

## Nextracker Inc

# Don't get lost in the broader shuffle – Flagging further upside

Reiterate Rating: BUY | PO: 53.00 USD | Price: 46.85 USD

## Revenue visibility supports further upside ahead

We reiterate our Buy rating on shares of Nextracker Inc (NXT) following a strong CY23 and see more upside ahead. In its first few quarters as a public company, NXT has outperformed the broader clean tech space by a wide margin, with shares up nearly 100% since its listing in February while the ICLN (clean tech ETF) has fallen over 20%. We perceive two consecutive quarters of guidance raises as a positive indication of revenue visibility, particularly as others have struggled with persistent customer delays. Success in driving new business remains a key differentiator supporting visibility through multi-gigawatt (GW) Volume Commitment Agreements (VCA). We look for this to drive outperformance and multiple as broader uncertainty lingers in the space.

## Margins a key positive surprise with 45X tailwinds ahead

We continue to see IRA tailwinds supporting further margin expansion ahead for NXT following impressive performance YTD. Adj. EBITDA margins of 19.2% in F2Q24 are up ~500bps from F4Q23 levels, which mgmt. attributes to pricing discipline and supply chain improvements. While FY24 guidance appears to imply some moderation, we still see a F4Q24 exit rate that is ~400bps higher YoY. Importantly, this is before factoring in 45X production tax credit benefits, which supports further expansion of ~400bps in FY24. We reiterate that we are continuing to only give credit to the value of torque tubes (\$0.018/W) on a 50-50 sharing basis with US suppliers that we expect will service the vast majority (90%) of NXT's domestic delivery. We are not giving credit to fasteners which management also suggested is a "meaningful" benefit to its financials.

## Primed for multiple expansion ahead: raise PO to \$53

We raise our PO to \$53 from \$46 as we increase our relative premium in our EV/EBITDA methodology to 5.0x for both CY24 and CY25 from 4.0x previously. In addition to this change, we break out the NPV of tax credits as a separate item in our valuation, consistent with our treatment of peers, representing \$4.00/sh in present value. Customer-driven delays in the sector have weighed on NXT's multiple of late in our view. We take a broader view of the wider industrial space to support our call for multiple expansion. While the S&P 500 Industrial sector has seen its one-year forward EV/EBITDA multiple expand ~1.5x since September, NXT's has compressed ~2.0x. This is despite outsized positive revisions to consensus estimates for NXT over the same period. We perceive this dislocation represents a compelling argument for shares to re-rate higher.

Estimates (Mar) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.55	1.09	2.45	3.68	3.91
GAAP EPS	0.35	0.83	1.99	3.26	3.49
EPS Change (YoY)	-45.5%	98.2%	124.8%	50.2%	6.3%
Consensus EPS (Bloomberg)			2.09	2.53	2.78
DPS	0	0	0	0	0
Valuation (Mar)					
P/E	85.2x	43.0x	19.1x	12.7x	12.0x
GAAP P/E	133.9x	56.4x	23.5x	14.4x	13.4x
EV / EBITDA*	75.1x	33.1x	15.9x	10.6x	10.0x
Free Cash Flow Yield*	-2.3%	1.0%	4.3%	6.5%	7.1%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 11.

02 January 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	46.00	53.00

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### Stock Data

Price	46.85 USD
Price Objective	53.00 USD
Date Established	2-Jan-2024
Investment Opinion	C-1-9
52-Week Range	28.24 USD - 49.82 USD
Mrkt Val (mn) / Shares Out (mn)	6,804 USD / 145.2
Free Float	78.8%
Average Daily Value (mn)	83.01 USD
BofA Ticker / Exchange	NXT / NAS
Bloomberg / Reuters	NXT US / NXT.OQ
ROE (2024E)	54.3%
Net Dbt to Eqty (Mar-2023A)	-26.8%

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Timestamp: 02 January 2024 06:30AM EST

