

NRG Energy

Raising the bar as Retail reigns supreme – Reiterate Buy, PO to \$66

Reiterate Rating: BUY | PO: 66.00 USD | Price: 55.32 USD

Retail power business should benefit from tightening grid

We reiterate our Buy rating on shares of NRG Energy (NRG) following the 4Q23 update and raise our PO to \$66. We continue to see a robust backdrop for power broadly, driven by supply tightness and sustained electrification trends – including an inflection in data center build outs. We see these as clear tailwinds for NRG to capitalize on – particularly for the Retail business. New KPI's released as part of the 4Q update – including economic gross margin by geography – showcase the strength and profitability of NRG's Retail franchise. For FY24, mgmt. expect total retail load of nearly 160 terawatt-hours (TWh). Further, mgmt. expect the Retail power business to account for roughly 2/3 of economic gross margin of the energy business, which is expected to be ~\$5.8Bn at the midpoint. An improved power procurement strategy supports further profitability expansion for the Retail business as tailwinds materialize across key power markets. See mgmt.'s strategy of emphasizing the Retail business as paying off and reiterate Buy.

FCF/sh & buybacks on track despite re-rating higher

NRG finished FY23 having returned \$1.5Bn to shareholders through the dividend and buyback, exceeding the plan laid out at the June Investor Day by \$150Mn. Further, free cash flow before growth (FCFbG) for FY23 came in at \$9.25/sh, which was also above mgmt.'s target of \$8.50/sh. Looking to FY24, mgmt. expects to deliver on its commitment to shareholder returns, guiding to \$1.16Bn across the dividend and buyback while also budgeting \$500Mn for debt paydown. We expect NRG to drive further growth in FCFbG/sh as the buyback program continues and profitability accelerate, and see NRG exceeding FCFbG/sh targets in FY25 and FY27. Our updated forecast calls for FCFbG/sh of ~\$13.40 in FY25 and ~\$18.75 in FY27, which compares to mgmt.'s targets of ~\$12.50 and \$18.00, respectively. See this as providing ample room to continue on a disciplined capital allocation strategy. Despite a higher share price, still squarely intact.

See further upside ahead – raising PO to \$66

We increase our PO to \$66 from \$56 following our latest mark-to-market and model refresh. The change is primarily a result of a roll-forward to FY26 for our sum-of-the-parts (SotP) analysis. We make no changes to our target multiples and out FY26 EBITDA of \$3.7Bn is ~1% higher than our FY25 EBITDA. A lower net debt balance and share count are the primary drivers of the positive change in PO. Reiterate Buy.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	5.17	(0.89)	6.28	9.09	12.79
GAAP EPS	5.17	(1.12)	6.28	9.09	12.79
EPS Change (YoY)	-42.1%	NM	NM	44.7%	40.7%
Consensus EPS (Bloomberg)			6.44	7.18	8.02
DPS	1.40	1.48	1.63	1.79	1.93
Valuation (Dec)					
P/E	10.7x	NM	8.8x	6.1x	4.3x
Dividend Yield	2.5%	2.7%	2.9%	3.2%	3.5%
EV / EBITDA*	10.5x	5.7x	5.5x	5.6x	6.2x
Free Cash Flow Yield*	-0.1%	-7.1%	15.8%	45.8%	18.8%

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

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Timestamp: 01 March 2024 06:15AM EST

01 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	56.00	66.00
2024E Rev (m)	25,596.3	29,948.3
2025E Rev (m)	25,736.1	30,710.0
2026E Rev (m)	NA	31,628.7
2024E EPS	7.26	6.28
2025E EPS	7.61	9.09
2026E EPS	NA	12.79
2024E DPS	1.74	1.63

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Stock Data

Price	55.32 USD
Price Objective	66.00 USD
Date Established	1-Mar-2024
Investment Opinion	B-1-7
52-Week Range	30.25 USD - 56.09 USD
Mrkt Val (mn) / Shares Out (mn)	11,508 USD / 208.0
Free Float	98.5%
Average Daily Value (mn)	166.99 USD
BofA Ticker / Exchange	NRG / NYS
Bloomberg / Reuters	NRG US / NRG.N
ROE (2024E)	53.7%
Net Dbt to Eqty (Dec-2023A)	348.5%
ESGMeter™	Medium

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

KPI: Key performance indicator

iQprofileSM NRG Energy

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	9.4%	2.1%	9.3%	11.0%	13.1%
Return on Equity	32.9%	-6.6%	53.7%	63.6%	68.8%
Operating Margin	6.4%	1.3%	7.0%	8.2%	9.4%
Free Cash Flow	(7)	(819)	1,816	5,270	2,164

