

EVERCORE ISI

Energy | Power & Utilities

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Top Ten Touches - Q1 2025 Investor Activity

Utilities underperformed the broader market last week. The UTY Index rose 1.13% versus a 5.27% gain for the S&P 500. Within the sector, Independent Power Producers (IPPs) led the way (see our Note on VST transaction [here](#)), surging 16.1%, followed by Diversified Utilities, which rose 5.5%. Regulated Utilities lagged, ending the week roughly flat, with a modest 0.1% increase. We continue to believe that improving fundamentals and a favorable valuation backdrop should support broader outperformance across our coverage in 2025. Factors such as lower inflation, potential future rate cuts, and rising electricity demand are expected to act as tailwinds. We anticipate elevated investment in utility infrastructure, particularly driven by data centers, with more deals and announcements expected this year. This comes alongside relatively attractive valuations - while the NTM absolute P/E is above its historical average (pg. 10), the NTM relative P/E remains well below historical levels (pg. 11). While group valuation is elevated relative to bond yields (pg. 12), the sector's higher growth prospects, coupled with the stretched valuations of other yield-oriented sectors like REITs, position utilities as an attractive relative option. We remain constructive on the group, supported by its limited direct tariff exposure, improving fundamentals, and favorable valuation setup.

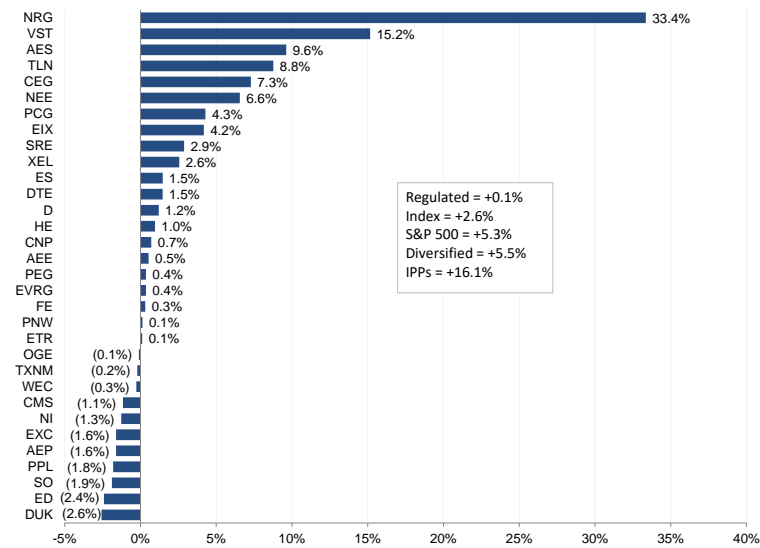
Weekly Feature: We looked at the top 10 institutional buyers/sellers of stocks (by share count) within our coverage universe for the Q1 2025. Based on 13F filings, hedge funds purchased roughly 19% of the total shares that were bought by the top 10 institutional buyers (vs 20% in prior quarter), while the long-only/other institutions purchased 81% (vs 80% in prior quarter). On the flip side, hedge funds sold roughly 26% of the total shares that were sold by the top 10 institutional sellers (up from 23% in prior quarter), while the other institutions sold 74% (down from 77% in Q4 2024). This implies less percentage buying and more percentage selling by hedge funds within the top 10 institutional buyers in Q1 2025 vs Q4 2024. Based on the percentage of each stock, the hedge fund buyers purchased most of FE followed by CNP, and hedge fund sellers sold most of EVRG and PPL in Q1. The other institutional buyers (including long-only) purchased most of NI and NEE, and the other institutional sellers sold most of WEC and AEP. See pgs. 3-4.

April PPI Still Points to Muted Core PCE Inflation, Fed Still in No Hurry to Cut Rates. Overall, April PPI points to core PCE printing at around 0.15 per cent in April, reinforcing the post CPI data signal that price pressures from tariff hikes are not here yet, but they will be coming in the next few months. Krishna Guha reiterated his call that in the central case the Fed will cut rates twice in 2025, with the first 25bp cut most likely in September. See Krishna Guha's report [here](#).

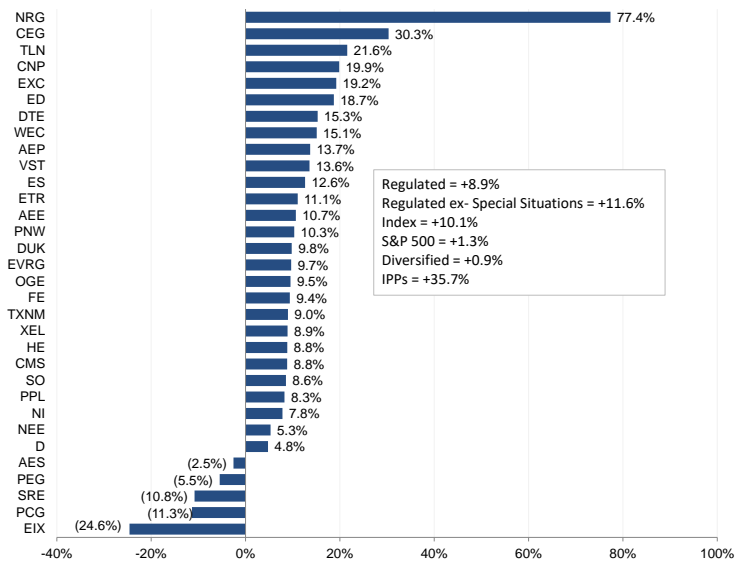
Stock Selection: In our regulated coverage universe, we are Outperform rated on AEE, CNP, DTE, DUK, EIX, FE, HE, NI (top pick), OGE, POR, PPL, SRE, TXNM, and XEL. Within diversified category, we are bullish on AES and PEG (top pick). We are Outperform rated on Independent Power Producers (IPPs) in our coverage: TLN, and VST (top pick). See comp sheet on pg. 5.

