

Fluence Energy

New year looks good (and so does '25) – Reiterate Buy

Reiterate Rating: BUY | PO: 28.00 USD | Price: 23.85 USD

Like the set-up as storage backdrop drives the narrative

We reiterate our Buy rating on shares of Fluence Energy (FLNC) heading into 2024 as strong fundamentals for battery storage make for a favorable set-up. Declining input costs and an ever-increasing focus on grid resiliency support the outlook for a step-function increase in storage deployments over the coming years. With a pipeline of opportunity exceeding \$13Bn and a contracted backlog supporting 35%+ annual revenue growth through 2025, we see FLNC as a clear beneficiary of the robust backdrop. Critical to watch from here will be mgmt.'s ability to deliver on margin expansion targets. Success in driving new business – particularly outside the US – while growing relationships with current customers also remains key. On balance, we perceive favorable fundamentals in the broader storage space as a key driver of further upside for shares.

Tweaking estimates heading into the new year

We make modest changes to our projections for FLNC revenue and earnings at the start of the new year. Mgmt. guides to revenue of \$2.7-3.3Bn in F2024 followed by growth of 35-40% in F2025. Our updated forecast calls for revenue of \$3.0Bn and \$4.1Bn in F2024 and F2025, respectively. This represents growth of 36% in F2024 and 37% in F2025. For gross margins and EBITDA in F2024, mgmt. guides to 10-12% and \$50-80Mn, respectively. Beyond F2024, mgmt. remains confident in its longer term gross margin target of 10-15%. Our updated forecast calls for gross margin of 10.8% in F2024 and EBITDA of \$63Mn. We credit FLNC with additional gross margin expansion in F2025 and model 13.4% for the full year. We acknowledge input costs and competitive forces drive opacity in the outlook for margins, and flag this as a risk to our projections.

Recent volatility a particularly attractive opportunity

An announced secondary sale by pre-IPO holders along with media reports regarding previously disclosed litigation made for a rocky end to CY23 for FLNC shares. Following the recent volatility, we see current levels as a particularly attractive opportunity. Our updated PO of \$28 reflects positive mark-to-market (MtM) impacts and estimate revisions. We continue to value FLNC using a blend of EV/Sales, EV/EBITDA, and DCF methodologies, applying a 33% weighting to each. For both our EV/Sales and EV/EBITDA methodologies, we continue to use a simple average of 2025 and 2026 valuations. Our EV/Sales multiples move to 1.5x (2025E) and 1.2x (2026E) from 1.4x and 1.2x previously. Our EV/EBITDA multiples move to 13.1x (2025E) and 12.2x (2026E) from 12.7x and 12.5x previously. These changes are entirely the result of our peer multiple MtM.

Estimates (Sep) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(0.85)	(1.48)	(0.54)	0.11	0.68
EPS Change (YoY)	NA	-74.1%	63.5%	NM	518.2%
Consensus EPS (Bloomberg)			(0.59)	0.18	0.87
DPS	0	0	0	0	0
Valuation (Sep)					
P/E	NM	NM	NM	216.8x	35.1x
EV/EBITDA*	NM	NM	NM	60.5x	18.2x
Free Cash Flow Yield*	-6.6%	-7.1%	-3.0%	-1.3%	4.5%

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

04 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	26.00	28.00
2023E Rev (m)	2,054.1	2,218.0
2024E Rev (m)	2,871.7	3,009.4
2025E Rev (m)	4,265.6	4,123.8
2023E EPS	-0.61	-0.54
2024E EPS	0.09	0.11
2025E EPS	0.66	0.68

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Stock Data

Price	23.85 USD
Price Objective	28.00 USD
Date Established	4-Jan-2024
Investment Opinion	C-1-9
52-Week Range	14.70 USD - 31.32 USD
Mkt Val (mn) / Shares Out (mn)	4,078 USD / 171.0
Free Float	44.2%
Average Daily Value (mn)	67.14 USD
BofA Ticker / Exchange	FLNC / NAS
Bloomberg / Reuters	FLNC US / FLNC.OQ
ROE (2023E)	-24.6%
Net Dbt to Eqty (Sep-2022A)	-66.2%
ESGMeter TM	NLA

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"](#).

