

## CenterPoint Energy

# Big update for CNP with lots to unpack – Reiterate Buy

Reiterate Rating: BUY | PO: 30.00 USD | Price: 27.88 USD

## Solid end to '23 with lots of key updates on the outlook

CenterPoint Energy (CNP) reported an in-line quarter: 4Q23 non-GAAP EPS was \$0.32 versus our forecast of \$0.30 and consensus of \$0.32. As part of the 4Q update, mgmt. reaffirmed non-GAAP EPS guidance for 2024 of \$1.61-1.63. Mgmt. also reaffirmed the long-term non-GAAP EPS growth target at the mid-to-high end of the 6-8% range through 2030. Critically, mgmt. provided a refreshed outlook for capital allocation and funding while also announcing the sale of Louisiana and Mississippi gas distribution assets for \$1.2Bn gross proceeds (\$1.0Bn net). The sale represents 1.55x 2023 rate base and 32x 2023 earnings. Mgmt. increased the long-term capital spending plan by \$600Mn to \$44.5Bn through 2030, which supports annual rate base growth of 10% over the same period. In terms of funding this growth, mgmt. indicated asset recycling as well as \$250Mn in equity or equity-like annual issuances are now expected. This is an alteration from the previous funding plan which contemplated no required equity issuances aside from a \$250Mn at-the-market program in 2024. Importantly, this revised funding outlook now contemplates modest pressure as mgmt. anticipates CNP will be subject to the alternative minimum tax (AMT). On a prospective basis, mgmt. indicated rough expectations for \$150Mn in annual tax payments through 2030 related to the AMT. On balance, we reiterate our Buy rating on shares of CNP: following a mixed to slightly cautious update but expect further uptick with 1Q call update on TX capex for resiliency. Holistic update with '25 Analyst Day key to defining full extent of capex + equity needs.

## Regulatory backdrop remains constructive

Mgmt. now anticipates filing the Houston Electric rate case by March 9, 2024. This represents a modest pull-forward from mgmt.'s plan to file in 2Q24. In addition, mgmt. expects to file a multi-year resiliency plan for Houston Electric in 2Q24, with a comprehensive update for investors expected on the next earnings call. Mgmt. continues to work to de-risk the outlook for ongoing rate cases elsewhere. For the Texas Gas business, mgmt. remains optimistic that it will reach a settlement in the ongoing rate case. CNP is holding its third settlement conference for this case later in February. For the Minnesota Gas business, interim rates were approved for 2024, and additional interim rates for 2025 could be considered if the case is not settled before then. Lastly, CNP's 10-K indicated costs for the Indiana Electric 130-megawatt solar project have exceeding the agreed upon levels in the Build Transfer Agreement (BTA). The result of this cost overrun is that the project in-service date could be delayed to 2026 from 2025.

| Estimates (Dec) (US\$)    | 2021A  | 2022A  | 2023E | 2024E  | 2025E |
|---------------------------|--------|--------|-------|--------|-------|
| EPS                       | 1.64   | 1.38   | 1.51  | 1.63   | 1.74  |
| EPS Change (YoY)          | 15.5%  | -15.9% | 9.4%  | 7.9%   | 6.7%  |
| Consensus EPS (Bloomberg) |        |        | 1.50  | 1.62   | 1.74  |
| DPS                       | 0.64   | 0.70   | 0.76  | 0.81   | 0.87  |
| Valuation (Dec)           |        |        |       |        |       |
| P/E                       | 17.0x  | 20.2x  | 18.5x | 17.1x  | 16.0x |
| Dividend Yield            | 2.3%   | 2.5%   | 2.7%  | 2.9%   | 3.1%  |
| EV / EBITDA*              | 14.1x  | 13.3x  | 12.0x | 10.9x  | 10.0x |
| Free Cash Flow Yield*     | -17.8% | -14.8% | -7.7% | -12.2% | -4.1% |

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

20 February 2024

### Equity

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### Stock Data

|                                 |                       |
|---------------------------------|-----------------------|
| Price                           | 27.88 USD             |
| Price Objective                 | 30.00 USD             |
| Date Established                | 20-Oct-2023           |
| Investment Opinion              | B-1-7                 |
| 52-Week Range                   | 25.42 USD - 31.44 USD |
| Mrkt Val (mn) / Shares Out (mn) | 17,648 USD / 633.0    |
| Free Float                      | 99.6%                 |
| Average Daily Value (mn)        | 111.34 USD            |
| BofA Ticker / Exchange          | CNP / NYS             |
| Bloomberg / Reuters             | CNP US / CNP.N        |
| ROE (2023E)                     | 9.3%                  |
| Net Dbt to Eqty (Dec-2022A)     | 172.7%                |
| 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"](#).

