Q. **Reference:** ***Fair Return for Newfoundland Power (NP),*** **Evidence of Laurence D. Booth, September 28, 2021, page 88, line 2.**

Please provide a copy of the referenced Morningstar report for Emera.

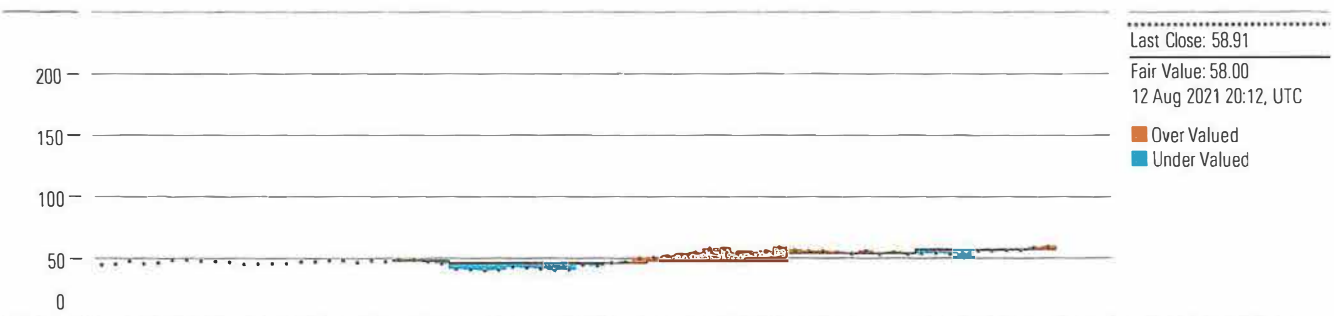
A. Provided as NP-CA-046 Attachment 1.

Morningstar Equity Analyst Report | Report as of 12 Aug 2021 20:17, UTC | Reporting Currency: CAD | Trading Currency: CAD | Exchange: TORONTO STOCK EXCHANGE

Emera Inc EMA ★★★ 12 Aug 2021 20:16, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
58.91 CAD 12 Aug 2021	58.00 CAD 12 Aug 2021 20:12, UTC	1.02	15.03 CAD Bil 11 Aug 2021	Narrow	Stable	Low	Standard	4 Aug 2021 05:00, UTC

Price vs. Fair Value



	2016	2017	2018	2019	2020	YTD	
	—	0.98	0.95	1.12	0.95	1.02	Price/Fair Value
	9.61	8.20	-2.10	33.07	1.41	13.07	Total Return %

Total Return % as of 11 Aug 2021. Last Close as of 12 Aug 2021. Fair Value as of 12 Aug 2021 20:12, UTC.

Contents

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The primary analyst covering this company does not own its stock.

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

Florida Drives Emera's Growth Opportunities

Business Strategy & Outlook Andrew Bischof, CFA, CPA, Senior Equity Analyst, 12 Aug 2021

Emera has transitioned to a predominantly U.S.utility that generates a majority of its earnings from Teco Energy after its transformative acquisition. While Emera's Canadian utilities operate under a constructive regulatory framework, Emera's U.S. utilities offer significantly more growth opportunities and higher allowed returns.

We think Emera has made a wise transition away from noncore regulated and unregulated operations and toward investment opportunities at its regulated utilities. We like that management divested its unregulated, no-moat generation unit. We viewed the susceptibility the unit had to volatile commodity prices and capacity prices unfavorably.

Management also completed the sale of its Maine utility, which was regulated but had lower allowed returns and fewer capital investment opportunities than its other regulated operations. We don't expect any additional asset sales, although we think management should consider divesting its remaining no-moat asset energy services business, which brings cash flow volatility to an otherwise moaty portfolio of regulated assets. The unit has consistently contributed CAD 15 million to CAD 30 million annually to earnings.

Emera will now focus on its attractive CAD 7.4 billion-8.6 billion capital investment plan for 2021-23, particularly at its regulated Florida subsidiary, and pay down debt. Similar to its regulated peers in

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Sector	Industry
Utilities	Utilities - Regulated Electric

Business Description

Emera is a geographically diverse energy and services company investing in electricity generation, transmission, and distribution as well as gas transmission and utility energy services. Emera has operations throughout North America and the Caribbean countries.

Florida, Tampa Electric is installing solar and regulators are providing automatic solar base rate adjustments upon completion.

Emera recently reached an agreement with key stakeholders on the three-year rate request Tampa Electric filed with regulators earlier this year. The agreement allows for $302 million of rate increases from 2022 to 2024, a 9.95% allowed return on equity for ratemaking, and a 9%-11% ROE band. The settlement supports recovery for significant investment in the state, including the Big Bend modernization project, 600 megawatts of solar projects, and advanced metering. The New Clean Energy Transition Mechanism allows for full recovery of retired coal assets with the potential to retire those plants early. The agreement requires regulator approval.

Bulls Say Andrew Bischof, CFA, CPA, Senior Equity Analyst, 12 Aug 2021

- The move toward regulated operations drives rate base and earnings growth certainty.
- Emera earns regulated returns in many different states and provinces, protecting its earnings from the impact of one adverse regulatory ruling.
- The company's Florida utility operates in a highly constructive regulatory environment with above-average growth opportunities.

