

Cheniere Energy Inc

Cash generation remains compelling,
regulatory turbulence aside – Reiterate Buy

Reiterate Rating: BUY | PO: 191.00 USD | Price: 163.00 USD

Cash balance, generation still offers significant optionality

We reiterate our Buy rating on shares of Cheniere Energy (LNG US) ahead of 4Q23 earnings. Despite a pullback in natural gas prices of late, we still see meaningful cash generation ahead. European natural gas (TTF) CY24/CY25 futures are both down ~25% since our last model update in early-November. Still, we project distributable cash flow per share in FY24/FY25 of ~\$15/\$16/sh, both of which are above run-rate guidance. We continue to look for a significant acceleration in share repurchases in 2024 as mgmt. seeks to rebalance the buyback/debt-paydown ratio. Cash balance of \$4Bn and robust cash generation support capital allocation optionality. We look for mgmt. to continue to pursue organic growth while remaining prudent on return thresholds. While potential acquisition targets exist, we do not see this as a likely scenario in the near-to-medium-term. Rather, we see an even further acceleration in buybacks as entirely possible depending on the outcome of broader permitting bottlenecks.

DOE potential headwind, but track record speaks for itself

We view the pause in non-FTA permit issuances as a potential headwind to growth for the US natural gas export market beyond 2027. Still, this has been well-telegraphed for several weeks by various media sources and has had limited impact on forward curves beyond 2027, suggesting few projects still awaiting permits were baked into capacity expectations. For Cheniere, only Corpus Christi (CCL) midscale trains 8 & 9 are awaiting non-FTA permits from the DOE. The SPL expansion project - recently altered to two 7.0 MTPA trains vs. three 6.5 MTPA trains originally – remains in FERC pre-filing and has yet to apply for DOE permits. Net, while the outcome of the DOE's temporary halt remains to be seen, we believe Cheniere's track record in permitting projects across various political regimes bodes well for the company's expansion projects. Further, considering these projects are still in the very early stages, we do not yet see cause to change our expectations for first-LNG at either.

Slight PO reduction on est. revisions, macro cross-currents

As mentioned, we make no changes to our expected project timelines in this update. We do revise our estimates largely as a reflection of our latest mark-to-market (MtM) of commodity prices. We also reduce discount rates in our NPV calculations following the move in interest rates since our last update. Net, our PO moves to \$191 from \$193.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(9.25)	5.64	44.86	9.47	10.50
EPS Change (YoY)	NM	NM	695.4%	-78.9%	10.9%
Consensus EPS (Bloomberg)			37.72	9.63	10.93
DPS	0	0.33	1.67	1.84	2.02
Valuation (Dec)					
P/E	NM	28.9x	3.6x	17.2x	15.5x
Dividend Yield	0%	0.2%	1.0%	1.1%	1.2%
EV / EBITDA*	223.7x	6.0x	7.9x	11.6x	11.2x
Free Cash Flow Yield*	3.9%	22.4%	16.7%	7.0%	0.5%

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

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Timestamp: 02 February 2024 05:30AM EST

02 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	193.00	191.00
2023E EPS	48.73	44.86
2024E EPS	13.19	9.47
2025E EPS	11.96	10.50
2023E EBITDA (m)	8,711.1	8,770.5
2024E EBITDA (m)	6,568.9	5,962.1
2025E EBITDA (m)	6,239.8	6,170.9

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Stock Data

Price	163.00 USD
Price Objective	191.00 USD
Date Established	2-Feb-2024
Investment Opinion	B-1-7
52-Week Range	135.30 USD - 183.46 USD
Mrkt Val (mn) / Shares Out (mn)	38,836 USD / 238.3
Free Float	96.8%
Average Daily Value (mn)	229.63 USD
BofA Ticker / Exchange	LNG / NYS
Bloomberg / Reuters	LNG US / LNG.A
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter TM	Medium

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](#)".