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Timestamp: 20 February 2024 12:18PM EST

# iQprofile<sup>SM</sup> CenterPoint Energy

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

| (US\$ Millions)            | 2021A   | 2022A   | 2023E   | 2024E   | 2025E |
|----------------------------|---------|---------|---------|---------|-------|
| Return on Capital Employed | 3.5%    | 3.3%    | 3.8%    | 4.0%    | 4.1%  |
| Return on Equity           | 11.3%   | 9.0%    | 9.3%    | 9.6%    | 9.8%  |
| Operating Margin           | 16.3%   | 16.8%   | 20.9%   | 22.6%   | 23.2% |
| Free Cash Flow             | (3,142) | (2,609) | (1,357) | (2,149) | (725) |

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

| (US\$ Millions)          | 2021A  | 2022A  | 2023E  | 2024E  | 2025E  |
|--------------------------|--------|--------|--------|--------|--------|
| Cash Realization Ratio   | 0x     | 2.1x   | 2.3x   | 2.4x   | 2.6x   |
| Asset Replacement Ratio  | 1.7x   | 2.4x   | 1.8x   | 2.2x   | 1.5x   |
| Tax Rate                 | 14.1%  | 25.4%  | 20.0%  | 20.0%  | 20.0%  |
| Net Debt-to-Equity Ratio | 177.9% | 172.7% | 182.2% | 197.9% | 199.5% |
| Interest Cover           | NA     | NA     | NA     | NA     | NA     |

## Income Statement Data (Dec)

| (US\$ Millions)              | 2021A        | 2022A         | 2023E       | 2024E        | 2025E        |
|------------------------------|--------------|---------------|-------------|--------------|--------------|
| Sales                        | 8,352        | 9,321         | 8,510       | 8,890        | 9,266        |
| % Change                     | 12.6%        | 11.6%         | -8.7%       | 4.5%         | 4.2%         |
| Gross Profit                 | 6,017        | 6,230         | 6,987       | 7,353        | 7,714        |
| % Change                     | 6.1%         | 3.5%          | 12.1%       | 5.2%         | 4.9%         |
| EBITDA                       | 3,207        | 3,397         | 3,755       | 4,150        | 4,540        |
| % Change                     | 16.9%        | 5.9%          | 10.5%       | 10.5%        | 9.4%         |
| Net Interest & Other Income  | (585)        | (149)         | (615)       | (655)        | (711)        |
| <b>Net Income (Adjusted)</b> | <b>1,001</b> | <b>873</b>    | <b>953</b>  | <b>1,032</b> | <b>1,103</b> |
| <b>% Change</b>              | <b>26.2%</b> | <b>-12.8%</b> | <b>9.2%</b> | <b>8.3%</b>  | <b>6.9%</b>  |

## Free Cash Flow Data (Dec)

| (US\$ Millions)                        | 2021A          | 2022A         | 2023E         | 2024E         | 2025E        |
|--|----------------|---------------|---------------|---------------|--------------|
| Net Income from Cont Operations (GAAP) | 668            | 1,057         | 929           | 1,081         | 1,152        |
| Depreciation & Amortization            | 1,844          | 1,831         | 1,979         | 2,144         | 2,389        |
| Change in Working Capital              | 0              | 0             | (119)         | (84)          | (69)         |
| Deferred Taxation Charge               | 213            | 20            | 0             | 0             | 0            |
| Other Adjustments, Net                 | (2,703)        | (1,098)       | (601)         | (626)         | (652)        |
| Capital Expenditure                    | (3,164)        | (4,419)       | (3,545)       | (4,664)       | (3,546)      |
| <b>Free Cash Flow</b>                  | <b>-3,142</b>  | <b>-2,609</b> | <b>-1,357</b> | <b>-2,149</b> | <b>-725</b>  |
| <b>% Change</b>                        | <b>-422.8%</b> | <b>17.0%</b>  | <b>48.0%</b>  | <b>-58.4%</b> | <b>66.3%</b> |
| Share / Issue Repurchase               | NA             | NA            | NA            | NA            | NA           |
| Cost of Dividends Paid                 | (385)          | (440)         | (481)         | (515)         | (551)        |
| Change in Debt                         | 2,592          | 636           | 1,688         | 2,666         | 1,278        |

