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Q1 Weather Stats Ahead of Earnings

Utilities outperformed the S&P500 this past week. Regulated utilities under our coverage were up +3.4%, outperforming S&P which was down -0.1% amid weaker-than-expected economic reports (lower job openings and below consensus private payrolls). Diversifieds were +1.7% higher, and IPPs were up +0.7%. In terms of specific stocks, XEL was the best performer, up +5.7%, while CEG was the worst, still up +0.2%. The group is now trading at ~18.6x, above the 15-year average multiple of ~16.6x (NTM) (pg.9). Versus Bond Yields, group valuation remains elevated at 20% expensive (pg.11). NTM P/E relative to S&P500 is now 1.04x, lower than the historical average of 1.07x (pg.10). Our sector thesis played out last year (see our Recession read through for Utilities deep dive note published in late March 2022 [here](#)) as utilities material outperformed (Utes/S&P500 -2%/-19% in 2022). Against an ongoing challenging macro backdrop (high inflation/rates, elevated customer bills driven by higher fuel costs, regulatory risk rising throughout the year), the group is expensive absolutely and versus bond yields. While Utes outperform in the run-up to a recession, the sector lags during and post the recession. With a recession approaching, we remain cautious and expect reversal of the material outperformance last year.

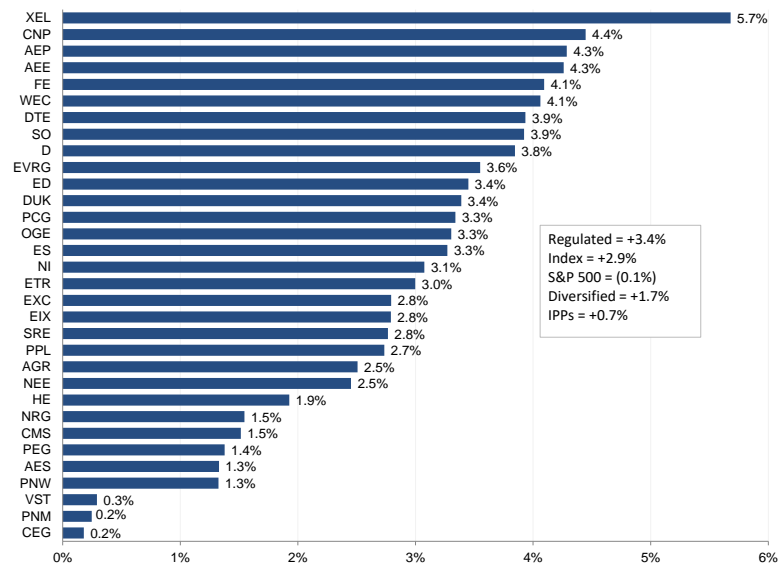
Stock Selection. We prefer value over quality: DTE, ES, ETR, EXC, FE, NI, PPL and SRE are Outperform-rated names within the regulated value bucket. We are also Outperform-rated on AEE, CNP and XEL within quality. Within diversified names, we view AES (top pick) as best risk/reward and are Outperform-rated on PEG. Amongst IPP's, we have Outperform ratings on CEG and VST.

March Employment Report Leans 25 In May. Our Global Policy & Central Banking Strategy analyst Krishna Guha in his [note](#) on Friday stated that the employment report came in slightly above consensus. Labor market activity, both growth rates and levels, is still likely too hot for many Fed officials concerned about ensuring that inflation normalizes back towards 2 percent over the medium-term. His overall read, along with most of the recent hard data, leans towards another 25bps hike from the Fed at the May meeting, but it does not call out for more hikes beyond that, especially with credit tightening to come.

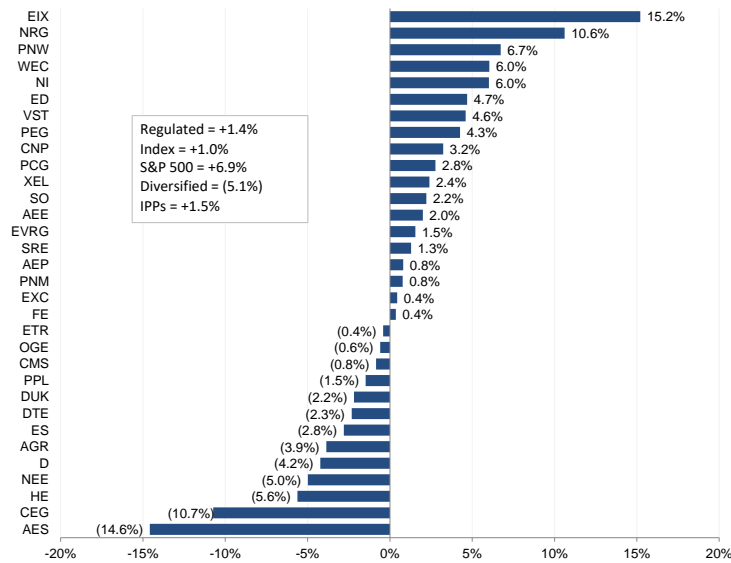
Weekly Feature: US weather in 1Q 2023 was unfavorable for utilities versus the same period last year and as compared to normal. Based on National Oceanic and Atmospheric Administration (NOAA) heating degree day data, the weather in 1Q23 drove -8% lower degree days versus last year and -10% below normal, on average across the US. Most of the regions were meaningfully lower when compared to the same period last year in 1Q22, with the SW Central having the largest decrease. Relative to normal, most of the regions had unfavorable weather, with South Atlantic having the most unfavorable weather. In March, WEC Energy lowered its Q1 guidance in light of one of the warmest winters in history in the Upper Midwest. Based on our Q1 preview conversations with several companies to date, weather has also been communicated as unfavorable versus guidance (normal weather), but the impact does vary on a company-by-company basis versus the prior year, see page 5 for more details.

Exhibit 1: Coverage Group Total Return Performance

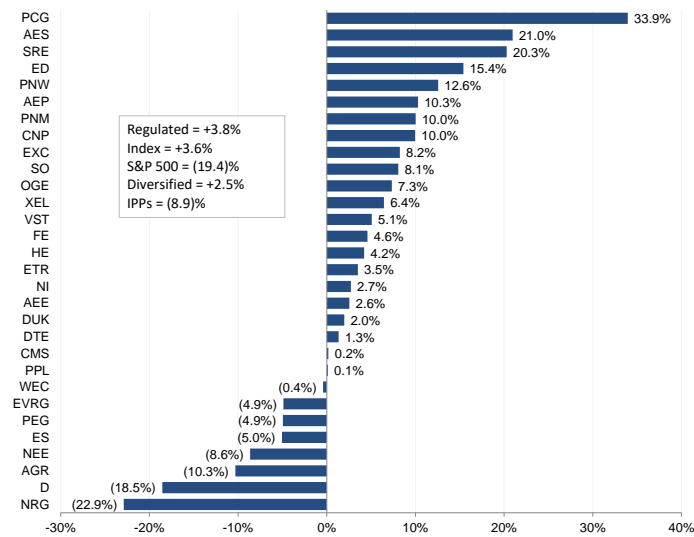
Prior Week



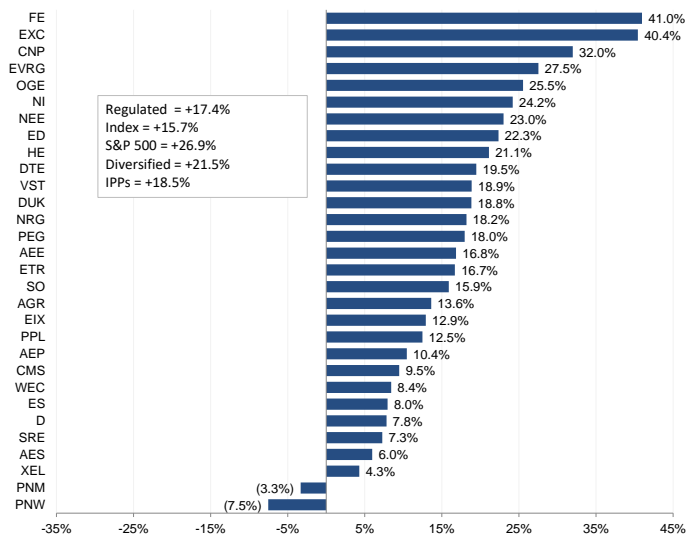
2023 YTD



2022



2021



Source: FactSet (Total return including dividends). Note: We are restricted on AGR, PNM and our ratings on PCG are currently suspended