iQprofileSM Cheniere Energy Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-1.4%	11.1%	35.6%	11.2%	10.9%
Return on Equity	NM	NM	NM	79.2%	58.1%
Operating Margin	-4.4%	13.6%	74.1%	31.1%	31.1%
Free Cash Flow	1,503	8,693	6,484	2,702	183

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	7.4x	0.7x	2.4x	1.9x
Asset Replacement Ratio	1.0x	1.6x	1.3x	2.0x	3.3x
Tax Rate	31.3%	14.8%	5.0%	5.0%	5.0%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	396.4%
Interest Cover	-0.5x	3.2x	12.0x	4.0x	3.8x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	15,864	33,428	19,386	15,156	15,605
% Change	69.5%	110.7%	-42.0%	-21.8%	3.0%
Gross Profit	2,091	7,796	17,828	8,005	8,297
% Change	-59.8%	272.8%	128.7%	-55.1%	3.7%
EBITDA	310	11,564	8,770	5,962	6,171
% Change	-91.3%	NM	-24.2%	-32.0%	3.5%
Net Interest & Other Income	(1,577)	(1,465)	(1,042)	(1,189)	(1,269)
Net Income (Adjusted)	(2,343)	1,428	10,892	2,193	2,343
% Change	NM	NM	662.8%	-79.9%	6.9%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(1,565)	2,635	12,660	3,345	3,399
Depreciation & Amortization	1,011	1,119	1,228	1,252	1,324
Change in Working Capital	(1,255)	(307)	848	460	(334)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	4,278	7,076	(6,695)	115	116
Capital Expenditure	(966)	(1,830)	(1,557)	(2,469)	(4,321)
Free Cash Flow	1,503	8,693	6,484	2,702	183
% Change	NM	478.4%	-25.4%	-58.3%	-93.2%
Share / Issue Repurchase	(9)	(1,373)	0	0	0
Cost of Dividends Paid	(649)	(947)	(1,397)	(1,467)	(1,544)
Change in Debt	(1,034)	(5,275)	(930)	875	1,130

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,404	1,353	4,009	3,870	4,450
Trade Receivables	1,506	1,944	1,551	758	780
Other Current Assets	2,146	2,311	1,610	1,771	1,777
Property, Plant & Equipment	30,288	31,528	31,858	33,075	36,072
Other Non-Current Assets	3,914	4,130	4,130	4,130	4,130
Total Assets	39,258	41,266	43,158	43,604	47,210
Short-Term Debt	366	813	813	813	813
Other Current Liabilities	4,327	5,982	5,736	5,564	5,258
Long-Term Debt	29,449	24,055	23,125	24,000	25,130
Other Non-Current Liabilities	5,149	10,587	10,587	10,587	10,587
Total Liabilities	39,291	41,437	40,261	40,964	41,787
Total Equity	(33)	(171)	2,897	2,640	5,422
Total Equity & Liabilities	39,258	41,266	43,158	43,604	47,210

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

Company Sector

Natural Gas-Local Distribution Companies

Company Description

Cheniere Energy, Inc. (NYSE: LNG) is a Houston-based energy company primarily engaged in LNG-related businesses. It owns the Corpus Christi liquefaction and pipeline business, as well as Cheniere Marketing. In addition, it is a partial owner of the Sabine Pass liquefaction facility and Cheniere Creole Trail pipeline.

Investment Rationale

We rate Cheniere Buy with heavily contracted cash flows and potential for further expansion longer-term through various development opportunities. The significant strengthening of the natural gas and LNG commodity environment bolsters the short-term marketing outlook in addition to long-term investment opportunities. We further see free cash flow upside from additional refi/debt paydown strategies. Cheniere is the only US pure-play LNG investment.