Bears Say Andrew Bischof, CFA, CPA, Senior Equity Analyst, 12 Aug 2021

- The company's aggressive investment plan increases regulatory risk.
- The company's no-moat energy services unit brings commodity risk and cash flow uncertainty to its regulated portfolio.
- As with all utilities, rising interest rates will raise financing costs and could make the dividend less attractive for income investors.

Economic Moat Andrew Bischof, CFA, CPA, Senior Equity Analyst, 12 Aug 2021

Considering its full suite of businesses, we think Emera has a narrow moat. While historical returns on invested capital are volatile, this has primarily been due to the contribution of Emera's no-moat merchant generation business. With the divestiture of this business, most of Emera's earnings will be regulated outside the company's small marketing and trading unit. This change in business mix gives us confidence that Emera will be able to generate a positive spread between returns on invested capital and its weighted average cost of capital in the short term.

For Emera's U.S. regulated utilities, we assign a narrow moat. In Florida, the regulatory environment is very constructive. Tampa Electric's most recent favorable rate case settlement allows for revenue increases and a 9.95% midpoint allowed return on equity. Most of Tampa Electric's revenue comes from residential customers who, as a group, are relatively captive and price-insensitive users of electricity. We remain confident that Tampa Electric will continue to receive top-tier constructive regulatory

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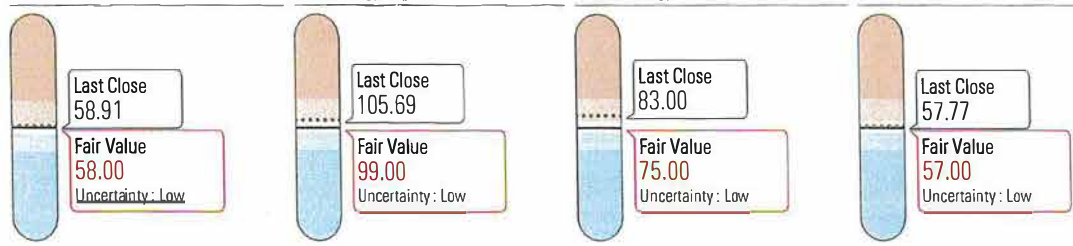
Competitors



	Emera Inc EMA	Duke Energy Corp DUK	NextEra Energy Inc NEE	Fortis Inc FTS
Economic Moat	Narrow	Narrow	Narrow	Narrow
Moat Trend	Stable	Stable	Stable	Stable
Currency	CAD	USD	USD	CAD
Fair Value	58.00 12 Aug 2021 20:12, UTC	99.00 9 Aug 2021 21:03, UTC	75.00 26 Jan 2021 16:18, UTC	57.00 29 Jul 2021 16:46, UTC
1-Star Price	72.50	123.75	93.75	71.25
5-Star Price	46.40	79.20	60.00	45.60
Assessment	Fairly Valued 11 Aug 2021	Over Valued 11 Aug 2021	Over Valued 11 Aug 2021	Fairly Valued 11 Aug 2021
Morningstar Rating	★★★12 Aug 2021 20:16, UTC	★★11 Aug 2021 21:19, UTC	★★11 Aug 2021 21:19, UTC	★★★11 Aug 2021 21:50, UTC
Analyst	Andrew Bischof, Senior Equity Analyst	Andrew Bischof, Senior Equity Analyst	Andrew Bischof, Senior Equity Analyst	Andrew Bischof, Senior Equity Analyst
Capital Allocation	Standard	Standard	Exemplary	Standard
Price/Fair Value	1.02	1.07	1.11	1.01
Price/Sales	2.71	3.31	9.64	2.96
Price/Book	1.80	1.79	4.38	1.57
Price/Earning	21.79	28.12	51.48	21.88
Dividend Yield	4.30%	3.60%	1.78%	3.45%
Market Cap	15.03 Bil	82.43 Bil	161.59 Bil	27.22 Bil
52-Week Range	49.66—59.44	78.95—108.06	66.79—87.69	48.97—58.03
Investment Style	Large Value	Large Value	Large Core	Large Value

treatment. We also think the company's smaller New Mexico Gas subsidiary has a narrow moat.

We assign a narrow moat to the company's Canadian utility, Nova Scotia Power. While allowed returns are generally lower in Canada, the units typically enjoy lower costs of capital than U.S. counterparts. The utilities aren't subject to an annual general rate base review, which can increase regulatory uncertainty. The utilities vertical cost-of-service model allows for forward test years and full recovery of fuel through fuel adjustment mechanisms, keeping regulation constructive and allowed returns attainable.

Emera's Caribbean utility portfolio also has a narrow moat. While there is additional political risk compared with its North American peers, utilities are granted meaningfully higher allowed returns to compensate for the risk. The cost-of-service model allows for full recovery of fuel through pass-through mechanisms.

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We view the company's Newfoundland and Labrador transmission projects and Brunswick pipeline as wide-moat assets. Emera's transmission projects offer strong efficient scale advantages. Capital costs for competing transmission systems would be too high to offer sufficient returns on capital for new entrants.