# iQprofile<sup>SM</sup> Nextracker Inc

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	13.9%	20.2%	30.6%	32.6%	26.3%
Return on Equity	16.6%	32.3%	54.3%	49.1%	35.0%
Operating Margin	85.1%	79.1%	68.0%	63.6%	63.7%
Free Cash Flow	(157)	67	295	440	486

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	-2.0x	0.4x	0.8x	0.8x	0.9x
Asset Replacement Ratio	0x	1.3x	1.6x	0.9x	1.0x
Tax Rate	21.8%	28.2%	19.3%	16.2%	16.1%
Net Debt-to-Equity Ratio	-5.8%	-26.8%	-54.2%	-68.4%	-75.8%
Interest Cover	NM	NA	20.1x	27.2x	29.5x

## Income Statement Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	1,458	1,902	2,381	2,892	2,989
% Change	21.9%	30.5%	25.2%	21.5%	3.4%
Gross Profit	154	301	601	851	887
% Change	-36.3%	95.4%	99.4%	41.6%	4.3%
EBITDA	92	209	435	652	691
% Change	-48.4%	126.6%	108.3%	49.8%	6.0%
Net Interest & Other Income	(1)	1	(22)	(24)	(23)
<b>Net Income (Adjusted)</b>	<b>79</b>	<b>159</b>	<b>360</b>	<b>541</b>	<b>575</b>
<b>% Change</b>	<b>-46.1%</b>	<b>100.9%</b>	<b>126.2%</b>	<b>50.2%</b>	<b>6.2%</b>

## Free Cash Flow Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	51	121	292	479	514
Depreciation & Amortization	3	2	2	3	3
Change in Working Capital	(210)	(53)	4	(39)	(28)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	0	0	0	0	0
Capital Expenditure	0	(3)	(3)	(3)	(3)
<b>Free Cash Flow</b>	<b>-157</b>	<b>67</b>	<b>295</b>	<b>440</b>	<b>486</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>337.6%</b>	<b>49.2%</b>	<b>10.4%</b>
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	(175)	0	0	0
Change in Debt	0	0	0	0	0

## Balance Sheet Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	29	130	456	934	1,456
Trade Receivables	168	271	394	370	406
Other Current Assets	517	471	790	691	759
Property, Plant & Equipment	7	7	7	7	7
Other Non-Current Assets	296	540	683	673	664
<b>Total Assets</b>	<b>1,017</b>	<b>1,420</b>	<b>2,330</b>	<b>2,676</b>	<b>3,292</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	473	507	915	753	828
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	43	427	574	559	543
<b>Total Liabilities</b>	<b>516</b>	<b>935</b>	<b>1,490</b>	<b>1,311</b>	<b>1,371</b>
<b>Total Equity</b>	<b>501</b>	<b>485</b>	<b>842</b>	<b>1,365</b>	<b>1,922</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,017</b>	<b>1,420</b>	<b>2,331</b>	<b>2,676</b>	<b>3,293</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 11.

## Company Sector

Alternative Energy

## Company Description

Nextracker is the market leader in solar tracker solutions. The company has held a number one market share over the past decade and is known for innovative solutions with a total cost of ownership focus. Nextracker was purchased by Flex technologies in 2015 and subsequently spun out in an IPO process in February of 2023.

## Investment Rationale

We rate NXT as Buy, as we become confident in NXT's IRA positioning and see upside on near-term numbers from large-scale multi-year project exposures. We continue to see NXT as a market leader both in technology and share, and a best-in-class way to participate in a relatively low risk offensive story in 2023 offering compelling return from current levels

