

Avangrid

Fireside Chat Feedback: Working to get on EPS growth track – starting with 2024

Reiterate Rating: UNDERPERFORM | PO: 31.00 USD | Price: 33.59 USD

Management trying to ‘fix things’ but more work ahead

We reiterate Underperform on shares of Avangrid (AGR) where we forecast another EPS rebase with the late March 2024 Capital Markets Day. AGR underperformed utility peers -15% in 2023 but has begun 2024 with +2% relative recovery, primarily from terminating the PNM Resources (PNM) merger which we estimated was EPS dilutive and included a ~\$2Bn guided equity offering which will no longer be needed. **We hosted senior management for a helpful virtual ‘fireside chat’** on January 9th where we discussed a variety of topics: *highlights in the full report*. We applaud management for making difficult decisions to walk away from dilutive investments such as ‘wave two’ offshore wind and PNM. We look for more clarity on the consolidated EPS growth profile where there has been inconsistent execution historically. We remain cautious.

Follow the numbers and the earnings drivers

We forecast adjusted EPS troughing in 2023 at \$2.00, below \$2.02 in 2020 and \$2.04 in 2016. 2024 should bring +7-8% EPS growth to \$2.16; however, includes +\$0.25 estimated Vineyard Wind investment tax credits and +\$0.15 New England Clean Energy Connect non-cash AFUDC. We largely forecast EPS rangebound \$2.20-\$2.40 with a 2-3% 2024-2027E EPS CAGR as networks 3% CAGR (6% ex-NECEC) is dampened by declining renewables. The \$5-6Bn wind repowering plan can help to stabilize renewables but we still net likely see EPS growth lower than the average utility at 5-6%.

NECEC has large earnings step up and is worth +\$1/sh

We increase our adjusted EPS primarily to include the NECEC project which received favorable support from the Massachusetts legislature. The project is worth \$1/sh and has meaningful \$0.20-\$0.30 EPS in 2024-2025 via accounting AFUDC rates before returning to \$0.07 in 2026 but better than the zero we modeled before. There is a large +\$0.19 (+8%) increase in 2025E BofA to \$2.42 (in-line with \$2.41 Consensus) with other decrease EPS offsetting. Our 2026E and 2027E are -4%/-7% below Consensus.

Valuation: Shares trade in-line with peers – expensive

We lower our PO to \$31 from \$34 with details on Page 9. We still view shares as warranting a discount for below-average growth and Connecticut assets.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.18	2.33	2.00	2.16	2.42
GAAP EPS	1.97	2.28	1.58	2.24	2.50
EPS Change (YoY)	7.9%	6.9%	-14.2%	8.0%	12.0%
Consensus EPS (Bloomberg)			2.10	2.26	2.41
DPS	1.76	1.76	1.76	1.76	1.76
Valuation (Dec)					
P/E	15.4x	14.4x	16.8x	15.6x	13.9x
GAAP P/E	17.1x	14.7x	21.3x	15.0x	13.4x
Dividend Yield	5.2%	5.2%	5.2%	5.2%	5.2%
EV / EBITDA*	16.3x	14.4x	14.4x	13.9x	13.1x
Free Cash Flow Yield*	-10.9%	-11.4%	-2.3%	-17.4%	0.3%

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

11 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	34.00	31.00
2023E Rev (m)	8,044.1	8,360.8
2024E Rev (m)	8,296.6	8,267.6
2025E Rev (m)	8,540.6	8,548.1
2023E EPS	1.98	2.00
2024E EPS	2.14	2.16
2025E EPS	2.23	2.42

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Stock Data

Price	33.59 USD
Price Objective	31.00 USD
Date Established	11-Jan-2024
Investment Opinion	A-3-7
52-Week Range	27.46 USD - 44.77 USD
Mkt Val (mn) / Shares Out (mn)	13,010 USD / 387.3
Free Float	18.3%
Average Daily Value (mn)	27.33 USD
BofA Ticker / Exchange	AGR / NYS
Bloomberg / Reuters	AGR US / AGR N
ROE (2023E)	4.0%
Net Dbt to Eqty (Dec-2022A)	44.9%
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"](#).

AFUDC: Allowance for funds used during construction
NECEC: New England Clean Energy Connect
ITC: Investment tax credit
CMD: Capital markets day
PNM: PNM Resources

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Timestamp: 11 January 2024 05:00AM EST

iQprofileSM Avangrid

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	2.4%	2.8%	2.6%	2.6%	2.7%
Return on Equity	4.6%	4.7%	4.0%	4.3%	4.7%
Operating Margin	12.8%	10.8%	12.4%	13.7%	14.4%
Free Cash Flow	(1,415)	(1,484)	(304)	(2,263)	39

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.0x	1.1x	2.4x	2.4x	2.3x
Asset Replacement Ratio	2.9x	2.3x	1.9x	3.6x	1.7x
Tax Rate	3.2%	2.4%	5.8%	NM	NM
Net Debt-to-Equity Ratio	35.0%	44.9%	49.7%	63.5%	65.7%
Interest Cover	3.2x	3.8x	3.1x	2.9x	3.1x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	6,974	7,923	8,361	8,268	8,548
% Change	10.3%	13.6%	5.5%	-1.1%	3.4%
Gross Profit	5,255	5,467	5,757	5,924	6,179
% Change	6.4%	4.0%	5.3%	2.9%	4.3%
EBITDA	1,976	2,229	2,239	2,320	2,467
% Change	5.6%	12.8%	0.4%	3.6%	6.3%
Net Interest & Other Income	(298)	(303)	(351)	(393)	(406)
Net Income (Adjusted)	781	901	773	835	936
% Change	24.9%	15.4%	-14.2%	8.0%	12.0%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	643	821	707	866	966
Depreciation & Amortization	1,014	1,085	1,140	1,170	1,222
Change in Working Capital	0	0	0	0	0
Deferred Taxation Charge	11	18	53	53	53
Other Adjustments, Net	(107)	(889)	(21)	(118)	(119)
Capital Expenditure	(2,976)	(2,519)	(2,183)	(4,234)	(2,083)
Free Cash Flow	-1,415	-1,484	-304	-2,263	39
% Change	5.2%	-4.9%	79.5%	-644.5%	NM
Share / Issue Repurchase	3,965	(1)	0	0	0
Cost of Dividends Paid	(613)	(681)	(681)	(681)	(681)
Change in Debt	(2,777)	662	985	2,944	641