Stock Data

Average Daily Volume 1,408,774

Quarterly Earnings Estimates

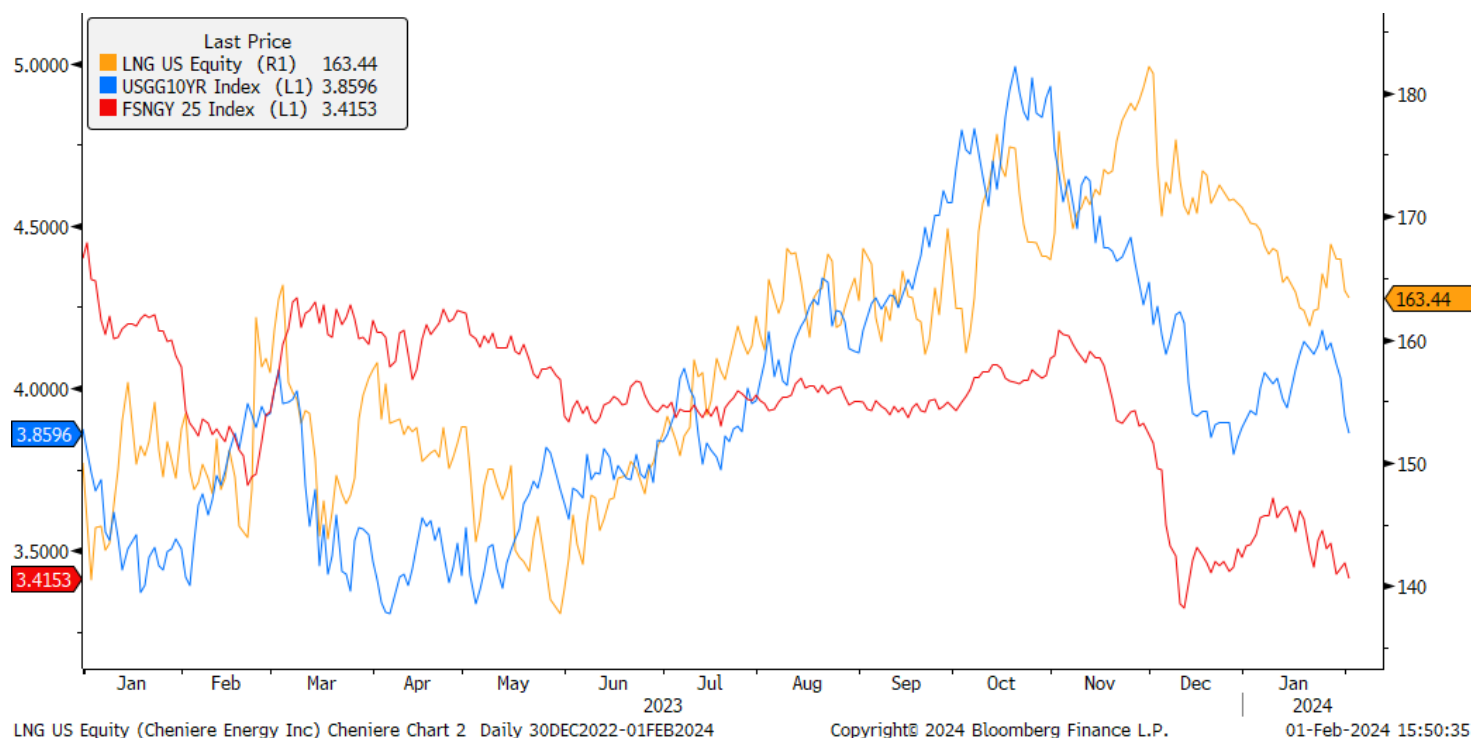
	2022	2023
Q1	-3.41A	22.11A
Q2	2.90A	5.62A
Q3	-9.54A	7.03E
Q4	15.78A	9.96E

How to frame shares from here?