IPO: Initial public offering

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Timestamp: 04 January 2024 06:00AM EST

iQprofileSM Fluence Energy

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	428.5%	-87.6%	-14.5%	3.1%	19.1%
Return on Equity	NM	-150.4%	-24.6%	5.1%	26.6%
Operating Margin	-23.3%	-23.7%	-5.1%	0.7%	4.1%
Free Cash Flow	(270)	(290)	(124)	(53)	182

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	-2.0x	1.4x
Asset Replacement Ratio	0.8x	1.1x	1.1x	1.7x	1.4x
Tax Rate	NM	NM	NM	NM	21.0%
Net Debt-to-Equity Ratio	NM	-66.2%	-80.3%	-68.3%	-81.0%
Interest Cover	NM	NM	NA	NA	NA

Income Statement Data (Sep)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	681	1,199	2,218	3,009	4,124
% Change	21.3%	76.1%	85.0%	35.7%	37.0%
Gross Profit	(66)	(62)	141	314	512
% Change	NM	5.0%	NM	123.0%	63.0%
EBITDA	(68)	(191)	(57)	63	211
% Change	-89.4%	-181.4%	70.4%	NM	232.8%
Net Interest & Other Income	(2)	(4)	12	0	0
Net Income (Adjusted)	(165)	(289)	(105)	21	133
% Change	-254.3%	-74.8%	63.8%	NM	521.1%

Free Cash Flow Data (Sep)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(165)	(289)	(105)	21	133
Depreciation & Amortization	5	7	11	6	7
Change in Working Capital	(148)	(78)	(41)	(70)	52
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	43	78	23	0	0
Capital Expenditure	(4)	(8)	(12)	(10)	(10)
Free Cash Flow	-270	-290	-124	-53	182
% Change	NM	-7.7%	57.2%	57.4%	NM
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	100	0	0	0	0

Balance Sheet Data (Sep)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	37	420	453	400	582
Trade Receivables	80	199	162	601	621
Other Current Assets	545	983	580	1,970	1,823
Property, Plant & Equipment	8	16	13	17	20
Other Non-Current Assets	48	128	144	144	144
Total Assets	718	1,746	1,352	3,132	3,190
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	771	1,109	746	2,505	2,430
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	2	7	50	50	50
Total Liabilities	774	1,116	796	2,555	2,480
Total Equity	(56)	634	564	585	718
Total Equity & Liabilities	718	1,751	1,360	3,140	3,198

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

Company Sector

Alternative Energy

Company Description

Fluence Energy, Inc. (FLNC) was launched in January 2018 by Siemens and AES as a joint venture dedicated to innovating modern electric infrastructure. Fluence delivers energy storage product, service, and digital application packages, as well as artificial intelligence-enabled IQ platform to optimize renewable and third-party storage assets.

Investment Rationale

We are Buy rated on Fluence Energy. Fluence offers visibility to above-average earnings growth thru FY23 / FY24, and unique exposure to ramping global storage total addressable market (TAM). The new management team has demonstrated execution on targets, promoting confidence in above-average FLNC growth guidance and reliable structural growth. We credit modest LT gross margin and Fluence IQ software growth. We see the near-term, 'de-risked' growth profile as balancing offsetting current risks.