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.3x	NM	1.7x	3.4x	1.2x
Asset Replacement Ratio	0.6x	0.5x	0.2x	0.4x	0.8x
Tax Rate	26.6%	5.2%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	155.7%	348.5%	304.9%	145.6%	120.8%
Interest Cover	4.8x	0.6x	3.5x	4.8x	6.3x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	31,543	28,823	29,948	30,710	31,629
% Change	16.9%	-8.6%	3.9%	2.5%	3.0%
Gross Profit	4,097	2,297	5,681	5,734	NA
% Change	-37.0%	-43.9%	147.3%	0.9%	NA
EBITDA	2,388	4,409	4,571	4,472	4,067
% Change	-25.6%	84.6%	3.7%	-2.2%	-9.0%
Net Interest & Other Income	(355)	(597)	(537)	(462)	(408)
Net Income (Adjusted)	1,221	(202)	1,234	1,631	2,036
% Change	-44.2%	NM	NM	32.2%	24.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,221	(202)	1,234	1,631	2,036
Depreciation & Amortization	634	1,127	1,123	796	349
Change in Working Capital	(690)	(772)	(285)	3,134	44
Deferred Taxation Charge	382	(92)	0	0	0
Other Adjustments, Net	(1,187)	(282)	(6)	(6)	0
Capital Expenditure	(367)	(598)	(250)	(285)	(265)
Free Cash Flow	-7	-819	1,816	5,270	2,164
% Change	NM	NM	NM	190.2%	-58.9%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	(332)	(381)	(319)	(321)	(307)
Change in Debt	(620)	(996)	90	(1,949)	(1,433)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	2,163	625	2,554	5,554	5,978
Trade Receivables	4,773	3,542	3,680	2,150	2,214
Other Current Assets	9,295	5,560	5,508	5,525	5,544
Property, Plant & Equipment	1,692	1,763	890	379	295
Other Non-Current Assets	11,223	14,548	14,548	14,548	14,548
Total Assets	29,146	26,038	27,181	28,155	28,579
Short-Term Debt	146	620	608	0	0
Other Current Liabilities	12,836	8,880	8,682	10,301	10,429
Long-Term Debt	7,976	10,133	11,060	10,569	10,536
Other Non-Current Liabilities	4,360	3,499	3,841	3,841	3,841
Total Liabilities	25,318	23,132	24,191	24,711	24,806
Total Equity	3,828	2,906	2,989	3,444	3,773
Total Equity & Liabilities	29,146	26,038	27,181	28,155	28,579

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

Company Sector

Electric Utilities

Company Description

NRG Energy (NRG) is an electric & gas-oriented retail company that owns generation independent power producer (IPP) that is transitioning to a self-described consumer services company. In 2023 NRG closed on the acquisition of Vivint Smart Home. NRG has a portfolio of over 7.5Mn home customers, and over 15 gigawatts (GW) of power generation, primarily fossil fuels natural gas and coal.

Investment Rationale

We rate NRG Energy Buy with an attractive valuation and underappreciated nuclear plus retail assets. The Vivint acquisition caused significant underperformance which overshadowed the attractive legacy retail business. NRG also owns a nuclear asset in TX, which is a material contributor to cash flows. A moderating power price environment reduces risks for the retail businesses as well, supportive of higher margins and lower customer acquisition costs.