Transmission is attractive for the following reasons: It is essential to reliable, efficient and low-cost electric service; transmission investments provide economic benefits to all stakeholders; transmission supports renewable energy; and a favorable regulatory framework lowers utilities' cost of capital. The Brunswick pipeline enjoys stable fee-based margins underpinned by demand charges, long-term contracts, annual escalators, and minimal commodity exposure.

Service territory monopolies and efficient scale advantages are the primary sources of an economic moat for regulated utilities such as Emera. Regulators typically grant regulated utilities exclusive rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital they invest to build, operate, and maintain their distribution networks. In exchange for regulated utilities' service territory monopolies, regulators set returns at levels that aim to minimize customer costs while offering fair returns for capital providers.

This implicit contract between regulators and capital providers should, on balance, allow regulated utilities to achieve at least their costs of capital, though observable returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing. Intuitively, utilities should have an economic moat based on efficient scale, but in some cases regulation offsets this advantage, preventing excess returns on capital. The risk of adverse regulatory decisions precludes regulated utilities from earning wide economic moat ratings. However, the threat of material value destruction is low, and normalized returns exceed costs of capital in most cases, leaving us comfortable assigning narrow moats to many regulated utilities.

Fair Value and Profit Drivers Andrew Bischof, CFA, CPA, Senior Equity Analyst, 12 Aug 2021
We are increasing our fair value estimate to CAD 58 per share from CAD 57 after the company reported second-quarter operating earnings that keep it on track to meet our full-year expectations. Our increase was due to time-value appreciation since our last update.

We expect earnings growth through 2025 to be in line with rate base growth, as regulated earnings are driven by rate base growth and completion of the company's transmission projects. We estimate Emera will invest about CAD 8 billion in 2021-23 across its operations and continue to receive constructive regulatory recovery of those expenditures. Based on this investment budget, we anticipate consolidated rate base could grow as much as 8% annually. Additional capital investment opportunities could push rate base growth toward 8.5%.

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In our discounted cash flow valuation, we use a 5.8% cost of capital based on a 7.5% cost of equity. This is lower than the 9% rate of return we expect investors will demand for a diversified equity portfolio, reflecting Emera's lower sensitivity to the economic cycle and lower degree of operating leverage.

Risk and Uncertainty Andrew Bischof, CFA, CPA, Senior Equity Analyst, 12 Aug 2021
Emera's key risk to future earnings is regulatory uncertainty. The company faces regulatory risks that create uncertainties around costs and allowed returns, especially given the significant capital investment plan through 2025. Emera's regulatory exposure is diversified due to its operations across North America and its federally regulated transmission projects. Additionally Emera is exposed to political and economic instability at its Caribbean operations.

Unlike its pure U.S. peers, Emera's results are affected by exchange-rate fluctuations. Over two thirds of the company's earnings are attributed to the U.S. Earnings will be subject to fluctuations between the U.S. dollar and Canadian dollar.

Emera operates natural gas distribution utilities. While we think natural gas will continue to play a key role across its jurisdictions, there is risk that policymakers expedite the shift away from natural gas.

Emera faces ESG risk, particularly given its coal generation at its Florida and Canadian subsidiaries. Across its jurisdictions, regulators and politicians are embracing tighter policies on carbon emissions and greater restrictions on coal generation. Emera is addressing this risk through its base capital investment program, planned coal retirements, and investment in renewable energy. Renewable energy is expected to increase to 28% of Emera's generation by 2025, reducing its coal generation by 80%. This will also help it achieve its goal to reduce carbon emissions 55% by 2025 from 2005 levels. Regulators in Emera's jurisdictions are supporting this transition.

As with all regulated utilities, Emera faces the risk of an inflationary environment that would raise borrowing costs and make other investments more attractive for income-seeking investors.

Capital Allocation Andrew Bischof, CFA, CPA, Senior Equity Analyst, 12 Aug 2021
We assign Emera a Standard capital allocation rating. The rating reflects our assessment of Emera's balance sheet strength, management's investment decisions, and plans to return capital to shareholders.

The company's recent payout has been higher than its peers but is supported by the company's high-quality and relatively stable regulated assets. We expect management will slow dividend growth below earnings growth to reach a payout in line with that of its peers.

We expect the balance sheet to remain sound with the company maintaining its balance sheet in line

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with its regulatory requirements, supported by the company's low revenue cyclicality and operating leverage. We expect the company's investment strategy to focus on growing assets through regulated investments, which we think is a reasonable approach.

Strong corporate governance, constructive regulatory relationships, and sound leadership support our rating. We like that management has moved away from no-moat merchant assets and added assets with steady, predictable cash flows.

Scott Balfour, who had been chief operating officer and chief financial officer since joining Emera in 2012, took the helm in 2018. We like his moves to sell assets to fund equity needs for its capital plan, and we particularly like his decision to sell the no-moat, unregulated Northeast generation unit. We also like the divestiture of its Maine subsidiary, as it lacked the growth potential and had less constructive regulation than some of its other subsidiaries.

Previously, Balfour had commercial and corporate banking experience as well as leadership roles at a large Canadian construction firm. He has proved to be a strong leader, and Emera's focus on regulated operations, implementing growth projects, and managing operating expenses has benefited shareholders.