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,477	72	72	72	72
Trade Receivables	1,280	1,742	1,742	1,742	1,742
Other Current Assets	1,020	1,396	1,396	1,396	1,396
Property, Plant & Equipment	28,866	30,994	32,037	35,101	35,961
Other Non-Current Assets	6,861	6,919	6,854	6,886	6,918
Total Assets	39,504	41,123	42,101	45,197	46,089
Short-Term Debt	533	980	1,124	1,449	1,520
Other Current Liabilities	2,796	3,436	3,436	3,436	3,436
Long-Term Debt	7,922	8,223	9,063	11,682	12,253
Other Non-Current Liabilities	8,292	8,142	8,109	8,075	8,041
Total Liabilities	19,543	20,781	21,732	24,643	25,250
Total Equity	19,961	20,342	20,369	20,554	20,839
Total Equity & Liabilities	39,504	41,123	42,101	45,197	46,089

* For full definitions of iQmethodSM measures, see page 15.

Company Sector

Electric Utilities

Company Description

Avangrid is the publicly listed operating subsidiary of Iberdrola (over 80% ownership) and was formed through the combination of Iberdrola's 5GW+ renewable portfolio with UIL holding company's regulated utilities. The regulated utilities span across eight operating subsidiaries and four states, while the Avangrid renewables business operates in over half of the states and owns primarily wind and solar assets. AGR is developing offshore wind assets as well.

Investment Rationale

We rate Avangrid (AGR) Underperform as we see the current premium valuation inappropriate in light of the risks to adjusted earnings per share outlook. AGR's most recent guidance is for 6-7% LT EPS CAGR which includes key risks and uncertainties. We believe a discounted valuation is more appropriate to reflect the below-average EPS growth we forecast, unregulated asset mix, and challenging Connecticut regulatory profile.

Stock Data

Average Daily Volume 813,589

Quarterly Earnings Estimates

	2022	2023
Q1	1.16A	0.64A
Q2	0.46A	0.21A
Q3	0.32A	0.27A
Q4	0.32A	0.89E

Fireside chat takeaways

We hosted Avangrid's CEO for a productive virtual fireside chat where he emphasized the areas and efforts that the company has undertaken to fix 'legacy issues' (offshore wind, PNM merger, and NECEC), finish rate cases in New York & Maine, and prioritizing growth without gains. It was a useful conversation to learn about the company's priorities. The discussion focused more on qualitative elements and management had a positive tone; however, we look for more details on the financials to paint a path of earnings growth that the company has not historically achieved.

- **New York and Maine rate cases:** Management stated that no one expected the company to have double-digit rate increases in these new approved rate cases while also improving NY customer service metrics that it focuses on. Admittedly we did see the timing of expedited NY rate case approval as tacit positive after protracted approval for ConEd's latest case.

The company was pleased with its storm response in Maine recently although we do note that Maine has had among the largest and longest outages in the past two years. As a result, Central Maine Power (CMP) does still have one of the lowest J.D. Power customer satisfaction scores. Management states that the company now spends nearly every day engaging directly with regulators, customers, and the Governors ranging from New York to Washington D.C. to Maine and believes that engagement has led to a change in the stakeholder dynamics.

The company's priority is improving earned ROEs, particularly New York, which were described as ~8% with a desire to move towards 9%. We model towards high-8% ROEs in New York with some regulatory lag still. Management is notable in emphasizing further execution to full 9% levels.

- **Connecticut regulation:** The last United Illuminating (UI) subsidiary rate case was described as "very disappointing" and having "material breaches of law". Avangrid and UI stated that it will continue working with the Connecticut Governor, legislature, and other stakeholders while emphasizing that it is difficult to engage directly with the Public Utilities Regulatory Authority (PURA) given ex parte communication rules. We expected the denial of the interim rate request (details later in the report) but management pointed to recent favorable outcomes from PURA including the approval of battery projects and a final order supporting a positive net present value of automated meter infrastructure (AMI). *We have written about the small batteries and AMI developments and agree they are constructive.*

We also look for further potential changes on the PURA with potential expansion of the commission size – but this doesn't appear obvious to us despite latest media indications of expansion to 5 roles from 3.

- **Wind repowering:** The company stated that it is developing a very detailed plan for more than \$5Bn capex through 2032 to repower 4,600MW of wind. The investment here was described as 'IPO type story' given the scale but has not provided detailed guidance or financing plans to date. We would expect this to come at the Capital Markets Day versus previous December 2023 messaging.
- **EPS growth:** After years of including gains on sales in earnings, the CEO affirmed the 3Q23 call message that the plan prospectively is to grow without including "extraordinary gains". The new lowered 2023 EPS guidance was described as double-digits from a comparable 2022 base without gains. 2024 guidance was not provided and is expected to come with 4Q23 earnings or the March CMD but was not described as double-digits like 2023 was and is implied from the 6-7% EPS CAGR off 2022A. We currently model 7-8% YoY in 2024.