Exhibit 1: Coverage Group Total Return Performance

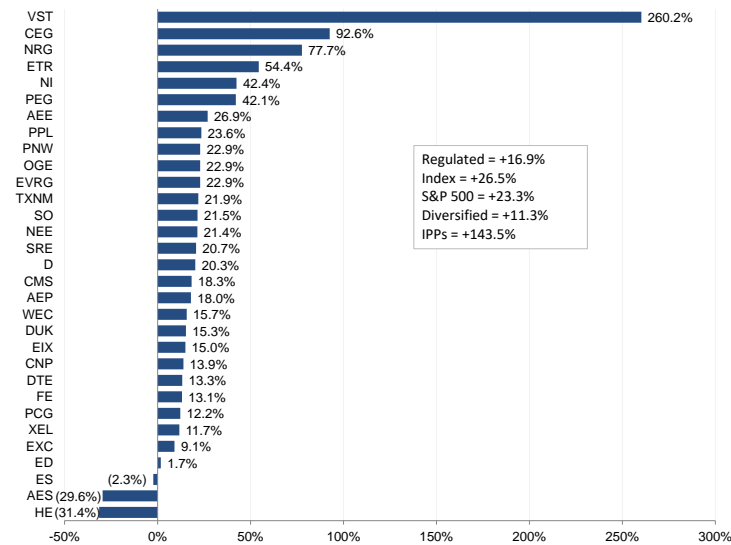
Prior Week



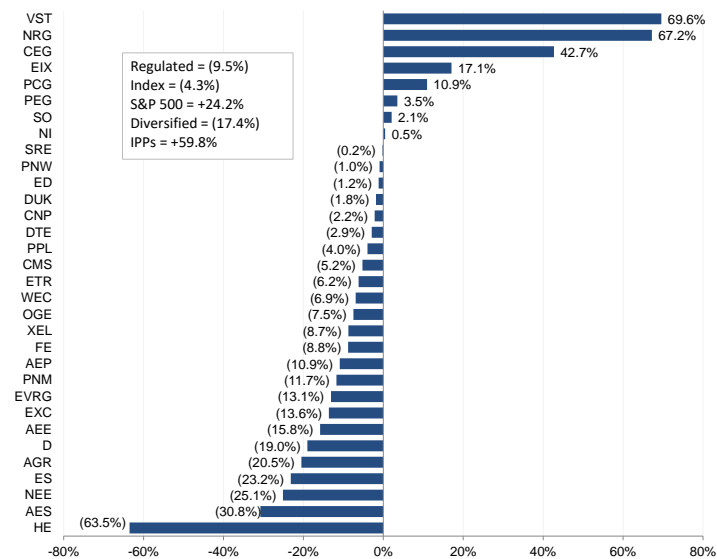
2025 YTD



2024



2023

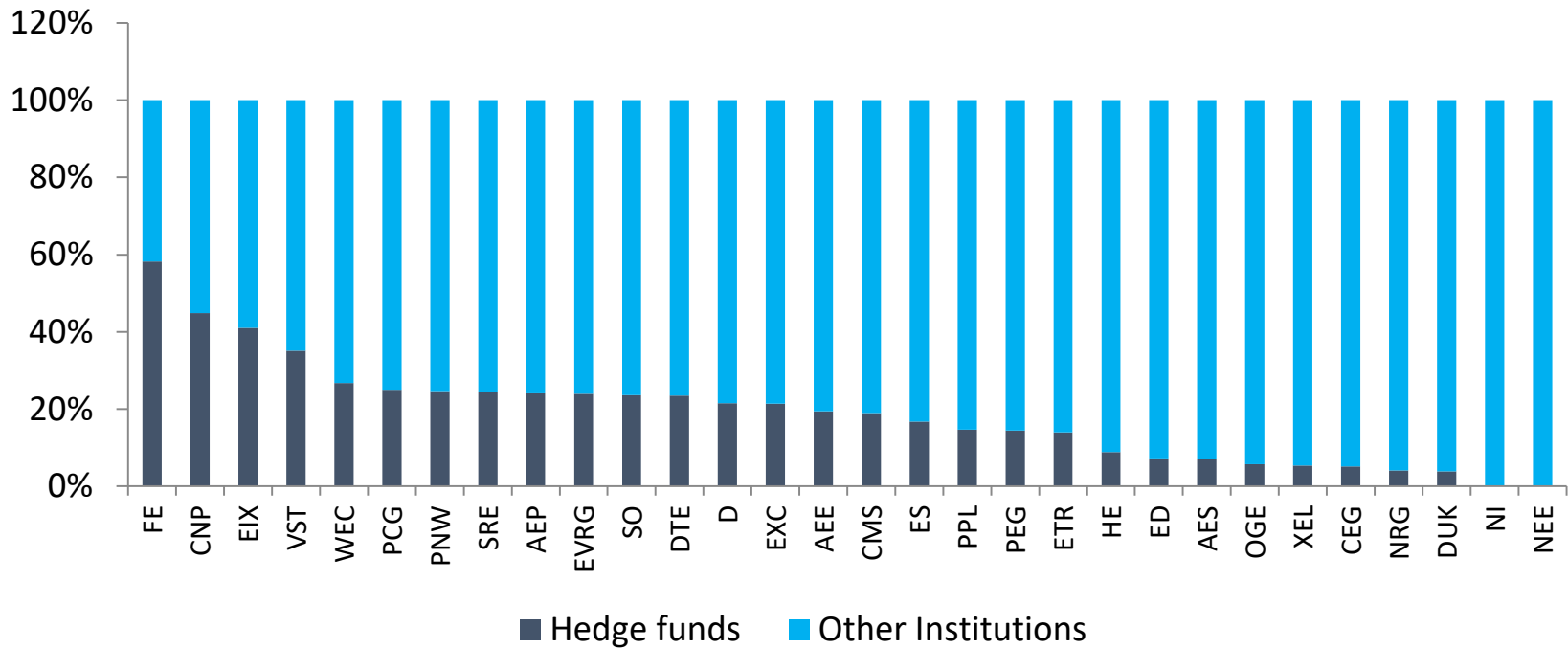


Source: FactSet (Total return including dividends). Note: Regulated Ex-Wildfire excludes HE, SRE, PCG and EIX

Weekly Feature: Top 10 Institutional Buyers – Hedge Funds / Other Institutions

- We looked at the top 10 institutional buyers of stocks (by share count) within our coverage universe for the first quarter of 2025. Hedge funds purchased roughly 19% of the total shares bought by the top 10 institutional buyers, while the long only / other institutions bought 81%. Based on percentage of shares purchased by the top 10 institutional buyers of each stock, hedge fund buyers bought the most of FE, while the other institutional buyers purchased the most of NI and NEE.

Top 10 Institutional Buyers by % of Shares Bought

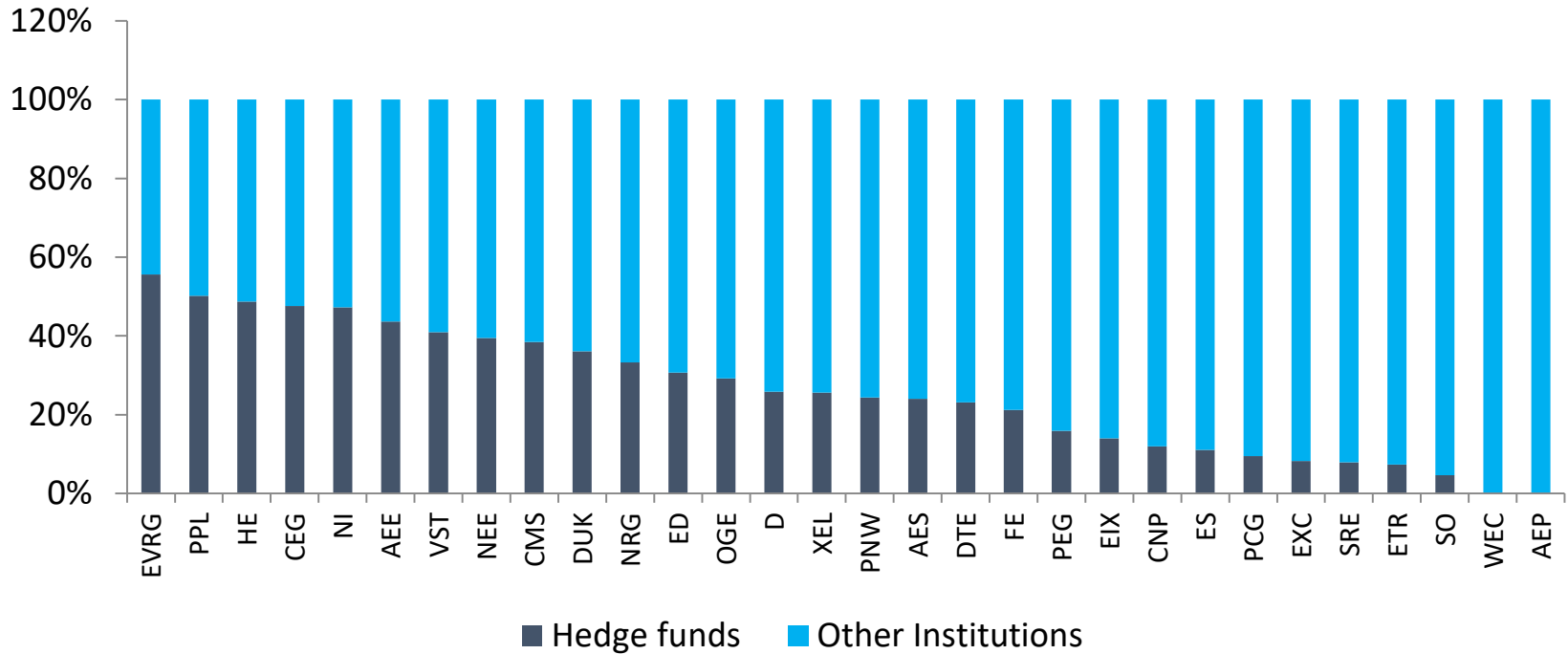


Source: FactSet, Evercore ISI Research

Weekly Feature: Top 10 Institutional Sellers – Hedge Funds / Other Institutions

- We also looked at the top 10 institutional sellers of stocks (by share count) within our coverage universe for the first quarter of 2025. Hedge funds sold roughly 26% of the total shares that were sold by the top 10 institutional sellers, while the long only / other institutions sold 74%. Based on percentage of shares sold by the top 10 institutional sellers of each stock, hedge fund sellers sold the most of EVRG, while the other institutional sellers sold the most of WEC and AEP.