Analyst Notes Archive

Emera's Tampa Electric Settles Florida Rate Case Constructively; Reports Second-Quarter Earnings
Andrew Bischof, CFA, CPA, Senior Equity Analyst, 11 Aug 2021
We are maintaining our CAD 57 per share fair value estimate for Emera after the company reported second-quarter adjusted earnings per share of CAD 0.54, up from CAD 0.48 in the same year-ago quarter. Our narrow moat and stable moat trend remain unchanged.

Earlier this month, Emera reached an agreement with key stakeholders on the three-year rate request Tampa Electric filed with Florida regulators earlier this year. Emera had sought a total of $423 million in rate increases, with the settlement allowing for $302 million in total rate increases from 2022 to 2024. Tampa Electric will be allowed to earn 9%-11% returns on equity, with a base 9.95% allowed ROE used for ratemaking. This outcome is in line with our expectations. The allowed ROE is lower than the rate settlement NextEra's Florida Power and Light recently reached, but Tampa Electric's agreement highlights Florida's constructive regulation, which we consider among the best in the U.S.

The settlement supports recovery for significant investment in the state, including the Big Bend modernization project, 600 megawatts of solar projects, and advanced metering. The New Clean Energy Transition Mechanism allows for full recovery of retired coal assets with the potential to retire those plants early. Consistent with its state peers, Emera has kept consumer rates low, a key factor for

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regulators. We expect the Florida Public Service Commission to approve the settlement.

Emera is on track to invest over CAD 2 billion in 2021, part of the company's plan to invest CAD 7.4 billion to CAD 8.6 billion during the next three years. Capital investments should support 7.5% to 8.5% annual rate base with most of that growth in Florida.

Earnings in the second quarter benefited from improved results at Emera's marketing and trading unit, investments at its regulated utilities, and lower interest expense, partially offset by lower earnings from Tampa Electric as a result of a stronger Canadian dollar.

Emera Files Rate Case in Florida; Reports Strong First-Quarter Earnings Andrew Bischof, CFA, CPA, Senior Equity Analyst, 12 May 2021

We are maintaining our CAD 57 per share fair value estimate for Emera after it reported first-quarter adjusted earnings per share of CAD 0.96, up from CAD 0.79 in the same year-ago quarter. Our narrow moat and stable moat trend remain unchanged.

In April, Emera's Tampa Electric utility filed a request with the Florida Public Service Commission for a combined $423 million rate increase covering 2022-24. The rates reflect recovery of Emera's significant investments in the state, including the Big Bend modernization project, 225 megawatts of solar projects, advanced metering, and accelerated recovery of retired coal assets. We expect constructive treatment in line with the approved settlement Duke Energy's Florida subsidiary reached with state regulators this year, which allowed for a 9.85% midpoint return on equity with a 100-basis-point range. Consistent with its state peers, Emera has kept consumer rates low, a key factor for regulators, with rates just 5% higher than a decade ago and 17% lower when adjusted for inflation. A decision is expected by the end of the year with rates effective Jan. 1, 2022.

Emera is on track to invest over CAD 2 billion in 2021, part of the company's plan to invest CAD 7.4 billion to CAD 8.6 billion in its three-year capital investment plan. We expect management to deliver on the high end of that range as we think management will be able to execute the numerous growth opportunities in Florida. The capital investment program is expected to produce 7.5%-8.5% annual rate base growth through this period, with investments in Florida accounting for 70% of the plan.

Earnings in the quarter benefited from strength at its U.S. utilities, improvement at its marketing and trading unit, and lower operating expenses. Lower earnings at Nova Scotia Power were attributed to an unseasonably warm winter. Management has foreign exchange hedges in place to help offset the recent strengthening dollar versus the Canadian dollar.

Emera's Florida Unit Plans for Rate Case; Reports Full-Year Earnings Andrew Bischof, CFA, CPA, Senior Equity Analyst, 16 Feb 2021

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We are maintaining our CAD 57 fair value estimate for Emera after the company reported full-year 2020 adjusted earnings per share of CAD 2.66, up from CAD 2.31 in 2019. Earnings were adjusted for closed asset sales, the largest of which was the sale of the Maine subsidiary. Our narrow moat and stable moat trend ratings are unchanged.

Emera invested CAD 2.7 billion in 2020, and growth remains strong. The company plans to invest CAD 7.4 billion-8.6 billion in 2021-23. We expect management to reach the high end of that range as we think it will be able to execute on the numerous growth opportunities in Florida as well as additional transmission projects. The capital investment should drive 7.5%-8.5% annual rate base growth through this period. We expect Florida to benefit from 70% of this capital investment plan. To fund this plan, Emera will use a mix of equity, debt, and internally generated cash flows.

The capital investment will help Emera achieve its goal to reduce carbon emissions by 55% in 2025 and 80% by 2040 and reach net zero emissions by 2050. This commitment is in line with peers. We believe this will provide substantial growth opportunities after 2023.