We see the recent pull-back in Cheniere shares as largely reflective of previously mentioned actions from policy makers and regulators. In our view, these represent modest headline risk going forward, but truly should be limited to just that. With first-LNG from Cheniere's expansion projects not expected for several years out (2027+ in our model), we believe there remains ample time for these issues to be worked out. Further we believe Cheniere's historical success in navigating these factors bodes well for the project pipeline. Mgmt.'s decision to alter the size of the SPL expansion was unexpected by us, and our valuation is reduced in part as a result of the change. Still, we see Cheniere's portfolio of development projects as the most compelling in the space and believe the decision reflects mgmt.'s best-in-class optimization techniques and a commitment to return thresholds.

Exhibit 1: Cheniere share price vs. interest rates and natural gas pricing

Shares outperformed rates and commodity prices throughout 2023 – see recent pressure as reflective of broader market growth concerns



Source: Bloomberg, BofA Global Research

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BofA Global Research Reports

Title: Subtitle

[Cheniere Energy Inc: It's hard to argue with consistency – Reiterate Buy](#)
[Cheniere Energy Inc: Very Much On-Track: Early Construction & Cumulative DCF above Guide despite rates.](#)
[Cheniere Energy Inc: Revisiting the model after fruitful summer – Reiterate Buy](#)
[Cheniere Energy Inc: Expecting clean quarter; Reiterate Buy – Attractive valuation worth a look](#)
[Cheniere Energy Inc: Expansions Tracking Well, Highlight LT Nature of Business Model - Buy](#)
[Cheniere Energy Inc: Estimates up slightly on latest MtM: Unpacking inflation impacts on expansions](#)
[Cheniere Energy Inc: Declining curve no match for organic growth machine - Reiterate Buy](#)
[Cheniere Energy Inc: '23 guide supported by swift open volume placement; Sabine expansion in sight - Buy](#)
[Cheniere Energy Inc: After Banner Year in '22, Where Does '23 Shake Out? Reiterate Buy, PO to \\$168](#)

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 15 March 2023
 24 February 2023
 30 January 2023



Revisions on MtM primarily, slight open volume tweaks

We make slight changes to our forecast for Cheniere earnings as shown below. Shifts in forward curves for international natural gas pricing represents the largest driver in our forecast. For 2023, we model realized pricing on short-term volumes of \$15.10/MMBtu (million British thermal units), which compares to \$14.80/MMBtu in our prior model. For 2024/2025, our forecast for realized pricing on short-term volumes moves to \$11.30/11.50 vs. \$17.00/15.00 previously. For 2026 and beyond, we model pricing of \$10.00/MMBtu, down slightly from \$10.50 previously.

We also adjust the notional amount of volumes shipped slightly as we recalibrate our model hearing into the new year. For 2024 we forecast short-term notional volumes of 62TBtu (vs. 76TBtu previously). For 2025-2027, we forecast short-term volumes of 83TBtu (vs. 52TBtu previously). We make no changes to our forecast for contracted pricing. We also continue to model commissioning cargoes from CCL Stage 3 as beginning in 2025, thereby effectively reducing capex for the project.

Exhibit 2: Cheniere earnings dashboard

We make modest estimate tweaks and remain above run-rate guidance through the forecast