Top 10 Institutional Sellers by % of Shares Sold



Source: FactSet, Evercore ISI Research

Our Coverage Universe Comp Sheet

Regulated Utilities														
Ticker	Company Name	5/16/25	ISI	Shares	Market	2025	ISI EPS Estimate			P/E Multiple			Prem. to Group	
		Price	Rating	Out	Cap	Div Yld	2025	2026	2027	2025	2026	2027		
CNP	CenterPoint Energy Inc	\$37.59	Outperform	652	24,495	2.2%	1.75	1.88	2.01	21.4x	20.0x	18.7x	16%	
SO	Southern Company Inc	\$88.65	In Line	1,097	97,232	3.1%	4.25	4.50	4.82	20.9x	19.7x	18.4x	14%	
NI	NiSource Inc	\$39.07	Outperform	471	18,387	2.7%	1.86	2.01	2.17	21.0x	19.4x	18.0x	11%	
WEC	WEC Energy Group	\$106.43	In Line	316	33,613	3.1%	5.25	5.60	5.98	20.3x	19.0x	17.8x	10%	
ETR	Entergy Corp	\$83.03	In Line	433	35,952	2.7%	3.85	4.35	4.80	21.5x	19.1x	17.3x	7%	
OGE	OGE Energy Corp	\$44.34	Outperform	201	8,927	3.6%	2.27	2.43	2.57	19.6x	18.2x	17.2x	7%	
CMS	CMS Energy Corp	\$71.44	In Line	299	21,369	2.8%	3.60	3.86	4.15	19.8x	18.5x	17.2x	6%	
AEE	Ameren Corp	\$97.94	Outperform	270	26,458	2.7%	4.95	5.35	5.77	19.8x	18.3x	17.0x	5%	
DTE	DTE Energy Co	\$138.11	Outperform	208	28,660	3.0%	7.23	7.71	8.30	19.1x	17.9x	16.6x	3%	
PPL	PPL Corp	\$34.87	Outperform	738	25,741	2.9%	1.83	1.99	2.12	19.0x	17.5x	16.4x	2%	
ED	Consolidated Edison Inc	\$104.23	In Line	360	37,544	3.0%	5.68	5.96	6.35	18.4x	17.5x	16.4x	1%	
DUK	Duke Energy Corp	\$116.18	Outperform	777	90,270	3.4%	6.30	6.70	7.15	18.4x	17.3x	16.2x	0%	
PNW	Pinnacle West Capital Corp	\$91.72	In Line	119	10,936	3.7%	4.50	5.25	5.65	20.4x	17.5x	16.2x	0%	
XEL	Xcel Energy Inc	\$72.42	Outperform	575	41,609	3.1%	3.84	4.15	4.47	18.9x	17.5x	16.2x	0%	
TXNM	TXNM Energy, Inc.	\$52.80	Outperform	93	4,892	2.9%	2.79	3.07	3.42	18.9x	17.2x	15.4x	-5%	
AEP	American Electric Power Co Inc	\$103.02	In Line	534	55,011	3.3%	5.85	6.25	6.70	17.6x	16.5x	15.4x	-5%	
EVRG	Evergy	\$66.85	In Line	230	15,376	3.8%	4.05	4.25	4.50	16.5x	15.7x	14.8x	-8%	
EXC	Exelon Corp	\$44.10	In Line	1,010	44,515	3.3%	2.69	2.82	3.00	16.4x	15.6x	14.7x	-9%	
D	Dominion Resources Inc	\$55.76	In Line	852	47,515	4.7%	3.40	3.58	3.80	16.4x	15.6x	14.7x	-9%	
FE	FirstEnergy Corp	\$42.65	Outperform	577	24,593	4.1%	2.55	2.70	2.92	16.7x	15.8x	14.6x	-10%	
SRE	Sempra Energy	\$77.59	Outperform	652	42,948	3.5%	4.50	5.05	5.35	17.2x	15.4x	14.5x	-10%	
POR	Portland General Electric Co	\$42.67	Outperform	110	4,672	4.5%	3.25	3.40	3.55	13.1x	12.5x	12.0x	-26%	
ES	Eversource Energy	\$63.18	In Line	367	23,192	4.7%	4.77	5.02	5.28	13.2x	12.6x	12.0x	-26%	
HE	Hawaiian Electric Industries, Inc.	\$10.59	Outperform	172	1,827	0.0%	1.00	1.00	1.05	10.6x	10.6x	10.1x	-38%	
PCG	PG&E Corp	\$17.87	In Line	2,194	39,199	0.4%	1.51	1.65	1.79	11.8x	10.8x	10.0x	-38%	
EIX	Edison International	\$58.54	Outperform	385	22,539	5.4%	6.15	6.20	6.55	9.5x	9.4x	8.9x	-45%	
Regulated Group Average (Excludes PCG for Div Values)						3.2%				17.8x	16.6x	15.5x		
Regulated Group Average (Excluding Stocks: EIX, PCG, ES, and HE)						3.3%				18.7x	17.4x	16.2x		
Regulated Group Max (Excludes PCG for Div Values)						5.4%				21.5x	20.0x	18.7x		
Regulated Group Min (Excludes PCG for Div Values)						0.0%				9.5x	9.4x	8.9x		
Diversified Utilities														
Ticker	Company Name	5/16/25	ISI	Shares	Market	2025	ISI EPS Estimate			P/E Multiple			Prem. to Group	
		Price	Rating	Out	Cap	Div Yld	2025	2026	2027	2025	2026	2027		
NEE	NextEra Energy, Inc.	\$74.92	In Line	2,059	154,219	2.9%	3.65	3.95	4.30	20.5x	18.9x	17.4x	16%	
PEG	Public Service Enterprise Group	\$79.23	Outperform	499	39,501	3.0%	4.00	4.30	4.60	19.8x	18.4x	17.2x	14%	
AES	AES Corp	\$12.20	Outperform	712	8,682	5.8%	2.18	2.15	2.30	5.6x	5.7x	5.3x	-65%	
Diversified Group Average						3.9%				15.3x	14.4x	13.3x		
Diversified Group Max						5.8%				20.5x	18.9x	17.4x		
Diversified Group Min						2.9%				5.6x	5.7x	5.3x		
Independent Power Producers (IPP's)														
Ticker	Company Name	5/16/25	ISI	Shares	Market	Enterprise	2024	ISI Estimate			EV/EBITDA Multiple			Prem. to Group
		Price	Rating	Out	Cap	Value	Div Yld	2025	2026	2027	2025	2026	2027	
VST	Vistra Corp.	\$156.04	Outperform	339	52,949	72,058	0.6%	5,550	6,500	6,800	13.0x	11.1x	10.6x	5%
TLN	Talen Energy Corp	\$244.81	Outperform	46	11,141	13,780	0.0%	1,017	1,142	1,315	13.5x	12.1x	10.5x	4%
IPP Group Average							0.7%				12.3x	11.0x	10.1x	
IPP Group Max							1.1%				13.5x	12.1x	10.6x	
IPP Group Min							0.5%				10.5x	9.7x	9.2x	