## Stock Data

Average Daily Volume 1,771,898

## Quarterly Earnings Estimates

	2023	2024
Q1	0.18A	0.49A
Q2	0.21A	0.74A
Q3	0.31A	0.57E
Q4	0.38A	0.64E

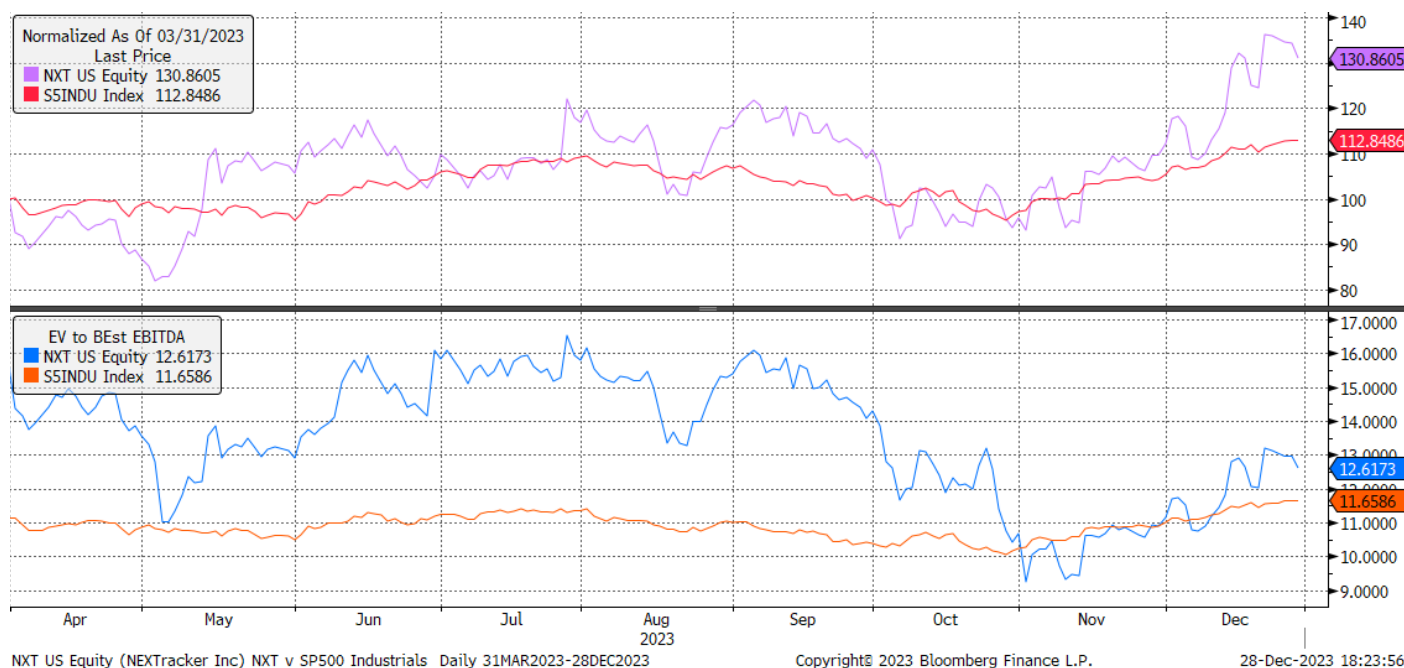
## How to frame shares from here?

Shares of NXT have had an impressive run in their debut year, with the stock meaningfully outperforming the broader clean tech space. Since its listing in February, shares are up nearly 100% while the ICLN (clean tech ETF) has fallen over 20%. Taking a broader view, we glean insight from the wider industrials landscape to support our call for multiple expansion from here. Exhibit 1 shows NXT share performance relative to the S&P 500 in the top portion, and two-year forward EV/EBITDA multiples for both in the bottom portion. While NXT's listing took place in February, we use March 31<sup>st</sup> as a starting point for the analysis which is approximately when consensus estimates were published.

While NXT has outperformed the group, it has seen sizable multiple compression. In contrast, the industrials group multiple has actually expanded. On average, NXT has traded at a ~3x premium to the S&P 500 Industrials sector. This compares to a ~1x premium currently with NXT at ~12.5x vs. the group at ~11.5x.