	2021A	2022E	1Q23	2Q23	3Q23	4Q23	2023E	2024E	2025E	2026E	2027E
Consolidated Adj. EBITDA	4,867	11,564	3,599	1,858	1,663	1,650	8,770	5,962	6,171	7,003	7,446
Prior Adj. EBITDA		11,564					8,711	6,569	6,240	6,859	
Consensus		11,450				1,671	8,773	6,282	6,668	7,224	7,269
BofAe Adj. EBITDA vs. Consensus		1.0%					(0.0%)	(5.1%)	(7.5%)	(3.1%)	2.4%
Guidance - Adjusted EBITDA	4600-5000	11000-11500					8300-8800				
BofAe Adj. EBITDA vs. Guidance							6.3%				
Guidance - Run-Rate Adj. EBITDA	4300-4600	4400-4900					5300-5700			6400-6900	6700-7300
		8 trains					9 trains			+ CCS3	+ T8 & 9
Less: Interest Expense	(2,190)	(1,360)	(280)	(280)	(270)	(368)	(1,198)	(1,191)	(1,236)	(1,225)	(1,173)
Guidance							(1200-1200)				
Less: CQP DCF Minority Interest	(660)	(1,330)	(280)	(210)	(220)	(293)	(1,003)	(1,039)	(1,039)	(991)	(991)
Guidance	600-700	1200-1300					(900-1000)			900-1000	
Less: Maint capex, income tax & other		(150)	(100)	(20)	(20)	(160)	(300)	(300)	(350)	(400)	(400)
		200-300					(200-400)				
Distributable Cash Flow (\$Mn)	2,017	8,724	2,939	1,348	1,153	829	6,269	3,432	3,546	4,386	4,882
Guidance	1800-2100	8100-8600					5800-6300				
Guidance - Run-Rate DCF		3100-3600					2600-3000			3200-3500	3900-4300
Distributable Cash Flow per Share (\$/sh)	\$7.96	\$34.43					\$25.82	\$14.82	\$15.89	\$20.15	\$23.01
Guidance - Run-Rate DCF/share		\$7.25-\$8.75					\$11-\$13		\$13-\$15	\$18-\$20	\$20-\$22
Distributable Cash Flow Yield (%)	4.8%	20.7%					15.5%	8.9%	9.6%	12.1%	13.9%

Source: Company filings, Bloomberg, BofA Global Research

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We show our forecast for Cheniere's use of DCF below. Our forecast is unchanged through 2026 as we continue to model a cumulative ratio of share buybacks-to-debt paydown of 1.0x. This is consistent with mgmt.'s current long-term capital allocation plan which runs through 2026. Overall this results in Cheniere reaching a leverage target of ~4.0x while reducing share count by nearly 15% (based on the current share price).

Exhibit 3: Cheniere share repurchase and debt paydown forecast

Meaningful cash generation provides robust opportunities for return of capital

	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Distributable Cash Flow (\$Mn)	2,017	8,724	6,269	3,432	3,546	4,386	4,882
Share Repurchases (Since 9.12.2022 Update)		(700)	(1,500)	(2,250)	(1,000)	(1,000)	(1,000)
Debt Repayment (Since 9.12.2022 Update)		(2,721)	(1,100)	(500)	(1,000)	(1,000)	(1,000)
Debt Paydown to Share Repurchase Ratio		3.9x	0.7x	0.2x	1.0x	1.0x	
Debt Paydown to Share Repurchase Ratio (Cumulative)			1.7x	1.0x	1.0x	1.0x	
Share count (EOP)	254	250	240	227	221	216	210
% change vs. 2022 EOP			-4%	-9%	-11%	-14%	-16%
Total Debt	29,815	24,868	23,938	24,813	25,943	26,529	28,679
Total Cash	1,404	1,353	4,009	3,870	4,450	5,712	4,520
Net Debt	28,411	23,515	19,929	20,943	21,493	20,817	24,159
Total Debt/Consolidated EBITDA	6.1x	2.2x	2.7x	4.2x	4.2x	3.8x	3.9x
Total Debt/Consolidated EBITDA (Run Rate)	6.7x	5.3x	4.4x	4.5x	4.3x	4.0x	4.1x
Net Debt/EBITDA (Reported)	5.8x	2.0x	2.3x	3.5x	3.5x	3.0x	3.2x
Net Debt/EBITDA (Run Rate)	6.4x	5.1x	3.6x	3.8x	3.5x	3.1x	3.5x

Source: Company filings, Bloomberg, BofA Global Research

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Reflecting model changes, discount rates in valuation

We adjust our PO to \$191. As mentioned, we make no changes to our expected project timelines in this update. We do revise our estimates largely as a reflection of our latest mark-to-market (MtM) of commodity prices and short-term volumes. This results in a \$(7) reduction in our PO. In addition, we adjust the capacity for the SPL expansion to 16MTPA (from 20MTPA), which contemplates two 7.0MTPA trains, one ~1.0MTPA boil-off unit, and ~1.0MTPA from debottlenecking. This results in a \$(4) reduction in our PO. We also reduce discount rates in our NPV calculations following the move in interest rates since our last update. We adjust discount rates to 12.0% (from 12.5%) for the development phase of projects and 8.0% (from 8.5%) for the operational phase. This results in a \$9 positive change in our PO.