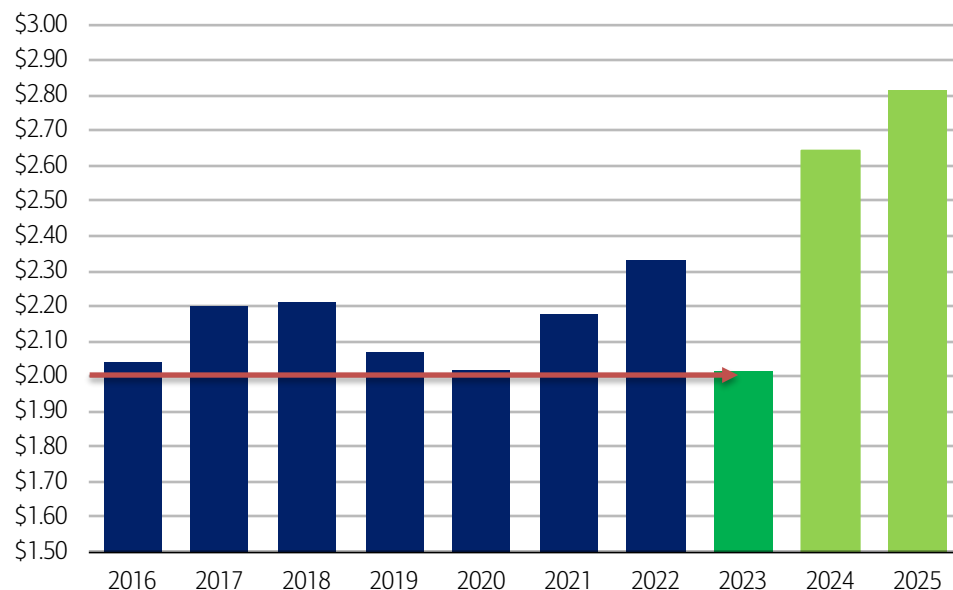
- **Balance sheet:** The \$1.9Bn contemplated equity issuance for 2024 related to the previously pending PNM merger was removed and described as not needed. No explicit equity issuance guidance has been provided recently but management emphasized that the larger capital investments are beyond 2025 and we do not believe that significant equity is needed in 2024-2025 period based on our credit metric forecasts (see Exhibit 4). We forecast 14-15% funds from operations (FFO) to debt supported by \$500Mn equity issuance in 2026.
- **Offshore wind:** The Vineyard Wind project had its first electricity produced to the grid in early January 2023 is “hopeful” that it can have a full commercial operations date in 2024 (approximate November target) which is the current guidance. Avangrid has gone to pains to emphasize that it proactively walked-away from its offshore wind contracts and avoided \$2-3Bn of write-offs like its peer developers have experienced. The available lease capacity can be bid into future procurements, but the company emphasized that it will focus and opportunistically bid without a need to win capacity for the sake of megawatts or growth.
- **M&A:** There was not an absolute trigger for why Avangrid/Iberdrola walked away from the October 2020 PNM Resources transaction, but the company did not see a clear path to regulatory approval and anticipated further procedural delays. The company emphasized that it has a strong organic opportunity set with New York Climate Leadership and Community Protection Act (CLCPA) investment opportunities as well as the organic repowering plan. Avangrid did not take future M&A off the table, but it does not appear to be the same priority from when Avangrid was created in large part to be a US acquisition vehicle. Conversely, management emphasized that it will still pursue opportunistic asset sales but does not have a sense of urgency to execute deals.

Can Avangrid grow EPS? Yes, but still below average

Avangrid has historically not had EPS growth. EPS has been in a \$2.00-\$2.35 range and \$2.13 average since the company's inception. Management's 6-7% EPS growth guidance implies \$2.64 2024 and \$2.81 2025 at the midpoint. We expect the long-term growth to be reset at the March 2024 Capital Markets Day. Parent company Iberdrola (IBE) has its own CMD on March 21, 2024 and we anticipate Avangrid's update to be adjacent. While Consensus estimates are already well below the 6-7% level at ~4%, we still see downside and see a challenging update ahead. In a break from its historical pattern, management did not reaffirm the long-term EPS CAGR after terminating the PNM Resources transaction on January 2nd.

Exhibit 1: Avangrid Historical 2016-2022 and Guided 2023 (Range) and 2024-2025 (CAGR)

Avangrid EPS has declined from 2016 to 2023 guidance midpoint. Implied significant growth in 2024+



Source: Company Filings. * Note 2019 EPS was revised down from \$2.17 in original presentation due to management identified corrections

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Wind repowering plan is upside but no details yet

We will critically look for details at the Capital Markets Day how Avangrid grows EPS, specifically the wind repowering plan. The \$5-\$6Bn wind repowering plan represents upside to our forecasts and should help prevent the core renewables EPS CAGR from declining. We do not include the repowering program given the lack of disclosures and the company's track record of delays and inconsistent execution: we openly acknowledge this is the upside surprise at Analyst Day considering earlier preview of 4.6GW scope of repowering under consideration. However, we perceive much of this is outside of the 3-year guidance likely rolled out/forward with the Analyst Day. This includes delays in one of the company's initial repowering projects, Colorado Green (December 2020 commercial operations vs 1H20 target). Bottom line, we believe investors have not been focused enough on this area of potential upside as a moving item in EPS: admittedly with PNM and so many other pieces moving for '23, expect focus to shift in runup to the A-Day now.

The repowering wind investment is still not cheap at \$1,200/kW and comes with project development uncertainty. Overall, the company is targeting an internal rate of return (IRR) that is +2pp higher than the weighted average cost of capital. We estimate a 7-8% WACC which would result in a 9-10% targeted IRR. *See our earlier specific math on this subject from last Fall.*

BofA Global Research Reports**Title: Subtitle**

[US Utilities & Clean Tech: Investigating wind repowering: More compelling than we initially appreciated](#)
[US Utilities & Clean Tech: 2023 Wind Conference: At Risk of Being Blown Away? Key Takeaways](#)

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2023 Adjust EPS Drivers: Still Street low

We increase our FY23E EPS to \$2.00 from \$1.98 which now includes +\$0.07 NECEC contribution versus none previously. This is below the midpoint of the reduced \$1.95-\$2.08 guidance, down from \$2.20-\$2.35 originally. We have removed ~\$0.20 gain on offshore wind sale which did not occur in 2023. FY23 Consensus has declined -1.5% to \$2.10 but likely moderates more to reflect the lack of the extraordinary gain. Our



estimates give credit for the guided ~\$0.05 cost cuts and assume strong renewables asset performance.