## Balance Sheet Data (Dec)

| (US\$ Millions)                       | 2021A         | 2022A         | 2023E         | 2024E         | 2025E         |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalents                    | 254           | 91            | 90            | 92            | 94            |
| Trade Receivables                     | 690           | 889           | 812           | 848           | 884           |
| Other Current Assets                  | 6,411         | 3,719         | 3,738         | 3,812         | 3,885         |
| Property, Plant & Equipment           | 23,484        | 27,143        | 29,113        | 32,211        | 33,972        |
| Other Non-Current Assets              | 6,840         | 6,704         | 6,704         | 6,704         | 6,704         |
| <b>Total Assets</b>                   | <b>37,679</b> | <b>38,546</b> | <b>40,456</b> | <b>43,667</b> | <b>45,539</b> |
| Short-Term Debt                       | 1,448         | 2,598         | 2,850         | 3,247         | 3,437         |
| Other Current Liabilities             | 2,839         | 2,515         | 2,337         | 2,363         | 2,403         |
| Long-Term Debt                        | 15,558        | 14,836        | 16,272        | 18,541        | 19,629        |
| Other Non-Current Liabilities         | 8,416         | 8,552         | 8,552         | 8,552         | 8,552         |
| <b>Total Liabilities</b>              | <b>28,261</b> | <b>28,501</b> | <b>30,011</b> | <b>32,703</b> | <b>34,022</b> |
| <b>Total Equity</b>                   | <b>9,418</b>  | <b>10,045</b> | <b>10,445</b> | <b>10,963</b> | <b>11,517</b> |
| <b>Total Equity &amp; Liabilities</b> | <b>37,679</b> | <b>38,546</b> | <b>40,456</b> | <b>43,667</b> | <b>45,539</b> |

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Electric Utilities

## Company Description

CenterPoint Energy is a diversified public utility holding company headquartered in Houston, Texas. Its utility segment provides electric distribution and transmission as well as natural gas distribution services to over 2.4 million electric and 3.4 million natural gas customers.

## Investment Rationale

We are Buy-rated on shares of CenterPoint Energy (CNP) which is a unique transformation story with potential positive earnings revisions and P/E re-rating potential. CNP offers one of the highest EPS growth trajectories with a relatively low risk profile due to lack of large capital projects. Management has focused on regulatory relationships which also improves the outlook.

## Stock Data

Average Daily Volume 3,993,426

## Quarterly Earnings Estimates

|    | 2022  | 2023  |
|----|-------|-------|
| Q1 | 0.47A | 0.50A |
| Q2 | 0.31A | 0.28E |
| Q3 | 0.33A | 0.40E |
| Q4 | 0.28A | 0.32E |

## Estimated Economics on Sale

See below for our mini-model on the Mississippi and Louisiana gas distribution assets. Mgmt. announced the sale of these businesses for \$1.2Bn gross proceeds (\$1.0Bn net). The sale represents 1.55x 2023 rate base and 32x 2023 earnings. We show that the economics of the sale appear attractive relative to fears that valuations for similar businesses could be under pressure. The key theme to watch will be CNP's ability to limit earnings dilution from asset sales through rate case outcomes for 2025 and beyond. We appreciate this is principally driven by actions designed to minimize equity allocations back to core geographies relative to costs to operate in less scale geographies. We also note a tacit pivot towards electric composition of the company thru four cumulative sales.

### Exhibit 1: Mini-Model on Sale Economics

Higher growing utility sold at good price relative to fears around LDC deals of late

| <b>MS &amp; LA Gas Rate Base</b>     | <b>2023A</b> | <b>2024E</b> | <b>2025E</b> | <b>2026E</b> |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Beginning ratebase                   | \$615        | 774          | 895          | 1,003        |
| +Capex                               |              | 167          | 167          | 167          |
| -Depreciation (est.)                 |              | (46)         | (58)         | (67)         |
| +/- Other                            |              |              |              |              |
| <b>Total Gas Ratebase (YE)</b>       | <b>\$774</b> | <b>895</b>   | <b>1,003</b> | <b>1,103</b> |
| Ratebase growth                      |              | 16%          | 12%          | 10%          |
| Equity Cap - Weighted Avg            | 51.14%       | 51.14%       | 51.14%       | 51.14%       |
| ROE - Weighted Avg                   | 9.86%        | 9.86%        | 9.86%        | 9.86%        |
| Over/(Under)-earning (est)           | -2.64%       | 0.00%        | 0.00%        | 0.00%        |
| <b>Earnings Power</b>                | <b>25.7</b>  | <b>42.1</b>  | <b>47.9</b>  | <b>53.1</b>  |
| Earnings growth                      |              | 64%          | 14%          | 11%          |
| <b>Sale Price : Enterprise Value</b> | <b>1,200</b> | <b>1,200</b> | <b>1,200</b> | <b>1,200</b> |
| Less: Debt                           | 378          | 378          | 378          | 378          |
| <b>Sales Price: Equity Value</b>     | <b>822</b>   | <b>822</b>   | <b>822</b>   | <b>822</b>   |
| Implied Sale Price/RAB               | 1.55         | 1.34         | 1.20         | 1.09         |
| P/E                                  | 32.00        | 19.52        | 17.16        | 15.47        |

Source: Company filings, BofA Global Research

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## Walking through 4Q23 results...

