

## US Utilities &amp; IPPs

## PowerPoints: DUK EPS &amp; Equity, DTE Earnings, and BKH FY24 Guide/Capex

Industry Overview

**DUK FY24 in-line with Street. Reaffirm CAGR; add equity**

Duke Energy (DUK) reported \$5.56 FY23 adjusted EPS and \$1.51 4Q23, the latter a miss vs \$1.54 BofA/Consensus. DUK initiated \$5.85-\$6.10 FY24 adjusted EPS guidance, in-line with \$5.98 Consensus but below \$6.03 BofA. This includes +10% YoY growth from core utility operations, +5% return to normal weather, less -8% drag from interest expense (\$150Mn higher non-utility interest, or -\$0.17) and return to more normalized effective tax rates (~\$0.20). In 2023 there was a 9.8% effective tax rate which is guided to return to 12-14% in 2024, above the 11-13% original 2023 guidance. Adjusted base O&M is guided to be flat YoY at \$4.4Bn. The 5-7% EPS CAGR was reaffirmed and extended through 2028 off the new \$5.98 guidance midpoint (+5.8% YoY). Previously Duke was not planning to issue equity through 2027 but now the guidance is for **\$500Mn annual equity 2024-2028**, +\$2Bn incremental dilution to the comparable forecast and 60-70bp CAGR dilution we estimate. Rate base disclosures were disappointingly minimally changed despite the higher capex. This was attributed to deferred taxes, including the nuclear production tax credits (PTC), reducing Carolinas rate base. The quantum of PTC retention has not been disclosed but based on the credit guidance, appears to be \$400-500Mn per year. For example, 2025/2026 rate base is \$114Bn/\$123Bn versus \$116Bn/\$123Bn in last year's outlook. The five-year capex plan is +\$8Bn to \$73Bn versus the prior respective periods with +\$4.3Bn capex 2024-2027. We maintain Buy with FY24 in-line with Consensus and long-term EPS guidance extended. More details in the full report.

**DTE: Subdued update after December business refresh**

DTE Energy (DTE) reported 4Q23 operating EPS of \$1.97 compared to consensus of \$1.96 and BofA estimate of \$2.02. FY23 operating EPS of \$5.73 came in short of original FY23 guidance of \$6.09-\$6.40 due to the combination of mild weather throughout the year and significant storm activity, but met the revised guide of \$5.65-\$5.85 provided in 3Q23. DTE estimates it faced \$400Mn of operating earnings headwinds throughout the year. Unfavorable weather was a -10c headwind to 4Q23 sales with heating degree days (HDDs) down -12% from normal and -9% YoY. Similarly, the unfavorable weather impact reduced FY23 operating EPS by -25c with HDDs down -12% from normal and -13% YoY, while cooling degree days were also down 23% from normal and -28% YoY. As expected, DTE affirmed all components of its \$6.54-\$6.83 FY24 operating EPS guidance (\$6.67 Consensus/\$6.70 BofA). Management described the January storms as consuming some of the normal budget and they are working to offset. We maintain Buy on shares of DTE which have an attractive risk/reward profile.

**BKH: FY24 guidance in-line but less details**

Black Hills Corp (BKH) issued \$3.80-\$4.00 FY24 EPS adjusted guidance, in-line with \$3.90 BofA estimate and +1% ahead of \$3.87 Street. FY23 was ahead of expectations/guidance and long-term capex was increased as well. We maintain Underperform with shares relatively expensive. Details in the full report.

08 February 2024

Equity  
United States  
Utilities

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ETR: Effective tax rate  
O&M: Operations and maintenance  
PTC: Production tax credits  
HDD: Heating degree days  
FFO: Funds from operations

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Timestamp: 08 February 2024 11:05AM EST

## DUK: Lower rate base guidance a missing puzzle piece

We provide more details on Duke comprehensive update below. Our and investor's main focus has been on the rate base profile which is accelerating but is nominally lower.