Exhibit 2: AGR FY23 Adjusted EPS Drivers

Giving credit for cost cuts and favorable assumptions can support \$2.00 FY23 EPS

AGR Earnings Walk	EPS	1Q23	2Q23	3Q23	4Q23
FY22A Adjusted EPS	\$2.33	\$1.16	\$0.46	\$0.31	\$0.39
Networks					
Rate Changes	0.43	0.04	0.04	0.06	0.29
Arrears/Uncollectibles	0.13		(0.07)	0.02	0.18
O&M	(0.30)	(0.06)	(0.13)	(0.08)	(0.03)
Depreciation	(0.08)	(0.02)	(0.02)	(0.02)	(0.02)
Interest Costs	(0.06)	(0.02)	(0.01)	(0.01)	(0.02)
Taxes	-	(0.06)	0.02	0.02	0.02
NECEC AFUDC	0.07			0.02	0.05
Other	-	(0.03)	0.03	-	
Total Networks	0.19	(0.15)	(0.14)	0.01	0.47
Renewables					
2022 Offshore Restructuring Gain	(0.47)	(0.47)			
Onshore Operating Performance	0.19	0.02	(0.01)	0.12	0.06
Thermal/Asset Management	0.13	0.10	(0.02)	0.05	-
O&M	-	(0.04)	0.04	-	-
Depreciation	(0.05)	(0.01)	(0.01)	(0.01)	(0.02)
Taxes	(0.13)		(0.01)	(0.11)	(0.01)
Other	(0.02)	(0.01)		(0.01)	
Total Networks	(0.35)	(0.41)	(0.01)	0.04	0.03
Corporate					
Taxes	(0.01)	0.05	(0.08)	0.01	0.01
Depreciation	(0.01)			(0.01)	
Financing Costs	(0.15)	(0.01)	(0.03)	(0.08)	(0.03)
Total Corporate	(0.17)	0.04	(0.11)	(0.08)	(0.02)
FY23E Adjusted EPS	\$2.00	\$0.64	\$0.20	\$0.28	\$0.87
FY23 Consensus	\$2.10	\$0.76	\$0.38	\$0.38	\$0.96
BofA Expected Beat/(Miss) vs Consensus	-5%	-16%	-47%	-27%	-10%
FY23 Adj EPS Guidance - cut in Jan 2024	\$1.95-\$2.08				
BofA Expected Beat/(Miss) vs Guidance	-1%				

Source: Company Filings, Bloomberg, BofA Global Research estimates

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2024 Adjust EPS Drivers: Still Street low

Management's 6-7% 2022-2025 EPS growth guidance has a \$2.33 starting point and implied \$2.48 FY23 and \$2.64 FY24. We forecast \$2.16 FY24 adjusted EPS, -18% below the implies guidance and -4% versus \$2.26 Consensus. We forecast Networks relatively flat YoY despite +\$0.15 NECEC due to -\$0.16 New York rate case arrears true-up. Renewables are +\$0.12 due to +\$0.25 Vineyard Wind (+\$0.31 investment tax credit) with merchant assets -\$0.19 YoY.

Exhibit 3: AGR FY24 Adjusted EPS Drivers

Excluding NECEC and tax credits, FY24 EPS would decline YoY

AGR Earnings Walk	EPS	1Q24	2Q24	3Q24	4Q24
FY23A Adjusted EPS	\$2.00	\$0.64	\$0.20	\$0.28	\$0.87
Networks					
Rate Changes					
NYSEG - Electric: \$137.3Mn 1/1/24-4/30/24	0.09	0.07	0.02	-	-
NYSEG - Electric: \$160.7Mn 5/1/24-12/31/24	0.21	-	0.05	0.08	0.08
NYSEG - Gas: \$11.7Mn 1/1/24-4/30/24	0.01	0.01	0.00	-	-
NYSEG - Gas: \$12.4Mn 5/1/24-12/31/24	0.02	-	0.00	0.01	0.01
RGE - Electric: \$50.9Mn 1/1/24-4/30/24	0.03	0.02	0.01	-	-
RGE - Electric: \$56.6Mn 5/1/24-12/31/24	0.07	-	0.02	0.03	0.03
RGE - Gas: \$18.2Mn 1/1/24-4/30/24	0.01	0.01	0.00	-	-
RGE - Gas: \$20.1Mn 5/1/24-12/31/24	0.03	-	0.01	0.01	0.01
CMP: +\$4.6Mn net income guidance. +\$26.3Mn	0.05	0.01	0.01	0.01	0.01
UI: +\$23Mn September 2023	0.03	0.01	0.01	0.01	-
SCG: Requested +\$41Mn for Nov. 1, 2024	0.00				0.00
CNG: Requested +\$20Mn for Nov. 1, 2024	0.00				0.00

Exhibit 3: AGR FY24 Adjusted EPS Drivers

Excluding NECEC and tax credits, FY24 EPS would decline YoY

AGR Earnings Walk	EPS	1Q24	2Q24	3Q24	4Q24
BGC: +\$1.2Mn Jan 2024	0.00	0.00	0.00	0.00	0.00
MNG: No rate relief	-	-	-	-	-
Transmission: Earnings Growth. Flattish rate base	0.00	0.00	0.00	0.00	0.00
4Q23 NY Rate Case Decision: \$70Mn uncollectibles	(0.16)		0.04	(0.02)	(0.18)
NECEC AFUDC	0.15	0.05	0.05	0.04	0.02
O&M/Operating Efficiencies	(0.30)	(0.08)	(0.08)	(0.07)	(0.07)
Depreciation	(0.10)	(0.02)	(0.02)	(0.02)	(0.02)
Interest Expense	(0.13)	(0.03)	(0.03)	(0.03)	(0.03)
Other Taxes	(0.03)	0.02	(0.03)	(0.03)	0.01
Renewables					
Wind Production Return to Normal	0.04	-	0.04	-	-
Wind Production in Current Year	-				
Curtailment Payments	(0.03)	-	(0.02)	(0.01)	
New Projects COD: 586MW 2023	0.04	0.02	0.02		
New Projects COD in 2024: 500-1,000MW	0.07			0.03	0.03
PPA Escalator: 43% of portfolio	0.03	0.01	(0.01)	0.01	0.03
Power MtM: "Pricing": -\$10/MWh to \$46 Avg	(0.06)	(0.01)		(0.04)	
Klamath Cogen Merchant Performance	(0.12)	(0.10)	0.02	(0.05)	0.01
Vineyard Wind Operations	(0.06)			(0.03)	(0.03)
Vineyard Wind Investment Tax Credits (5Yr Amort)	0.31	0.03	0.05	0.08	0.16
O&M	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)
Depreciation / Other	(0.07)	(0.02)	(0.02)	(0.02)	(0.02)
Corporate					
O&M, Taxes, & Other	0.01	(0.05)	0.08	(0.01)	(0.01)
Interest Expense	0.02	0.01	0.01	0.01	0.01
Other	0.01	-	-	-	0.01
FY24E Adjusted EPS	\$2.16	\$0.57	\$0.43	\$0.25	\$0.91
FY24 Consensus	\$2.26	\$0.70	\$0.46	\$0.52	\$0.39
BofA Expected Beat/(Miss) vs Consensus	-4%	-19%	-8%	-53%	135%
FY24 Adj EPS Guidance	\$2.64				
BofA Expected Beat/(Miss) vs Guidance	-18%				

Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

Adjusted EPS: Increasing for NECEC. Below the Street

Our refreshed EPS forecast is below with increases primarily to reflect NECEC as shown in Exhibit 5 and presented in the Maine Networks row. Despite the increases, we see 4-5% downside to near-term Consensus and are -7% lower than the Street in 2027. The 2-3% 2024-2027 modeled EPS is notably below the 5-6% utility average and an outlier by having a large unregulated earnings and asset mix. The net +\$0.19 2025E EPS increase has a 'core' decrease that is more than offset by +\$0.29 NECEC EPS.

Exhibit 4: Avangrid Financial Profile

Below average EPS growth: 3% networks and -6% renewables

Avangrid EPS Estimates	2021A	2022A	2023E	2024E	2025E	2026E	2027E	'21-'25E	'22-'25E	'24-'27E
Connecticut	\$0.53	\$0.48	\$0.45	\$0.45	\$0.49	\$0.50	\$0.52	-2.0%	0.8%	5.0%
New York	\$0.72	\$0.72	\$0.91	\$0.80	\$0.91	\$0.95	\$1.02	6.0%	7.9%	8.4%
Maine	\$0.59	\$0.41	\$0.49	\$0.64	\$0.72	\$0.52	\$0.54	5.1%	20.5%	-5.3%
Other	\$0.00	\$0.02	\$0.08	\$0.01	\$0.01	\$0.01	\$0.02	N/M	-3.6%	8.2%
Avangrid Networks	\$1.85	\$1.63	\$1.93	\$1.90	\$2.14	\$1.98	\$2.10	3.7%	9.4%	3.3%
Renewables & CoGen	(\$0.23)	\$0.16	(\$0.29)	(\$0.26)	(\$0.28)	(\$0.24)	(\$0.30)	4.9%	-220.7%	3.9%
Renewables - Asset Sales & Winter Storm Uri	\$0.22	\$0.47	\$0.20	\$0.03	\$0.03	\$0.03	\$0.03	-38.6%	-59.7%	-1.2%
Renewables - Tax Credits	\$0.49	\$0.42	\$0.53	\$0.85	\$0.90	\$0.86	\$0.78	16.4%	28.8%	-3.1%
Total Renewables	\$0.47	\$1.04	\$0.45	\$0.62	\$0.65	\$0.65	\$0.51	8.1%	-14.7%	-6.4%
Corporate & Other/Rounding	(\$0.14)	(\$0.34)	(\$0.39)	(\$0.37)	(\$0.37)	(\$0.27)	(\$0.27)	26.8%	2.3%	-9.0%
Total Avangrid EPS	\$2.18	\$2.33	\$2.00	\$2.16	\$2.42	\$2.36	\$2.33	2.6%	1.2%	2.6%
Guidance: ~6-7% CAGR 2022-2025 (\$2.29 Base)	2.04-2.22	2.20-2.38	\$1.95-\$2.08	\$2.64	\$2.81	\$3.00	\$3.19	7.2%	7.1%	
BofA vs Guidance (%)	2.3%	1.9%	-12.2%	-18.4%	-14.2%	-21.2%	-26.9%			
Prior Guidance: ~6-8% '20-'25 (\$2.10 Base)	2.15-2.35	2.36-2.60	\$2.57	\$2.75	\$2.95	\$2.95	\$2.95	7.0%		
% Change	-5.3%	-7.7%	-21.7%	-4.0%	-4.4%	1.8%	8.4%			
Consensus	\$2.16	\$2.31	\$2.10	\$2.26	\$2.41	\$2.47	\$2.52	2.8%	1.4%	3.8%
BofA vs Consensus (%)	0.8%	0.8%	-5.0%	-4.4%	0.2%	-4.3%	-7.4%			



Exhibit 4: Avangrid Financial Profile

Below average EPS growth: 3% networks and -6% renewables

Avangrid EPS Estimates	2021A	2022A	2023E	2024E	2025E	2026E	2027E	'21-'25E	'22-'25E	'24-'27E
BofA EPS vs Prior	-0.1%	0.1%	0.9%	0.8%	8.3%	1.8%	1.0%			
Dividend per Share	\$1.76	\$1.76	\$1.76	\$1.76	\$1.76	\$1.76	\$1.76	0.0%		
Payout Ratio (%): 65-75% Target	80.8%	75.5%	88.1%	81.6%	72.9%	74.5%	75.5%	-7.9%	-2.6%	-6.2%
FFO / Debt: 13-15% Target	15.3%	4.8%	17.7%	14.5%	14.9%	15.1%	14.6%	-0.4%	10.1%	0.1%

Source: Company Filings, Bloomberg, BofA Global Research estimates

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CT: Background on the denied interim order

Avangrid filed with the Connecticut Public Utilities Regulatory Authority (PURA) for a +\$14Mn interim rate increase at its United Illuminating (UI) subsidiary while stating it will be cutting distribution capex YoY (22-08-08). PURA put the application for interim rates on a docket "hold" when filed December 1st and ultimately docketed in the base rate case. The +\$14Mn was described as approximately half of the disputed funds between UI and PURA pending an appeal.