Source: FactSet, Evercore ISI Research;
Updated as of 5/16/25

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Coverage Universe - Short Interest

		RSI		Short Interest Ratio (Days to Cover)				Absolute Shares Short				Shares Short	
		14-Days	30-Days	Current	vs Prior	1-Month Chg	6-Month Chg	Current (MM)	Chg vs. Prior	1-Month Chg	6-Month Chg	(%Float)	
	Ticker			4/30/25	4/15/25	3/31/25	10/31/24	4/30/25	4/15/25	3/31/25	10/31/24	Current	
Regulated Utilities													
	WEC Energy Group Inc	WEC	41.7	46.5	7.6	67%	48%	55%	13.3	9%	10%	33%	4.2%
	TXNM Energy, Inc.	TXNM	42.7	47.1	6.3	86%	104%	-2%	4.5	-2%	3%	14%	5.1%
	American Electric Power Company, Inc.	AEP	35.4	41.3	6.2	48%	61%	121%	20.6	-2%	-16%	177%	3.9%
	CenterPoint Energy, Inc.	CNP	41.9	50.5	5.8	78%	11%	60%	29.3	1%	9%	61%	4.5%
	Southern Company	SO	41.2	43.1	5.8	49%	28%	39%	20.9	-5%	3%	14%	1.9%
	Evergy, Inc.	EVERG	39.1	45.0	5.6	67%	41%	-2%	10.4	9%	12%	25%	4.6%
	Hawaiian Electric Industries, Inc.	HE	59.2	51.9	5.2	30%	-36%	70%	7.7	-24%	-57%	-9%	4.5%
	OGE Energy Corp.	OGE	38.8	44.5	4.3	47%	53%	6%	4.6	4%	-11%	30%	2.3%
	Dominion Energy Inc	D	66.2	48.7	3.9	22%	9%	1%	20.6	1%	15%	24%	2.5%
	Duke Energy Corporation	DUK	37.8	40.2	3.5	72%	40%	14%	10.4	-4%	-11%	9%	1.3%
	Consolidated Edison, Inc.	ED	34.8	40.7	3.2	28%	3%	5%	8.3	-4%	-1%	28%	2.4%
	PPL Corporation	PPL	33.0	43.9	3.1	-16%	-22%	-32%	23.2	10%	1%	48%	3.2%
	Pinnacle West Capital Corp	PNW	38.2	44.3	3.0	26%	10%	25%	4.3	33%	31%	31%	3.6%
	Entergy Corporation	ETR	38.1	46.3	3.0	37%	22%	48%	9.9	-13%	-27%	25%	2.3%
	Ameren Corporation	AEE	45.3	44.0	2.8	69%	31%	12%	3.9	2%	-13%	41%	1.4%
	Exelon Corporation	EXC	33.4	40.8	2.8	82%	33%	9%	19.1	-1%	9%	16%	1.9%
	Edison International	EIX	50.1	50.0	2.6	11%	64%	-9%	8.6	8%	20%	51%	2.2%
	FirstEnergy Corp.	FE	47.4	55.3	2.5	12%	20%	-27%	15.3	20%	28%	49%	2.7%
	NiSource Inc	NI	44.0	47.6	2.5	25%	28%	17%	11.1	-7%	16%	69%	2.4%
	PG&E Corporation	PCG	59.7	53.8	2.3	35%	-13%	-44%	35.4	-4%	-16%	4%	1.6%
	DTE Energy Company	DTE	56.5	48.5	2.2	-4%	3%	4%	4.0	4%	6%	84%	2.0%
	CMS Energy Corporation	CMS	44.8	42.4	2.1	-18%	-28%	-61%	7.5	-8%	2%	-12%	2.5%
	Xcel Energy Inc.	XEL	62.2	50.4	2.1	2%	-11%	5%	8.8	6%	4%	12%	1.5%
	Eversource Energy	ES	69.9	52.0	1.9	-3%	-29%	-14%	6.6	3%	13%	62%	1.8%
	Sempra	SRE	62.4	61.3	1.8	66%	14%	-67%	7.5	21%	-4%	-49%	1.1%
Regulated Utilities Average			45.9	46.6	3.8	35%	19%	13%	12.9	1%	1%	37%	2.8%
Diversified Utilities													
	Public Service Enterprise Group Inc	PEG	41.7	45.8	3.1	44%	23%	15%	8.5	18%	15%	54%	1.7%
	AES Corporation	AES	77.2	51.9	3.1	64%	36%	22%	40.7	45%	45%	82%	5.8%
	NextEra Energy, Inc.	NEE	80.0	53.3	2.8	6%	-5%	-16%	33.5	-9%	-4%	4%	1.6%
Diversified Utilities Average			66.3	50.4	3.0	38%	18%	7%	27.6	18%	19%	47%	3.0%
Independent Power Producers (IPP's)													
	Constellation Energy Corporation	CEG	83.3	71.3	3.9	85%	50%	69%	9.5	-9%	3%	103%	3.1%
	NRG Energy, Inc.	NRG	92.4	78.6	3.3	76%	38%	-8%	7.2	13%	5%	-20%	3.7%
	Vistra Corp.	VST	74.2	67.9	1.3	95%	10%	-28%	6.7	6%	-15%	-31%	2.0%
IPP's Average			83.3	72.6	2.8	85%	32%	11%	7.8	3%	-2%	17%	2.9%
Our Coverage Universe Average			51.7	49.6	3.6	41%	21%	12%	13.8	3%	3%	36%	2.8%

Source: FactSet, Evercore ISI Research
Updated as of 4/30/25. Yellow indicates top moves higher in short interest. Orange indicates top moves lower in short interest.

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Our current target multiple is getting close to Scenario 1

Long term, we think multiples could diverge closer to our Case 2 with higher growth

- Our base case (“case 1”) assumed an orderly transition to higher interest rates, with authorized ROEs rising to 9.85% from 9.75%, and 10-year Treasury yields rising over the next several years, resulting at the end in a **2.00%** spread between the return on equity and the calculated cost of equity.
 - When you look at our “case 1” scenario of 16.5x, as described above it implies higher authorized ROEs and rates slightly higher/stabilizing
 - Our case 2 uses the same assumptions as case 1 with a 100 bps higher growth rate. Long term with AI/load growth boosting capex/rate base - valuations could diverge towards Case 2
 - Case 3 models the same level of growth as case 2 with 50 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 below long-term historic averages.

DDM Model Summary	Case 1	Case 2	Case 3	Case 4
ROE and Cost of Equity Assumptions	Base Case	Base Case	Rates Low Long Time	ROEs Fade Rates Rise
ROE (Year 1)	9.75%	9.75%	9.75%	9.75%
Annual ROE Change (+/-)	0.03%	0.03%	0.03%	-0.03%
Final ROE	9.85%	9.85%	9.85%	9.65%
Years Until LT Cost of Equity Spread	4	4	4	4
Implied Annual Cost of Equity Change (+/-)	-0.04%	-0.04%	-0.16%	-0.09%
LT ROE / Cost of Equity Spread	2.00%	2.00%	2.50%	2.00%
LT Cost of Equity	7.85%	7.85%	7.35%	7.65%

Growth Assumptions	Base Case	Higher Growth	Higher Growth	Lower Growth
RB Growth (Year 1-5)	7.00%	8.00%	8.00%	6.00%
RB Growth (Year 6-10)	6.00%	7.00%	7.00%	5.00%
RB Growth (Year 11+ and Terminal)	3.50%	4.50%	4.50%	2.50%
Terminal Value (Yes/No)	Yes	Yes	Yes	Yes
35 Year Average Payout Ratio - Implied	65.5%	65.0%	65.0%	72.0%