Our Coverage Universe Comp Sheet

Regulated Utilities															
Ticker	Company Name	4/6/23 Price	ISI Rating	Shares Out	Market Cap	2023 Div Yld	2023 Payout	ISI EPS Estimate			P/E Multiple			Price to Prem. to	
								2023	2024	2025	2023	2024	2025	Book	Group
WEC	WEC Energy Group	\$98.64	In Line	316	31,190	3.1%	67%	4.60	4.90	5.25	21.4x	20.1x	18.8x	2.5x	15%
XEL	Xcel Energy Inc	\$71.27	Outperform	537	38,254	2.7%	58%	3.37	3.59	3.84	21.2x	19.9x	18.6x	2.1x	14%
ED	Consolidated Edison Inc	\$98.97	In Line	362	35,812	3.2%	66%	4.85	5.15	5.45	20.4x	19.2x	18.2x	1.6x	11%
AEE	Ameren Corp	\$90.07	Outperform	267	24,042	2.7%	57%	4.35	4.65	5.00	20.7x	19.4x	18.0x	2.0x	10%
CNP	CenterPoint Energy Inc	\$30.77	Outperform	635	19,525	2.1%	43%	1.49	1.61	1.73	20.6x	19.2x	17.8x	2.1x	9%
CMS	CMS Energy Corp	\$62.31	In Line	297	18,476	3.1%	63%	3.10	3.36	3.65	20.1x	18.6x	17.1x	2.3x	5%
SO	Southern Company Inc	\$72.31	In Line	1,088	78,673	3.8%	77%	3.60	4.05	4.30	20.1x	17.9x	16.8x	2.1x	3%
OGE	OGE Energy Corp	\$38.49	In Line	201	7,733	4.4%	83%	2.03	2.17	2.30	18.9x	17.7x	16.8x	1.7x	3%
PNW	Pinnacle West Capital Corp	\$80.29	In Line	119	9,570	4.1%	81%	4.10	4.65	4.85	19.6x	17.3x	16.6x	1.5x	1%
NI	NiSource Inc	\$28.82	Outperform	451	13,009	3.4%	63%	1.55	1.65	1.80	18.6x	17.5x	16.0x	2.2x	-2%
EXC	Exelon Corp	\$43.06	Outperform	999	43,002	3.3%	61%	2.35	2.50	2.70	18.3x	17.2x	15.9x	1.6x	-2%
PPL	PPL Corp	\$28.55	Outperform	737	21,043	3.3%	60%	1.59	1.68	1.80	18.0x	17.0x	15.9x	1.4x	-3%
ES	Eversource Energy	\$80.82	Outperform	353	28,549	3.4%	62%	4.34	4.70	5.10	18.6x	17.2x	15.8x	1.7x	-3%
AEP	American Electric Power Co Inc	\$94.89	In Line	531	50,383	3.4%	61%	5.30	5.65	6.00	17.9x	16.8x	15.8x	1.8x	-3%
DTE	DTE Energy Co	\$113.85	Outperform	195	22,236	3.2%	58%	6.25	6.72	7.21	18.2x	17.0x	15.8x	2.2x	-3%
DUK	Duke Energy Corp	\$99.74	In Line	779	77,688	4.1%	72%	5.65	6.00	6.35	17.7x	16.6x	15.7x	1.5x	-4%
SRE	Sempra Energy	\$155.34	Outperform	319	49,498	3.4%	58%	9.05	9.65	10.10	17.2x	16.1x	15.4x	1.7x	-6%
HE	Hawaiian Electric Industries, Inc.	\$39.14	In Line	111	4,338	3.6%	61%	2.30	2.45	2.55	17.0x	16.0x	15.3x	1.6x	-6%
FE	FirstEnergy Corp	\$41.70	Outperform	552	23,022	3.9%	65%	2.50	2.63	2.80	16.7x	15.9x	14.9x	2.6x	-9%
EVRG	Evergy	\$63.29	In Line	231	14,595	3.9%	67%	3.65	4.00	4.27	17.3x	15.8x	14.8x	1.9x	-9%
D	Dominion Resources Inc	\$58.06	In Line	822	47,712	4.8%	79%	3.53	3.76	4.00	16.4x	15.4x	14.5x	1.5x	-11%
ETR	Entergy Corp	\$110.97	Outperform	211	23,404	3.7%	61%	6.70	7.15	7.70	16.6x	15.5x	14.4x	1.7x	-12%
EIX	Edison International	\$72.56	In Line	391	28,389	3.8%	58%	4.70	5.15	5.50	15.4x	14.1x	13.2x	1.1x	-19%
PCG	PG&E Corp	\$16.71	Rating Suspended	1,988	30,551	0.0%	0%	1.10	1.23	1.36	15.2x	13.6x	12.3x	1.4x	-24%
Regulated Group Average (Excludes PCG for Div Values)						3.5%	64.3%				18.4x	17.1x	16.0x	1.81x	
Regulated Group Average (Excluding Stocks: EIX and PCG)						3.5%	64.6%				18.7x	17.4x	16.3x	1.87x	
Regulated Group Max (Excludes PCG for Div Values)						4.8%	83.1%				21.4x	20.1x	18.8x	2.6x	
Regulated Group Min (Excludes PCG for Div Values)						2.1%	42.6%				15.2x	13.6x	12.3x	1.1x	
Diversified Utilities															
Ticker	Company Name	4/6/23 Price	ISI Rating	Shares Out	Market Cap	2023 Div Yld	2023 Payout	ISI EPS Estimate			P/E Multiple			Price to Prem. to	
								2023	2024	2025	2023	2024	2025	Book	Group
NEE	NextEra Energy, Inc.	\$78.97	In Line	2,004	158,219	2.4%	60%	3.10	3.40	3.65	25.5x	23.2x	21.7x	3.6x	35%
PEG	Public Service Enterprise Group Ir	\$63.31	Outperform	500	31,655	3.5%	65%	3.45	3.75	4.00	18.3x	16.9x	15.8x	2.2x	-1%
AES	AES Corp	\$24.40	Outperform	668	16,299	2.7%	39%	1.70	1.90	2.10	14.4x	12.9x	11.6x	2.6x	-28%
Diversified Group Average						2.9%	55%				19.4x	17.7x	16.4x	2.8x	
Diversified Group Max						3.5%	65%				25.5x	23.2x	21.7x	3.6x	
Diversified Group Min						2.4%	39%				14.4x	12.9x	11.6x	2.2x	
Independent Power Producers (IPP's)															
Ticker	Company Name	4/6/23 Price	ISI Rating	Shares Out	Market Cap	2023 Div Yld	EV	ISI EBITDA Estimate			EV/EBITDA Multiple			Price to Prem. to	
								2023	2024	2025	2023	2024	2025	Book	Group
CEG	Constellation Energy Corporation	\$76.96	Outperform	328	25207	1.5%	30,686	3,100	3,300	3,500	9.9x	9.3x	8.8x	2.6x	27%
VST	Vistra Corp.	\$24.07	Outperform	381	9182	3.3%	24,974	3,500	3,600	3,600	7.1x	6.9x	6.9x	3.1x	0%
NRG	NRG Energy, Inc.	\$34.82	In Line	230	8001	4.4%	15,953	2,900	3,100	3,150	5.5x	5.1x	5.1x	1.9x	-27%
IPP Group Average						3.1%					7.5x	7.1x	6.9x		
IPP Group Max						4.4%					9.9x	9.3x	8.8x		
IPP Group Min						1.5%					5.5x	5.1x	5.1x		

Updated as of 4/6/23. Note: PCG estimates above reflect consensus view from FactSet. NRG EV and EBITDA includes VVNT.