PURA rejects the request for a variety of reasons

As expected, PURA unanimously declined the application in a harshly worded six page decision on December 29th. PURA concluded that: "Here, the Petition is simply a collateral attack, grounded in conjecture, on the 2023 Rate Increase." PURA detailed reasons why the application was flawed and stated that AGR can file a proper general base rate increase with an interim rate request when it chooses if the company is indeed facing "deterioration of its financial condition". The rationale provided by PURA included: (1) lack of justification that a rate increase is necessary; (2) reliance on assumptions, "conjecture", and predictions; (3) lack of documented flaw in the rate case decision and AGR's management presumption that it will be successful in its appeal; (4) interim rate increases are tied by statute to pending rate case applications.

Impairment ahead without supporting revenue?

We expect Avangrid to record property, plant, and equipment (PP&E) impairments for the reduced rate base with 4Q23, consistent with the company stated that it was an "extraordinarily damaging" outcome. Avangrid did not update its Regulation G non-GAAP disclosure with 3Q23 earnings to highlight this as a potential item. Without supporting revenue, per GAAP we would anticipate an impairment similar to those guided to by Illinois utilities per after their respective adverse rate case outcomes.

UI stated "The Rate Decision was extraordinarily damaging to UI from a financial perspective. Every aspect of the Company's operations is negatively impacted by the decision in terms of UI's ability to fund its business operations." The Connecticut Attorney General issued a statement in response that the interim filing was "the latest bad faith maneuver by UI" and that the appropriate venue for the request was in the pending appeal. AGR filed that "there is a very real risk that the Company will not be able to raise either equity or debt capital in the marketplace due to the lack of sufficient revenues, plus the risk that the market views as inherent in the current regulatory environment".

Actual equity ratio very important to monitor

AGR had a 59% actual equity ratio for 2022 vs the 50% allowed level and the other two Connecticut utilities were also over-equitized. In the filing, AGR shows that it has a 61.3% 9/30/23 equity ratio, more than 10pp above the authorized level. The Federal Energy Regulatory Commission (FERC) has historically generally indicated that equity ratios of 40-60% are just and reasonable. The 61% equity ratio is one of the highest for a traditional regulated utility subsidiary in our coverage universe. Given the elevated equity levels, we do not see a need for AGR to raise capital at the subsidiary.

Capital expenditure cut guided to. Wide range of ROE calculations possible

AGR guided to cutting its UI 2024 distribution capex to \$69Mn vs its \$140Mn regulatory request and \$177Mn in its October 2023 long-term guidance. AGR stated that if had been granted the +\$14Mn interim rate increase request it would invest \$110Mn capex in 2024, still well below its financial guidance. AGR warned that it will reduce its employee compensation and delay investments to respond to emergency/outages faster. A -\$100Mn annual capex reduction represents ~5% of core utility capex. We will watch to see if management choose to cut natural gas capex at Connecticut Natural Gas (CNG) and Southern Connecticut Gas (SCG) with their own rate cases pending.

UI disclosed in September that it would have a -\$32Mn annual loss (earnings impact) after the unfavorable PURA rate case decision vs a +\$60Mn income previously. Subsequently UI filed that it had a 4.61% TTM ROE excluding the -\$24Mn write-offs and 0.75% ROE including the items. Working from the regulatory filings and Avangrid's disclosures, when adjusting for the lower approved rate base and using the authorized 50% equity ratio, we calculate a 8-9% pro-forma earned ROE and 7% historical. This calculation may not align fully with the PURA regulatory view but shows that the actual returns are still quite reasonable.

NECEC: now embedding value but this is uncertain

Maine regulatory filing shows some progress

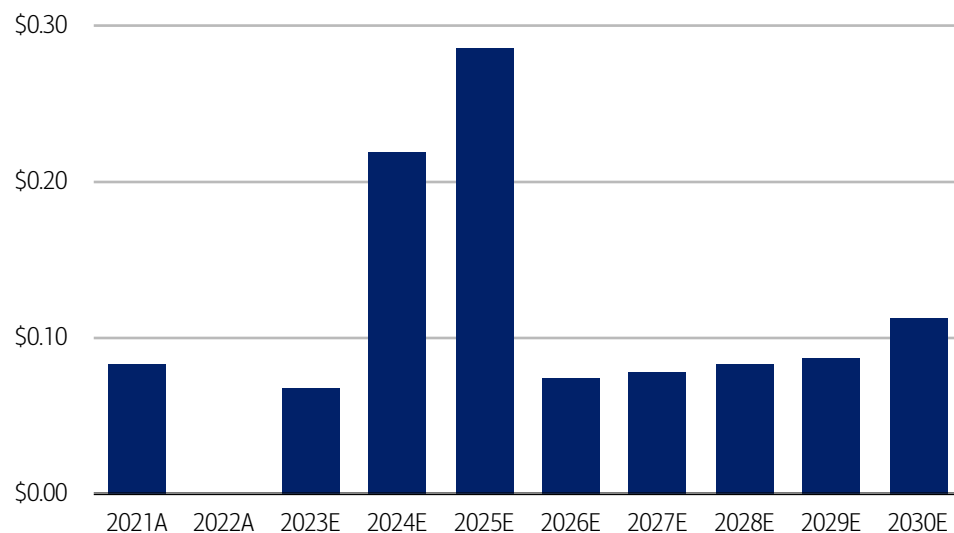
Avangrid filed the required six-month update on January 2nd with the Maine Public Utilities Commission, now signed by the NECEC Vice President vs NECEC Project Senior Director previously (Docket 2017-00232). The company stated that it now completed renegotiating the majority of vendor contracts but not all as the company has resumed construction activity. A new disclosure was a May 2024 timeframe to receive the remaining three municipal permits outstanding. 141 miles of the project have been cleared (+2 miles from the last update) with 187 pole bases "set" and 128 poles "erected". The Lewiston converter site preparation work has been completed vs 98% previously. The AC upgrades construction is guided to resume in future months but there was no date provided. The last report stated that CMP needed a "new reactor" at the Buxton substation versus the new report disclosing the substation requires a new statcom. The next semi-annual update is due July 1, 2024 where we will look for more update on progress.