Stock Data

Average Daily Volume 3,062,490

Quarterly Earnings Estimates

	2023	2024
Q1	-5.80A	1.84E
Q2	1.33A	0.75E
Q3	1.48A	0.76E
Q4	2.32A	2.97E

Power fundamentals support upside

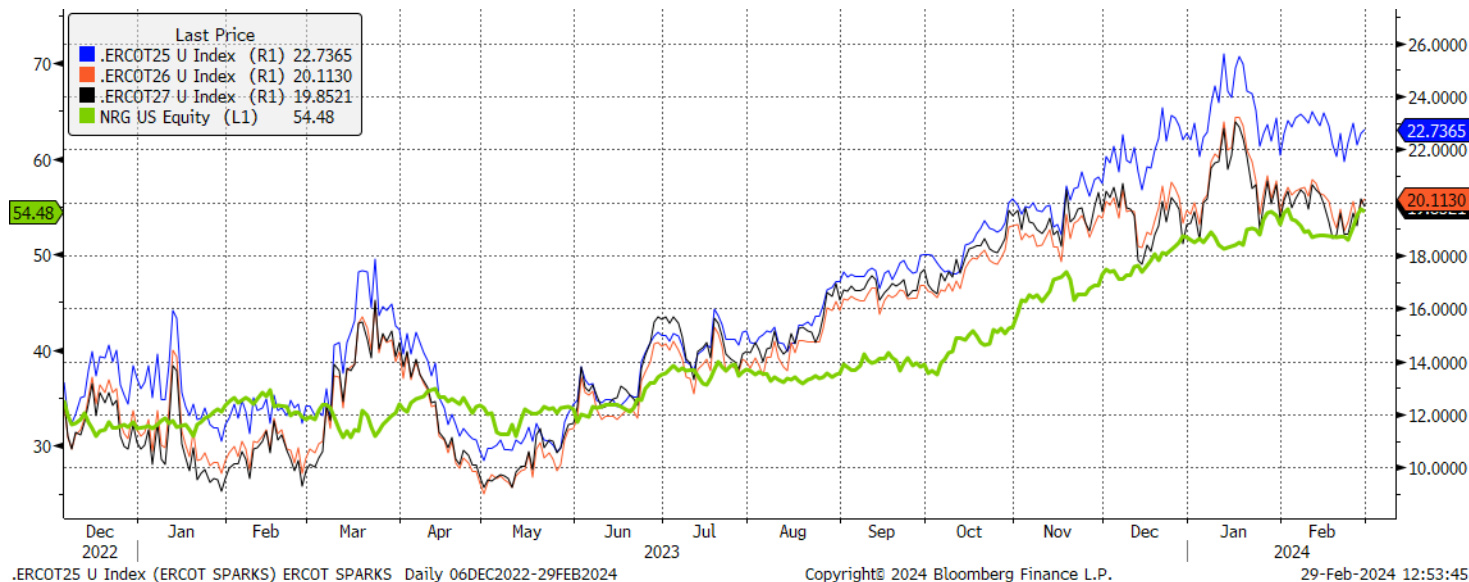
We see the robust backdrop for power in the US as key to driving further upside in shares of NRG. We look for mgmt. to capitalize on tight supply through the Retail power business which is well-positioned in key markets. Texas (ERCOT) remains the primary driver of upside in our minds, as growing renewables penetration drives scarcity value higher. We look for this trend to continue as we see limited probability for a meaningful inflection in dispatchable generation in the medium-term. The outlook for new gas-fired generation is real, but remains a 2028+ event in our view. In the interim, look for higher power prices in ERCOT to support profitability and as a result drive shares higher.

When posed with the question of where to get the best leverage at a discount to incumbent generation we squarely believe NRG is the best answer to this investor puzzle. Many investors believe NRG is 'short' power based on its short duration retail contracts – they are ignoring the longer-term length to rising power and (around-the-clock) baseload power prices.

We see a fast evolving backdrop with opportunity to both see further estimate revisions higher and to see use of this cash flow both towards ongoing buybacks as well as novel new investments in gas gen in coming months. See potential for yet further reinvigoration in shares as execution against plan remains on track for Vivint; doubts on integration linger and execution thru '24 on plan (which seems already under way) is critically another lever to outperformance that other IPPs simply don't have.

Exhibit 1: NRG share price vs. ERCOT spark spreads

Fundamental tightness in ERCOT support further upside for shares



Source: Bloomberg

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Title: Subtitle

[US Electric Utilities & IPPs: The Real Deal on the Next Gas Buildout Ahead & All its Ramifications](#)
[NRG Energy: Firing on all cylinders heading into '24 – with upside to '25+, Reit Buy & PO to \\$56](#)
[NRG Energy: The Road Ahead: Where we see value. FY23 looking strong with guide up](#)
[NRG Energy: Post-Analyst Day follow through to begin: Reiterate Buy](#)
[NRG Energy: A-Day impresses: Jumping a low hurdle and onto more: Reiterate Buy](#)
[NRG Energy: Nuke deal a clear positive, in our view – reiterate Buy; PO to \\$42](#)

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 02 June 2023



FY23 ends on a high note with more to come

FY2023 EBITDA of \$3.28bn, coming in at the high end of their \$3.15-\$3.30bn guidance, beating both \$3.27bn BofA and \$3.24bn Consensus estimates. FY2023 free cash flow before growth (FCFbG) exceeded mgmt.'s \$1.725-\$1.875bn guidance, landing at \$1.925bn, beating \$1.84bn BofA estimates by 5%. Additionally, NRG returned \$1.5bn in capital to shareholders through share repurchases and dividends, committing to their 80% capital allocation strategy, planning to return ~\$5.5bn over the next four years.