Exhibit 4: Simplified Cheniere Sum-of-the-Parts (SotP)

We arrive at a \$191 PO

	EV	EBITDA (2026E)	EV/EBITDA
Contracted (ex-CMI)	\$57,183	\$5,532	10.3x
CMI - Contracted	\$10,322	\$1,110	9.3x
CMI - Uncontracted	\$1,444	\$361	4.0x
Total CMI	\$11,766	\$1,471	8.0x
Total LNG	\$68,949	\$7,003	9.8x
Less: Net Debt (2026E)	(\$20,817)		
Less: Minority Interest	(\$7,060)		
LNG Equity Value	\$41,073		
PO	\$191.00		
Shares (2026E)	215.5		
Current LNG Share Price (As of 02/01/24)	\$166.06		
2024E Dividend Yield	1.1%		
Total Potential Return	16.1%		

Source: Company filings, Bloomberg, BofA Global Research

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Exhibit 5: Full Cheniere Sum-of-the-Parts (SotP)

We arrive at a \$191 PO

	2026E Avg. Margin (\$/MMBtu)	2026 EBITDA (\$Mn)	EV/EBITDA Multiple	EV (\$mn)	EV (\$/Sh)
1. Cheniere Marketing (Blended EBITDA)	3.43	1,471	8.0x	11,766	\$54.59
2. NPV of CC 1-3 Trains		NPV (\$Mn)	Probability		
Incremental Value if Contracts Extended		9,011	100%	9,011	\$41.81
		1,546	75%	1,167	\$5.42
3. NPV of Corpus Christi Stage 3		NPV (\$Mn)	Probability		
Incremental Value if Contracts Extended		7,920	100%	7,920	\$36.74
		1,316	75%	994	\$4.61
4. NPV of CC Midscale Trains 8 & 9		NPV (\$Mn)	Probability		
Incremental Value if Contracts Extended		735	75%	551	\$2.56
		427	50%	214	\$0.99
5. NPV of Sabine Pass Trains 1-6		NPV (\$Mn)	Probability		
Incremental Value if Contracts Extended		14,722	100%	14,722	\$68.30
		2,762	75%	2,071	\$9.61
6. NPV of Sabine Pass Expansion Opportunity		NPV (\$Mn)	Probability		
Incremental Value if Contracts Extended		2,319	75%	1,739	\$8.07
		1,741	50%	871	\$4.04
7. NPV of Corpus Christi Expansion Opportunity		NPV (\$Mn)	Probability		
Incremental Value if Contracts Extended		2,162	50%	1,092	\$5.06
		1,593	25%	406	\$1.88
8. CQP (Non-Controlling Interest)		Sabine NPV	Cheniere Economic Interest (Run-Rate)		
		19,403	63.6%	(7,060)	(\$32.75)
<u>Less: HoldCo Debt</u>					
9. Cheniere Corporate Debt				(1,500)	(\$6.96)
10. CQP Proportional Debt				(2,890)	(\$13.41)
Share Buybacks					
Future buybacks estimated for 2023 (\$mn)			1,500		
Buyback Share Price (\$/sh)			\$166.06		
Future buybacks estimated for 2024 (\$mn)			2,250		
Buyback Share Price (\$/sh)			\$166.06		
Future buybacks estimated for 2025 (\$mn)			1,000		
Buyback Share Price (\$/sh)			\$166.06		
Future buybacks estimated for 2026 (\$mn)			1,000		
Buyback Share Price (\$/sh)			\$166.06		
Shares repurchased (mn)			34.6		
Pro forma shares outstanding (mn)					215.5
Total LNG Valuation				\$41,073	\$191.00
Current LNG Share Price (As of 02/01/24)					\$166.06
2024E Dividend Yield					1.1%
Potential Return					16.1%