### Exhibit 1: NXT and S&P 500 Industrials - relative price performance and valuation

We highlight multiple compression of late which we believe reflects customer-driven delays in the broader solar sector which NXT has largely avoided... bottom line, NXT is a higher growth, profitable company that has clear relevance to a range of other industrial peers. We see a constructive backdrop for shares still ahead



Source: Bloomberg

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In Exhibit 2 below, we show the trends in two-year forward consensus EBITDA estimates for both NXT and the S&P 500 Industrials sector. Since March, consensus expectations for NXT have nearly increased ~50% while expectations for the group are only up ~4%. We believe this analysis illustrates a dislocation in relative valuation vs. consistently improving expectations for NXT which at least in part has been driven by customer-driven delays in the broader solar sector.

With a sizable backlog and multiple consecutive guidance increases, we perceive current levels present a particularly attractive buying opportunity for NXT shares. We see the recent 45X guidance proposal as a clear positive and see upside to our estimates which only include a portion of the potential tailwinds from these regulations.

We appreciate the clear and ongoing debate among investors around whether NXT will be impacted by delay risks seen across the sector. This remains the single biggest risk



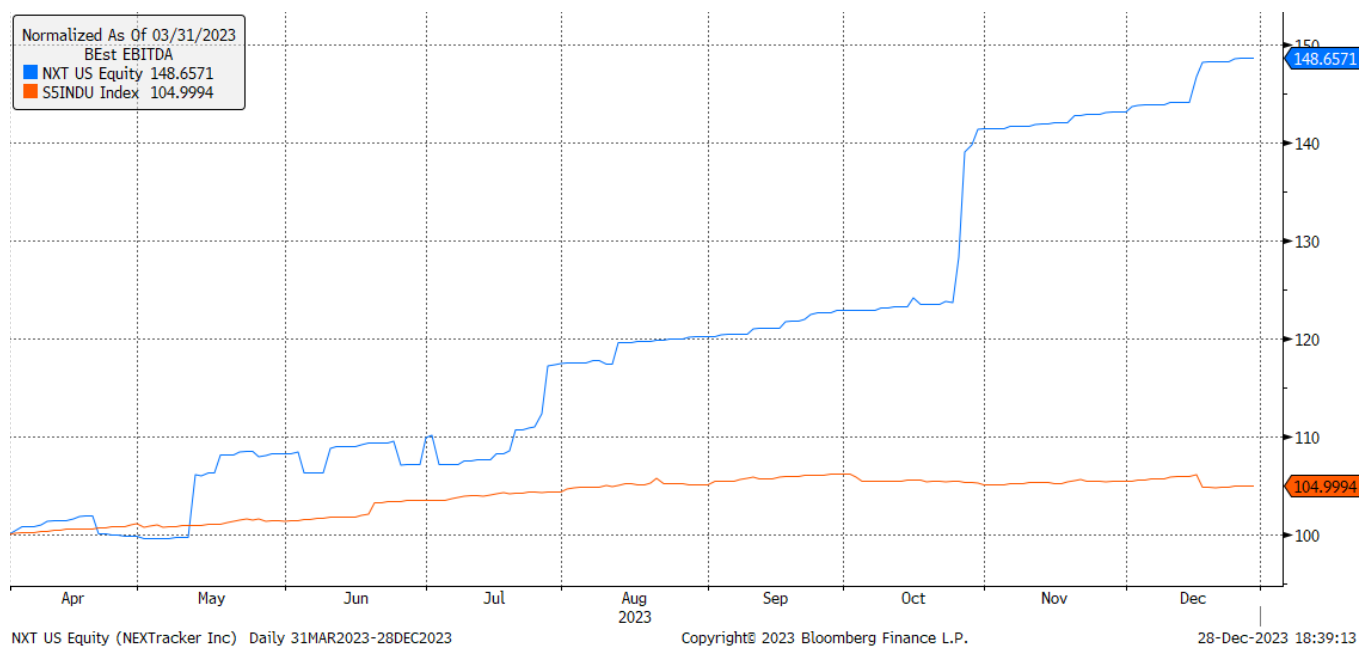
to the downside from shares, but notable insider buying by CEO Shugar has caught our attention in recent weeks, adding \$1.5 Mn prior to release of 45X regs. We see the buying of shares at a meaningful premium to its listing price by its founder/CEO as a uniquely constructive datapoint on confidence. We continue to see backdrop around 45X (with likely more value retained than Street realizes) coupled with an improving availability of yet-cheaper panels all adding to a more 'normalized' and still larger opportunity in '24.