Stock Data

Average Daily Volume 2865,562

Quarterly Earnings Estimates

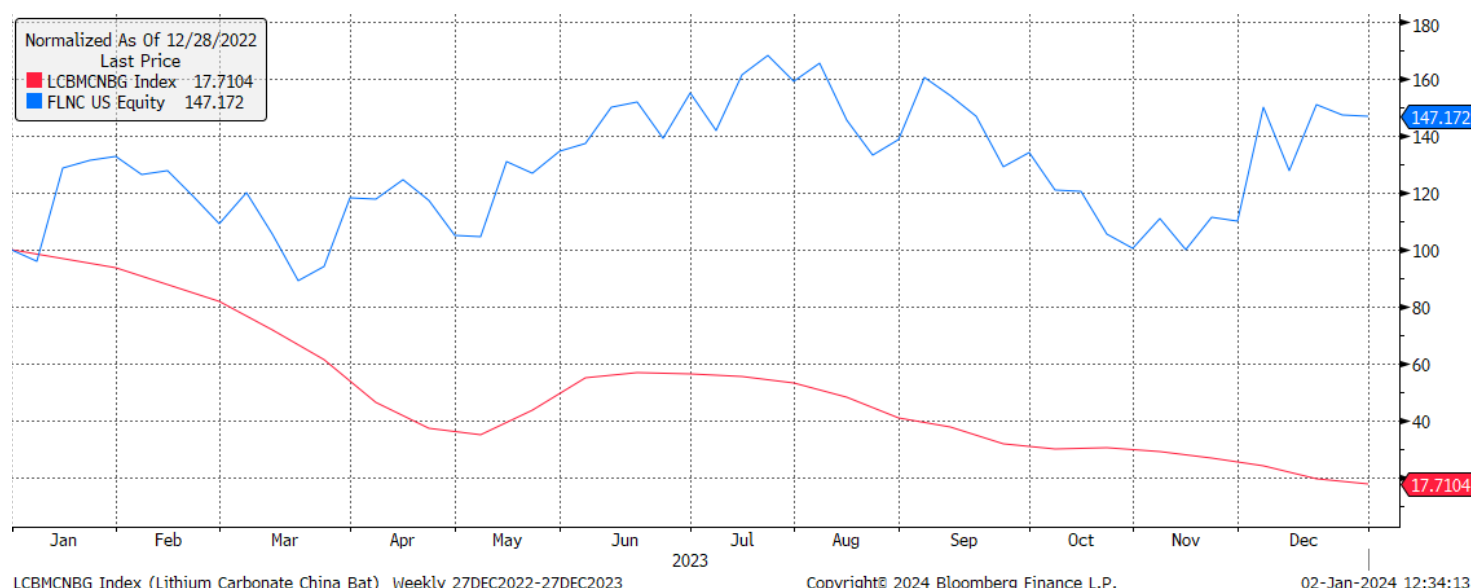
	2022	2023
Q1	-0.57A	-0.19A
Q2	-0.31A	-0.19A
Q3	-0.31A	-0.18A
Q4	-0.29A	NA

How to frame shares from here?

Declining input costs and an ever-increasing focus on grid resiliency support the outlook for a step-function increase in storage deployments over the coming years. While we believe a portion of this is priced into FLNC shares, we see upside still and flag margin expansion as a key factor to watch from here. Moderating input costs support further backlog expansion, which should further bolster shares. Mgmt.'s ability to capitalize on robust demand while maintaining profitability will be critical. Recent volatility in shares has been driven by an announced secondary sale by pre-IPO holders (including AES Corp [AES]) along with media reports regarding previously disclosed litigation made. Regarding the former, this remains a moderate overhang risk, particularly considering AES's sizable asset sales targets. Our sense is that the pending litigation is less of a concern and note mgmt.'s vehement defense of its work on the project in question (Diablo Energy Storage). Look for Inflation Reduction Act (IRA) tailwinds to add further upside to backlog as FLNC begins to incorporate on US-produced cells through supply agreement with AESC. Potential to reap \$10/kilowatt-hour (kWh) 45X production tax credit remains an additional source of upside, though sharing mechanism with developers remains less clear.

Exhibit 1: FLNC share price relative to Lithium Carbonate prices

Steep declines in input costs throughout the last year supported sizable share price gains for FLNC... look for backlog and margin expansion to drive further upside



Source: Bloomberg

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Title: Subtitle

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 18 October 2023
 17 May 2023
 12 April 2023



Tweaking estimates heading into the new year

We make modest changes to our projections for FLNC revenue and earnings at the start of the new year. Our updated forecast calls for revenue of \$3.0Bn and \$4.1Bn in F2024 and F2025, respectively. This represents growth of 36% in F2024 and 37% in F2025. We align our top line forecast to the midpoint of mgmt.'s guidance given at F4Q23 earnings. Mgmt. guides to revenue of \$2.7-3.3Bn in F2024 followed by growth of 35-40% in F2025. The change results in an increase in our F2024 revenue and a decrease in F2025 vs. our prior estimates. **The high end of mgmt.'s guidance ranges for F2024 and F2025 are 15% and 8% above our prior estimates. While we believe the broader storage backdrop supports this, we elect to model to the midpoint given a lack of visibility into pipeline and backlog conversion.**

