,024	19,724	21,918	20,498	22,638
Other Non-Current Liabilities	10,866	11,079	11,372	14,363	14,371
Total Liabilities	33,737	37,602	40,535	42,342	44,503
Total Equity	14,755	15,629	16,749	18,428	19,641
Total Equity & Liabilities	48,492	53,231	57,283	60,770	64,144

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

Company Sector

Electric Utilities

Company Description

ES is a regulated utility company providing electric and gas distribution as well as electric transmission services to customers in CT, MA and NH. It also owns a water utility (Aquarion) which serves the same three states. ES has invested in offshore wind and announced a strategic review of the business in 2022.

Investment Rationale

Our Underperform rating on Eversource is based on our view of a below-average EPS growth profile and lower balance sheet credit metrics than the overall utility average. ES' northeast utilities have some of the highest electric and gas rates in the US, increasing the risk of adverse regulatory & political outcomes. We model the offshore wind investment plan as not achieving management's targets, consistent with prior unregulated investment prospects.

Stock Data

Average Daily Volume 1,949,939

Quarterly Earnings Estimates

	2022	2023
Q1	1.30A	1.40A
Q2	0.86A	0.95A
Q3	1.01A	1.20E
Q4	0.88A	0.97E

2Q23 includes non-core drivers

As expected, ES reaffirmed the \$4.25-\$4.43 FY23 adjusted EPS range and the expectation to be solidly in the upper-half of the 5-7% EPS CAGR off a \$4.09 2022 base.

We update FY23 to incorporate 2Q23 actuals and the \$45.3Mn New Hampshire Public Service Commission (PSC) petition for recovery of storm expenses in 2020-2021 (Docket DE 22-031). Management did not specify or quantify what the New Hampshire regulatory outcome was but this would represent substantially all of the +\$0.10 distribution earnings. Additionally storm costs were lower than we expected in 2Q23 and we calculate ~\$0.03 lower effective tax rate. Our \$4.38 FY23 is now higher than the \$4.36 guidance midpoint; however, this does not impact our FY24+ estimates as the drivers are discrete to FY23.

Exhibit 1: ES FY23 Annual and Quarterly Drivers

Increasing FY23 adjusted EPS on prior year storm cost recovery, fewer FY23 storms, and lower taxes

ES Earnings Walk	EPS	1Q	2Q	3Q	4Q
Adjusted EPS - Prior Year	\$4.09	\$1.30	\$0.86	\$1.01	\$0.92
Electric Distribution					
NSTAR Electric +\$64Mn Jan 1, 2023	0.14	0.03	0.03	0.03	0.03
NSTAR Electric Rate Design	-	0.04	-	(0.08)	0.04
PSNH Distribution: \$8.9Mn Nov. 1 2022	0.02	0.00	0.00	0.00	0.00
PSNH Storm Cost Recovery \$45.3Mn May 2023	0.10		0.10		
O&M: Lower storm costs. -\$0.05 YoY in 2022	0.07	0.02	0.01	0.02	0.02
Trackers: ~\$0.01 per quarter	0.04	0.01	0.01	0.01	0.01
Interest Expense	(0.10)	(0.01)	(0.04)	(0.03)	(0.03)
Pension Income Decline: \$0.04 guidance	(0.06)	(0.01)	(0.01)	(0.01)	(0.01)
Energy Assistance Contribution \$10Mn pre-tax	0.02				0.02
Depreciation & Property Taxes	(0.05)	(0.01)	(0.01)	(0.01)	(0.01)
Electric Transmission					
Ratebase Increase: \$0.02-\$0.04 per Quarter	0.11	0.03	0.02	0.03	0.03
Change in ROE/Equity Ratio					
Other					
Natural Gas Distribution					
Trackers: Sub-\$0.01 per quarter	0.02	0.00	0.00	0.00	0.00
NSTAR Gas PBR: \$21.7Mn (\$4.5Mn taxes)	0.05	0.02	0.01	0.00	0.02
EGMA: ~\$11Mn October 31, 2022	0.03	0.02	0.01	0.01	-
Regulatory Lag	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)
Water Distribution					
Aquarion Rate Case: ~\$1Mn March 2023/Stayed	-				
Torrington Water Company: \$72Mn	0.01	0.00	0.00	0.00	0.00
Regulatory Lag	(0.00)	(0.01)	-	0.01	(0.00)
Parent & Other					
Interest Expense	(0.06)	(0.02)	(0.01)	(0.01)	(0.01)
Parent Renewable Energy Investment	0.03	0.03			
Lower Effective Tax Rate	0.03		0.03		
Dilution	(0.05)	(0.02)	(0.01)	(0.01)	(0.02)
FY23E Adjusted EPS	\$4.38	\$1.41	\$1.00	\$0.96	\$1.00
FY23 Consensus	\$4.36	\$1.36	\$0.91	\$1.05	\$1.00
BofA Forecasted Beat/(Miss) vs Consensus	0.4%	3.7%	9.9%	-8.3%	0.1%
FY23 Adj EPS Guidance	4.25-4.43				
BofA Forecasted Beat/(Miss) vs Guide	0.9%	2.3%	9.4%	-10.1%	2.5%
FY23 Adj EPS Guidance	4.34	1.38	0.91	1.07	0.98