'27 P/E Multiple	16.5x	20.0x	24.0x	15.0x
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Source: FactSet, Evercore ISI Research

Utilities Are ~30% Expensive on '26 Yields Assuming Yields Remain Unchanged

Utility Valuation 5/16/25		10 YR Baa		4.44%
				6.28%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2025 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	3.42%	2.95%	21.0x	12.7%
Current Valuation	3.64%	3.10%	20.0x	7.0%
	3.86%	3.26%	19.0x	2.0%
	4.08%	3.41%	18.2x	-2.7%
	4.30%	3.56%	17.4x	-6.9%
	4.52%	3.72%	16.7x	-10.8%
- 68% Confidence Interval	4.74%	3.87%	16.0x	-14.3%
	4.96%	4.03%	15.4x	-17.6%
	5.18%	4.18%	14.8x	-20.7%
	5.40%	4.34%	14.3x	-23.5%
	5.62%	4.49%	13.8x	-26.1%
	5.84%	4.65%	13.3x	-28.6%
	6.06%	4.80%	12.9x	-30.9%
Predicted Valuation	6.28%	4.96%	12.5x	-33.0%
	6.50%	5.11%	12.1x	-35.1%
	6.72%	5.27%	11.8x	-37.0%
	6.94%	5.42%	11.4x	-38.8%
	7.16%	5.58%	11.1x	-40.5%
	7.38%	5.73%	10.8x	-42.1%
+ 68% Confidence Interval	7.60%	5.88%	10.5x	-43.6%
	7.82%	6.04%	10.3x	-45.0%
	8.04%	6.19%	10.0x	-46.4%
	8.26%	6.35%	9.8x	-47.7%
	8.48%	6.50%	9.5x	-49.0%
	8.70%	6.66%	9.3x	-50.2%
+ 95% Confidence Interval	8.92%	6.81%	9.1x	-51.3%

- Regulated utilities now look ~33% expensive on current yields

Utility Valuation 5/16/25		10 YR Baa		4.44%
				6.28%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2026 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	3.42%	2.95%	20.5x	18.4%
Current Valuation	3.64%	3.10%	19.5x	12.5%
	3.86%	3.26%	18.6x	7.1%
	4.08%	3.41%	17.7x	2.3%
	4.30%	3.56%	16.9x	-2.2%
	4.52%	3.72%	16.2x	-6.2%
- 68% Confidence Interval	4.74%	3.87%	15.6x	-10.0%
	4.96%	4.03%	15.0x	-13.4%
	5.18%	4.18%	14.4x	-16.6%
	5.40%	4.34%	13.9x	-19.6%
	5.62%	4.49%	13.4x	-22.4%
	5.84%	4.65%	13.0x	-25.0%
	6.06%	4.80%	12.6x	-27.4%
Predicted Valuation	6.28%	4.96%	12.2x	-29.6%
	6.50%	5.11%	11.8x	-31.8%
	6.72%	5.27%	11.5x	-33.8%
	6.94%	5.42%	11.1x	-35.7%
	7.16%	5.58%	10.8x	-37.5%
	7.38%	5.73%	10.5x	-39.1%
+ 68% Confidence Interval	7.60%	5.88%	10.3x	-40.7%
	7.82%	6.04%	10.0x	-42.3%
	8.04%	6.19%	9.7x	-43.7%
	8.26%	6.35%	9.5x	-45.1%
	8.48%	6.50%	9.3x	-46.4%
	8.70%	6.66%	9.1x	-47.6%
+ 95% Confidence Interval	8.92%	6.81%	8.9x	-48.8%

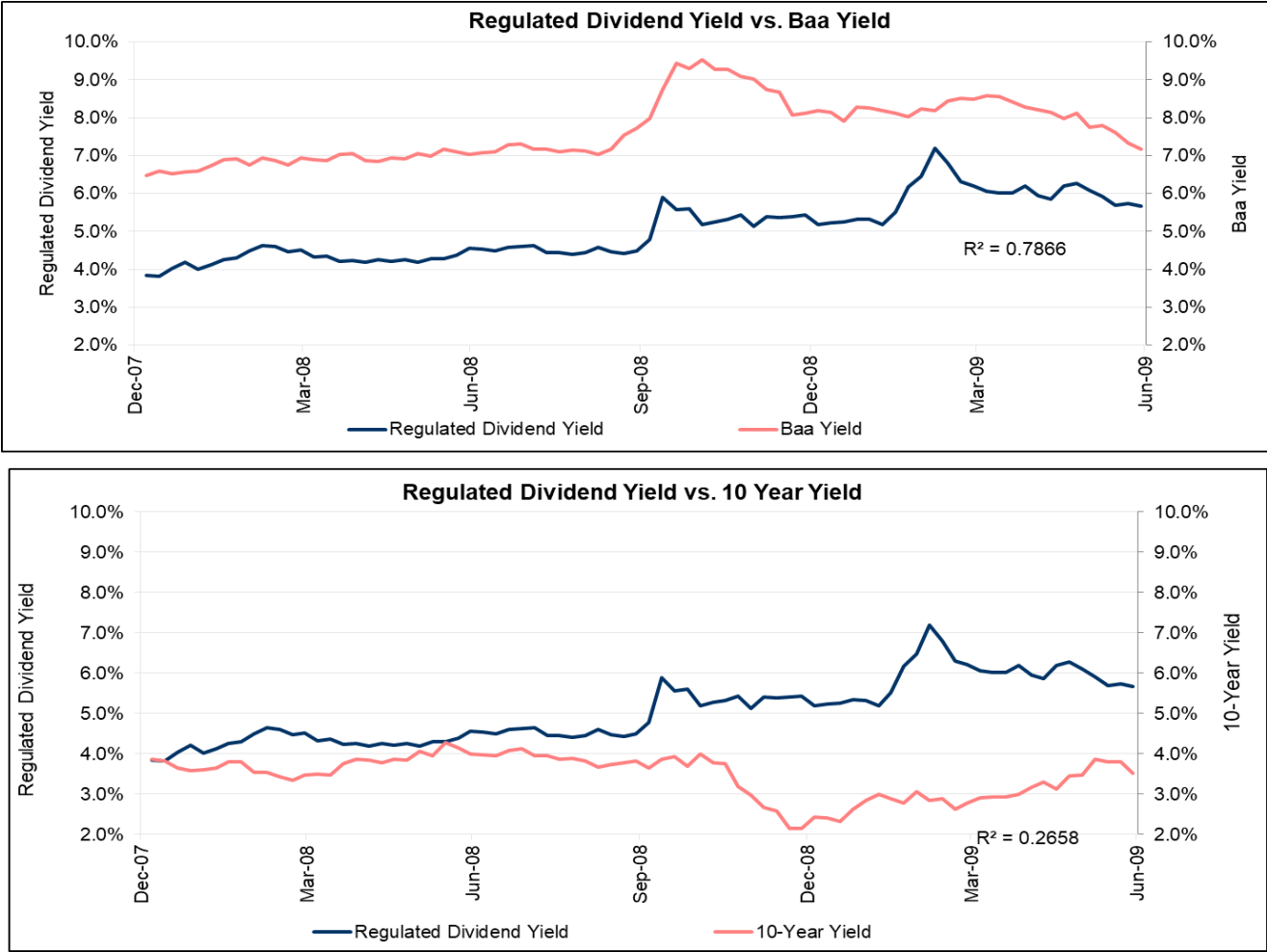
- If rates stay unchanged for the next 12 months, regulated utilities now ~30% expensive

Source: FactSet, Evercore ISI Research
Updated as of 5/16/25

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Regulated Dividend Yields vs. 10Y UST & Baa Yields During '08 Financial Crisis