Last NECEC guidance was de minimis earnings

Management has not provided updated NECEC financial guidance since its October 2022 Investor Day when the asset was described as having \$25Mn net income in the first year of operations (then 2025) offset by parent debt leaving no net earnings contribution. Given the elevated 11-14% AFUDC rates used, the project generates meaningfully non-cash EPS while under construction which then resets upon COD. After the favorable Massachusetts legislative update, we now assume +\$300Mn from ratepayers or taxpayers spread over the asset life as revenue. This leads to an estimated \$0.07 EPS upon commercial operations modeled as 2026, or \$30Mn. This represents a 4-5% ROE and we still believe this is a favorable earnings assumption.

Exhibit 5: Estimated New England Clean Energy Connect (NECEC) EPS

This profile aligns with the October 2022 Investor Day anticipated NECEC disclosure slide 59



Source: Company Filings, Bloomberg, BofA Global Research estimates

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Dividend: Keeping no growth for the foreseeable future

We continue to forecast no dividend increases, one of the only utilities without growth. The payout ratio should improve from 88% in 2023 to ~80% in 2024 and then stabilize at ~75% 2025-2027, at the top-end of the 65-75% payout ratio target. In the distant past Avangrid has guided to dividend growth but that has not been part of the conversation in recent years. More investors ask us about the risk of a cut rather than growth.

Valuation: Reduce PO as roll-forward to 2026

We roll our valuation year forward to 2026 from 2025, consistent with our coverage universe in late 2023/early 2024. Our valuation is based on a 2026 sum-of-the-parts valuation. The regulated utilities are valued using a 14.1-14.2x 2026 electric/gas average base P/E for the sector, grossed-up +5% to reflect capital appreciation across the sector. Previously our valuation was based on a 15.5x 2025 base P/E. The core utilities are valued using -1 to -3x discounts to reflect below average consolidated growth as well as a challenging regulatory backdrop in Connecticut.

The renewables are valued at approximately 10x EV/EBITDA, consistent with peers while offshore wind is valued using discounted cash flows at a 15% discount rate. Future potential value creation from the renewable development 'DevCo' is provided as well. Lastly parent/holding company costs (financing and operating) are netted out.

Our valuation includes ~\$1/sh for development company and offshore wind assets as well as ~\$1/sh for New England Clean Energy Connect (NECEC).

We see lack of consolidated segment EPS growth as weighing on segment valuations considering 1-2% appears well below peers. We look for details on extent and timing of repowering as largest swing factor in EPS outlook.

Exhibit 6: Avangrid Sum of the Parts

Avangrid Connecticut jurisdictional assets warrant a large discount vs peer utilities

Avangrid Sum off the Parts Analysis (2026)		EPS	Peer Multiple		Premium/ (Discount)		Value/Sh
Regulated Utilities / Networks							
Electric Sector Average P/E			14.1x				
Group EPS			5.0%				
Electric Utilities			14.8x				
New York State Electric and Gas (NYSE&G) -- electric		\$0.50	14.8x		-1.0x	-7%	\$6.92
Rochester Gas and Electric (RG&E) -- electric		\$0.27	14.8x		-1.0x	-7%	\$3.73
Central Maine Power (CMP)		\$0.44	14.8x		-1.0x	-7%	\$6.03
United Illuminating (UI)		\$0.32	14.8x		-3.0x	-21%	\$3.82
NECEC Transmission		\$0.07	14.8x		-1.0x	-7%	\$1.02
Gas Sector Average P/E			14.2x				
Group EPS			5.0%				
Gas Utilities			14.9x				
New York State Electric and Gas (NYSE&G) -- gas		\$0.10	14.9x		-1.0x	-7%	\$1.33
Rochester Gas and Electric (RG&E) -- gas		\$0.08	14.9x		-1.0x	-7%	\$1.13
Connecticut Natural Gas (CNG)		\$0.08	14.9x		-3.0x	-21%	\$0.99
Southern Connecticut Gas (SCG)		\$0.09	14.9x		-3.0x	-21%	\$1.10
Berkshire Gas (BGC)		\$0.02	14.9x		-1.0x	-7%	\$0.31
Maine Natural Gas		\$0.01	14.9x		-1.0x	-7%	\$0.12
AFUDC/Other		(\$0.01)	14.9x		-1.0x	-7%	(\$0.11)
Total Regulated (Ex-PNM)		\$1.98	13.3x		-0.8x	-6%	\$26.39
Renewables							
Operating Renewables Portfolio		EBITDA (excl. PTCs)	DCF	EV/EBITDA	EV	\$/Sh	
Wind + Solar EBITDA (excl. PTC/ITC)		\$494	\$3,924		\$3,924	\$9.77	
Plus: Total Grossed-Up PTC / ITC		\$197	\$848		\$848	\$2.11	
Operating Assets			\$4,772	9.7x	\$4,772	\$11.89	
Offshore Wind			DCF				
Add NPV of Offshore Wind Farm @ 50% Ownership w/ 6% Construction Risk Discount Rate			\$7		\$7	\$0.02	
Offshore Wind Lease Value: Assuming 25% of NY Bight \$/Acreage						\$0.51	
Development Company		'25 EBITDA (excl. PTCs)	Discount Rate	15%	DCF of Future NPV (\$mn)		
DevCo Value					\$107	\$0.27	
Plus: DevCo ITC / PTC					\$213	\$0.53	
Total Renewables		\$605	8.4x		\$5,099	\$13.21	
Parent Costs							
Parent Operating Costs		(\$0.27)	14.8x		0.0x	(\$3.99)	
Parent Financing Costs							
Interest Expense @ 50%		(\$0.11)	14.8x		0.0x	50%	(\$0.78)
Parent Debt @ 50%		3054				50%	(\$3.80)
Total Regulated (Ex-PNM)		-\$0.27		-\$8.58			
Price Objective		\$31.00					
FY1 Dividend		1.76					
FY1 Dividend Yield		5.2%					
Potential Price Return		-8.7%					
Total Potential Return		-3.5%					

Source: Company Filings, Bloomberg, BofA Global Research estimates

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On 2026E EPS, Avangrid is trading at a -2% discount on Consensus and a +2% premium on BofA with our estimate 4-5% below the Street. We believe that a discounted valuation is more appropriate.