Source: Company Filings, Bloomberg, & BofA Global Research

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Downside to Consensus EPS is the main focus

Below we show our latest adjusted EPS forecast where we are -5% below 2025 Consensus with the deltas growing to -8% in 2026 and -12% in 2027.

Exhibit 2: Eversource EPS by Business: reducing CL&P more meaningfully on account of recent regulatory developments

We are now further below Consensus and the 5-7% guidance midpoint. The delta vs 'solidly in the upper half' of the 5-7% range would be larger

Eversource EPS by Business	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2022-2027 CAGR	2023-2027 CAGR
CL&P: CT	1.27	1.35	1.36	1.52	1.50	1.53	1.50	1.48	1.45	-0.9%	-1.1%
PSNH: NH	0.42	0.43	0.44	0.49	0.51	0.53	0.58	0.62	0.66	5.9%	7.4%
WMCO + NSTAR: MA	1.33	1.31	1.38	1.41	1.59	1.60	1.68	1.78	1.77	4.6%	5.8%
NSTAR Gas: MA	0.12	0.15	0.21	0.22	0.34	0.37	0.39	0.39	0.41	13.3%	16.9%
EGMA: MA		0.04	0.16	0.20	0.20	0.24	0.31	0.33	0.36	12.5%	15.8%
Yankee Gas: CT	0.18	0.20	0.22	0.25	0.26	0.27	0.27	0.28	0.28	2.5%	3.1%
Parent & Other	0.03	0.02	(0.03)	(0.12)	(0.13)	(0.12)	(0.16)	(0.16)	(0.16)	6.2%	7.9%
Aquarion	0.10	0.12	0.11	0.11	0.11	0.13	0.15	0.18	0.19	13.1%	16.7%
ES Consolidated EPS	3.45	3.64	3.86	\$4.09	\$4.38	\$4.56	\$4.71	\$4.89	\$4.97	4.0%	5.0%
Guidance: 5-7% 2021A Base	3.40-3.50	3.60-3.70	3.81-3.93	4.04-4.14	4.25-4.43	4.60	4.87	5.16	5.47	6.0%	6.0%
BofA vs. Guidance				0.0%	1.1%	-0.8%	-3.3%	-5.2%	-9.1%		
Consensus		3.64	3.85	4.10	4.36	4.65	4.96	5.31	5.66	6.7%	
BofA vs. Consensus				-0.1%	0.5%	-2.0%	-5.1%	-7.9%	-12.1%		
BofA Change in Estimates				0.0%	1.0%	-0.9%	-3.1%	N/A	N/A		
Previous Estimates	3.45	3.64	3.86	4.09	4.34	4.60	4.86				
FFO / Debt	12.4%	10.2%	12.2%	12.4%	14.6%	15.1%	14.5%	13.9%	13.5%		

Source: Company Filings, Bloomberg, & BofA Global Research

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While the Connecticut Light & Power (CLP) rate case is not expected until 2025, we see a scenario where distribution earnings run-rate 2027 are lower than in 2022. Using the peer United Illuminating (UI – Avangrid [AGR] subsidiary) as an example, a -10% ratebase reduction (vs -20% for UI), 8.8% base authorized return on equity (down from 9.25% currently), and 50% equity ratio (down from 53% currently and more consistent with the prior rate case 50.4%) would support \$269Mn 2027 net income. We stress the regulatory backdrop and risks loom large. Watch Performance Base Rate (PBR) process as well for potential further decrements to earned returns over time as well. On balance, expect outsized concerns on any (long-term) reset in CT earnings power.

See the UI case details here: [US Utilities & IPPs: Connecticut Regulatory Caution Affirmed: Negative Avangrid Proposed Decision 24 July 2023](#)

FY25 Consensus of \$4.96 is well above the \$4.87 6% CAGR guidance midpoint with Street giving credit for management's refinement of being 'solidly in the upper-half'.

Exhibit 3: Eversource FY25 Adjusted EPS Consensus (Red) vs Stock Price (White)

ES has had continued negative long-term adjusted EPS revisions.