The company will formally file a rate case at Tampa Electric, its most important subsidiary, in March. We view Florida as one of the best regulatory environments for utilities. We expect a constructive outcome consistent with prior regulatory treatment. The subsidiary's state utility peers are also submitting rate case filings. We wouldn't be surprised if Emera entered into a settlement agreement, much like Duke Energy did with its rate case. Rates would be effective January 2022.

Earnings in 2020 were driven by strong performance at Tampa Electric, which benefited from strong residential sales and capital investments, including solar investments.

Utilities Well Positioned as Biden Starts Work on Green Agenda Andrew Bischof, CFA, CPA, Senior Equity Analyst, 21 Jan 2021

We are reaffirming our fair value estimates, moat ratings, and moat trend ratings for U.S. utilities after President Joe Biden kicked off his environmental policymaking efforts. We consider the sector fairly valued.

We believe tighter environmental regulations are a net positive for most utilities. Growth investments in renewable energy, grid modernization, and electric vehicles should outweigh higher regulatory, operational, and financial risk. We forecast that the U.S. utilities we cover will invest $656 billion over the next five years, more than consensus expects and up from the $541 billion spent in the past five years. This supports our 5.5% average annual industry earnings growth outlook through 2024.

Biden's recommitment to the 2015 Paris Agreement won't have a material near-term impact on utilities. Most utilities' investment plans already reflect similar climate goals with support from state regulators and policymakers.

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Investors should watch Biden's approach as the third president this decade to propose power plant emissions regulations. Courts have set a narrow path between Barack Obama's Clean Power Plan, which the Supreme Court stayed in 2016, and Donald Trump's Affordable Clean Energy rule, which was vacated by appeal on Jan. 19. We think it will be even tougher to get emissions legislation through Congress.

We expect emissions-reduction investments will remain a key growth driver for utilities because of state policies and demand from customers and investors. As the federal government has dithered, power plant carbon emissions have fallen 25% during the last decade due to economics and state policymaking. We forecast that natural gas generation will continue stealing market share from coal and renewable energy will double its market share by 2030.

We agree with consensus that Biden's interim goal of net-zero carbon emissions for the power industry by 2035 is unachievable with current technology and potential cost. A 2050 goal is more reasonable.

Emera's New Three-Year Capital Investment Plan Focuses on Florida; Reports Q3 Earnings Andrew Bischof, CFA, CPA, Senior Equity Analyst, 13 Nov 2020

We are increasing our Emera fair value estimate to CAD 57 per share from CAD 54 after the company reported third-quarter adjusted earnings per share of CAD 0.67, up from CAD 0.51 in the same year-ago quarter. Our narrow moat and stable moat trend ratings are unchanged.

Management announced its 2021-23 capital investment plan totaling CAD 7.4 billion-8.6 billion. This was consistent with our CAD 7.9 billion forecast. However, we have increased our estimate to the high end of management's range as we believe management will be able to execute on the numerous growth opportunities in Florida. Emera's Florida unit will be the beneficiary of 70% of the capital plan in a highly constructive regulatory environment.

Emera's Nova Scotia Power unit also has significant growth opportunities. The unit plans to expand its share of renewable generation to 60% by 2023, from 30% in 2019, as it continues to reduce greenhouse gas emissions. Management is working on a potential transmission opportunity that would enable the transfer of clean energy throughout the Atlantic region. The company's 2020 capital investment plan remains on track and on budget. The increase in our capital investment forecast and time value appreciation resulted in our fair value estimate increase.

Earnings in the quarter were driven by strong performance at Tampa Electric, as the unit benefited from strong residential sales and capital investments, including solar investments and the Big Bend modernization.

Emera's Florida Utilities Support Second-Quarter Earnings Andrew Bischof, CFA, CPA, Senior Equity

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Analyst, 12 Aug 2020

We are maintaining our CAD 54 per share fair value estimate after Emera reported second-quarter adjusted earnings per share of CAD 0.48 per share, down from CAD 0.54 last year. Much of the EPS decline is attributed to asset sales, mainly the divestiture of its merchant generation and regulated utility in Maine. Adjusting for these sales, normalized EPS was CAD 0.49. Our narrow moat and stable moat trend ratings remain unchanged.

Emera's Florida utility continues to be well positioned for COVID-19 headwinds, similar to its peer utilities in the state. The state's higher mix of residential users supports higher base revenue amid shelter-in-place orders and an increase in working from home. The state has a relatively low mix of commercial and industrial sales, where utilities have seen the greatest headwinds from COVID-19.

Investments in solar and the Big Bend modernization projects also helped earnings. We estimate that the Florida subsidiary has significant investment opportunities in the state, aided by the continued adoption of solar energy, storm hardening, and population growth. We continue to view Florida as one of the premier regulatory jurisdictions for utilities.

Offsetting the benefits from Emera's Florida utilities were results at the company's Canadian electric utilities, which experienced lower sales from COVID-19 headwinds and unfavorable weather. Adjusting for normalized weather, the decline in sales was due to lower commercial and industrial volumes, partially offset by higher residential sales. The company's gas utilities and infrastructure utilities experienced similar trends.

Emera's CAD 7.5 billion three-year capital investment plan remains on track. Management notes there will be a slight shift of capital investment into 2021, in line with our expectations. The shift did not have a material effect on our fair value estimate. Management sees the potential for an additional CAD 200 million to CAD 500 million in capital expenditure.