For gross margins and EBITDA in F2024, mgmt. guides to 10-12% and \$50-80Mn, respectively. Our updated forecast calls for gross margin of 10.8% in F2024 and EBITDA of \$63Mn. We credit FLNC with additional gross margin expansion in F2025 and model 13.4% for the full year. **Our F2025 estimate is increased by ~100bps vs. our prior model. We acknowledge input costs and competitive forces drive opacity in the outlook for margins, and flag this as a risk to our projections. At the same time, mgmt. commentary on the F4Q23 earnings call suggested domestic content tailwinds could push margins to the higher end of the 10-15% target range.**

Exhibit 2: FLNC earnings dashboard

Updating forecasts below – see 35%+ growth in each of the next two years on robust backlog

USD in Thousands	FY22	FY23	Q1	Q2	Q3	Q4	FY24	FY25	FY26
Energy Storage Products	1,181,000	2,197,633	442,110	442,110	1,090,537	972,641	2,947,398	3,943,466	5,061,201
Energy Storage Products - prior	1,181,000	2,031,430	308,668	448,972	1,038,247	1,010,186	2,806,073	4,087,998	4,946,086
Energy Storage - Consensus	1,179,650	2,185,125					2,913,675	3,864,697	
Change, \$mn	-	166,203					141,325	(144,532)	115,115
Change, %	0%	8%					5%	-4%	2%
Services	11,271	15,992	8,448	11,085	14,528	18,905	52,966	149,486	232,192
Services - prior	11,271	18,202	9,516	12,073	15,344	19,439	56,372	146,753	217,240
Services - Consensus	14,264	15,809					32,779	55,381	
Change, \$mn	-	(2,209)					(3,406)	2,733	14,952
Change, %	0%	-12%					-6%	2%	7%
Digital Applications and Solutions	6,332	4,353	2,049	2,187	2,326	2,493	9,054	30,880	49,335
Digital Applications and Solutions - prior	6,332	4,463	2,141	2,251	2,361	2,493	9,245	30,880	49,335
Digital Applications and Solutions - Consensus	5,763	6,649					15,639	31,603	
Change, \$mn	0	-110					-191	0	0
Change, %	0%	-2%					-2%	0%	0%
Total Revenue	1,198,603	2,217,979	452,606	455,382	1,107,391	994,039	3,009,418	4,123,833	5,342,728
Guidance							\$2700-3300Mn	35-40% growth YoY	
Total Revenue - prior	1,198,603	2,054,094	320,325	463,296	1,055,951	1,032,118	2,871,690	4,265,631	5,212,661
Consensus	1,198,626	2,217,979	415,403	529,773	927,655	1,092,310	2,965,141	3,964,000	4,853,003
YoY growth		85%					36%	37%	30%
% in first half							30%		
Guidance							30%		
Adjusted Gross Margin	-1%	6.7%	7%	10%	11%	12%	10.8%	13.4%	13.4%
Guidance							10-12%		
Adjusted Gross Margin - prior	0%	6.0%	8%	10%	11%	12%	10.7%	12.4%	13.4%
Consensus		5.7%					10.9%	13.1%	
Operating Expenses	-214,059	-243,729	0	0	0	0	-286,991	-337,595	-393,641
Operating Expenses - prior	-214,059	-243,483	-54,696	-52,219	-72,283	-103,762	-282,961	-356,328	-383,311
Change, \$mn	0	-246					-4,030	18,733	-10,330
Change, %	0%	0%					1%	-5%	3%
Adjusted EBITDA	-191,291	-56,656	-37,306	19,173	25,485	55,984	63,337	210,755	360,252
Guidance							\$50-80Mn		
Adjusted EBITDA - prior	-184,239	-73,672	-21,408	2,205	48,957	30,331	60,085	206,964	351,823
Consensus - EBITDA	-272,024	-59,157					66,218	240,424	360,030
Change, \$mn	(7,052)	17,016					3,252	3,791	8,429

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

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See upside ahead still – raising PO to \$28