### Exhibit 1: Duke Energy Guidance Update

Duke's rate base declines in 2023-2026 despite capex increasing. Credit targets are unchanged, now supported by equity issuance

Duke Energy Guidance Comparisons	2022	2023	2024	2025	2026	2027	2028	'24-'27	'24-'28
Feb 2023 Updated Rate Base		99	106	114	123	132	141	7.3%	7.2%
Feb 2022 Prior Rate Base	93	100	108	116	123	131	139	6.7%	6.5%
Delta		(1.1)	(1.2)	(1.4)	(0.3)	1.0	1.9		
<b>Capex</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>'24-'27</b>	<b>'24-'28</b>
Feb 2023 Updated Capex		13	12	14	15	16	16	8.7%	7.1%
Feb 2022 Prior Capex	11	12	12	13	13	14	14	4.4%	3.2%
Delta		0.4	0.1	0.8	1.5	1.9	2.3		
<b>Credit</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>		
Feb 2023 Updated FFO/Debt	13.00%	12.50%	14.00%	14.00%	14.00%	14.00%	14.00%		
Feb 2022 Prior FFO/Debt	13.00%	13.50%	14.00%	14.00%	14.00%	14.00%	14.00%		
Delta	0.00%	-1.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
<b>Equity</b>		<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>		
Feb 2023 Annual Equity Issuance			500	500	500	500	500		
Feb 2022 Annual Equity Issuance			-	-	-	-	-		
Delta			500	500	500	500	500		

Source: Company Filings, Bloomberg, & BofA Global Research

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### Credit the big focus with more equity after challenging FY23

FY23 12.5% adjusted funds from operations (FFO) / debt and weather normalized 12.8% FFO / debt both missed management's guidance of ~13-14% and were down from 13.0% in 2022. For FY24 Duke is now guiding to 14.0% FFO / debt by year-end and a minimum of 14% in 2025+. FY24 is expected to benefit significantly from 40-60bp nuclear PTC as discussed above. Recall this is a reduction to ratebase in the forecast and partially explains the updated and lowered near-years reduction to the ratebase outlook.

### Sales growth accelerating with industrial contribution

Adjusted FY23 sales declined vs management's guidance of +0.5%, despite strong customer growth. A lower starting point or FY23 contributes to management's new expectation of +~2% total retail sales in 2024 followed by 1.5-2.0% 2023-2028. Incremental economic development projects, primarily industrial, is a driver higher versus the +50bp prior five year outlook. Municipal utility peer Santee Cooper recently reported +4% customer growth in 2023, a record for the company with +8k customers to 213k. Santee Cooper is the largest power company in South Carolina with 2Mn end users.

Adjusted earned returns are expected to increase YoY in the Carolinas primarily (10.0-10.5% vs 9.7%) but be partially offset at Florida (9.5%-10.0% vs 10.8%).

[Duke Energy: Support for linear growth into 2024 and beyond 09 January 2024](#)

### DTE: Steady update after rocky 2023 (Cont.)

DTE affirmed all components of its \$6.54-\$6.83 FY24 operating EPS guidance (\$6.67 Consensus/\$6.70 BofA). FY24 operating EPS guidance represents a 7% increase at the midpoint versus original 2023 guidance midpoint of \$6.25. DTE Vantage expected to contribute \$125-135Mn of operating earnings (+63c/sh using YE 2023 share count). FY24 financial guidance assumes a need for \$2.2Mn in debt financing throughout the year, which in addition to cash from operations is expected to support capital expenditures of \$4.7Bn through the year, including approximately \$600Mn non-utility expenditures. DTE reaffirmed long-term operating EPS CAGR of 6-8% through 2028 off the 2023 midpoint base. Long-term financial guidance for capital expenditures of \$20Bn for the electric business and \$3.7Bn for the gas business from 2024 to 2028 remains unchanged, as does the expectation for minimal equity of \$0-100Mn annually through 2026.

In early January, DTE announced a voluntary buyout program to approximately 3,000 of its 10,000 workforce, which could generate significant savings and over time create structural savings that would create bill “headroom” to support incremental investment. We estimate temporary savings could represent a +15c impact to EPS before customer sharing.