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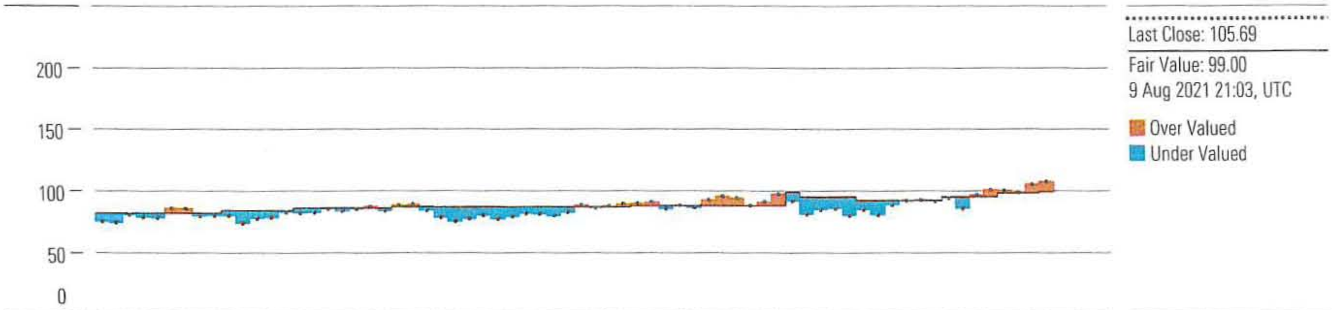
Competitors Price vs. Fair Value

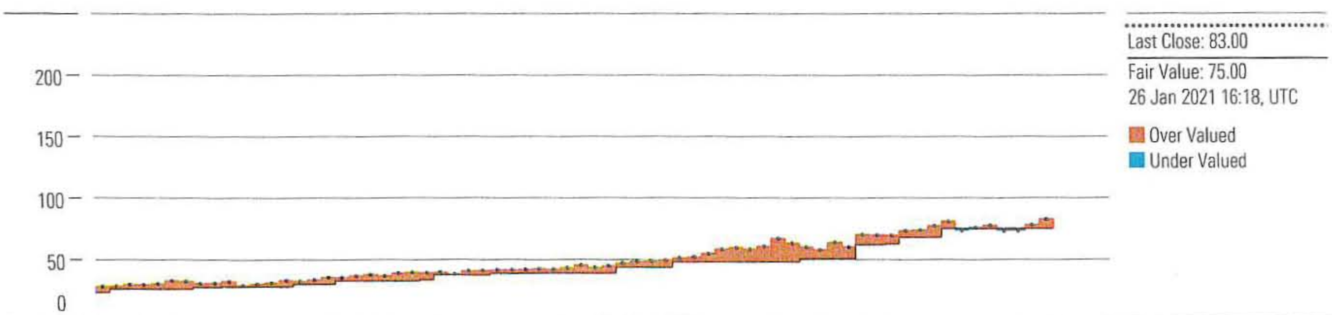
Duke Energy Corp DUK



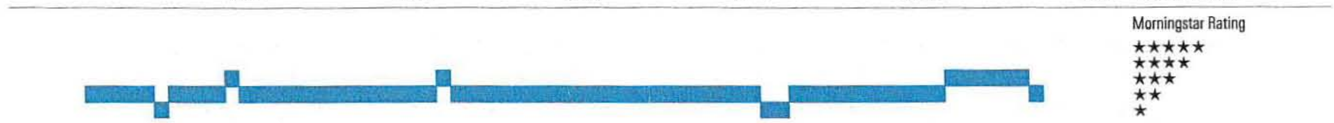
2016	2017	2018	2019	2020	YTD	
0.92	0.97	0.99	1.04	1.00	1.07	Price/Fair Value
13.43	12.86	6.93	10.03	4.57	19.12	Total Return %

Total Return % as of 11 Aug 2021. Last Close as of 12 Aug 2021. Fair Value as of 9 Aug 2021 21:03, UTC.

NextEra Energy Inc NEE



2016	2017	2018	2019	2020	YTD	
1.08	1.17	1.11	1.25	1.13	1.11	Price/Fair Value
18.34	34.04	14.13	42.19	29.75	7.76	Total Return %

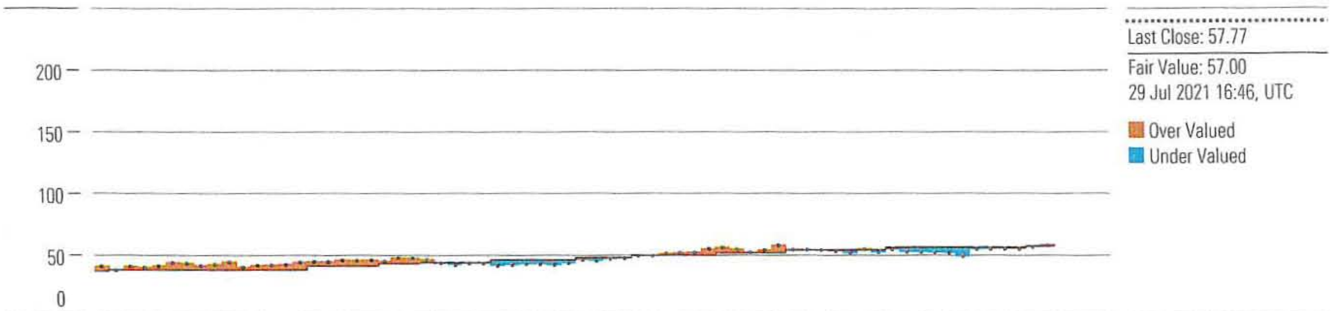


Total Return % as of 11 Aug 2021. Last Close as of 12 Aug 2021. Fair Value as of 26 Jan 2021 16:18, UTC.