An announced secondary sale by pre-IPO holders along with media reports regarding previously disclosed litigation made for a rocky end to CY23 for FLNC shares. Following the recent volatility, we see current levels as a particularly attractive opportunity. Our updated PO of \$28 reflects positive mark-to-market (MtM) impacts and estimate revisions. We continue to value FLNC using a blend of EV/Sales, EV/EBITDA, and DCF methodologies, applying a 33% weighting to each. For both our EV/Sales and EV/EBITDA methodologies, we continue to use a simple average of 2025E and 2026E valuations. Our EV/Sales multiples move to 1.5x (2025E) and 1.2x (2026E) from 1.4x and 1.2x previously. Our EV/EBITDA multiples move to 13.1x (2025E) and 12.2x (2026E) from 12.7x and 12.5x previously. These changes are entirely the result of our peer multiple MtM.

Exhibit 3: FLNC valuation summary

We arrive at a \$28 PO

FLNC Valuation

	<u>Value/Sh</u>	<u>Weight</u>	<u>Weighted Value</u>
Sales	\$35.79	33%	\$11.93
DCF	\$26.00	33%	\$8.67
EV/EBITDA	\$21.87	33%	\$7.29
FLNC Value/Share			\$28.00
Share Price (As of 01/02/24)			\$23.85
Premium (Discount) to Unit Price			17.4%
2023E Dividend Yield			0.0%
Total Expected Return			17.4%

Source: Company filings, Bloomberg, BofA Global Research estimates

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Exhibit 4: FLNC EV/Sales valuation

We arrive at a \$36/sh EV/Sales valuation

FLNC Relative Valuation		2025	2026
Sales	Disc/Prem	\$4,124	\$5,343
Peer Multiple		1.2x	0.9x
EV/Sales	0.3x	1.5x	1.2x
Value (implied)		\$6,009	\$6,561
Net Debt (Cash)		(\$582)	(\$829)
Implied Equity Value		\$6,591	\$7,390
Shares Outstanding		195	195
Value per Share		\$33.75	\$37.84
Dividend		0%	0%
Potential Price Return		50%	68%
vs. Current Stock Price		50%	68%
FLNC Share Price as of 01/03/24		\$22.48	\$22.48
Average Valuation		\$36	

Source: Company filings, Bloomberg, BofA Global Research estimates

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Exhibit 5: FLNC EV/EBITDA valuation

We arrive at a \$22/sh EV/EBITDA valuation

FLNC Relative Valuation		2025	2026
EBITDA	Disc/Prem	\$211	\$360
Peer Multiple		7.6x	6.7x
EV/EBITDA	5.5x	13.1x	12.2x
Value (implied)		\$2,768	\$4,394
Net Debt (Cash)		(\$582)	(\$829)
Implied Equity Value		\$3,350	\$5,223
Shares Outstanding		195	195
Value per Share		\$17.0	\$26.7
Dividend		0%	0%
Potential Price Return		-24%	19%
vs. Current Stock Price		-24%	19%
FLNC Share Price as of 01/03/24		\$22.48	\$22.48
Average Valuation		\$22	

Source: Company filings, Bloomberg, BofA Global Research estimates

Company filings, Bloomberg, BofA Global Research



Exhibit 6: FLNC DCF valuation

We arrive at a \$26/sh DCF valuation

Fluence - DCF Methodology	2024E	2025E	2026E	2027E	2028E	2029E	2030E
DCF - less Stock Based Compensation and Debt Amortization							
Free Cash Flows (\$000s) (CFO Minus CapEx)	(\$52,863)	\$181,728	\$247,629	\$376,100	\$454,827	\$555,879	\$665,225
Less: Stock Based Compensation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Free Cash Flows (\$000s)	(\$52,863)	\$181,728	\$247,629	\$376,100	\$454,827	\$555,879	\$665,225
Inc. in Net Debt (-) New Issuances	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Free Cash Flows to Equity (\$Mn)	- (\$52,863)	\$181,728	\$247,629	\$376,100	\$454,827	\$555,879	\$665,225
<i>Discount Rate- Cost of Equity</i>	16%	16%	16%	16%	16%	16%	16%
<i>Discount Factor</i>	1.00	0.86	0.75	0.64	0.56	0.48	0.42
Discounted Free Cash Flows	(\$52,863)	\$157,001	\$184,825	\$242,516	\$253,374	\$267,532	\$276,594
DCF Value through '30	\$1,328,978						
DCF Value through 2027	\$531,478						
Terminal Value							
Terminal Exit Multiple	12.0x						
Discount Factor	0.42						
Terminal Value	\$7,982,700						
Terminal FCF Yield	8.3%						
PV of Terminal FCFE Value	\$3,319,126						
Less: Recourse Debt	\$0.0						
More: Cash on Balance Sheet	\$452,731						
Net Cash	\$452,731						
Post-Money Equity Value (Post-IPO)	\$5,100,835						
Discount Rate		15.8%					
Shares O/S (Fully Diluted)	194.796						
DCF Value/Share	\$26.00						
FLNC Share Price as of 01/03/24	\$22.48						
DCF Value/Share vs. Stock Price	15.7%						

