

WEC Energy Group Inc

EPS Preview: Upside levers, but business mix could move away from regulated

Reiterate Rating: UNDERPERFORM | PO: 75.00 USD | Price: 82.57 USD

WI commission moves ratchet up the uncertainty

The Public Service Commission of Wisconsin (PSCW) lost two of three members in a matter of days, with former Chair Rebecca Valcq stepping down on Jan 11th after five years on the commission and Tyler Huebner coming up short in a 21-11 confirmation vote by the state senate on Jan 16th. Huebner had previously pushed for lower authorized ROEs, while Valcq was viewed by investors as more of a balanced regulator. While a modest net positive for in-state utilities, we note WEC and peers have ambitious solar/storage plans in place, which could be impacted in an ideological shift.

Capital plan detail remains biggest question mark in '24

We expect that WEC will introduce an updated capital plan on its Q4 investor call. Directionally IL gas utility capex should come down, with messaging from the company suggests the net direction in the plan could be higher with Infrastructure and Wisconsin utilities providing offsets. This would likely allow WEC to credibly defend its long-run CAGR target of 6.5-7.0%, though expect earnings quality discussions to continue to come up if the company does an about-face and pivots back to unregulated investment. Reduced IL O&M likely a modest upside lever in 2024 & credit savings (thru more converts?), while impacts of lower capex should be felt more further out in the forecast as the company continues to push for reconsideration of high-priority spending.

PO to \$75, reiterate Underperform, '23 ests lower

Mark to market to latest peer multiples of 13.3x for electric and 12.6x for gas. PO from \$78 to \$75 and reiterate Underperform given the negative total return implied by our valuation. We largely keep our forecast intact as we did a comprehensive refresh recently, see more here: [WEC Energy Group Inc: Downgrade to Underperform: Clouds to low-vol. dependable growth story 04 January 2024](#). We tweak lower our 2023 estimate to reflect mild December weather though note that WEC issued an 8-k in January that had an expectation of reaching the upper end of its \$4.58-4.62 range for the full year on an adjusted basis. In contrast to recent years, the GAAP basis will be lower due to a 41c charge taken in the wake of the IL gas order which included a \$236m disallowance.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	4.11	4.47	4.61	4.90	5.19
EPS Change (YoY)	8.4%	8.8%	3.1%	6.3%	5.9%
Consensus EPS (Bloomberg)			4.61	4.91	5.24
DPS	2.71	2.91	3.12	3.31	3.51
Valuation (Dec)					
P/E	20.1x	18.5x	17.9x	16.9x	15.9x
Dividend Yield	3.3%	3.5%	3.8%	4.0%	4.3%
EV / EBITDA*	20.3x	18.6x	15.7x	14.9x	14.1x
Free Cash Flow Yield*	-0.8%	-1.0%	-5.1%	-3.4%	-2.8%

* For full definitions of *IQmethod*SM measures, see page 8.

17 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	78.00	75.00
2023E Rev (m)	10,049.9	10,044.3
2023E EPS	4.62	4.61

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Stock Data

Price	82.57 USD
Price Objective	75.00 USD
Date Established	17-Jan-2024
Investment Opinion	A-3-7
52-Week Range	75.47 USD - 99.26 USD
Mrkt Val (mn) / Shares Out (mn)	26,045 USD / 315.4
Free Float	99.8%
Average Daily Value (mn)	178.33 USD
BofA Ticker / Exchange	WEC / NYS
Bloomberg / Reuters	WEC US / WEC.N
ROE (2023E)	12.5%
Net Dbt to Eqty (Dec-2022A)	150.0%
ESGMeter™	High