Yes, we appreciate investor sentiment has been weakening of late with shares rallying. We are specifically staying the course given both the clear messaging, and need to take a wider perspective on shares considering the leadership this company could conceivably exhibit across the wider renewable landscape.

Finally, we appreciate the forthcoming release of shares from legacy Flex shareholders, effective today, January 2<sup>nd</sup> (as previously announced on Dec 18<sup>th</sup> distribution plan). Note index add effective dates are slated for January 3<sup>rd</sup>; there has been a debate around just how these adds could help offset pressures from shares being distributed. Overall backdrop could yet weigh on shares in coming months – an investor concern in recent weeks. Related, confidence on results will likely 'require' proof considering macro backdrop around further delays with Feb reporting cycle (see ARRY and others potentially signaling push towards 2H24). On balance, expect volatility in coming weeks, but we reiterate Buy on NXT considering the opportunity to yet again shake concerns and drive towards meaningfully higher EBITDA than Street appreciates despite near-term gyrations.

#### Exhibit 2: NXT and S&P 500 Industrials – relative changes in two-year forward consensus EBITDA expectations

Sizable increases in Consensus expectations for NXT appear largely underappreciated



Source: Bloomberg

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### Maintaining estimates heading into CY24

We make no changes to our earnings forecast for NXT, which was updated after F2Q24 earnings in October. For convenience we reproduce a segment of our October 26<sup>th</sup> NXT note on YTD performance below:

Gross margin expansion is underscored by NXT's new meet and surge supply chain strategy. NXT built out regionalized supply chains across its key operating markets with enough manufacturing capacity to meet that geography's needs; this reduces COGS. NXT's supply chain is also enabled to surge capacity in times of need or to arbitrage

price differences across its operating footprint. This meet and surge supply chain facilitates reliable supply chain and logistics execution, raising the bar for baseline gross margins.

These GM are strengthened by NXT's launch of new products, terrain tracking with NX Horizon XTR-1.5, hail-stowing with NX Horizon Hail Pro hardware, software, and service, and TrueCapture Zonal Diffuse. We argue these innovations strengthen NXT's value proposition, creating an incremental pricing opportunity. Even if these pricing improvements are nominally small, with trackers the little things make all the difference; given the increasing size and complexity of projects, additional pennies or fractions thereof are meaningful on a several hundred MW scale project; moreover, given a relatively stable opex base, these innovations ratably expand EBITDA margins. Latest conversations with mgmt. indicate NXT feels confident in its ability to sustain at least ~18% EBITDA margins on a go forward basis.

Note, this expanded margin profile already exceeds mgmt.'s public expectations at IPO launch earlier this year. This mgmt. team is clearly committed to delivering ahead of expectations and is taking tangible strategic action to continue enhancing the business' operating profile. Even still, we see ample latitude for an EPS beat on FY24, assuming no significant increase in interest expense.



**Exhibit 3: NXT earnings dashboard – hard to ignore how much above Street we remain. This is a key consideration of retaining our Buy and raising our PO.**