RNG asset sale does not appear a priority per management remarks on the call. This is small positive considering the core plan even with the higher capex does not rely on an asset sale to meet balance sheet targets. Related, mgmt. remains confident on its outlook for RNG prospects even in light of IRS regs it would appear too.

Look for further clarity on PPA compensation mechanism and what is reflected in the plan in the future as latest IRP awards are completed with specific PPA prices known. On balance, intact outlook even in spite of latest January storms.

## **BKH:**

Black Hills Corporation reported \$1.17 4Q23 adjusted EPS, a strong beat versus \$1.08 BofA/Consensus. \$3.91 FY23 EPS exceeded both \$3.87 Street and \$3.65-\$3.85 guidance, even better than management messaging. 4Q23 results were unfavorably impacted by -14c due to unfavorable weather in the quarter, comprised of a -12c impact for BKH's natural gas utilities and a -2c impact for the electrics. Electric utility margin rose \$8.9Mn year-over-year on new rates and rider recovery, while new gas rates and rider recovery added \$7.4Mn to gas utility margin. Net of weather, higher electric margin added +4c to EPS YoY while modestly higher gas margin added +1c YoY. Strong O&M management, driven by lower outside services, added +6c YoY, more than offsetting -4c of higher depreciation expense. Lower net interest expense, reflecting interest income on higher cash equivalents, and lower taxes each contributed an incremental +2c to 4Q23 EPS YoY, partially offset by -1c of other items.

### **FY24 guidance in-line but does not have the usual disclosures**

BKH issued \$3.80-\$4.00 FY24 EPS adjusted guidance, in-line with \$3.90 BofA estimate and +1% ahead of \$3.87 Street. FY23 was ahead of expectations/guidance and long-term capex was increased as well. FY24 guidance implies 4% EPS growth off the midpoint of 2023 EPS guidance of \$3.75, at the low-end of BKH's long-term 4-6% EPS CAGR guidance, which was expected given the net 21c of nonrecurring items that occurred throughout FY23. **BKH did not provide a granular earnings guidance driver walk from 2023 to 2024 EPS in the 4Q23 earnings presentation**, a deviation from disclosures provided in prior years with 4Q earnings. Similarly, assumptions underpinning the FY24 guide did not specify approximately ranges for operating expense, interest expense, or capital expenditures, which were all items provided with the FY23 guide one year ago (capex detailed in the presentation, per typical practice). There is lower visibility for FY24 guidance after less typical drivers in FY23 and large refinancing items.

### **Higher capex: some incremental and some a roll-in. Net positive**

More positively, BKH raised its five-year capex forecast by \$800Mn to \$4.3 Mn from 2024 to 2028. The update reflects integration of 100MW of utility owned renewable generation by 2026 as prescribed in the South Dakota integrated resource plan (IRP) and 400MW (up to 50% or 200MW utility-owned) renewable energy by 2030 in accordance with the Colorado Clean Energy plan. Further, Black Hills anticipates that there could be incremental investment opportunities for 2027 and 2028 to drive rate base growth even higher. With respect to large commercial customer growth opportunities, the company sized its data center and Blockchain exposure to approximately 5% of current EPS, with the opportunity for this exposure to rise to 10% of EPS by 2028. We believe this growth in the latter stages of the planning period is instrumental to potentially meeting long-term EPS CAGR of 4-6% through 2028.



**Exhibit 2: Primary stocks mentioned in this report**

Prices and ratings for primary stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
DUK	DUK US	Duke Energy	US\$ 95.5	A-1-7
DTE	DTE US	DTE Energy	US\$ 105.22	A-1-7
BKH	BKH US	Black Hills	US\$ 49.62	B-3-7

Source: BofA Global Research

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## Price objective basis & risk

### Black Hills Corporation (BKH)

Our \$49 per share valuation is based on a sum-of-the-parts analysis. We apply the latest peer average electric (13.5x) and natural gas (13.4x) 2026E P/E multiples. We gross-up +5% the base multiples across the coverage universe to reflect capital appreciation in the sector. We apply a -2x discount for below average EPS and dividend growth prospectively. Coal Mine: We apply an 5x peer P/E multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a premium multiple to that portion of the mine. IPP Assets: We use the sale price and '23 EV/EBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag and debt.