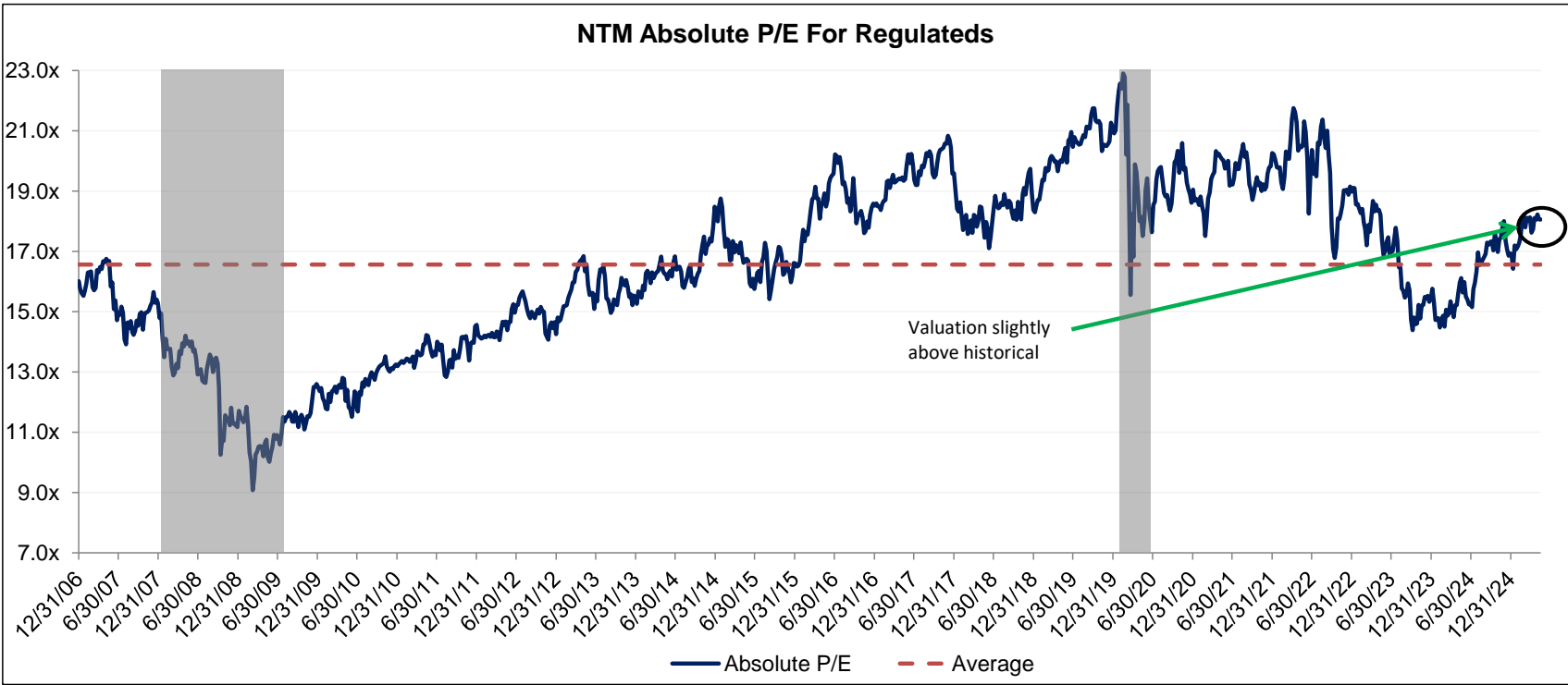
During the last recession, correlation between regulated dividend yield and Moody's Baa Yield was at ~79% vs. ~27% correlation for dividend yield and 10yr Treasury Yield.



Source: FactSet, Evercore ISI Research

Absolute valuation is higher than the historical average

- The group is now trading at ~18.1x, higher than the 15-year average multiple (NTM)
- 15-year average is 16.6x

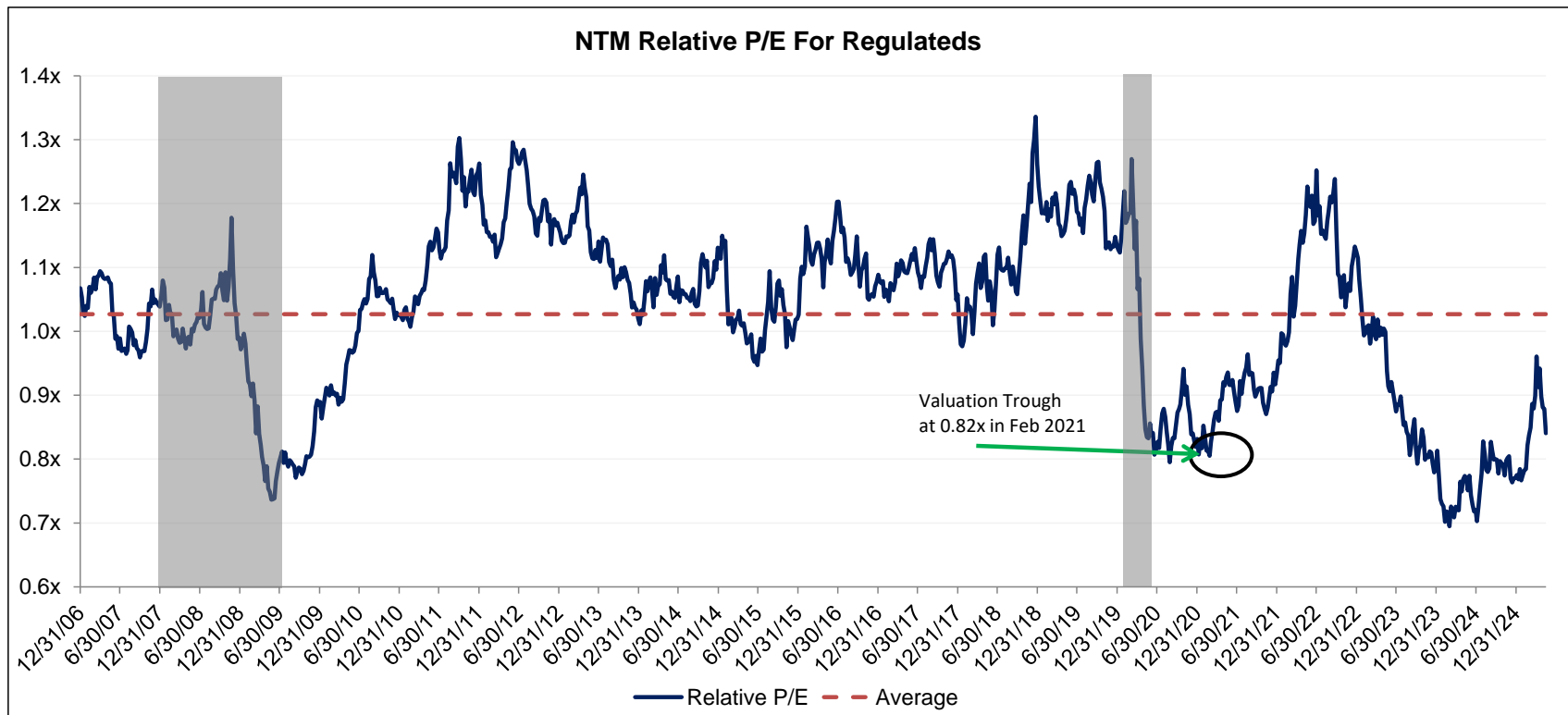


Source: FactSet, Evercore ISI Research
Updated as of 5/16/25

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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 0.84x, lower than the historical average.
- 15-year average is 1.03x
- Since 2009, prior valuation trough was 0.82x in Feb 2021