Source: FactSet, Evercore ISI Research

Comparables - Short Interest

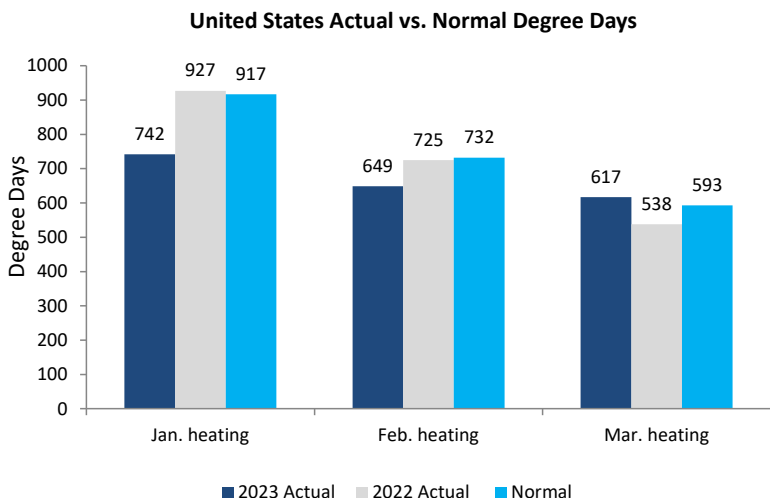
Ticker	RSI		Short Interest Ratio (Days to Cover)				Absolute Shares Short				Shares Short	
	14-Days	30-Days	Current 3/15/23	vs Prior 2/28/23	1-Month Chg 2/15/23	6-Month Chg 9/15/22	Current (MM) 3/15/23	Chg vs. Prior 2/28/23	1-Month Chg 2/15/23	6-Month Chg 9/15/22	(%Float) Current	
Regulated Utilities												
WEC Energy Group Inc	WEC	61.0	60.6	2.7	-26%	-21%	-49%	4.3	2%	8%	-15%	1.4%
Xcel Energy Inc.	XEL	64.6	58.5	2.4	-18%	12%	-26%	8.0	11%	32%	24%	1.5%
Consolidated Edison, Inc.	ED	56.4	59.1	4.7	99%	28%	-25%	9.4	62%	47%	27%	2.6%
Ameren Corporation	AEE	59.7	55.7	3.7	28%	33%	0%	4.6	18%	6%	5%	1.8%
CenterPoint Energy, Inc.	CNP	59.6	56.9	1.9	-29%	-30%	-49%	9.1	-4%	-4%	-12%	1.5%
CMS Energy Corporation	CMS	50.9	52.7	4.0	-7%	39%	39%	7.5	10%	42%	48%	2.6%
Pinnacle West Capital Corporation	PNW	55.9	61.2	1.5	-23%	-5%	-50%	1.7	-15%	14%	-27%	1.5%
OGE Energy Corp.	OGE	66.3	54.0	4.2	46%	17%	11%	4.7	2%	29%	43%	2.4%
Southern Company	SO	65.8	63.7	2.4	19%	-14%	-38%	11.5	13%	11%	-4%	1.1%
NiSource Inc	NI	56.3	54.9	1.5	26%	-8%	-66%	6.4	1%	-10%	-49%	1.6%
Exelon Corporation	EXC	55.7	53.7	1.8	43%	-15%	8%	13.4	23%	38%	28%	1.4%
PPL Corporation	PPL	61.5	53.4	2.0	24%	0%	-27%	12.0	1%	24%	11%	1.6%
Eversource Energy	ES	64.2	53.6	2.0	-13%	-18%	-47%	4.4	10%	11%	7%	1.3%
Duke Energy Corporation	DUK	54.6	51.8	2.2	-29%	-1%	-32%	7.3	-9%	8%	0%	0.9%
DTE Energy Company	DTE	56.5	49.2	1.1	-18%	-34%	-62%	1.7	-9%	1%	-25%	0.8%
American Electric Power Company, Inc.	AEP	56.6	55.3	2.3	-3%	4%	-44%	6.5	-11%	17%	-19%	1.3%
Hawaiian Electric Industries, Inc.	HE	57.5	42.0	2.9	-27%	-57%	-16%	1.7	-11%	1%	39%	1.6%
Sempra Energy	SRE	57.4	48.2	2.4	28%	1%	-14%	3.5	26%	25%	26%	1.1%
Evergy, Inc.	EVERG	61.2	55.1	1.7	9%	43%	-45%	2.5	22%	43%	10%	1.1%
FirstEnergy Corp.	FE	58.1	55.0	2.1	-25%	46%	-33%	7.4	-23%	12%	7%	1.3%
Dominion Energy Inc	D	57.7	49.3	1.4	24%	1%	-60%	6.8	27%	17%	-20%	0.8%
Entergy Corporation	ETR	61.7	53.6	1.5	1%	39%	-64%	2.1	-17%	22%	-51%	1.0%
Edison International	EIX	63.4	60.0	4.3	44%	-17%	-9%	8.5	9%	-12%	43%	2.2%
PG&E Corporation	PCG	57.7	58.3	3.9	-16%	-47%	-52%	64.0	-6%	-22%	-22%	3.7%
Regulated Utilities Average		59.2	54.8	2.5	7%	0%	-31%	8.7	5%	15%	3%	1.6%
Diversified Utilities												
NextEra Energy, Inc.	NEE	61.3	60.0	1.6	-15%	-6%	-68%	15.7	-13%	-26%	-47%	0.8%
Public Service Enterprise Group Inc	PEG	65.7	54.5	1.5	-24%	-35%	-42%	4.5	-18%	-8%	-17%	0.9%
AES Corporation	AES	58.3	43.3	2.3	12%	-10%	-13%	10.0	-2%	-13%	-18%	1.5%
Diversified Utilities Average		61.8	52.6	1.8	-9%	-17%	-41%	10.0	-11%	-16%	-27%	1.1%
Independent Power Producers (IPP's)												
Constellation Energy Corporation	CEG	42.9	47.9	2.8	54%	13%	26%	6.3	21%	29%	60%	1.9%
NRG Energy, Inc.	NRG	64.3	53.3	3.1	25%	5%	-60%	13.5	10%	15%	-12%	6.0%
Vistra Corp.	VST	34.4	54.6	1.0	-61%	-63%	-62%	7.6	-11%	0%	-29%	2.0%
IPP's Average		47.2	51.9	2.3	6%	-15%	-32%	9.1	7%	15%	6%	3.3%
Coverage Universe Average		58.2	54.3	2.4	5%	-3%	-32%	8.9	4%	12%	0%	1.7%

Updated as of 4/6/23

Source: FactSet, Evercore ISI Research

Weekly Feature: US weather in 1Q 2023 was unfavorable for utilities versus the same period last year and as compared to normal.

- US weather in 1Q 2023 was unfavorable for utilities versus the same period last year and as compared to normal.** Based on National Oceanic and Atmospheric Administration (NOAA) heating degree day data, the weather in 1Q23 drove -8% lower degree days versus last year and -10% below normal, on average across the US. Most of the regions were meaningfully lower when compared to the same period last year in 1Q22, with the SW Central having the largest decrease. Relative to normal, most of the regions had unfavorable weather, with South Atlantic having the most unfavorable weather. In March, WEC Energy lowered its Q1 guidance in light of one of the warmest winters in history in the Upper Midwest, based on our Q1 preview conversations with several companies to date, weather has also been communicated as unfavorable versus guidance (normal weather), but the impact does vary on a company-by-company basis versus the prior year.



	Q1 2023	Q1 2022	Norm	% change vs. year-ago	% change vs. norm
New England	2,754	3,131	3,219	-12%	-14%
Middle Atlantic	2,447	2,882	2,968	-15%	-18%
NE Central	2,751	3,208	3,227	-14%	-15%
NW Central	3,201	3,456	3,326	-7%	-4%
South Atlantic	1,133	1,369	1,523	-17%	-26%
SE Central	1,419	1,817	1,895	-22%	-25%
SW Central	1,024	1,334	1,270	-23%	-19%
Mountain	2,667	2,360	2,321	13%	15%
Pacific	1,783	1,317	1,419	35%	26%
U.S.	2,008	2,190	2,242	-8%	-10%

Region	Jan. heating 2023 actual	Jan. heating 2022 actual	Jan. heating norm	% change vs. year-ago	% change vs. norm
New England	945	1,299	1,246	-27%	-24%
Middle Atlantic	849	1,224	1,158	-31%	-27%
NE Central	1,007	1,355	1,302	-26%	-23%
NW Central	1,196	1,419	1,390	-16%	-14%
South Atlantic	469	654	643	-28%	-27%
SE Central	577	838	820	-31%	-30%
SW Central	433	561	593	-23%	-27%
Mountain	993	906	951	10%	4%
Pacific	613	507	564	21%	9%
United States	742	927	917	-20%	-19%

Region	Feb. heating 2023 actual	Feb. heating 2022 actual	Feb. heating norm	% change vs. year-ago	% change vs. norm
New England	955	995	1,060	-4%	-10%
Middle Atlantic	811	920	983	-12%	-17%
NE Central	887	1,067	1,061	-17%	-16%
NW Central	1,040	1,182	1,078	-12%	-4%
South Atlantic	327	420	507	-22%	-36%
SE Central	428	597	623	-28%	-31%
SW Central	362	501	414	-28%	-13%
Mountain	863	825	737	5%	17%
Pacific	573	440	439	30%	31%
United States	649	725	732	-10%	-11%