Morningstar Equity Analyst Report | Report as of 12 Aug 2021 20:17, UTC | Reporting Currency: CAD | Trading Currency: CAD | Exchange: TORONTO STOCK EXCHANGE

Emera Inc EMA ★★★ 12 Aug 2021 20:16, UTC

Fortis Inc FTS



	2016	2017	2018	2019	2020	YTD	
	1.09	1.05	0.95	1.04	0.93	1.01	Price/Fair Value
	14.90	15.14	2.44	22.41	0.11	13.04	Total Return %

Total Return % as of 11 Aug 2021. Last Close as of 11 Aug 2021. Fair Value as of 29 Jul 2021 16:46, UTC.

Morningstar Equity Analyst Report | Report as of 12 Aug 2021 20:17, UTC | Reporting Currency: CAD | Trading Currency: CAD | Exchange: TORONTO STOCK EXCHANGE

Emera Inc EMA ★★★ 12 Aug 2021 20:16, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
58.91 CAD 12 Aug 2021	58.00 CAD 12 Aug 2021 20:12, UTC	1.02	15.03 CAD Bil 11 Aug 2021	Narrow	Stable	Low	Standard	4 Aug 2021 05:00, UTC

Morningstar Historical Summary

Financials as of 31 Mar 2021

Fiscal Year, ends 31 Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	TTM
Revenue (CAD Mil)	2,064	2,059	2,230	2,939	2,789	4,277	6,226	6,524	6,111	5,506	1,612	5,481
Revenue Growth %	28.5	-0.3	8.3	31.8	-5.1	53.3	45.6	4.8	-6.3	-9.9	-1.5	-7.6
EBITDA (CAD Mil)	674	715	806	1,094	1,113	1,356	2,373	2,457	2,420	2,903	728	2,371
EBITDA Margin %	32.6	34.8	36.1	37.2	39.9	31.7	38.1	37.7	39.6	52.7	45.2	43.3
Operating Income (CAD Mil)	318	347	407	667	508	555	1,418	1,398	1,377	1,172	437	1,188
Operating Margin %	15.4	16.8	18.3	22.7	18.2	13.0	22.8	21.4	22.5	21.3	27.1	21.7
Net Income (CAD Mil)	248	232	237	433	427	255	294	746	708	983	284	733
Net Margin %	11.7	10.7	9.8	13.8	14.2	5.3	4.3	10.9	10.9	17.0	17.0	12.6
Diluted Shares Outstanding (Mil)	126	125	133	147	146	172	214	234	240	248	254	250
Diluted Earnings Per Share (CAD)	1.97	1.76	1.64	2.82	2.71	1.32	1.24	3.04	2.76	3.78	1.08	2.72
Dividends Per Share (CAD)	1.31	1.36	1.41	1.48	1.66	2.00	2.13	2.28	2.38	2.48	0.64	2.50

Valuation as of 30 Jul 2021

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Recent Qtr	TTM
Price/Sales	2.2	2.1	1.9	2.0	2.2	2.1	1.6	1.6	2.1	2.4	2.6	2.7
Price/Earnings	18.2	19.7	16.9	20.0	17.6	19.9	17.7	44.6	18.9	15.5	20.7	21.4
Price/Cash Flow	7.6	11.0	9.8	7.6	8.3	7.3	8.1	6.5	8.3	9.1	9.3	9.7
Dividend Yield %	3.97	3.92	4.62	3.82	3.85	4.4	4.54	5.22	4.26	4.57	4.49	4.38
Price/Book	2.6	2.7	2.2	2.2	2.1	1.8	1.8	1.5	1.8	1.6	1.7	1.8
EV/EBITDA	11.1	12.0	10.1	9.0	9.6	18.3	11.1	10.8	12.2	10.3	0.0	0.0

Operating Performance / Profitability as of 31 Mar 2021

Fiscal Year, ends 31 Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	TTM
ROA %	3.7	3.1	2.7	4.3	3.6	1.1	0.9	2.3	2.1	3.0	0.9	2.1
ROE %	18.0	14.2	11.6	17.0	12.9	4.8	4.3	10.4	8.9	11.9	3.3	8.1
ROIC %	7.7	6.8	6.3	8.5	7.7	4.1	3.6	6.0	5.7	6.2	1.7	5.1
Asset Turnover	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.2