Mgmt. reaffirmed FY2024 EBITDA guidance of \$3.30-\$3.55bn and FCFbG of \$1.825-\$2.075bn, noting they are ahead of pace against their June '23 Investor Day plan for 2024. The FY24 \$3,425Mn EBITDA guidance midpoint is slightly below \$3,448mm BofA and above \$3,418mm Consensus estimates. In FY24, Mgmt. expects to return \$1.16bn to shareholders and pay down \$500mm in debt. Most critically, NRG reaffirmed the long-term growth rate and reported \$9.25 free cash flow before growth per share relative to the \$8.50 target. In 2023 cost cuts exceeded the target slightly while there was ~\$100Mn growth opportunity, notably higher than the ~\$25Mn target.

Exhibit 2: NRG earnings dashboard

Look for FCFbG/sh growth to accelerate – forecast above mgmt.'s expectations through FY27

NRG Adjusted EBITDA	2023A	2024E	2025E	2026E	2027E
Open Generation EBITDA (post sales)	471	759	670	512	553
Hedges and Retail Offset	(13)	(200)	0	0	0
Retail EBITDA	941	1,266	1,222	1,217	1,194
Total Legacy EBITDA	1,399	1,825	1,892	1,728	1,747
Vivint	753	862	939	1,113	1,265
Total EBITDA (Pre-Adjustments)	2,152	2,687	2,830	2,842	3,012
Plus: Generation O&M Savings	85	85	85	85	85
Plus: Generation SG&A Savings	75	75	75	75	75
Plus: Direct Energy Synergies	300	300	300	300	300
Plus: Retail O&M Savings	65	65	65	65	65
Plus: Retail SG&A Savings	95	95	95	95	95
Plus: Retail Margin Enhancements	215	215	215	215	215
Plus: Limestone Insurance	220	0	0	0	0
Plus: Cost savings - 2023 A-Day (Non-Vivint Portion)		50	150	150	150
Stock Comp	75	75	75	75	75
Total Adjusted EBITDA	3,282	3,647	3,890	3,902	4,072
% chg y/y	87.1%	11.1%	6.7%	0.3%	4.4%
Total Adjusted EBITDA - excl. ERCOT impact	3,282	3,647	3,890	3,902	4,072
Total Adjusted EBITDA (excl. Texas Nuke)	3,282	3,448	3,676	3,718	3,871
% chg y/y		5.1%	6.6%	1.2%	4.1%
Prior adj. EBITDA (excl. Texas Nuke) Estimates	3,270	3,448	3,624	3,750	3,793
Consensus	3,239	3,322	3,337	3,464	
EBITDA Guidance	3150-3300	3300-3550			
Total Adjusted EBITDA	3,282	3,448	3,676	3,718	3,871
Less: Working capital/other	(2,351)	(205)	(200)	(200)	(200)
Less: Income Tax	(50)	(160)	(160)	(160)	(160)
Unlevered Cash from Operations	881	3,083	3,316	3,358	3,511
Less: Maintenance and Environmental CapEx	(276)	(250)	(285)	(265)	(250)
Derivatives and Collateral, Net	2,148				
Transaction costs	134				
Plus: Deferred Revenue (Expenses)	92	180	271	3	(121)
Plus: Amortization of Customer Fulfillment Costs	37	130	235	331	381
Less Capitalized net Customer Contract Costs/Other	(749)	(830)	(973)	(812)	(780)
Other	16				
Unlevered Free Cash Flow Before Growth	2,283	2,314	2,564	2,615	2,741
Unlevered Free Cash Flow Yield	10.3%	11.0%	13.0%	14.4%	16.6%
Comparable FCFbG (incl. Interest Exp., Pref. Div)	1,925	1,982	2,321	2,383	2,462
Guidance	1725-1875	1825-2075			
Per-Share Metrics					
Adj. EBITDA/sh - excl. ERCOT impact (year-end)	\$15.78	\$18.19	\$21.21	\$24.69	\$29.49
% chg	107%	15%	17%	16%	19%
FCFbG/sh (year-end)	\$9.25	\$10.46	\$13.39	\$15.82	\$18.75
Guidance (mid)	~\$8.50		~\$12.50		~\$18.00
Low end - 15% CAGR	\$8.52	\$9.79	\$11.26	\$12.95	\$14.90