Region	Mar. heating 2023 actual	Mar. heating 2022 actual	Mar. heating norm	% change vs. year-ago	% change vs. norm
New England	854	837	913	2%	-6%
Middle Atlantic	787	738	827	7%	-5%
NE Central	857	786	864	9%	-1%
NW Central	965	855	858	13%	12%
South Atlantic	337	295	373	14%	-10%
SE Central	414	382	452	8%	-8%
SW Central	229	272	263	-16%	-13%
Mountain	811	629	633	29%	28%
Pacific	597	370	416	61%	44%
United States	617	538	593	15%	4%

Source: NOAA, Evercore ISI Research

Utilities are trading below our Case 1. Long term with IRA boosting capex/rate base - valuations could diverge towards Case 2

- Our historical base case (“case 1”) assumed an orderly transition to higher interest rates, with authorized ROEs falling to 9.25% from 9.75%, and 10-year Treasury yields rising over the next several years, resulting at the end in a **2.50%** spread between the return on equity and the calculated cost of equity.
 - When you look at the current valuation of 16.3x '25, below our “case 1” scenario of 17.5x, as described above it implies moderation in authorized ROEs and faster pace of rate increases.
 - Our case 2 uses the same assumptions as case 1 with a 100 bps higher growth rate. Long term with IRA boosting capex/rate base - valuations could diverge towards Case 2
 - Case 3 models the same level of growth as case 2 with 35 bps lower LT cost of equity.
- In our “case 4” scenario we assume authorized ROEs moderate and interest rates rise more rapidly, resulting in a more meaningful near-term reduction in profitability, along with a steeper decline in rate base growth, which drives utilities back to a P/E multiple that is closer to long-term historic averages.

DDM Model Summary	Case 1	Case 2	Case 3	Case 4
	Base Case	Rates Low Long Time	Rates Low Long Time	ROEs Fade Rates Rise
ROE and Cost of Equity Assumptions				
ROE (Year 1)	9.75%	9.75%	9.75%	9.75%
Annual ROE Change (+/-)	-0.10%	-0.10%	-0.10%	-0.10%
Final ROE	9.25%	9.25%	9.25%	9.25%
Years Until LT Cost of Equity Spread	5	5	5	5
Implied Annual Cost of Equity Change (+/-)	-0.10%	-0.10%	-0.17%	-0.05%
LT ROE / Cost of Equity Spread	2.50%	2.50%	2.85%	2.25%
LT Cost of Equity	6.75%	6.75%	6.40%	7.00%
	Base Case	Base Case	Higher Growth	Lower Growth
Growth Assumptions				
RB Growth (Year 1-5)	5.50%	6.50%	6.50%	4.00%
RB Growth (Year 6-10)	3.50%	3.50%	5.50%	2.00%
RB Growth (Year 11+ and Terminal)	2.50%	3.50%	3.00%	1.25%
Terminal Value (Yes/No)	Yes	Yes	Yes	Yes
35 Year Average Payout Ratio - Implied	71.2%	65.0%	67.5%	82.6%
'25 P/E Multiple	17.5x	20.0x	22.0x	15.0x

Source: Evercore ISI Research

Utilities Are 20% Expensive on '24 Yields Assuming Yields Remain Unchanged

Utility Valuation 4/6/23	10 YR Baa	3.30% 5.44%		
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2023 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	2.58%	2.48%	25.4x	37.1%
	2.80%	2.63%	24.0x	29.2%
	3.02%	2.78%	22.6x	22.1%
	3.24%	2.93%	21.5x	15.8%
	3.46%	3.08%	20.4x	10.1%
	3.68%	3.24%	19.5x	4.9%
- 68% Confidence Interval	3.90%	3.39%	18.6x	0.2%
	4.12%	3.54%	17.8x	-4.1%
	4.34%	3.69%	17.1x	-8.0%
	4.56%	3.84%	16.4x	-11.6%
	4.78%	4.00%	15.8x	-15.0%
	5.00%	4.15%	15.2x	-18.1%
	5.22%	4.30%	14.7x	-21.0%
Predicted Valuation	5.44%	4.45%	14.2x	-23.7%
	5.66%	4.60%	13.7x	-26.2%
	5.88%	4.75%	13.2x	-28.6%
	6.10%	4.91%	12.8x	-30.8%
	6.32%	5.06%	12.5x	-32.8%
	6.54%	5.21%	12.1x	-34.8%
+ 68% Confidence Interval	6.76%	5.36%	11.7x	-36.6%
	6.98%	5.51%	11.4x	-38.4%
	7.20%	5.66%	11.1x	-40.0%
	7.42%	5.82%	10.8x	-41.6%
	7.64%	5.97%	10.6x	-43.1%
	7.86%	6.12%	10.3x	-44.5%
+ 95% Confidence Interval	8.08%	6.27%	10.0x	-45.8%

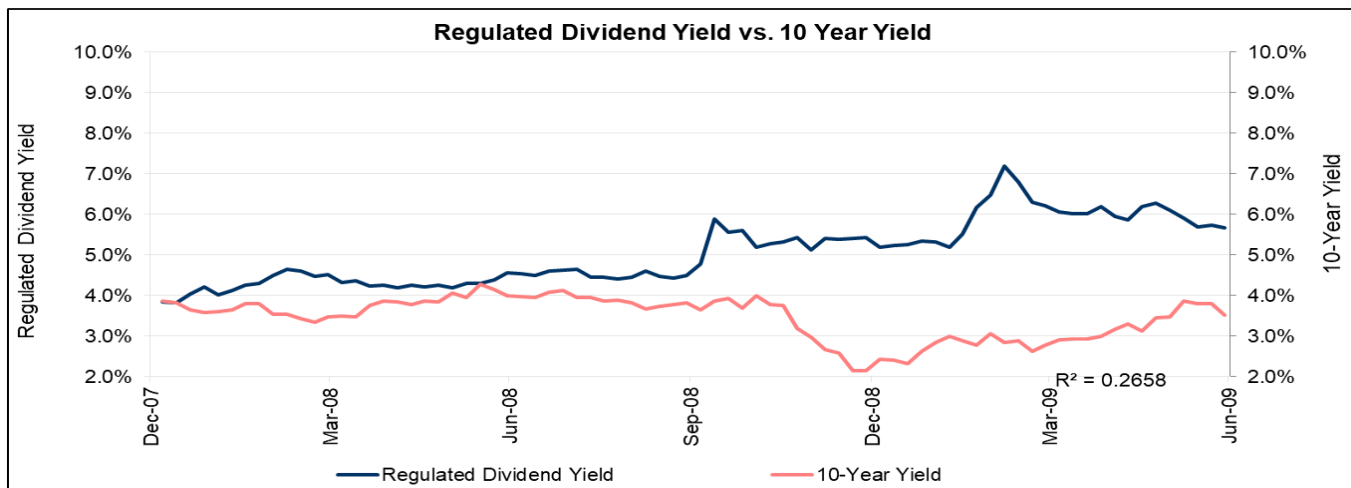
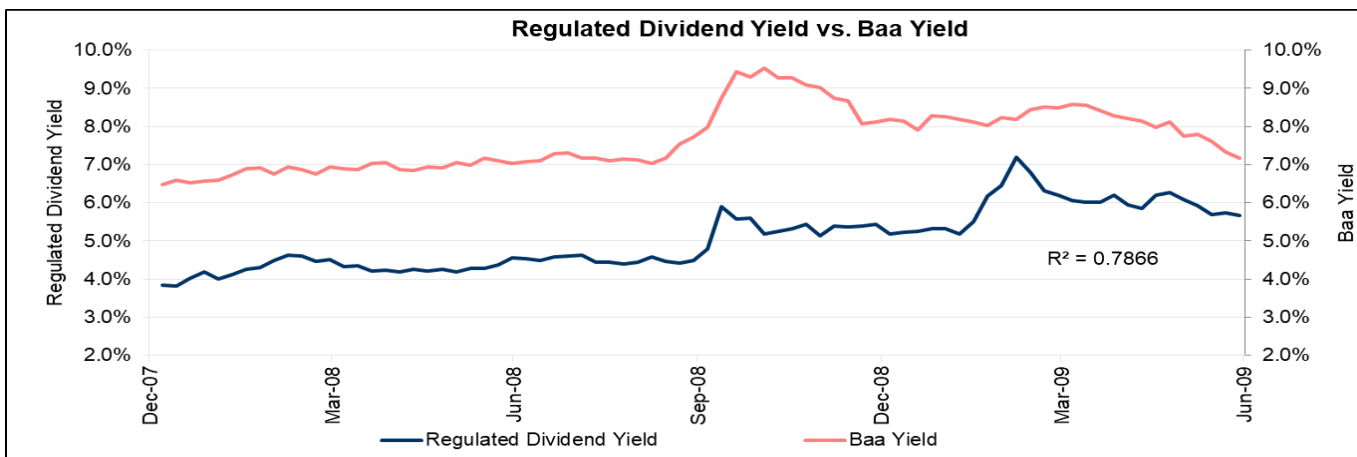
Regulated utilities now look ~24% expensive on current yields