Maintain forecast from our previous update following F2Q24 earnings in October

	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	2025	2026
<b>Market Size (MW)</b>		71,510	15,411	14,718	16,921	19,903	79,201	80,946	88,065
<b>Market Share (%)</b>		25%	39%	40%	30%	31%	29%	29%	28%
U.S.	37%	34%	51%	55%	31%	32%	41%	39%	38%
RoW		22%	25%	27%	28%	31%	28%	28%	28%
<b>Total Revenue (\$mm)</b>	1,458	1,902	480	573	624	704	2,381	2,892	2,989
Guidance							2,300 - 2,400		
Guidance (Old)							2,200 - 2,400		
Guidance (Old)							2,100 - 2,300		
Visible Alpha					630.2	660.6	2,342.1	2,762.7	3,095.4
<b>COGS</b>	1,311	1,615	366	424	470	531	1,791	2,052	2,113
Visible Alpha					465.8	530.9	1,783.2	2,087.4	2,292.5
<b>Gross Margin (%)</b>	10.1%	15.1%	23.7%	26.0%	24.7%	24.6%	24.8%	29.0%	29.3%
Visible Alpha					23.2%	25.0%	24.7%	25.8%	24.7%
<b>Total Opex</b>	81	118	40	55	54	57	206	244	239
Visible Alpha					43.0	44.9	121.7	185.9	186.3
<b>Income before Taxes</b>	65	169	73	85	94	110	362	572	613
Visible Alpha					89.8	106.6	383.5	488.3	526.8
<b>Net Income</b>	51	121	64	81	68	79	292	479	514
Guidance							237 - 266		
Guidance (Old)							176 - 205		
Guidance (Old)							175 - 205		
Visible Alpha					73.9	78.8	321.1	389.1	446.7
<b>Adj EBITDA</b>	92	209	84	110	113	129	435	652	691
Guidance							390 - 440		
Guidance (Old)							290 - 340		
Guidance (Old)							265 - 305		
Visible Alpha					106.5	114.6	412.4	491.6	548.7
<b>Adj. EBITDA Margin</b>	6.3%	11.0%	17.4%	19.2%	18.1%	18.3%	18.3%	22.6%	23.1%
Visible Alpha (Implied)					16.9%	17.3%	17.6%	17.8%	17.7%
<b>ASP (\$/W)</b>		\$0.103			\$0.114	\$0.114	\$0.111	\$0.118	\$0.119
Visible Alpha					0.104	0.106	0.101	0.106	0.105
<b>Material COGS (\$/W)</b>		\$0.068	\$0.071	\$0.073	\$0.073	\$0.073	\$0.073	\$0.071	\$0.071
Visible Alpha (Implied)					0.077	0.085	0.077	0.080	0.078

Source: Company filings, Visible Alpha, BofA Global Research

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**Primed for multiple expansion ahead: PO to \$53**

We update our PO to \$53 from \$46 while highlighting key changes in our valuation. First, we increase our relative premium in our EV/EBITDA methodology to 5.0x from 4.0x. As previously discussed, our aim is to highlight the dislocation in NXT's relative value to that of the broader industrials group. Our updated framework now implies a premium to the S&P 500 Industrials sector of 2.5x and 3.0x in 2024 and 2025 respectively, which is in line with the historical average. In addition to this change, we break out the NPV of tax credits as a separate item in our valuation, consistent with our treatment of peers. In the case of NXT, tax credits represent \$4.00/sh in present value. We make no changes to our discount rate for our DCF at 11%, although we do scrub our working capital assumptions which results in a model increase in our unlevered FCF forecast. Taken together, these changes result in a \$7/increase in our PO.

**Exhibit 4: NXT valuation summary**

We arrive at a \$53 PO

**Nexttracker Valuation**

	<u>Value/Sh</u>	<u>Weight</u>	<u>Weighted Value</u>
EV/EBITDA	\$63.00	50%	\$31.50
DCF	\$35.50	50%	\$17.75
NPV of Tax Credits	\$4.00		
<b>Nexttracker Value/Share</b>			<b>\$53.00</b>
Share Price (As of 12/29/23)			\$46.85
Premium (Discount) to Stock Price			13.1%
2023E Dividend Yield			0.0%
<b>Total Expected Return</b>			<b>13.1%</b>

Source: Company filings, Bloomberg, BofA Global Research

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**Exhibit 5: NXT EV/EBITDA valuation**