Exhibit 7: Avangrid Simplified Sum of the Parts

A discounted valuation is more appropriate for the earnings profile and asset mix

Avangrid Simplified Sum of the Parts	2026E	Implied P/E	Prem/Disc	Value
Regulated Utilities	\$1.98	13.3x	-6%	\$26.39
Renewables	\$0.65	20.3x	44%	\$13.21
Corporate & Other/Rounding	(\$0.27)	31.8x	126%	(\$8.58)
Total Avangrid	\$2.36	13.1x	-7%	\$31.00
Consensus	\$2.47	13.8x	-2%	\$33.94
FY1 Dividend Yield				5.2%
Potential Price Return				-8.7%
Total Potential Return				-3.5%
BofA EPS and Implied P/E Multiple	\$2.36	14.4x	2%	\$33.94

Source: Company Filings, Bloomberg, BofA Global Research estimates

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BofA Global Research Reports**Title: Subtitle**

[US Utilities & IPPs: PowerPoints: PNMM&A, PEG & OGE cases, PPL-TLN, & ES/IDA/AGR/Oregon regulatory](#)
[US Utilities & IPPs: PowerPoints: D biennial review, IDA rate case, NFE term loan, AGR](#)
[Avangrid: Waiting for the new long-term guidance from the new CFO. 3Q23 highlights & more](#)
[US Utilities & IPPs: PowerPoints: AGR Mgmt, AEP Kentucky, LNT Iowa, NWE Montana, EIX Cali, & More](#)
[US Utilities & IPPs: PowerPoints: CA Cost of Capital, Offshore Wind, AGR Good News, & Missouri Renew](#)
[US Utilities & Clean Tech: PowerPoints: AGR M&A, WEC Data Center, Nat Gas, SR Mgmt, & Utilities Macro](#)
[US Electric Utilities & IPPs: PowerPoints: XEL CO resource plan, AGR UIL appeal, D grid mod capex](#)
[US Utilities & IPPs: PowerPoints: AGR/PNMM&A, NRG Regulatory, & ES MA Electrification](#)
[US Utilities & IPPs: PowerPoints: Inflation, AGR Storms, NJ Regulatory, Texas Power, & UTL Maine](#)
[Avangrid: EPS uncertainty continues to climb: AGR keeps FY23 guide despite steep 2Q miss](#)
[Avangrid: Refreshing our view ex. PNM: Earnings uncertainty remains underappreciated](#)
[Avangrid: 2Q23 Highlights challenges: FY23 guidance under renewed pressures](#)

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 20 September 2023
 18 September 2023
 13 September 2023
 27 July 2023
 21 June 2023
 12 July 2023

Price objective basis & risk

Avangrid (AGR)

Our \$31 PO is based on a 2026 sum of the parts analysis. The core utilities are valued on by applying discounts to the base sector P/E of 14.1x/14.2x for electric/gas due to below average growth and regulatory jurisdictions. Both electric and gas peer P/Es are grossed up +5% to reflect capital appreciation across the sector. The renewables are valued at approximately 10x EV/EBITDA, consistent with peers while offshore wind is valued using discounted cash flows at a 15% discount rate. Future potential value creation from the renewable development 'DevCo' is provided as well. Lastly parent/HoldCo financing offsets are netted-out.

Upside and downside risks to achievement of the PO and estimates are 1) earned ROEs and capital expenditures at the utilities, 2) utility capital expenditure forecasts, 3) regulatory/political/legislative outcomes, 4) equity and debt needs, 5) renewables construction - primarily offshore wind, 6) Iberdrola owns over 80% of AGR common stock, limiting float and presenting a potential for governance conflicts, despite the BoD being majority unaffiliated with Iberdrola. 7) natural disasters, 8) commodity and interest rate fluctuations, and 9) management changes.

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
	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
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	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	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
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
	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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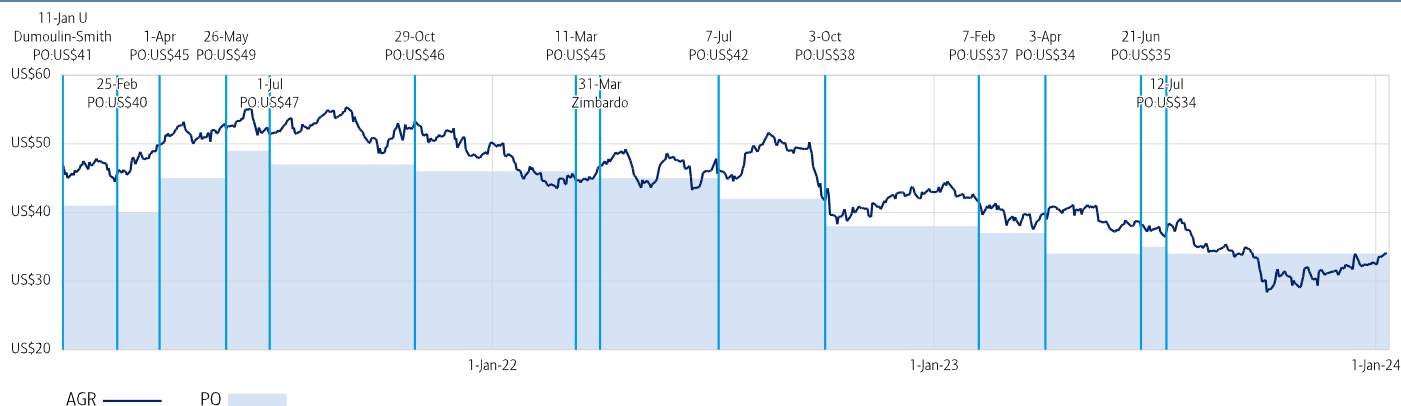
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Avangrid (AGR) Price Chart



AGR — 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: 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%
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^{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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