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

WI: Wisconsin

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Timestamp: 17 January 2024 05:30AM EST

iQprofileSM WEC Energy Group Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	4.1%	4.1%	4.6%	4.5%	4.5%
Return on Equity	12.2%	12.6%	12.5%	12.8%	12.7%
Operating Margin	20.6%	20.0%	23.6%	22.6%	21.4%
Free Cash Flow	(220)	(254)	(1,324)	(876)	(738)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.6x	1.5x	2.1x	2.0x	2.0x
Asset Replacement Ratio	2.1x	2.1x	3.5x	3.1x	3.0x
Tax Rate	13.4%	18.6%	20.2%	20.0%	19.7%
Net Debt-to-Equity Ratio	142.3%	150.0%	163.5%	169.7%	164.7%
Interest Cover	3.6x	3.7x	2.8x	2.8x	2.9x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	8,316	9,597	10,044	11,104	12,405
% Change	14.8%	15.4%	4.7%	10.5%	11.7%
Gross Profit	3,000	3,301	3,793	3,992	4,201
% Change	3.8%	10.0%	14.9%	5.3%	5.2%
EBITDA	2,789	3,047	3,616	3,816	4,022
% Change	4.0%	9.2%	18.7%	5.5%	5.4%
Net Interest & Other Income	(216)	(192)	(545)	(564)	(576)
Net Income (Adjusted)	1,300	1,409	1,457	1,553	1,666
% Change	8.4%	8.4%	3.4%	6.6%	7.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	1,302	1,410	1,458	1,554	1,667
Depreciation & Amortization	1,074	1,123	1,244	1,310	1,369
Change in Working Capital	0	0	(66)	(52)	(55)
Deferred Taxation Charge	151	280	352	370	392
Other Adjustments, Net	(494)	(752)	0	0	0
Capital Expenditure	(2,253)	(2,315)	(4,311)	(4,058)	(4,112)
Free Cash Flow	-220	-254	-1,324	-876	-738
% Change	-414.3%	-15.5%	-420.8%	33.8%	15.8%
Share / Issue Repurchase	(17)	(36)	0	125	475
Cost of Dividends Paid	(855)	(918)	(988)	(1,050)	(1,128)
Change in Debt	1,124	1,910	2,349	1,602	1,391

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	16	182	220	20	20
Trade Receivables	1,506	1,818	1,903	1,999	2,109
Other Current Assets	1,135	1,187	1,225	1,314	1,423
Property, Plant & Equipment	26,982	29,114	32,181	34,929	37,672
Other Non-Current Assets	9,349	9,571	9,571	9,571	9,571
Total Assets	38,989	41,872	45,099	47,832	50,794
Short-Term Debt	2,066	2,528	2,831	3,061	3,262
Other Current Liabilities	1,687	2,083	2,138	2,271	2,435
Long-Term Debt	13,524	14,766	16,813	18,184	19,375
Other Non-Current Liabilities	10,599	10,878	11,230	11,600	11,992
Total Liabilities	27,875	30,256	33,012	35,116	37,064
Total Equity	10,944	11,407	11,878	12,507	13,730
Total Equity & Liabilities	38,819	41,663	44,890	47,623	50,794

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Electric Utilities

Company Description

WEC Energy Group (WEC) operates as a diversified utility holding company whose whole owned subsidiaries provide regulated natural gas and electricity, as well as nonregulated renewable energy. 60% of WEC's EPS comes from its Wisconsin service territory, with Michigan, Minnesota, and Illinois commanding the remainder. The company currently has 1.6Mn electric customer 2.6Mn gas customers with 69,000 miles of electric distribution and 46,000 miles of gas distribution.

Investment Rationale

We are Underperform-rated on shares of WEC Energy Group (WEC) with the company trading at a relative P/E premium to the broader electric utility sector. While execution has historically been strong we see clear risks to the valuation in the form of the the stretched balance sheet as well as recent punitive regulatory outcomes, most recently impacting the Illinois gas utilities.

Stock Data

Average Daily Volume 2,170,891

Quarterly Earnings Estimates

	2022	2023
Q1	1.79A	1.61A
Q2	0.91A	0.92A
Q3	0.96A	1.00A
Q4	0.81A	1.09E

EPS preview: IL uncertainty keeps us below Street

We forecast WEC's 2024 EPS to come in at \$4.90, slightly below Street consensus of \$4.91. WEC's practice of guiding to EPS growth from the prior year's midpoint suggests an initial EPS range of \$4.89-4.93 which our forecast is consistent with.