Exhibit 2: NRG earnings dashboard

Look for FCFB/G/sh growth to accelerate – forecast above mgmt.'s expectations through FY27

NRG Adjusted EBITDA	2023A	2024E	2025E	2026E	2027E
High end - 20% CAGR	\$9.68	\$11.61	\$13.93	\$16.72	\$20.07
Conversion from EBITDA	59%	57%	63%	64%	64%
Guidance	~55%		60-65%		65-70%
% chg	-1500%	13%	28%	18%	19%
Unlevered Free Cash Flow Yield	10%	11%	13%	14%	17%

Source: Company filings, Bloomberg, BofA Global Research

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Below we show NRG's key performance indicators (KPIs) which were released for the first time by mgmt. as part of the 4Q23 update. This has long been asked for by investors wishing to gain a deeper perspective into business drivers. Now, with these new metrics in place we watch to see how it evolves over time. No surprises reflected in the disclosures themselves to be sure.

Exhibit 3: NRG Retail KPIs for 2023

Results in FY23 showcase NRG's improved power procurement strategy as owned generation accounts for a fraction of total Retail load

	1Q23		2Q23		3Q23		4Q23		2023	
	Texas	EWO	Texas	EWO	Texas	EWO	Texas	EWO	Texas	EWO
Home Power Load (TWh)	8	4	10	3	15	4	8	4	40	15
Business Power Load (TWh)	9	13	10	14	12	16	10	14	40	57
Total Power Load (TWh)	17	17	20	17	27	20	18	18	80	72
Total Natural Gas Sales (MDths)	0	581	0	413	0	400	0	498	0	1,892
Total Owned Generation Sold (TWh)	5	2	8	2	12	3	6	1	31	8
Economic Gross Margin Mix										
Retail	57%	86%	53%	89%	64%	76%	49%	85%	56%	84%
Generation	43%	14%	47%	11%	36%	24%	51%	15%	44%	16%

Source: Company filings, BofA Global Research

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Exhibit 4: NRG 2024 expected operational statistics

Economic gross margins in East/West/Other (EOW) skewed heavily towards Retail and highlights the profitability of NRG's Retail franchise

	TX	2024E East / West/ Other
Operational Statistics		
Retail Energy Sales :		
Home Power Expected Load (TWh)	~40	~17
Business Power Expected Load (TWh)	~40	~60
Total Power Expected Load (TWh)	~80	~77
Total Natural Gas Expected Sales (MDths)	0	~1900
Generation Statistics:		
Expected Owned Economic Generation Sales (TWh)	~30	~10
Expected Owned Uneconomic Generation Open (TWh)	~35	~20
Financial Summary		
Economic Gross Margin (\$ MM)	\$3,385-\$3,505	\$2,265-\$2,345
OPEX / Other (\$ MM)	~\$1,720	~\$1,455
Adj EBITDA (\$ MM)	\$1,665-\$1,785	\$810-\$890
Economic Gross Margin Mix		
Retail Energy	~55%	~85%
Generation	~45%	~15%

Source: Company filings, BofA Global Research

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Shares look primed to move higher on fundamentals

We increase our PO to \$66 from \$56 following our latest mark-to-market and model refresh. The change is primarily a result of a roll-forward to FY26 for our sum-of-the-parts (SotP) analysis. We make no changes to our target multiples and out FY26 EBITDA of \$3.7Bn is ~1% higher than our FY25 EBITDA. A lower net debt balance and share count are the primary drivers of the positive change in PO. Reiterate Buy.

Exhibit 5: NRG SotP

We arrive at a \$66 PO

	EBITDA	Maint Capex	FCF	EV/EBITDA (Implied)	FCF Yield (Implied)	EV/FCF	Total EV	EV / Sh	Obligations	Equity \$Mn	Equity / Share	% Mix
Legacy Retail	\$1,302	(25)	\$1,277	6.4x	15.4%	6.5x	\$8,299	\$55	2,864	\$5,435	\$36	55%
Direct Energy	\$740	(10)	\$730	5.9x	16.7%	6.0x	\$4,380	\$29	3,111	\$1,269	\$8	13%
Vivint	\$1,113	(143)	\$970	6.1x	14.3%	7.0x	\$6,790	\$45	3,835	\$2,955	\$20	30%
Gas	\$170	(58)	\$112	3.6x	18.2%	5.5x	\$614	\$4	374	\$240	\$2	2%
Coal	\$393	(147)	\$247	1.3x	50.0%	2.0x	\$493	\$3	493	\$0	\$0	0%
Hedges	\$0	-	\$0	-	n/a	1.0x	\$0	\$0	0	\$0	\$0	0%
			\$3,33									
Total NRG Energy	\$3,718	(383)	5	5.5x	16.2%	6.1x	\$20,575	\$136	10,677	\$9,898	\$66	100%
Less: Net Debt and Preferred							(10,677)					
NRG Energy Equity Value							9,898					
Pro Forma Shares Outstanding (Mn) - YE26							151					
NRG Valuation							\$66.00					
Potential Price Return							21.2%					
FY1 Dividend Yield							3.0%					
Total Potential Return							24.2%					