Financial Leverage

Fiscal Year, ends 31 Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Recent Qtr	TTM
Debt/Capital %	67.2	61.4	56.3	51.8	51.2	68.0	64.9	63.2	61.5	—	58.8	—
Equity/Assets %	21.0	22.0	23.6	27.3	29.0	20.5	22.2	22.6	23.7	—	26.6	—
Total Debt/EBITDA	5.8	6.4	6.4	4.6	5.1	13.0	7.1	7.7	7.4	—	23.8	—
EBITDA/Interest Expense	3.9	3.8	4.2	5.9	5.2	2.6	3.4	3.4	3.3	4.3	4.6	3.6

Morningstar Analyst Historical/Forecast Summary as of 12 May 2021

Financials

Fiscal Year, ends 31 Dec	2019	2020	2021 (Estimates)	2022 (Estimates)	2023 (Estimates)
Revenue (CAD Mil)	6,111	5,506	5,926	6,206	6,487
Revenue Growth %	-6.3	-9.9	7.6	4.7	4.5
EBITDA (CAD Mil)	2,254	2,046	2,383	2,612	2,842
EBITDA Margin %	36.9	37.2	40.2	42.1	43.8
Operating Income (CAD Mil)	1,343	1,147	1,453	1,646	1,843
Operating Margin %	22.0	20.8	24.5	26.5	28.4
Net Income (CAD Mil)	663	660	708	789	884
Net Margin %	10.9	12.0	11.9	12.7	13.6
Diluted Shares Outstanding (Mil)	240	248	248	259	269
Diluted Earnings Per Share(CAD)	2.76	2.66	2.85	3.05	3.29
Dividends Per Share(CAD)	2.38	2.48	2.58	2.68	2.79

Forward Valuation

	2019	2020	2021 (Estimates)	2022 (Estimates)	2023 (Estimates)
Price/Sales	2.2	2.5	2.5	2.4	2.3
Price/Earnings	20.2	20.3	20.8	19.4	18.0
Price/Cash Flow	-13.9	-13.8	-16.6	-14.5	-22.8
Dividend Yield %	4.27	4.58	4.35	4.52	4.71
Price/Book	—	—	—	—	—
EV/EBITDA	13.1	14.6	13.1	12.0	11.0

Research Methodology for Valuing Companies

Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

To assess the sustainability of excess profits, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

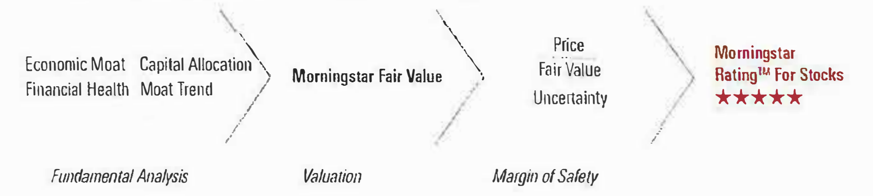
Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to

Morningstar Equity Research Star Rating Methodology



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Research Methodology for Valuing Companies

bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, exposure to material ESG risks, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate. In cases where there is less than a 25% probability of an event, but where the event could result in a material decline in value, analysts may adjust the uncertainty rating to reflect the increased risk. Analysts may also make a fair value adjustment to reflect the impact of this event.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

	Margin of Safety	
Qualitative Analysis Uncertainty Ratings	★★★★★Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

4. Market Price

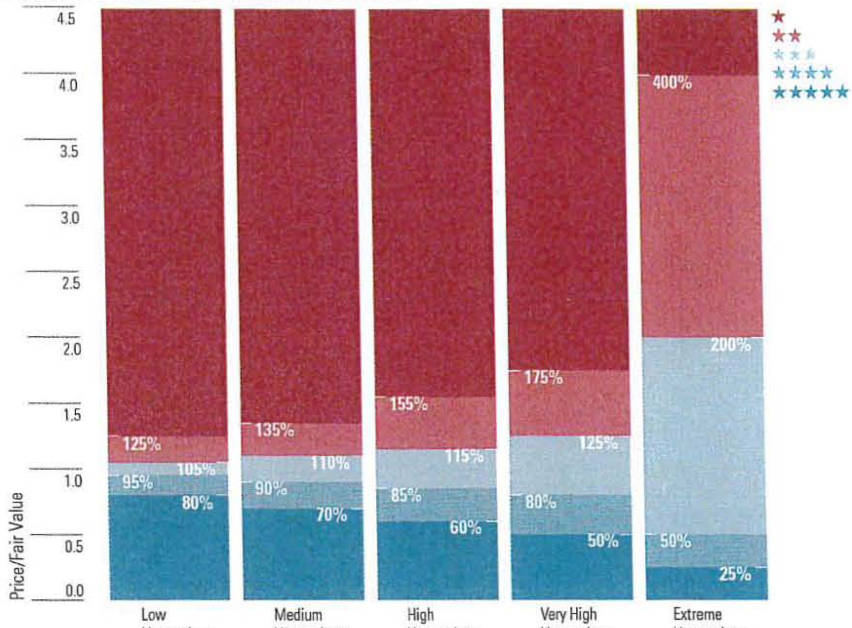
The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close

Morningstar Equity Research Star Rating Methodology



tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exem-

Research Methodology for Valuing Companies

plary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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Research Methodology for Valuing Companies

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