Downside risks: inability to earn the authorized rate of return, unfavorable regulatory outcomes, reductions in capital expenditures forecasts, higher operating and financing costs, lower sales volumes, unfavorable political and legislative changes, higher interest rates, and natural disasters.

Upside risks: ability to earn above the authorized rate of return, favorable regulatory outcomes, higher capex deployment, lower operating and financing costs, higher sales volumes, favorable political and legislative changes, decrease in interest rates.

### DTE Energy (DTE)

We value DTE Energy at \$115 using a sum-of-the-parts (SOTP) approach. We value the company using a 2026E forward P/E multiple basis. For the utility segment we apply a +1x for electric and in-line for natural gas to our regulated electric and gas utility peer multiples (of 13.6x and 13.9x, respectively). Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value DTE Vantage segment on a multiple of 2026 EPS - the grossed-up electric multiple of 14.3x to account for the renewable natural gas (RNG) business. We assign an equity value based on a -7x discount to the Equity Trading segment given potential for earnings volatility and opacity of the segment. We also reduce the equity value for estimated unallocated parent debt by applying a 14.4x multiple to both the interest expense and corporate overhead expenses at the parent.

Risks are: regulatory/political/legislative actions, realized returns from the unregulated Vantage segment, changes in equity needs, load growth/class mix, equity needs, weather/natural disasters, and interest rate fluctuations.

### Duke Energy (DUK)

Our \$105 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2026E P/E multiples. We apply a 3x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and potential generation opps in IN). We apply a 2x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2023. We value the other regulated electric utilities at 13.9x and the gas utilities at peer group multiples of 13.4x 2026E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2025E EV/EBITDA basis. We use 8.0x multiples for midstream and 9.0x for transmission segments. We subtract out the impact of commercial debt, and add back for the renewable debt. Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

## 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
<b>BUY</b>				
	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
	Nextacker 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
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra	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 Corp	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
<b>NEUTRAL</b>				
	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
	Portland General Electric Company	POR	POR 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

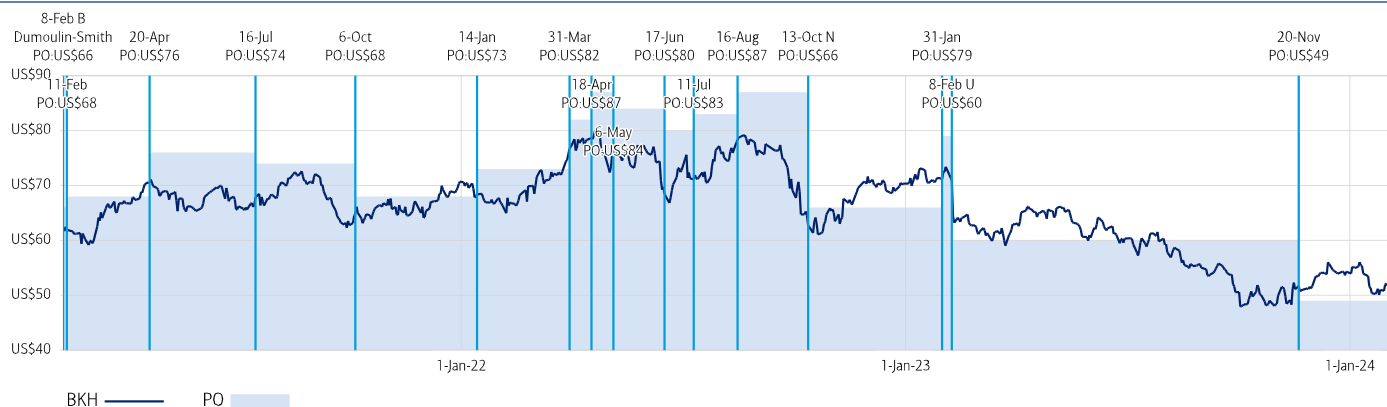
## North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>UNDERPERFORM</b>				
	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