Source: Bloomberg

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Valuation: Lower valuation to \$69 from \$78

The valuation is based on a 2025 sum of the parts analysis. Electric and gas utility base multiples are grossed-up +5% to reflect sector capital appreciation potential, a consistent approach across the coverage universe. We update for the latest utility sub-sector 2025 P/Es of 15.9x electric and 15.8x natural gas, and 23.8x water. This compares with 16.4x electric, 16.4x natural gas, and 24.8x water previously. We value CL&P and Yankee Gas at -20% discounts which grows with the increase in the base multiples. The other utilities are valued at -1x discounts based on below average consolidated growth and weaker balance sheet metrics.

Key changes are:

- **Reduce EPS estimates:** ~\$5/sh of the lower PO is related to -3% FY25 EPS
- **Sector mark-to-market:** ~\$3/sh reduction when applying the latest peer multiples
- **Increasing Connecticut discount:** ~\$1/sh reduction from slightly increasing the discounts to 20% (-3.3x P/E) from 18% (-3.0x P/E)

Exhibit 4: Eversource (ES) Sum of the Parts Valuation

Discount valuations are appropriate for the below average growth and balance sheets. CT large discount warranted for regulatory uncertainty, post 2025 in particular

Eversource (ES) Sum of the Parts Valuation

	2025 EPS	Peer	Prem/ Discount	Base	%	\$/Sh
Electric Utilities						
Group Peer Multiple & EPS CAGR	15.9x x 5.0% =	16.7x				
CL&P: CT	\$1.50	16.7x	-3.3x	13.4x	-20%	\$20.00
PSNH: NH	\$0.58	16.7x	-1.0x	15.7x	-6%	\$9.03
WMCO + NSTAR: MA	\$1.68	16.7x	-1.0x	15.7x	-6%	\$26.33
Total Electric Utilities	\$3.75	16.7x	-1.9x	14.8x	-12%	\$55.36
Gas Utilities						
Group Peer Multiple & EPS CAGR	15.8x x 5.0% =	16.6x				
NSTAR Gas: MA	\$0.39	16.6x	-1.0x	15.6x	-6%	\$6.12
EGMA: MA	\$0.31	16.6x	-1.0x	15.6x	-6%	\$4.76
Yankee Gas: CT	\$0.27	16.6x	-3.3x	13.3x	-20%	\$3.58
Total Gas Utilities	\$0.97	16.7x	-1.8x	14.9x	-10%	\$14.45
Water Utilities						
Group Peer Multiple & EPS CAGR	23.8x x N/A =	23.8x				
Aquarion	\$0.15	23.8x	-10.5x	13.3x	-44%	\$2.04
Parent & Other						
Parent & Other	-\$0.16	16.6x	0.0x	16.6x	0%	-\$2.68
Grand Total Equity Value	\$4.71	16.7x	-1.2x	14.7x	-12%	\$69.17
Shares Outstanding 2025E						372
Total Potential Equity Value						\$69.00
Current Eversource price as of 07/31/2023						72.33
Potential Stock Return						-4.6%
FY1 Dividend Yield						3.7%
Total Potential Return						-0.9%
Total	\$4.71	16.9x	-2.2x	14.7x	-13%	\$69.17

Source: Company Filings, Bloomberg, & BofA Global Research

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Exhibit 5: ES Mini Sum of the Parts

Summarizing the formal Sum of the Parts above

ES Mini Sum of the Parts	2025 EPS	EPS Mix	Peer		P/E		\$/Sh	
Electric	\$3.75	80%	16.7x	-1.9x	14.8x	-12%	\$55.36	80%
Gas	\$0.97	21%	16.7x	-1.8x	14.9x	-10%	\$14.45	21%
Water	\$0.15	3%	23.8x	-10.5x	13.3x	-44%	\$2.04	3%
Parent & Other	-\$0.16	-3%	16.7x	-0.1x	16.6x	0%	-\$2.68	-4%
Total	\$4.71		16.9x	-2.2x	14.7x	-13%	\$69.17	
ES Mini Sum of the Parts	2025 EPS	EPS Mix	Peer		P/E		\$/Sh	Value Mix
Connecticut	\$1.92	41%	17.2x	-3.9x	13.3x	-23%	\$25.62	37%
Massachusetts	\$2.38	50%	16.7x	-1.0x	15.7x	-6%	\$37.21	54%
New Hampshire	\$0.58	12%	16.7x	-1.0x	15.7x	-6%	\$9.03	13%
Parent & Other	-\$0.16	-3%	16.7x	-0.1x	16.6x	0%	-\$2.68	-4%
Total	\$4.71		16.9x	-2.2x	14.7x	-13%	\$69.17	

Source: Company Filings, Bloomberg, & BofA Global Research

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[US Utilities & IPPs: Connecticut Regulatory Caution Affirmed: Negative Avangrid Proposed Decision](#)