We arrive at a \$63/sh EV/EBITDA valuation

**Nexttracker EV/EBITDA Valuation**

<b>Calendar Year</b>	<b>2024</b>	<b>2025</b>
EBITDA	\$640	\$676
Less Tax Credit Value	\$88	\$120
Adj. EBITDA	\$552	\$556
<b>EV/EBITDA - Peer Trackers</b>	<b>10.5x</b>	<b>9.5x</b>
<b>Premium to Peers</b>	<b>5.0x</b>	<b>5.0x</b>
Multiple	<b>15.5x</b>	<b>14.5x</b>
<b>EV/EBITDA - S&amp;P 500 Industrials</b>	<b>13.0x</b>	<b>11.5x</b>
<b>Premium to Group</b>	<b>2.5x</b>	<b>3.0x</b>
<b>Value (implied)</b>	\$8,554	\$8,066
Net (Debt) Cash	\$581	\$1,154
TRA Payments	(\$54)	(\$52)
<b>Valuation</b>	\$9,080	\$9,168
<b>Average Valuation</b>		<b>\$9,124</b>
\$/Sh		\$63.00
Shares O/S (Fully Diluted)		145

Source: Company filings, Bloomberg, BofA Global Research

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**Exhibit 6: NXT DCF valuation**

We arrive at a \$33.50/sh DCF valuation

DCF Methodology in \$mm	F2024	F2025	F2026	F2027	F2028	F2029	F2030	Terminal
<b>DCF - less Stock Based Compensation and Debt Amortization</b>								
<b>Unlevered Free Cash Flows</b>	<b>\$367</b>	<b>\$513</b>	<b>\$558</b>	<b>\$614</b>	<b>\$647</b>	<b>\$652</b>	<b>\$622</b>	
<b>Tax Credit Value</b>	\$0	\$110	\$123	\$138	\$143	\$146	\$88	
Less: Stock Based Compensation	\$51	\$53	\$52	\$55	\$57	\$60	\$63	
<b>Adjusted Unlevered FCF (\$Mn)</b>	<b>\$317</b>	<b>\$350</b>	<b>\$383</b>	<b>\$421</b>	<b>\$446</b>	<b>\$446</b>	<b>\$471</b>	<b>\$6,120</b>
<i>Discount Rate- Cost of Equity</i>	11%	11%	11%	11%	11%	11%	11%	11%
<i>Discount Factor</i>	1.00	0.90	0.81	0.73	0.66	0.59	0.53	0.48
<b>Discounted Free Cash Flows</b>	<b>\$317</b>	<b>\$315</b>	<b>\$311</b>	<b>\$308</b>	<b>\$294</b>	<b>\$265</b>	<b>\$252</b>	<b>\$2,948</b>
<b>DCF Value through '30</b>	<b>\$2,061</b>							
<i>Lifecycle value of Credits to NXT</i>	\$527							
<i>Lifecycle value of Credits to NXT (per share)</i>	\$4.00							
<i>Exit Multiple off 2030</i>	<b>13.0x</b>							
<i>Discount Factor</i>	0.48							
<b>Terminal Value</b>	<b>\$6,120</b>							
<i>Terminal FCF Yield</i>	7.7%							
<b>PV of Terminal Value</b>	<b>\$2,948</b>							
Less: Debt	(\$146)							
Plus: Cash	\$373							
<b>Net Cash</b>	<b>\$227</b>							
<b>Less Discounted Value of TRA Payment Streams (Flows through CFF)</b>	<b>(\$56)</b>							
<b>Total Equity Value</b>	<b>\$5,180</b>							
<b>DCF Value/Share</b>	<b>\$35.50</b>							
<i>Shares O/S (Fully Diluted)</i>	145							
Price as of close	\$46.85							
<b>Discount Rate</b>	<b>11.0%</b>							

Source: Company filings, Bloomberg, BofA Global Research

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## Price objective basis & risk

### Nextracker Inc (NXT)

Our \$53/share PO is based on a 50/50 weighted discounted cash flow (DCF) and EV/EBITDA multiple methodology plus the NPV of tax credits. Our DCF valuation is \$33.50/share, and our EV/EBITDA valuation is \$63/share based on a 5.0x premium over the average of tracker comps at 10.5x / 9.5x CY24E / CY25E EBITDA. We use an average given uncertainty about the ramp in utility scale solar which may normalize more fully in 2025. We estimate the NPV of tax credits represents \$4.00/sh.