Utility Valuation 4/6/23	10 YR Baa	3.30% 5.44%		
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2024 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	2.58%	2.48%	25.1x	44.2%
	2.80%	2.63%	23.7x	35.9%
	3.02%	2.78%	22.4x	28.4%
	3.24%	2.93%	21.2x	21.8%
	3.46%	3.08%	20.2x	15.8%
	3.68%	3.24%	19.2x	10.4%
- 68% Confidence Interval	3.90%	3.39%	18.4x	5.4%
Current Valuation	4.12%	3.54%	17.6x	0.9%
	4.34%	3.69%	16.9x	-3.2%
	4.56%	3.84%	16.2x	-7.1%
	4.78%	4.00%	15.6x	-10.6%
	5.00%	4.15%	15.0x	-13.9%
	5.22%	4.30%	14.5x	-16.9%
Predicted Valuation	5.44%	4.45%	14.0x	-19.7%
	5.66%	4.60%	13.5x	-22.4%
	5.88%	4.75%	13.1x	-24.9%
	6.10%	4.91%	12.7x	-27.2%
	6.32%	5.06%	12.3x	-29.4%
	6.54%	5.21%	12.0x	-31.4%
+ 68% Confidence Interval	6.76%	5.36%	11.6x	-33.4%
	6.98%	5.51%	11.3x	-35.2%
	7.20%	5.66%	11.0x	-36.9%
	7.42%	5.82%	10.7x	-38.6%
	7.64%	5.97%	10.4x	-40.1%
	7.86%	6.12%	10.2x	-41.6%
+ 95% Confidence Interval	8.08%	6.27%	9.9x	-43.0%

If rates stay unchanged for the next 12 months, regulated utilities now ~20% expensive

Regulated Dividend Yields vs. 10Y UST and Baa Yields During '08/'09 Financial Crisis

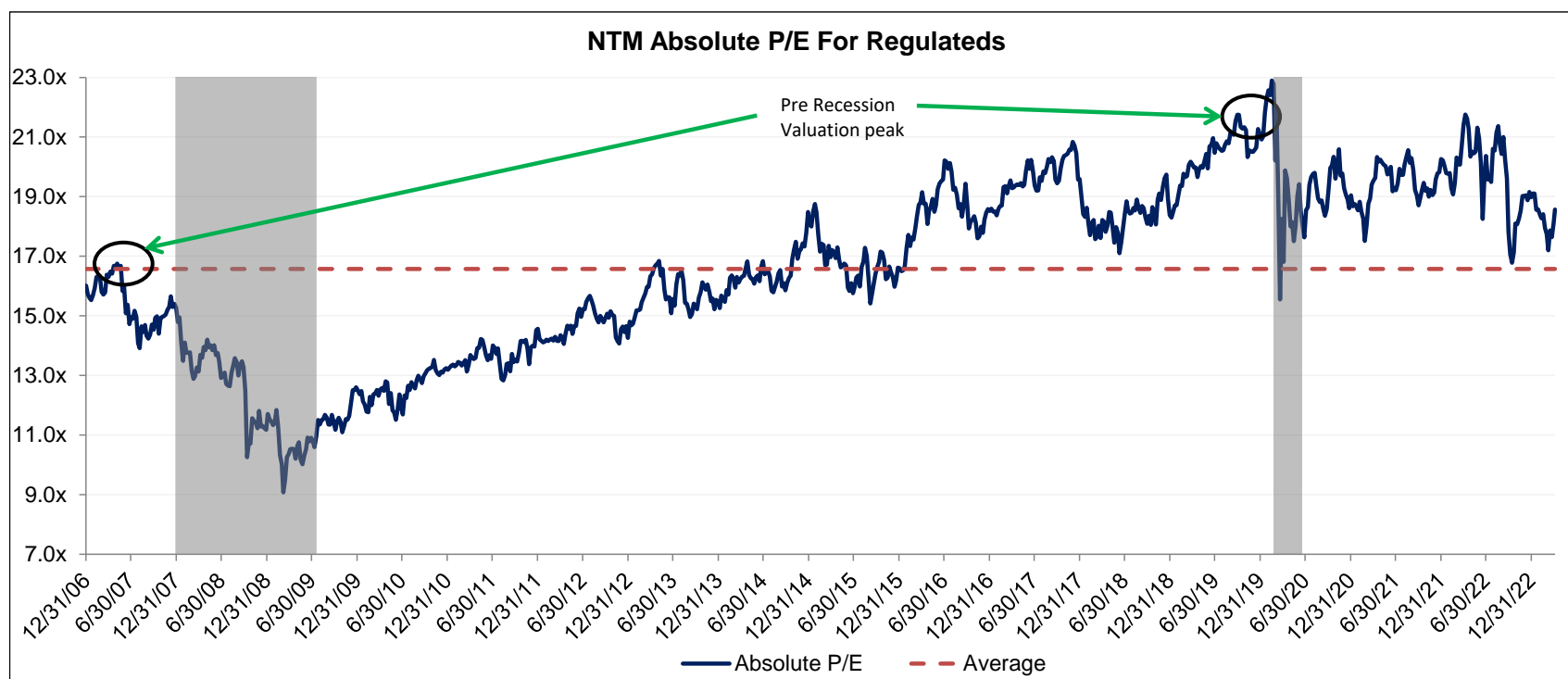
- During the last recession, correlation between regulated dividend yield and Moody's Baa Yield was at ~79% vs. ~27% correlation for dividend yield and 10yr Treasury Yield.



Source: FactSet, Evercore ISI Research

Absolute valuation is higher than historical average

- The group is now trading at ~18.6x, higher than the 15-year average multiple of 16.6x (NTM)
- On an absolute basis, NTM PEs for Utes averaged ~15x 12mths leading up to the 08/09 recession peaking at ~17x, below where the group is trading currently.
- In the COVID recession however, absolute P/E for Utes averaged ~21x 12mths prior and peaked at 23x, which would be 24% upside from current levels at ~18.6x.