[US Utilities & IPPs: PowerPoints: DUK Renew Sale, ES/AGR CT, SO Vogtle, Cali ROE/AWK, Wind, AEP, AQN](#)

[US Utilities & Clean Tech: PowerPoints: XEL fire, NEE hydrogen, ES offshore wind contingencies, & PPL](#)

[US Utilities & IPPs: Connecticut Legislation Negative for Utilities: Watching ES and AGR Impacts](#)

[US Utilities & IPPs: Connecticut Regulatory & Political Profile Set to Spread? Underperform ES & AGR](#)

[Eversource Energy: Offshore Under Water? Why we still see a cautious setup for this Connecticut utility](#)

[Eversource Energy: Capex up and EPS down. ES delivers \\$3.3Bn capex but LT guide disappoints](#)

[Eversource Energy: Remain Cautious on Prospects Post-IRA: How much capex can the team deliver?](#)

[Eversource Energy: Life after offshore: contemplating the pro forma regulated profile & pension negative](#)

[Eversource Energy: Revisiting Offshore Wind Strategy after Earlier Reset: How much value is there?](#)

[Eversource Energy: Blown Away: Elevated Risks as Offshore Uncertainty Mounts: D/G to Underperform](#)

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06 June 2023

01 May 2023

20 April 2023

14 February 2023

19 September 2022

03 August 2022

05 May 2022

23 February 2022

Price objective basis & risk

Eversource Energy (ES)

Our sum of the parts based price objective of \$69 uses P/E multiples on 2025E earnings. The valuation is based on a 2025 sum of the parts analysis. We apply the 2025 average peer P/Es of 15.9x electric, 15.8x natural gas, and 23.8x water. For Connecticut electric & gas utilities, we value at -20% discount (-3.3x) to reflect historical challenges and prospective earnings risks. Connecticut water is valued in-line with natural gas. The other utilities are valued at a -1x discount for below-average consolidated growth and weaker balance sheet metrics. Parent net loss per share is valued at an average electric utility multiple.

Upside and downside risks to our Price Objective are 1) regulatory/political/legislative changes, 2) capital expenditures forecasts, 3) ability to earn the regulatory allowed ROE, 4) offshore wind development, 5) natural disasters & storms, 6) operational performance and gas incidents, 7) integration of historical and prospective M&A, 8) pension plan performance, and 9) equity issuances.

Analyst Certification

I, Paul Zimbardo, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC 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
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG 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
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG 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
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	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
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
UNDERPERFORM				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Generac Holdings Inc.	GNRC	GNRC 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
	Southern Company	SO	SO 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
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

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

Valuation Toolkit

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

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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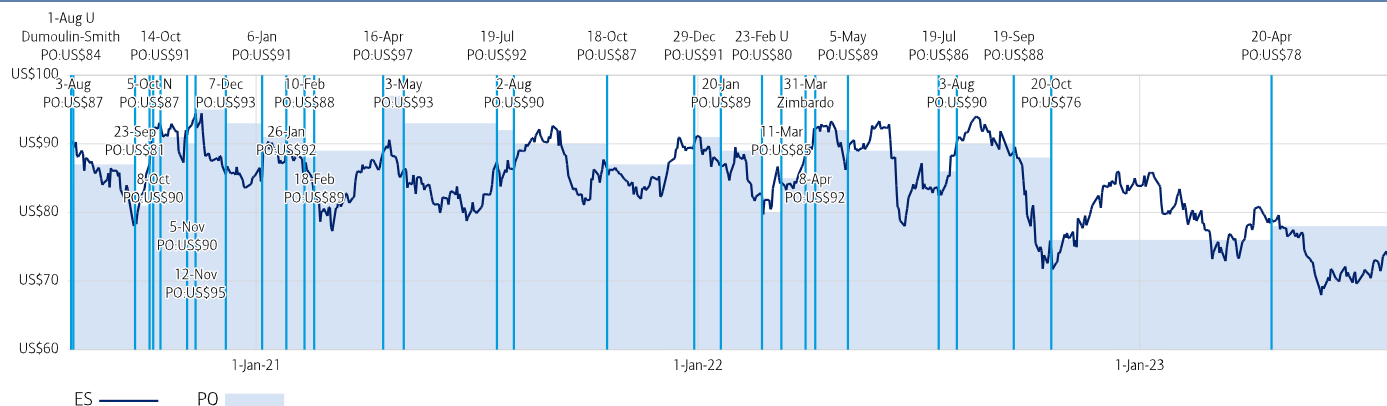
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	80	51.61%	Buy	52	65.00%
Hold	40	25.81%	Hold	29	72.50%
Sell	35	22.58%	Sell	23	65.71%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

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

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

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

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