CNP reported an in-line quarter, with 4Q23 non-GAAP EPS coming in at \$0.32 which compares to our forecast of \$0.30 and consensus of \$0.32. Results included a \$0.06/sh positive impact YoY from one-time tax benefits and other items. Electric growth and rate recovery were a \$0.04/sh positive driver YoY, vs. our expectation for \$0.03/sh positive. For Gas, growth was a \$0.01/sh positive driver YoY while rate recovery was not mentioned as a driver. Weather and usage was a \$(0.02)/sh negative driver YoY for Electric and \$0.01/sh driver positive driver YoY for Gas. This was in line with our expectations for Electric and better than our expectations for Gas by \$0.03/sh. Lastly, interest expense was a \$(0.05)/sh negative driver YoY, in line with our expectation, and O&M was a \$(0.01)/sh negative driver YoY which compares to our expectation for no change YoY.

## Price objective basis & risk

### CenterPoint Energy (CNP)

Our CenterPoint Energy PO is \$30 using a 2025E sum-of-the-parts methodology. We apply the 14.4x electric and 14.4x gas base multiples. The base multiples are grossed-up +5% to reflect sector capital appreciation, a consistent approach across the coverage universe. We apply a 15% premium due to above-average growth and constructive jurisdictions.

Risks to achievement of the Price Objective are changes in 1) legislative, regulatory, and political outcomes, 2) capital expenditure forecasts and deployments, 3) earned return on equity, 4) asset sales, 5) capital markets access, costs, and needs, 6) interest rates, 7) weather and natural disasters, 8) management changes, and 9) inflation.

## 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 |
|                   | 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 |
|                   | 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 |

## North America - Utilities and Alt Energy Coverage Cluster

| Investment rating   | Company                           | BofA Ticker | Bloomberg symbol | Analyst               |
|---------------------|-----------------------------------|-------------|------------------|-----------------------|
|                     | 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         |
|                     | Maxeon 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 |
| <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 |
| <b>RSTR</b>         |                                   |             |                  |                       |
|                     | New Fortress Energy               | NFE         | NFE US           | Cameron Lochridge     |



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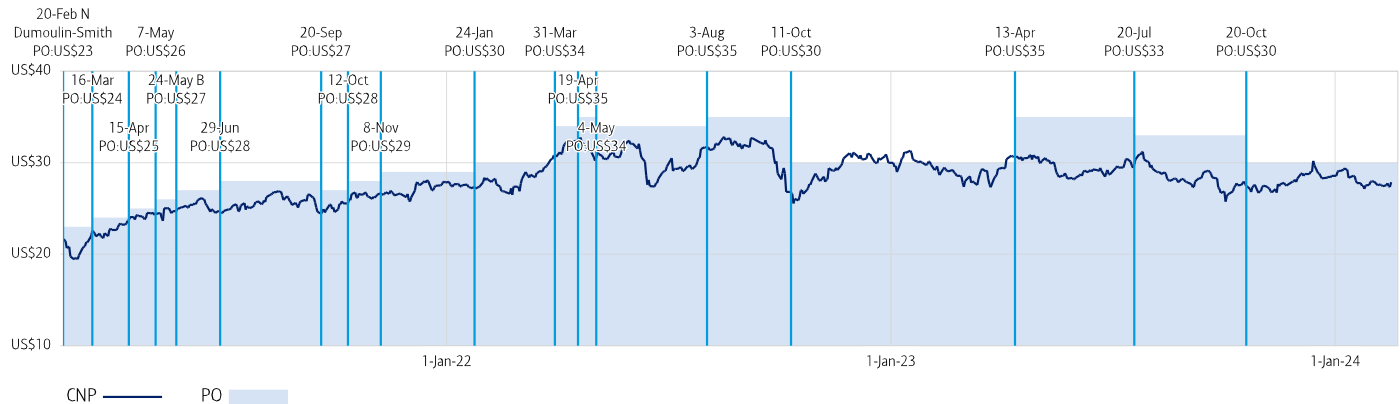
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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| 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%  |

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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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