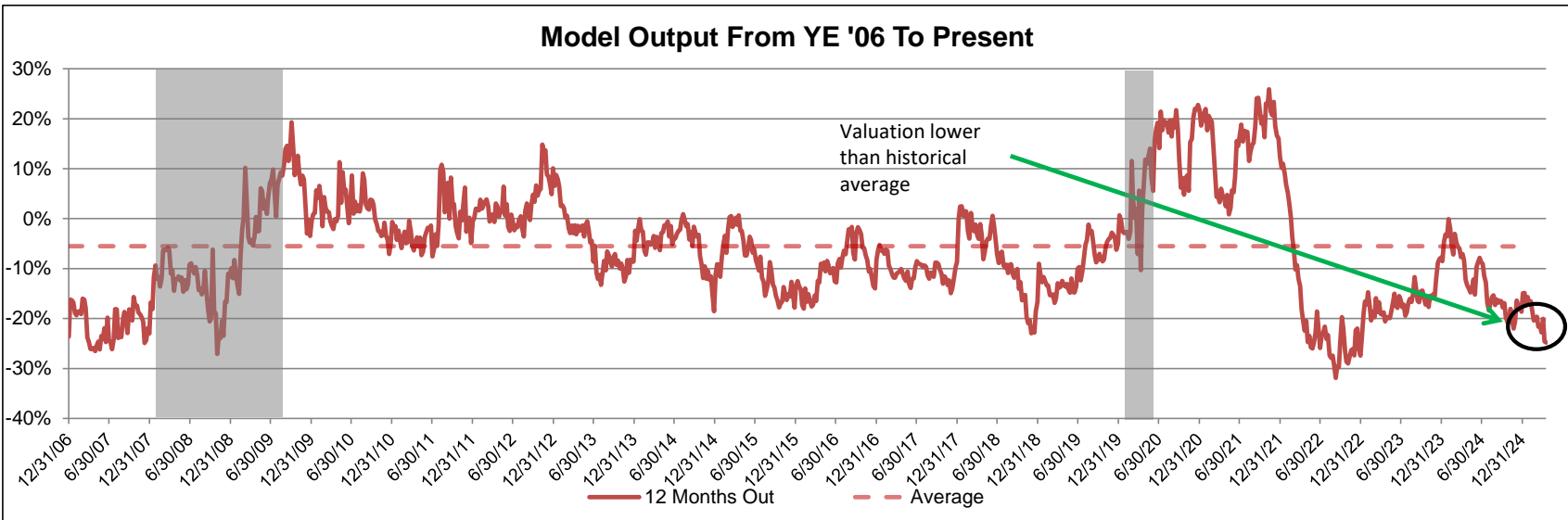


Source: FactSet, Evercore ISI Research
Updated as of 5/16/25

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Versus Bond Yields, group valuation remains elevated

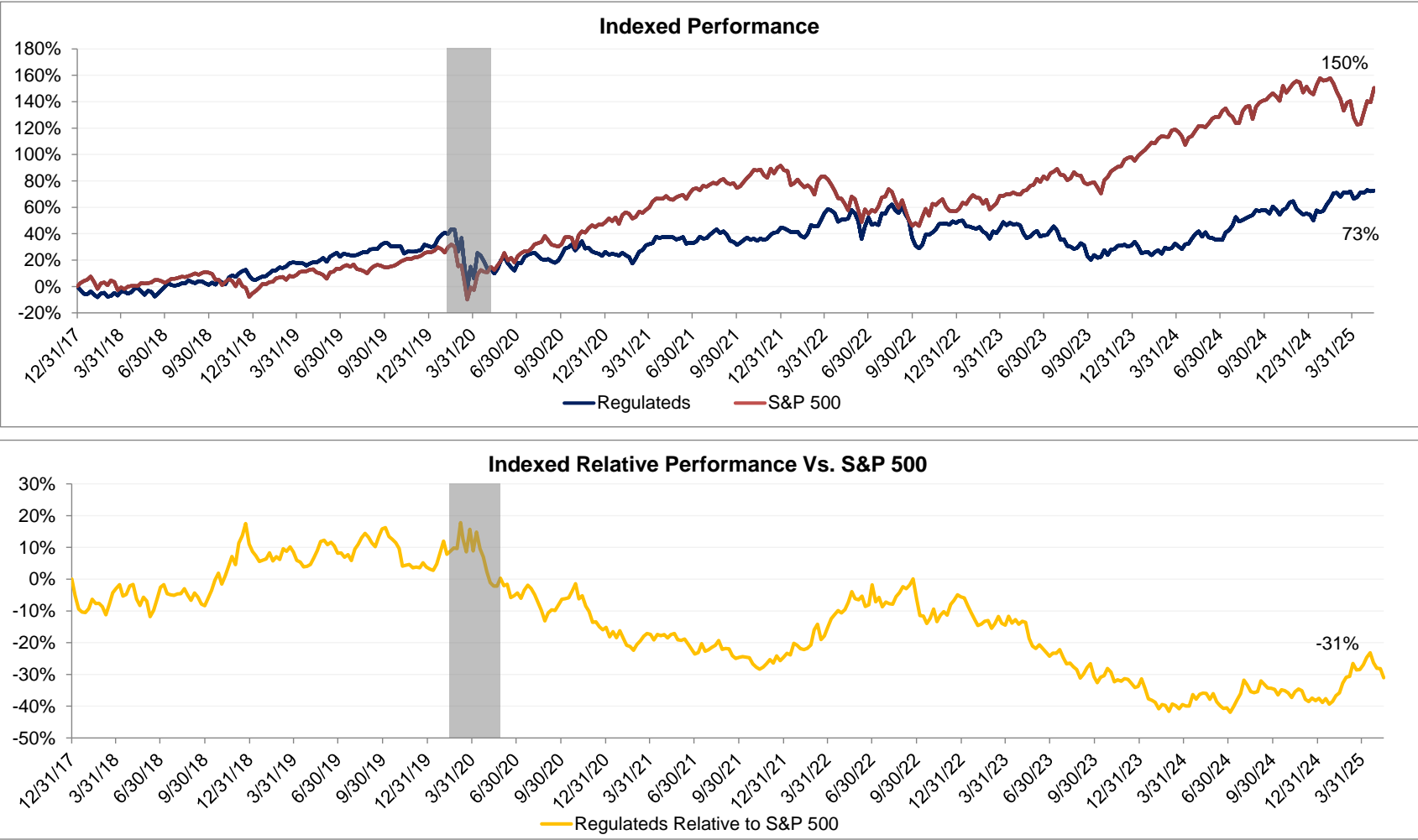
- Utes are now ~29% expensive in our bond model
- 15-year average is 6% expensive