#### DCF approach:

- We derive FCFF and net off stock-based compensation and contribution to margins from Inflation Reduction Act Credits which are valued separately.
- FCFF discounted a 11% cost of capital given risk associated with the execution of the growth strategy but noting NXT holds a clean balance sheet.
- Terminal multiple of 13.0x akin to where NXT's leading public peer has traded on an average 2 year forward basis.
- Tax credits are discounted back at 11% with no terminal value applied.

Upside risks to our PO are (1) a stronger-than-anticipated outlook for solar projects in the US, (2) higher cost deflation on key inputs, including steel and freight, and accretion to margins (3) policy clarity in the US, which would give more long-term certainty for ARRY's buyers

Downside risks to our PO are (1) a slower recovery in US solar projects, (2) lack of execution on margin advancement and cost-cutting initiatives, and (3) an increasingly inflationary backdrop on supply chain

## 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
	Ameren Corporation	AEE	AEE 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



## North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	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
	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
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	WEC Energy Group Inc	WEC	WEC US	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
	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



## North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

**iQmethod<sup>SM</sup> 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 &amp; 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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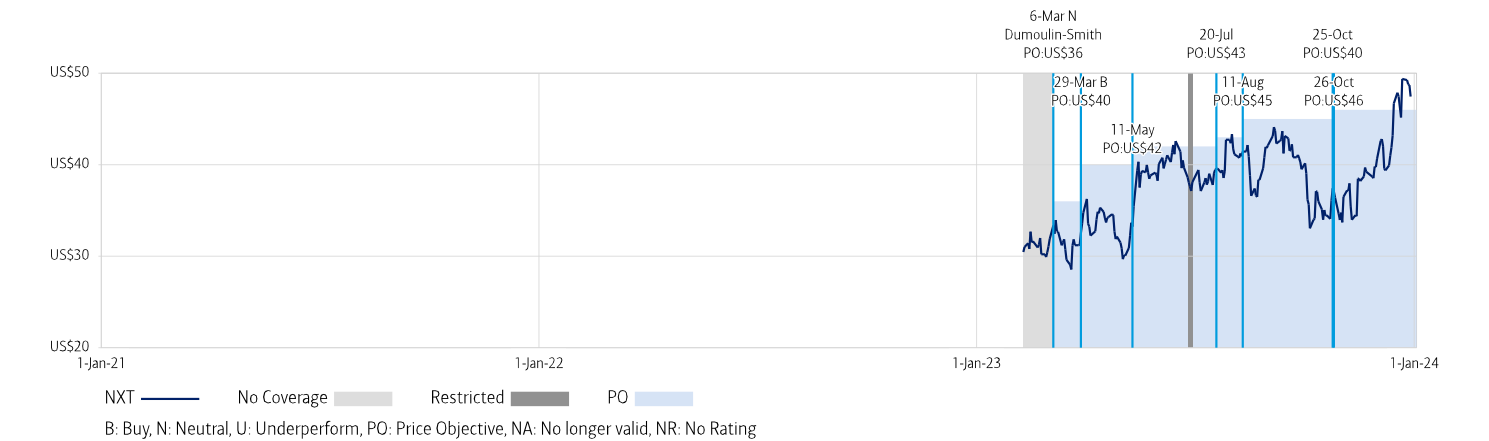
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### Equity Investment Rating Distribution: Alternative Energy Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	8	47.06%	Buy	8	100.00%
Hold	5	29.41%	Hold	3	60.00%
Sell	4	23.53%	Sell	1	25.00%

### 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.

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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%

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