Source: Company filings, Bloomberg, BofA Global Research

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Price objective basis & risk

NRG Energy (NRG)

Our \$66 price objective is based on our 2026E sum-of-the-parts analysis. We value NRG in six parts based on approximately EV/FCF: (1) 6.5x Legacy Retail, (2) 6.0x Direct Energy, (3) 7.0x Vivint, (4) 5.5x Gas, and (5) 2.0x Coal plus Hedges. The debt and preferred stock obligations are reductions from equity value.

We value Legacy Retail at a slight premium to peers given strong competitive positioning. We value Direct Energy in line with the Legacy Retail portfolio. For Vivint, our target multiple is a discount to NRG's other retail platforms given lower free cash flow conversion. Gas value reflects fair near-term profitability opportunity but limited long-term visibility. Last, our subdued Coal value is driven by limited terminal value for the assets.

Risks to the price objective are changes in 1) commodity prices, 2) operating cost, 3) environmental requirements, 4) cost of capital, 5) retail margins and customer counts, 6) natural disasters, 7) regulatory, legislative, and political changes, 8) customer acquisition costs, 9) retail competition, 10) pension and nuclear decommissioning trust assets/liabilities, and 11) interest rates.

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
	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
	MDU Resources Group, Inc.	MDU	MDU US	Julien Dumoulin-Smith
	Nextracker 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



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Vistra Corp	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Paul Zimbardo
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Paul Zimbardo
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	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
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
UNDERPERFORM				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RVW				
	New Fortress Energy	NFE	NFE US	Cameron Lochridge

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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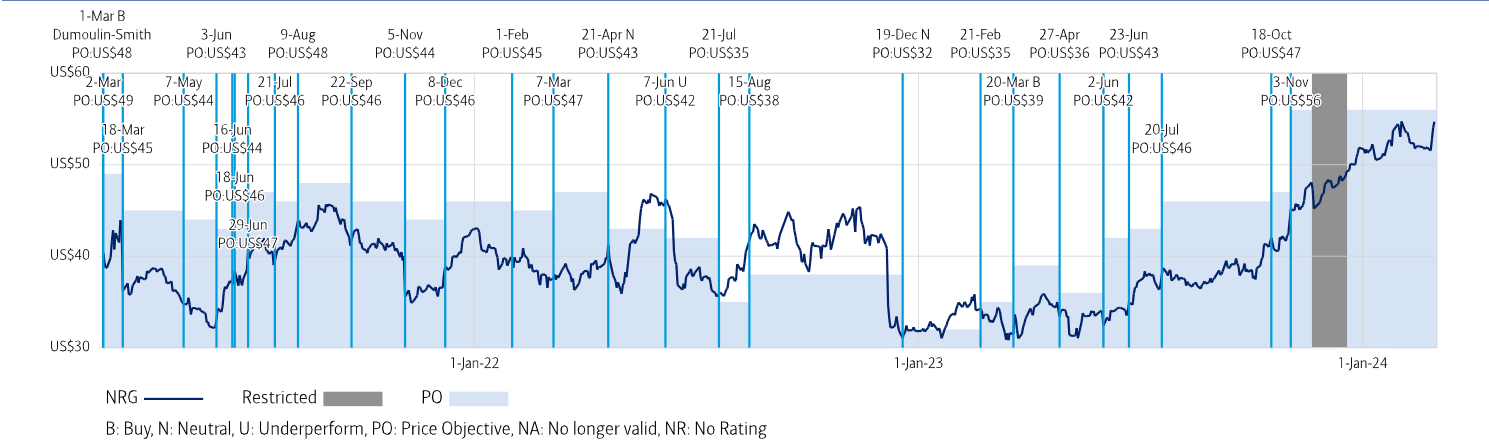
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Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2023)

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%

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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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