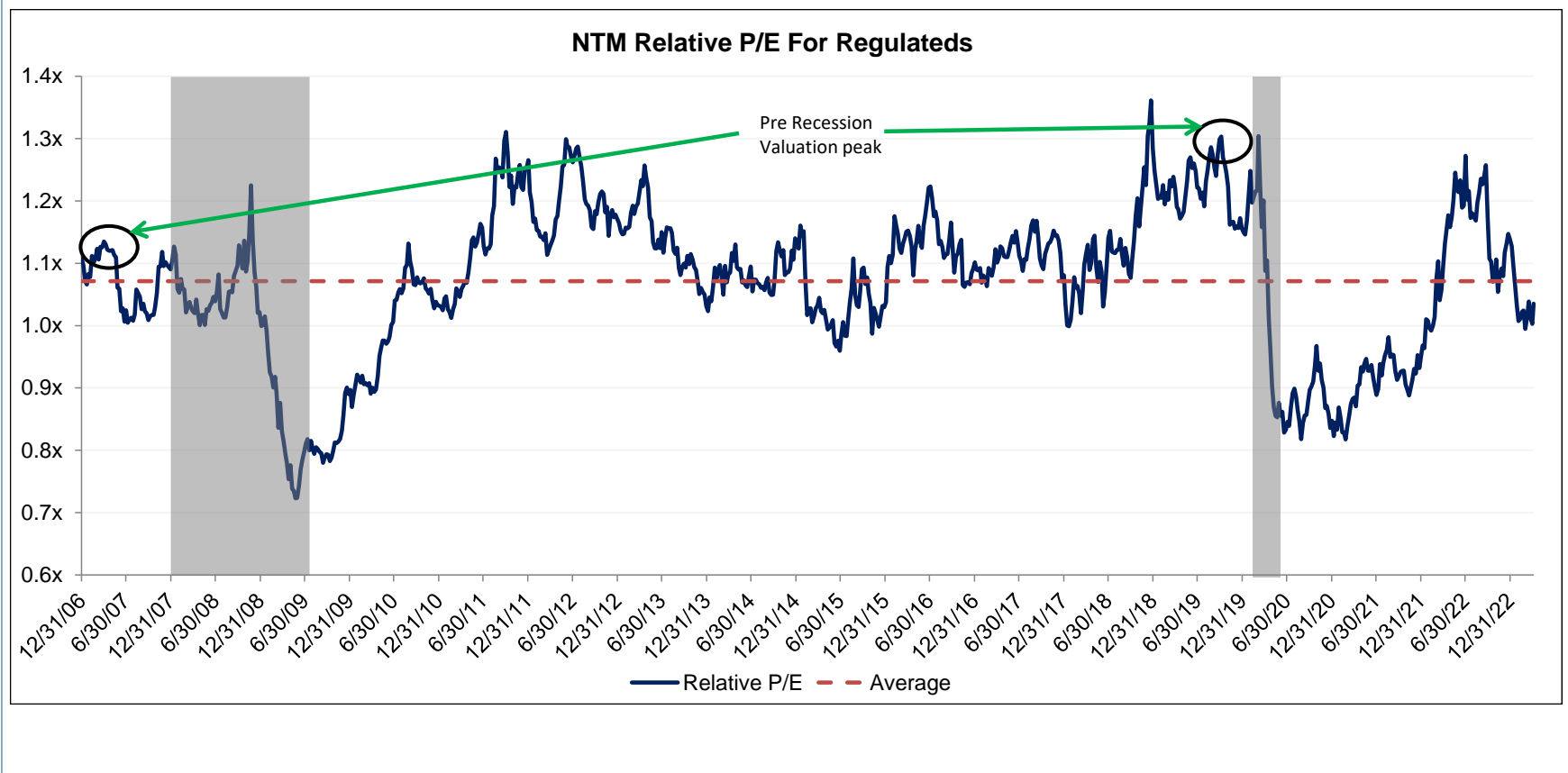


Updated as of 4/6/23

Source: FactSet, Evercore ISI Research

Group's NTM P/E relative to S&P 500 is lower than the historical average

- NTM P/E relative to S&P 500 is 1.04x, lower than the historical average of 1.07x.
- NTM relative PEs for Utes averaged 1.07x 12mths leading up to the 08/09 recession peaking at 1.13x, 9% higher than where the group is trading currently.
- In the COVID recession, relative P/E for Utes averaged 1.22x 12mth prior and peaked at 1.30x, which would be ~25% upside from current levels at 1.04x assuming S&P500 stays flat.

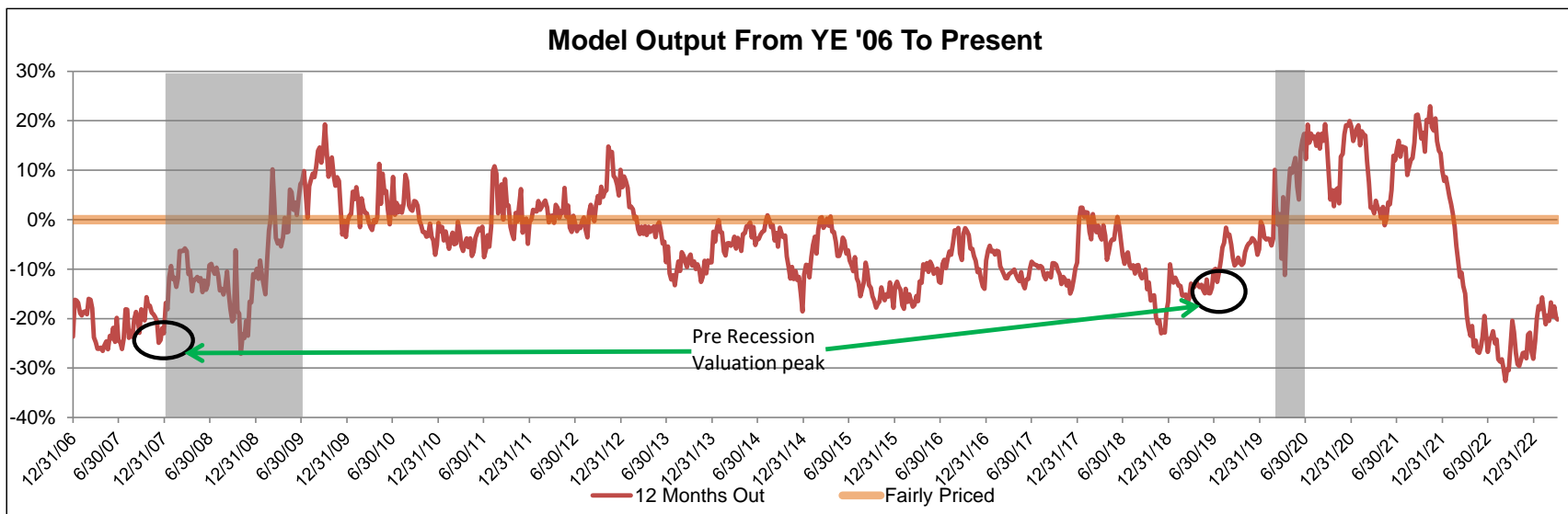


Updated as of 4/6/23

Source: FactSet, Evercore ISI Research

Versus Bond Yields, group valuation remains elevated, 20% expensive

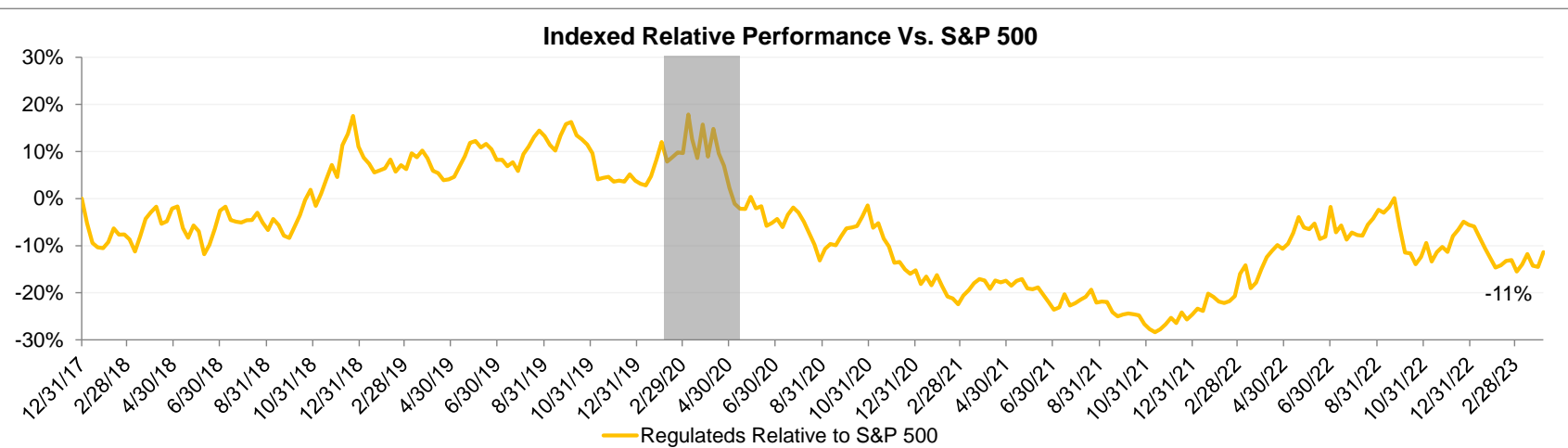
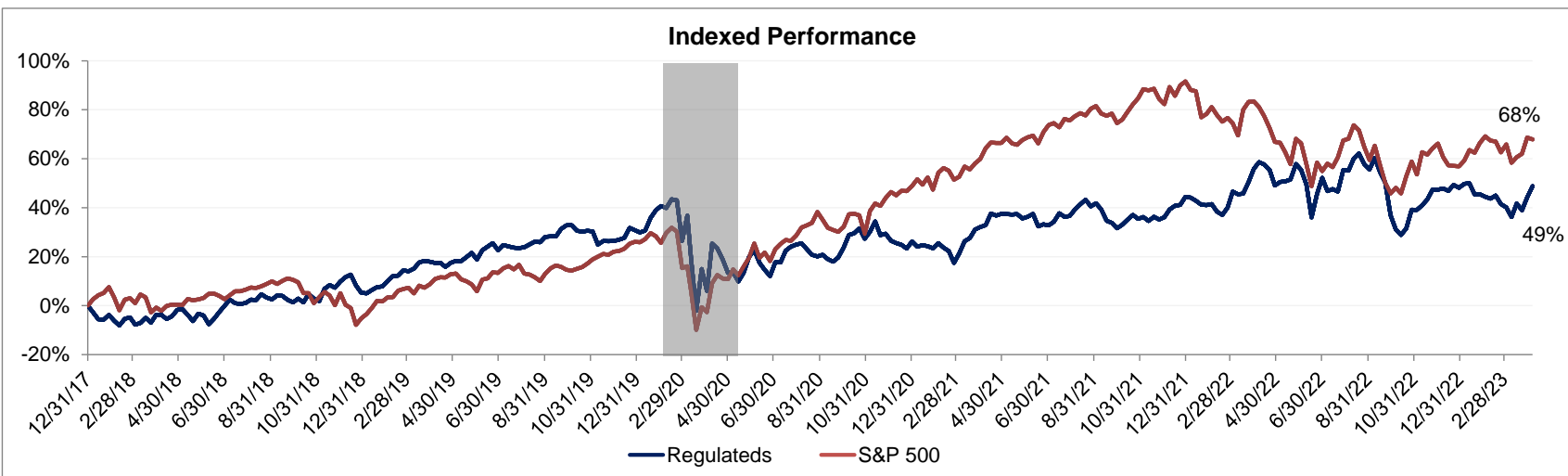
- The group was 16% expensive on average when compared to Moody's Baa yield in our bond regression model 12mths prior to the 08/09 recession with group valuation peaking at 24%.
- Utes were 4% expensive on average in our bond regression model 12mths leading up to the COVID recession peaking at 12%.
- Utes are now 20% expensive in our bond model, 4% below 08/09 pre-recession peak.