Source: Company filings, Bloomberg, BofA Global Research estimates

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Price objective basis & risk

Fluence Energy (FLNC)

Our \$28/sh PO is based on an equal-weighted Discounted Cash Flow (DCF), EV/Sales multiple and EV/EBITDA multiple methodology. Our DCF valuation is \$26/sh, our EV/Sales valuation is \$36/sh, and our EV/EBITDA valuation is \$22/sh.

DCF approach:

- We derive FCFE by removing the contribution from stock-based compensation to FCF from 2024 through 2030
- FCFE discounted by 15.75% cost of equity (in-line with the peers in the space)
- We apply a terminal multiple of 12.0x

EV/EBITDA

- We value FLNC at \$22/sh on blended 13.1x and 12.2x EV/EBITDA multiple based on '25 and '26 EBITDA, respectively
- We use a comp group comprising of utility scale/EV storage peers but emphasize integrator peers

EV/Sales

- We value FLNC at \$36/sh on blended 1.5x and 1.2x EV/Sales multiple based on '25 and '26 Sales, respectively
- We use a comp group comprising of utility scale/EV storage peers but emphasize integrator peers

Downside risks: (1) The margin expansion plan progresses even more slowly than forecasted, (2) increasing competition leads to market share erosion, (3) reputational risks associated with conclusion of investigation of an ongoing fire safety incident.

Analyst Certification

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

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith

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
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVERG	EVERG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

UNDERPERFORM

	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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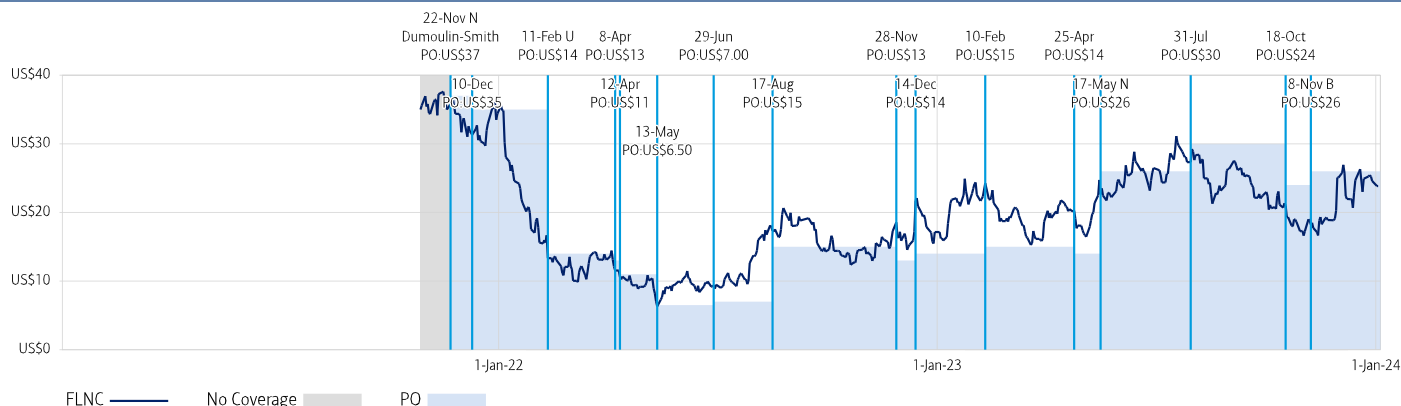
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FLNC — No Coverage — PO — B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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

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

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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

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

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