Source: Company filings, Bloomberg, BofA Global Research

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Price objective basis & risk

Cheniere Energy Inc (LNG)

Our \$191 PO is based on an SOTP in which we value LNG's stake in CQP using a fundamental NPV valuation of Sabine Pass less non-controlling interest (valued as full NPV of Sabine Pass less non-Cheniere economic interest). We provide separate value to LNG's marketing business assuming excess capacity of SP 1-6 and CC 1-3 realizes approximately a \$3.39/MMBtu 2026E margin, applying a 8.0x multiple to corresponding EBITDA. We value CC 1-3 on a NPV basis, valuing the initial 20-year contract term at 100% and the 10-yr extension at 75% (reflected risk in pricing assumptions). For CC Stage 3 we again assume initial 20-year contract term at 100% likelihood again weighing the contract extension at 75%. We also incorporate CC T8&9/SP/CC expansions at 75%/75%/50% probabilities for the initial term and 50%/50%/25% for extension terms. For all NPV, we discount cash flows at a 12.0% rate during construction and 8.0% rate during the contracted period given the difference in risk profile. For Sabine Pass and Corpus Christi Expansion opportunities, we discount NPVs at 8% from 2025 (the first year of our NPV calculations) to today.

Downside risks are counterparty credit risk, construction delays, changes in trade policy limiting exports, and changes in commodities.

Analyst Certification

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

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	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	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Julien Dumoulin-Smith
	Nextrackr Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Energy Group	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	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	SRE	SRE US	Julien Dumoulin-Smith



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Corp	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	Paul Zimbardo
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Paul Zimbardo
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	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	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Julien Dumoulin-Smith
UNDERPERFORM				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

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

iQmethodSM 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.

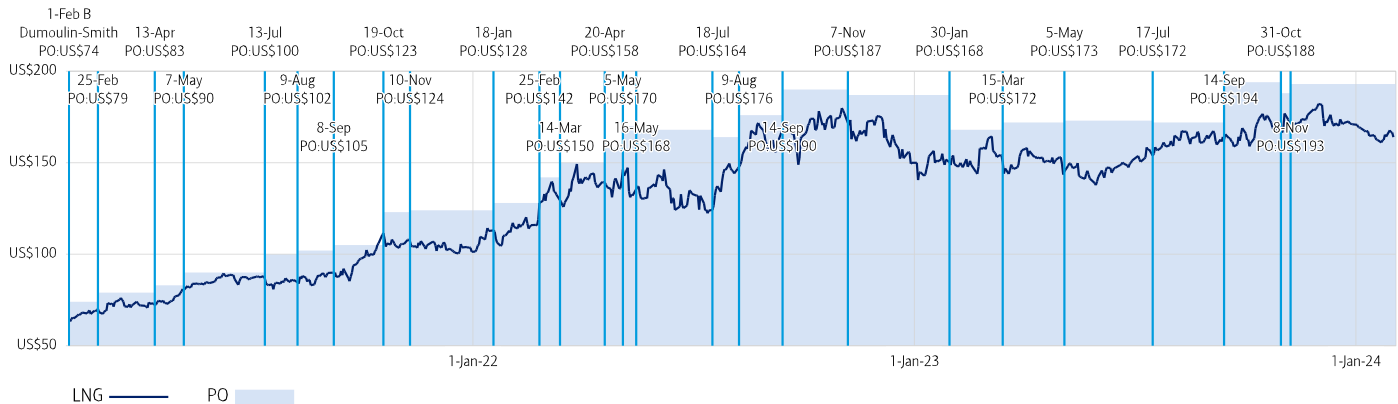
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: 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.

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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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