Updated as of 4/6/23

Source: FactSet, Evercore ISI Research

Utility Stock Price Performance vs. SP500 From YE '17 To Present

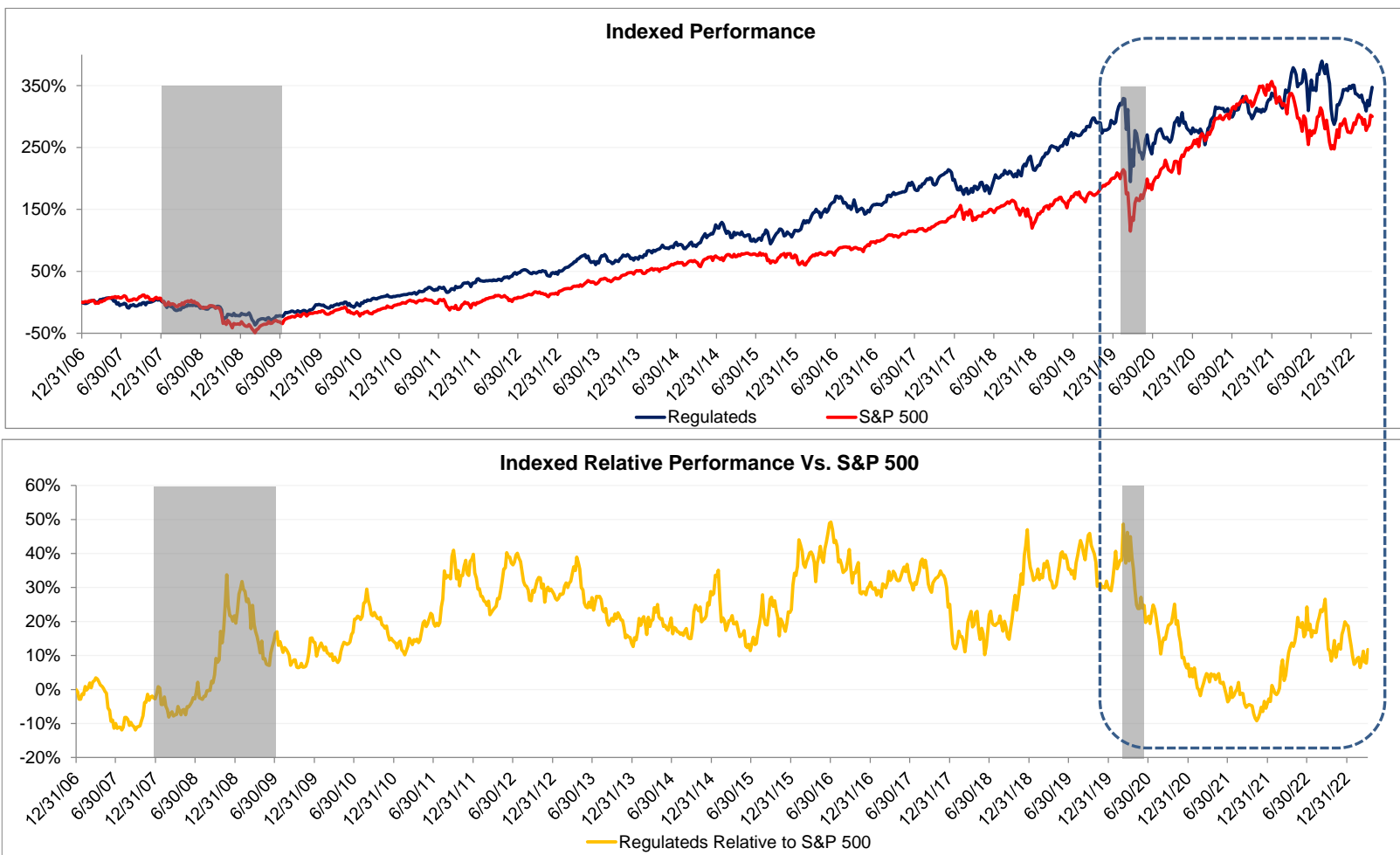


Updated as of 4/6/23, compounded return, 7-day intervals

Source: FactSet, Evercore ISI Research

History Lesson: Utility Stock Price Performance vs. SP500 From 2006 To Present

- This shows the performance of regulated utilities vs. the SP500 from YE '06, through the recessions, until present.
- Assuming compounding returns and dividends reinvested, utilities are up ~347% vs. ~300% for the SP500 from YE '06 to present.



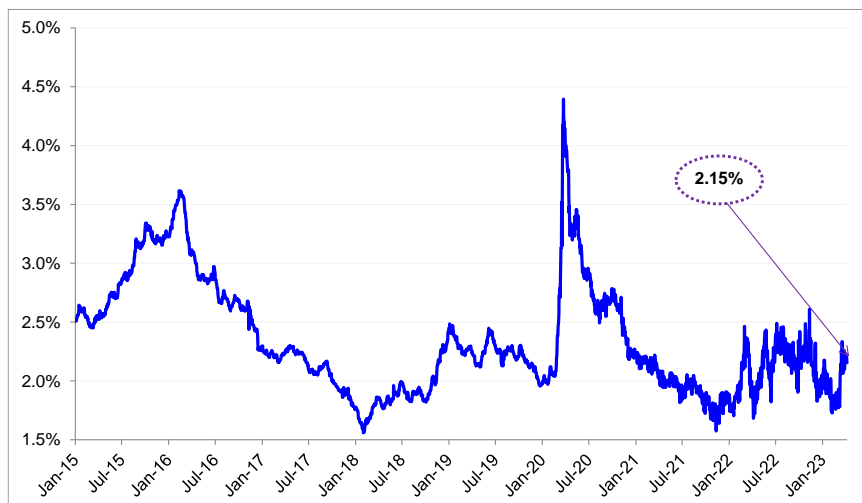
Updated as of 4/6/23

Source: FactSet, Evercore ISI Research

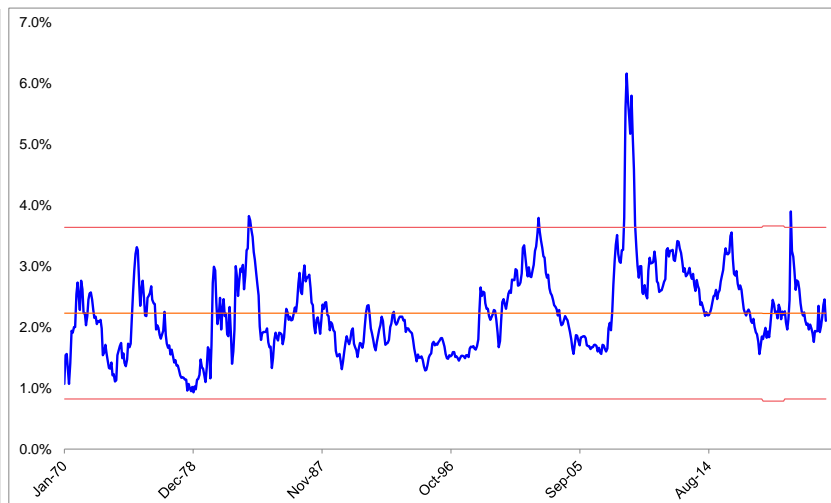
The Spread Between Corporates And Treasuries Is Below The Historical Average