The largest unknown remains the impact of the latest IL rate case outcomes on People's Gas and North Shore Gas. WEC indicated the possibility of moving down capex at these utilities over the course of its 5-year plan, though 2024 may be more intact than other years given the need to complete in-progress emergency work – even this remains an open item pending commission review. Another key unknown lever is the degree to which WEC pulls back on O&M at these utilities given the unfavorable rate order. A further unknown remains Energy Infrastructure – expect some capex upside here to potentially be included in the plan as a means of backfilling lower spend in IL, though unlikely that a project that is added will enter service in 2024.

Our bottom line on WEC's messaging is that we expect the company to stick by its long-term financial targets and issue 2024 guidance that is consistent with the long-term EPS CAGR.

Exhibit 10: WEC EPS walk

Forecast 2024 EPS of \$4.90

	2024	Q1	Q2	Q3	Q4
FY23A Adjusted EPS	4.62	1.61	0.92	0.92	1.14
Wisconsin Utilities	0.22	0.10	0.05	0.05	0.02
Illinois - PGS and NSG	-0.04	-0.01	-0.01	-0.01	-0.01
MERC/MGU	0.01	0.01	0.01	0.01	-0.01
ATC	0.04	0.01	0.01	0.01	0.01
Energy Infrastructure	0.06	0.02	0.02	0.02	0.02
Corp & Elimination	0.01	0.00	0.00	0.00	0.00
Share Count Dilution	-0.01	0.00	0.00	0.00	-0.01
FY24E Adjusted EPS	4.90	1.73	0.99	0.99	1.16
FY24 Consensus	4.91	1.56	1.03	1.08	1.18

Source: BofA Global Research, Bloomberg

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Capital lower in IL, but net move higher?

WEC's early 2024 has been uncharacteristic compared to prior years given lack of financial guidance. The company released an updated investor presentation detailing preliminary long-term capital considerations, as well as its 2023 adjusted EPS guidance and reaffirming the 6.5-7.0% annual EPS growth target 2023-2028 following uncertainty in the wake of the IL rate outcome.

Ahead of an updated spending plan which is expected on the Q4 call, WEC emphasized "capital plan flexibility" over the 2024-28 period including a reduction of Illinois natural gas -\$700 to -\$900Mn, offset by +\$700 to \$900Mn increasing unregulated energy infrastructure investment. Wisconsin utility capital investment could also increase +\$200 to \$400Mn. Shifting to higher ROE unregulated investments as well as more favorable Wisconsin regulatory jurisdiction would enhance the EPS growth profile but net shifting to unregulated would reduce the mix of regulated asset and earnings base unfavorably. We do not see business mix issues at present, even with a higher assumed share coming from the unregulated infrastructure segment.

While the IL natural gas utility rate order was cautious for WEC and caused the company to take a 2023 charge related to capital that was disallowed, messaging from the company suggests an upward bias to the overall capital plan – note two upside categories (WI and Infra) offsetting the IL reduction. While earnings quality does in theory deteriorate if replacing regulated investment with unregulated renewables, the capital tweaks as telegraphed likely give WEC a credible path to maintaining the long-term guidance target of 6.5-7.0%.



Wisconsin commissioner moves latest data point

The Public Service Commission of Wisconsin (PSCW) lost **two** of **three** members in a matter of days, with former Chair Rebecca Valcq stepping down on Jan 11th after five years on the commission and Tyler Huebner coming up short in a 21-11 confirmation vote by the state senate on Jan 16th. Both were appointed by Wisconsin's Democrat Governor Tony Evers. While the specific reason for former chair Valcq stepping down has not been disclosed, the senate vote denying Huebner confirmation fell largely along party lines with the senate split 22-11 in favor of Republicans. The presumptive chair is now Summer Strand, who was appointed by Gov Evers in Mar 2023 and who was confirmed by the state senate in a 27-5 vote. Following the senate vote Gov. Evers nominated Kristy Nieto, a member of the PSCW's staff to serve as commissioner replacing Huebner.

On balance the moves within the PSCW screen as modestly favorable for utilities in the state. Huebner had indicated in open meetings that he viewed approved ROEs for utilities as too high, starting with discussion of WEC's electric settlement in Dec 2022, while Valcq was seen as more of a balanced regulator. While Summer Strand is an Evers appointee, her smooth confirmation suggests a dynamic other than straight party-line politics. WEC, along with in-state peers LNT and MGEE, has plans in place to add solar and battery storage generation in coming years and a significant ideologic shift at the PSCW could yet shift the level of support for utility-owned renewables.