## Disclosures

## Important Disclosures

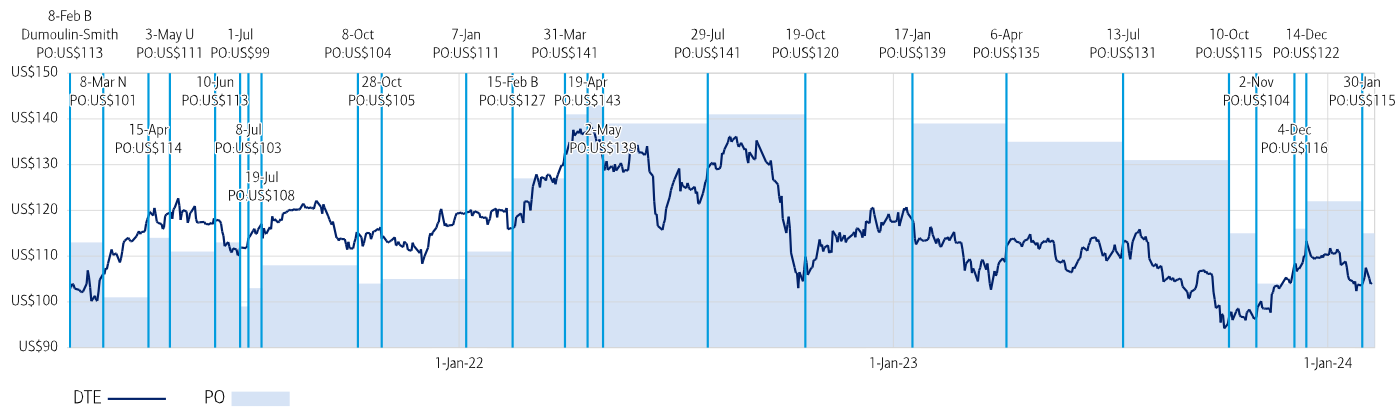
## Black Hills (BKH) Price Chart



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

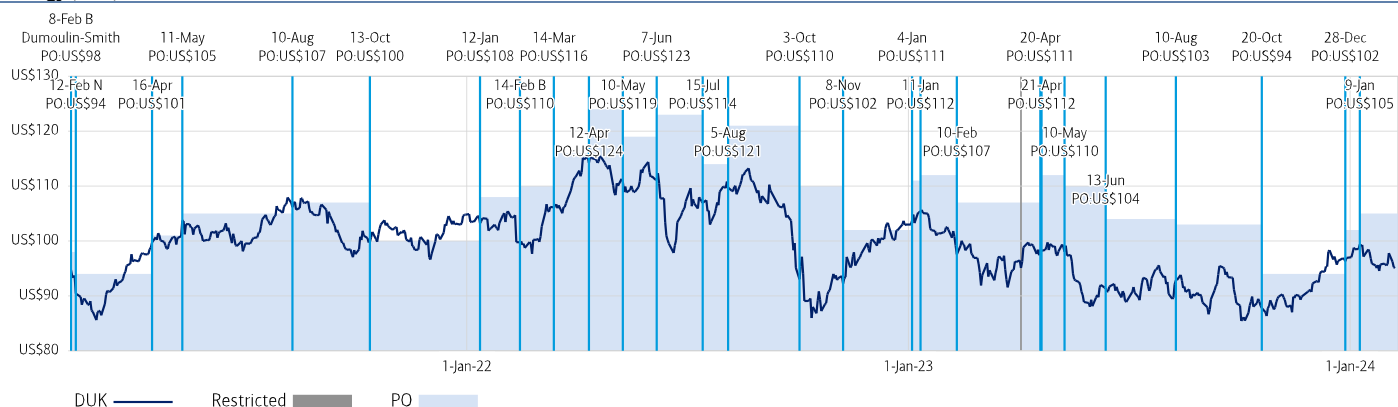
The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.



**DTE Energy (DTE) Price Chart**

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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Duke Energy (DUK) Price Chart**

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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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.



**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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

<sup>R2</sup>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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