Source: FactSet, Evercore ISI Research
Updated as of 5/16/25

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

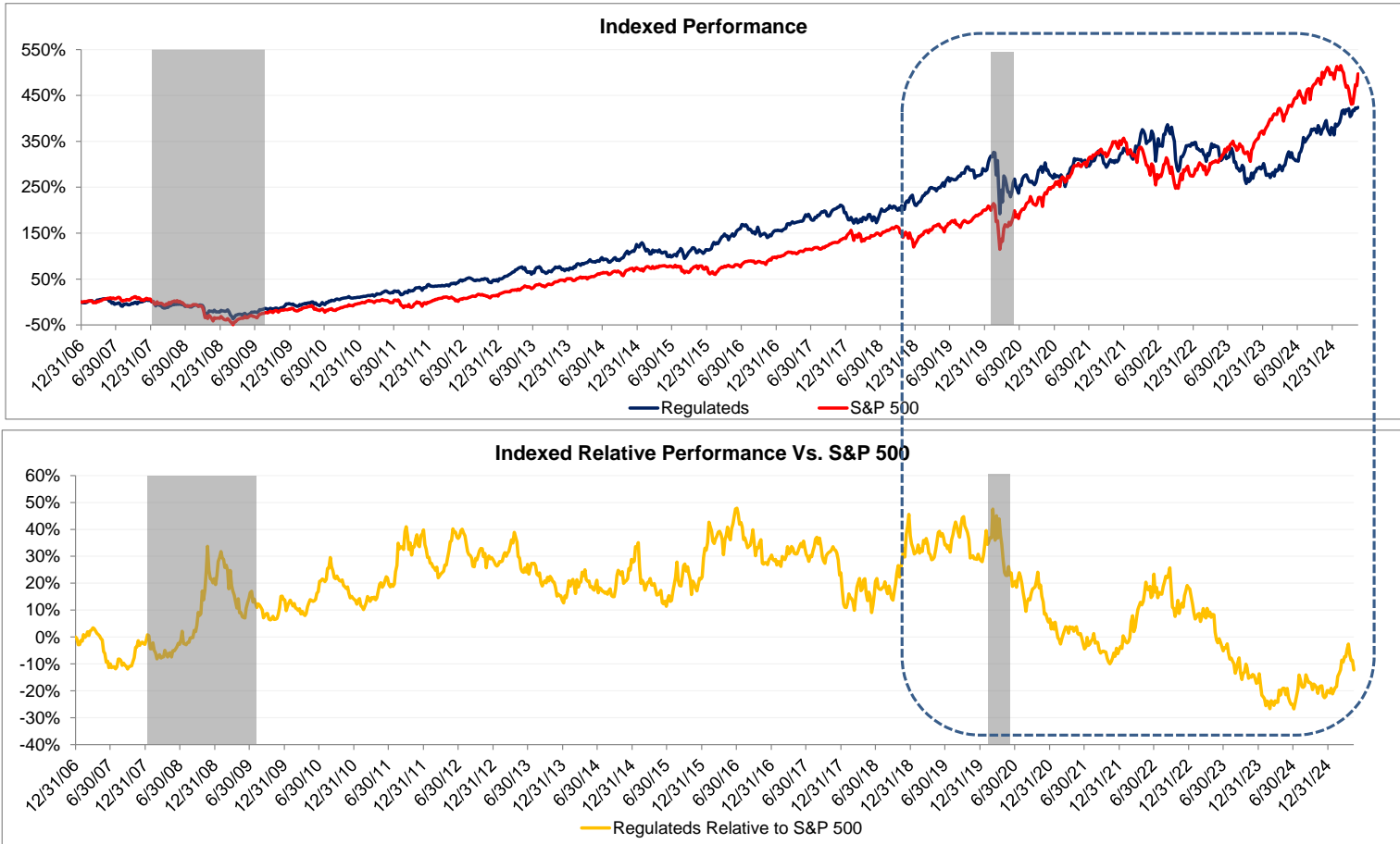


Source: FactSet, Evercore ISI Research
Updated as of 5/16/25, compounded return, 7-day intervals

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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 ~424% vs. ~497% for the SP500 from YE '06 to present.



Source: FactSet, Evercore ISI Research
Updated as of 5/16/25

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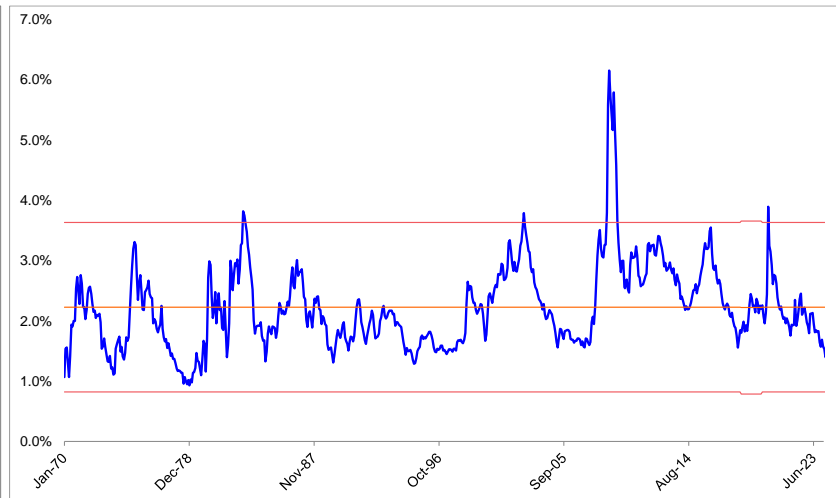
The Spread Between Corporates And Treasuries Is Below The Historical Average

- 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 155bp on 1/31/18 and is currently at 184bp.

Daily Moody's Baa / 10 Year Spread



Monthly Moody's BAA / 10 Year Spread

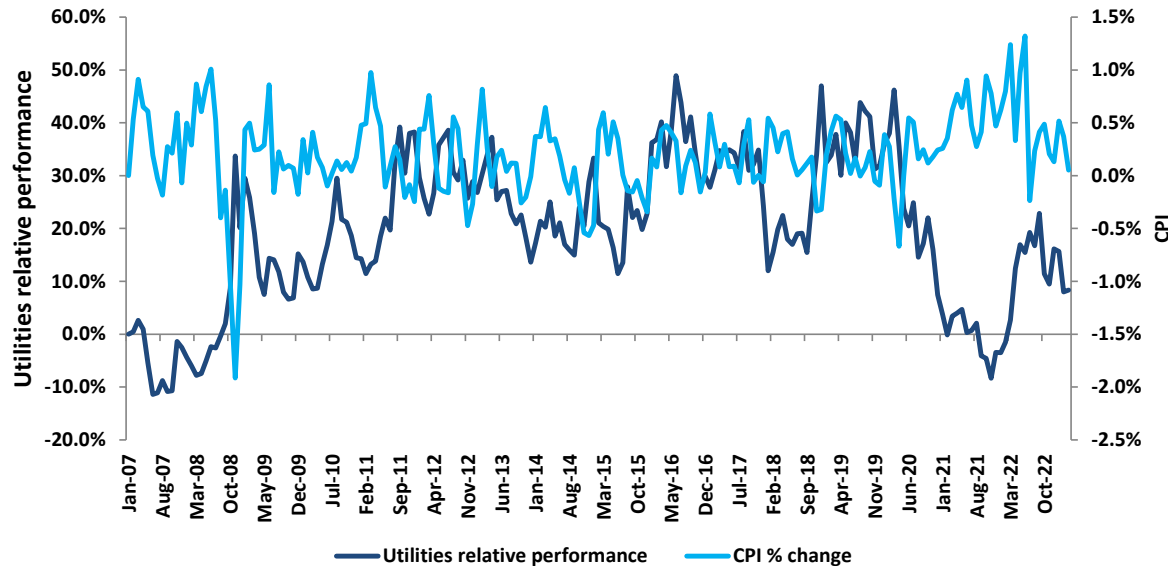


Source: FactSet, Evercore ISI Research
Updated as of 5/16/25

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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 0.2% 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%	-0.2%	13.9%	32.7%

Source: FactSet, Evercore ISI Research
Updated as of 1/31/25

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Weekly Economic Chart: Apr Inflation Better Than Expected

- Our EVRISI EcoTeam published a note this past week highlighting that Apr inflation better than expected. The CPI came in much better than expected in Apr, at just +0.2% m/m on both the headline and core. Food and auto prices, categories expected to first feel tariff impacts, were muted. Shelter costs still remain above trend, but all in, this report suggests the core PCE stays in its sideways range. If the effective tariff rate holds around 14%, there is likely a bit less upside risk to inflation.



Source: Evercore ISI Research

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

Time of dissemination: May 17 2025 5:02 PM ET

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Evercore ISI rating (as of 05/17/2025)

Coverage Universe

Ratings	Count	Pct.
Buy	442	58
Hold	277	37
Sell	13	2
Coverage Suspended	19	3
Rating Suspended	5	1

Investment Banking Services | Past 12 Months

Ratings	Count	Pct.
Buy	58	13
Hold	21	8
Sell	1	8
Coverage Suspended	4	21
Rating Suspended	1	20

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