Estimates

We largely maintain our forecast but bring down our 2023 estimate reflecting mild weather in Q4 – our estimate moves to \$4.61 which reflects language in the company's Jan 8-k that affirmed expectations to reach the upper end of the guidance range. WEC has a strong track record of delivering on and exceeding financial targets - we expect a continued focus on achieving the EPS target CAGR while in the interim pulling back on IL capex. Our estimates remain below Street consensus which reflects growth along the midpoint of the range.

Exhibit 11: WEC estimates

Maintain our long-run view, low end of guidance bias

WEC EPS Estimates	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Wisconsin Electric (WE)	\$1.16	\$1.21	\$1.26	\$1.34	\$1.52	\$1.71	\$1.91	\$2.13	\$2.33
Wisconsin Public Service (WPS)	\$0.70	\$0.73	\$0.75	\$0.81	\$0.84	\$0.91	\$0.99	\$1.06	\$1.13
Wisconsin Gas (WG)	\$0.26	\$0.24	\$0.35	\$0.30	\$0.33	\$0.35	\$0.39	\$0.45	\$0.50
Peoples Gas (PG)	\$0.59	\$0.65	\$0.66	\$0.67	\$0.63	\$0.63	\$0.65	\$0.66	\$0.68
North Shore Gas (NSG)	\$0.05	\$0.06	\$0.06	\$0.07	\$0.06	\$0.06	\$0.07	\$0.08	\$0.08
American Transmission Company (ATC)	\$0.42	\$0.44	\$0.44	\$0.46	\$0.49	\$0.55	\$0.62	\$0.70	\$0.77
Minnesota Energy / Michigan Gas (MERC/MGU)	\$0.12	\$0.11	\$0.21	\$0.22	\$0.23	\$0.25	\$0.28	\$0.31	\$0.33
Non-Utility (We Power, BlueWater, Infrastructure)	\$0.82	\$0.88	\$1.03	\$1.10	\$1.15	\$1.17	\$1.18	\$1.20	\$1.16
Energy Infrastructure	\$0.11	\$0.20	\$0.31	\$0.38	\$0.44	\$0.49	\$0.53	\$0.58	\$0.57
Parent & Int Expense	(0.34)	(0.21)	(0.29)	(0.35)	(0.36)	(0.44)	(0.53)	(0.66)	(0.73)
BofA Estimate	\$3.79	\$4.11	\$4.46	\$4.61	\$4.90	\$5.19	\$5.56	\$5.92	\$6.25
Company Guidance		4.05-4.07	4.38-4.40	4.58-4.62					
Prior Estimates				\$4.62	\$4.90	\$5.19	\$5.56	\$5.92	\$6.25
CAGR off 2023 original midpoint of \$4.60					6.5%	6.2%	6.5%	6.5%	6.3%
Consensus				\$4.61	\$4.91	\$5.24	\$5.59	\$5.97	
BofA % over/under Street				0.3%	-0.1%	-1.1%	-0.6%	-1.0%	

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Valuation

Mark to market to latest peer multiples of 13.3x for electric and 12.6x for gas. PO from \$78 to \$75 and reiterate Underperform given the negative total return implied by our valuation.