- The spread between corporates and Treasuries has averaged 223bp since 1970.
- At the beginning of 2015, the 10-year was ~2.2% and corporates were 4.7%, a spread of 250bp.
- The wide spread between US Treasuries and corporates was the key factor that made utilities look fully priced in our bond model from October 2015 through early April 2016.
- Prior to COVID, that spread peaked last at 363bp on 2/16/16, with the 10-year yield at 1.74% and corporate bond yield average at 5.37%. On 3/23/20 during COVID, the spread peaked at ~431bp.
- The spread was 156bp on 1/31/18 and is currently at 215bp.

Daily Moody's Baa / 10 Year Spread



Monthly Moody's BAA / 10 Year Spread

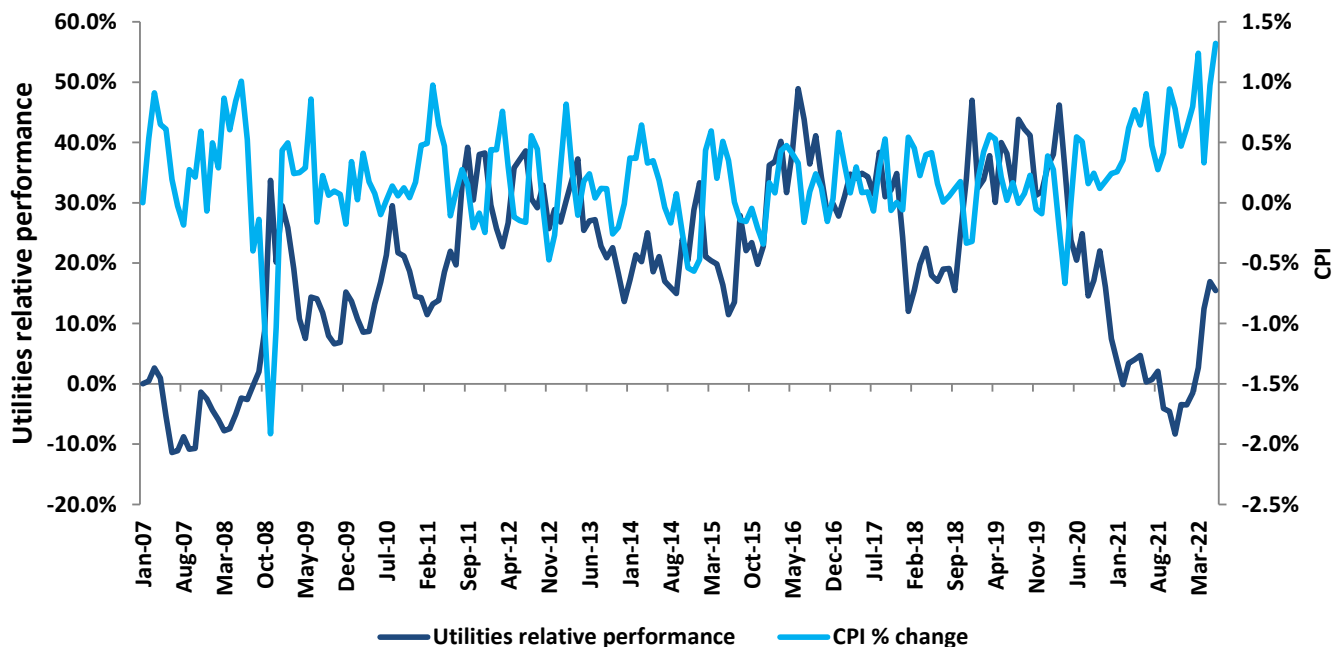


Updated as of 4/6/23

Source: FactSet, Evercore ISI Research

Utilities vs. Inflation

- We plot the utilities relative performance to S&P 500 vs change in consumer price index (CPI) going back to 2007. The top five inflationary periods in our analysis saw an average of 3.5% increase in CPI and a 2.7% average underperformance by utilities. Three of the top five inflationary periods saw meaningful underperformance by utilities but two (first half of 2022 and first half of 2008) saw outperformance.

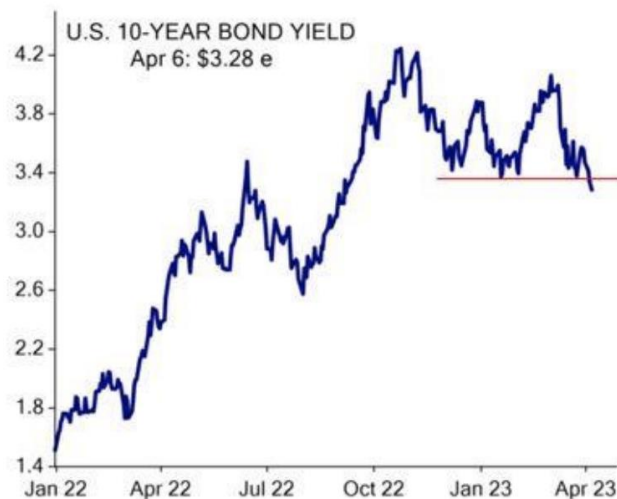


Top 5 inflationary periods				
	CPI % change	Uts Relative performance	Baa yield % change	10yr Treasury % Change
First half 2022	4.8%	19.0%	42.2%	69.7%
First half 2008	3.7%	2.0%	4.6%	12.8%
First half 2021	3.3%	-3.4%	14.8%	75.3%
First half 2007	2.9%	-11.4%	5.7%	5.9%
Second half 2021	2.9%	-7.2%	2.4%	0.0%
Average	3.5%	-2.7%	9.4%	29.8%

Weekly Economic Chart: Turning Point

- **Our Evercore ISI economist Ed Hyman published a note last week sharing his views on the turning point.** Ed stated that these 15 indicators help explain why bond yields have declined back below 3.30%. In just 10 days, GDPNow for 1Q has slipped from +3.5% to +1.5%. Market odds of a May pause are up to 60%.

1. *Unemployment claims*
2. *JOLTS.*
3. *ADP.*
4. *Hiring plans.*
5. *ISM mfg and non-mfg PMI.*
6. *EVRISI trucking survey.*
7. *Consumer inflation expectations.*
8. *Core and supercore PCE.*
9. *Mfg PMI prices.*
10. *Dallas Fed loan demand survey.*
11. *Bank deposits.*
12. *KBW bank stock index.*
13. **GDPNow**
14. *WTI still below \$82.*
15. *Container freight rates.*



Source: Evercore ISI Research

TIMESTAMP**(Article 3(1)e and Article 7 of MAR)**

Time of dissemination: April 09 2023 2:21 PM ET

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Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage sector.

In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's coverage sector.

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*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

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Sell -the total forecasted return is expected to be less than 0%

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Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

Strong Buy- Return > 20%
Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return < -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

Evercore Group:

Prior to October 10, 2014, the rating system of Evercore Group was based on a stock's expected total return relative to the analyst's coverage universe over the following 12 months. Stocks under coverage were divided into three categories:

Overweight- the stock is expected to outperform the average total return of the analyst's coverage universe over the next 12 months.
Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.
Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

For disclosure purposes, Evercore Group's prior "Overweight," "Equal-Weight" and "Underweight" ratings were viewed as "Buy," "Hold" and "Sell," respectively.

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Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal 100%.

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Evercore ISI rating (as of 04/09/2023)

Coverage Universe			Investment Banking Services I Past 12 Months		
Ratings	Count	Pct.	Ratings	Count	Pct.
Buy	483	58	Buy	51	11
Hold	308	37	Hold	26	8
Sell	15	2	Sell	0	0
Coverage Suspended	16	2	Coverage Suspended	4	25
Rating Suspended	6	1	Rating Suspended	1	17

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Price Charts

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