Exhibit 12: WEC valuation

PO to \$75, reiterate Underperform

Regulated Utilities			2026 EPS	2026 Net Income		P/E Multiple			Equity Value	
						Peer	Prem/ Discount	Base	--	Base
Group Peer Multiple - Electric						13.3x	-	-	--	-
Group EPS 'CAGR - Electric						5.00%	-	-	--	-
						-	-	-	--	-
Group Peer Multiple - Gas						12.6x	-	-	--	-
Group EPS CAGR - Gas						5.10%	-	-	--	-
						-	-	-	--	-
Applied Multiple						Electric 14.0x	-	-	--	-
						Gas 13.2x	-	-	--	-
						-	-	-	--	-
WI Electric	\$1.91		626				1.0x	15.0x		\$9,371
WPS	\$0.99		323				1.0x	15.0x		\$4,826
WI Gas	\$0.39	128					1.0x	14.2x		\$1,818
Peoples Gas	\$0.65		212				-3.0x	10.2x		\$2,170
North Shore Gas	\$0.07		24				-3.0x	10.2x		\$243
ATC	\$0.62		203				4.0x	18.0x		\$3,649
We Power (PTF)	\$0.63		207				-2.0x	12.0x		\$2,473
MERC/MGU	\$0.28		92				3.0x	16.2x		\$1,491
Blue Water	\$0.04		12				3.0x	17.0x		\$201
Parent & Int Expense	-\$0.53		(175)				0.0x	14.0x		(\$2,438)
Total Implied Utilities	\$5.03		1,651					14.4x		\$23,804
										\$73

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH



Price objective basis & risk

WEC Energy Group Inc (WEC)

Our \$75 PO is based on 2026E SoTP, with a large cap electric group multiple of 13.3x and gas regulated multiple of 12.6x. Electric and gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector. We apply a 1.0x premium to WEC's WI electric & gas subs for surety in earnings growth for the next two years following the Commission's recent settlement. We ascribe a 4x premium vs. the group at ATC to account for steady earnings growth as well as above avg Federal ROE's. IL Gas receives a -3x discount given the cautious tone set in the most recent rate case. We give Power the Future (PTF) a -2.0x P/E discount given nonutility risk profile. We ascribe an in line multiple for the parent accounting for the interest expense which finances overall utility operations. We value Energy Infrastructure on a net present value basis using a WACC of 8.9%, in line with other renewable assets. We net out 50% of HoldCo debt from equity valuation and adjust to add back the parent drag on interest exp.

Upside risks to our PO: better than expected regulatory outcomes driving improved earnings and higher capital spend, lower interest rates, execution on unregulated projects at favorable returns. Downside risks are: worse than expected regulatory outcomes driving lower earned returns and lower capital spend, higher interest rates, inability to execute on unregulated projects.

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	Dariusz Lozny, CFA
	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

North America - Utilities and Alt Energy Coverage Cluster

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

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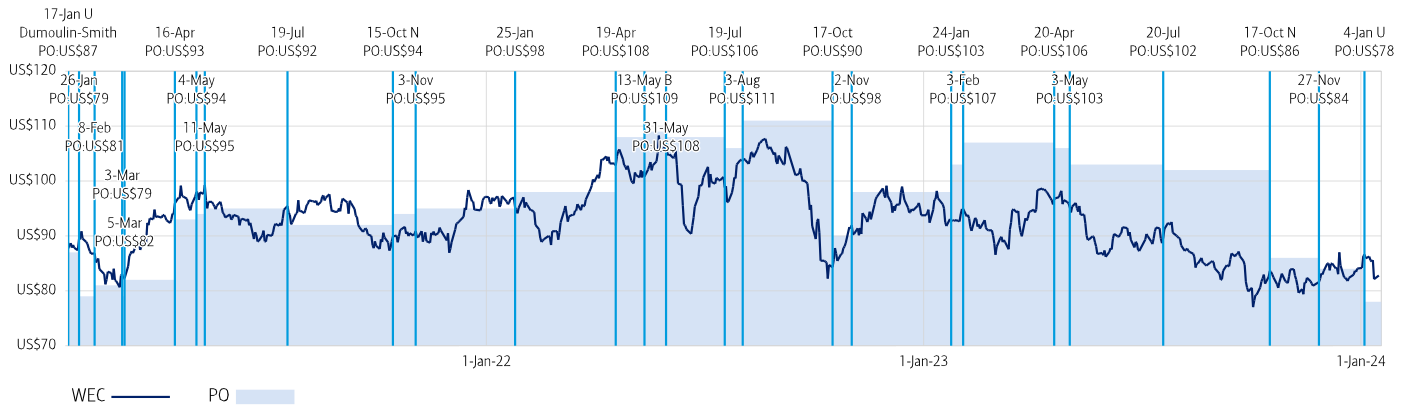
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WEC Energy Group Inc (WEC) Price Chart



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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{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%

^{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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