Progressive

Into 2024, valuation remains attractive as company pivots to growth

Reiterate Rating: BUY | PO: 261.00 USD | Price: 187.83 USD

04 March 2024

Equity

Key Changes

(US$)	Previous	Current
Price Obj.	256.00	261.00

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Progressive will seek to grow in 2024

The company hosted its year-end earnings conference call this week, signaling that it is fully leaning into growth in terms of ad spend as well as engagement with customers and agents. While it may not grow policycount quite as quickly as in the first half of 2023, December and January policycount growth indicate growth ahead of historical norms. A notable among of policy shedding, particularly in Florida, over the past many months has given the appearance of less growth in the long-term value Robinson category, but we believe this subsegment's growth will accelerate as these non-renewals fade into the past.

PGR consistently among top performers in S&P 500

While it is difficult for any stock to compete with NVDA's 69% CAGR performance over the past decade, Progressive's 25-26% performance CAGR puts it in the top quintile of S&P 500 stocks of $100bn or greater value. However, its 0.67 beta also puts it in the lowest quintile in terms of volatility. That daily volatility has only increasingly declined with time, showing a daily trading beta of just 0.21 over the past year. Were it not for LLY's incredible 148% run over the past year, Progressive would likely hold the crown for the S&P 500's most efficient stock: most return with least volatility.

Despite performance/consistency, no premium valuation

The S&P 500 currently trades at 18.9x 2025 consensus EPS, which Progressive trades at 17.7x consensus numbers, which we believe to be 31% too low and poised to materially rise. While some argue that Progressive shares seem expensive, the stock is trading in-line with its historical range on both absolute and relative-to-market multiples. There are some concerns that earnings are closer to peak than trough margins. We expect peak margins will be met in 2026. However, the stock currently is trading toward the bottom end of the range on "normalized" earnings multiples.

12-month Price Objective up to $261; remains Buy

We are increasing our price objective as the market has appreciated to trade at 18.9x (18.5x prior) 2025 forecasts over the past couple weeks. We value PGR shares at parity with the S&P 500. With plenty of upside potential, healthy business momentum and a lower risk profile than the broad market as well as peer stocks, we reiterate our Buy recommendation. We have decreased our expectations for catastrophe losses related to the February LA floods.

Estimates (Dec) (US$)	2022A	2023A	2024E	2025E	2026E
EPS	4.14	6.11	11.05	13.85	15.85
GAAP EPS	1.18	6.58	11.08	13.85	15.85
EPS Change (YoY)	14.0%	47.6%	80.9%	25.3%	14.4%
Consensus EPS (Bloomberg)			9.00	10.50	11.52
DPS	0.40	0.40	4.65	8.40	8.90
Valuation (Dec)					
P/E	45.4x	30.7x	17.0x	13.6x	11.9x
GAAP P/E	159.2x	28.5x	17.0x	13.6x	11.9x
Dividend Yield	0.2%	0.2%	2.5%	4.5%	4.7%

Stock Data

Price	187.83 USD
Price Objective	261.00 USD
Date Established	4-Mar-2024
Investment Opinion	B-1-7
52-Week Range	110.92 USD -193.95 USD
Mrkt Val / Shares Out (mn)	110,008 USD / 585.7
Free Float	99.7%
Average Daily Value	452.64 USD
BofA Ticker / Exchange	PGR / NYS
Bloomberg / Reuters	PGR US / PGR.N
ROE (2024E)	28.1%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

LLY: Eli Lilly

Refer to important disclosures on page 11 to 13. Analyst Certification on page 9. Price Objective Basis/Risk on page 9.

iQprofile℠ Progressive

Income Statement Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Earned Premiums	49,241	58,664	69,257	78,825	86,803
Net Investment Income	1,260	1,892	2,833	3,595	4,170
Total Revenue	**48,889**	**61,219**	**72,408**	**82,720**	**91,273**
Total Cost of Benefits and Claims	(38,123)	(45,650)	(51,168)	(58,018)	(63,846)
S,G & A (Including Commissions)	(9,055)	(10,018)	(12,445)	(13,797)	(14,983)
Total Operating Expenses	**(47,967)**	**(56,311)**	**(64,245)**	**(72,491)**	**(79,567)**
Pre-Tax Operating Earnings	**922**	**4,909**	**8,163**	**10,229**	**11,706**
Income Tax Expense	(201)	(1,001)	(1,638)	(2,045)	(2,340)
Operating Earnings After Tax	**2,430**	**3,591**	**6,499**	**8,144**	**9,326**
Net Income (Reported)	**2,457**	**3,628**	**6,512**	**8,184**	**9,366**
Diluted Shares	587	587	587	588	588
Operating Earnings Per Share	4.14	6.11	11.05	13.85	15.85
Net Income (Reported) Per Share	1.18	6.58	11.08	13.85	15.85

Balance Sheet Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Fixed Income Securities	NA	NA	NA	NA	NA
Total Cash and Investments	53,548	65,999	81,203	93,401	104,434
Total Assets	**75,465**	**88,691**	**101,142**	**112,247**	**124,533**
Reserves	30,359	34,389	38,726	43,750	49,277
LT Debt	6,388	6,889	7,389	8,389	9,389
Total Liabilities	**59,574**	**68,414**	**76,609**	**84,674**	**93,047**
Total Equity	**15,891**	**20,277**	**24,532**	**27,573**	**31,486**
Total Equity (Ex FAS 115)	**19,429**	**22,312**	**24,532**	**27,573**	**31,486**
Book Value per Share (Reported)	26.32	33.80	41.04	46.19	52.82
Book Value per Share (Ex FAS 115)	32.37	37.28	41.04	46.19	52.82

Ratios (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Expense Ratio	18.4%	17.1%	18.0%	17.5%	17.3%
Loss Ratio	77.4%	77.8%	73.9%	73.6%	73.6%
Combined Ratio	**95.8%**	**94.9%**	**91.9%**	**91.1%**	**90.8%**
Avg Assets / Avg Eq (Ex FAS 115) Ratio	3.9x	3.9x	4.1x	4.1x	4.0x

Growth Rates (YoY) (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Earned Premium	11.0%	19.1%	18.1%	13.8%	10.1%
Net Investment Income	46.4%	50.1%	49.8%	26.9%	16.0%
Total Revenue	4.0%	25.2%	18.3%	14.2%	10.3%
Operating Earnings per Share	14.0%	47.6%	80.9%	25.3%	14.4%
Asset	6.9%	17.5%	14.0%	11.0%	10.9%
Reported Book Value per Share	-13.3%	28.4%	21.4%	12.6%	14.4%

Performance Metrics (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Operating ROE	15.5%	21.4%	28.1%	29.9%	30.2%
Operating ROE (Ex FAS 115)	13.4%	18.0%	27.1%	29.9%	30.2%
Operating Return on Average Assets	3.3%	4.4%	6.8%	7.6%	7.9%
Operating Margin	5.0%	5.9%	9.0%	9.8%	10.2%
Long Term Debt to Cap Ratio (Ex FAS 115)	24.7%	23.6%	23.1%	23.3%	23.0%
Net Income % Operating Income	28.6%	107.8%	100.2%	100.0%	100.0%
Amtz of DAC % Pretax Profit bef Amtz of DAC	0%	0%	0%	0%	0%

Company Sector

Insurance - Non-Life

Company Description

Progressive derives most of its business from personal auto insurance policies. PGR operates in standard and preferred auto and is expanding distribution channels, which includes direct distribution and internet.

Investment Rationale

We believe that a combination of superior execution and a more rational competitive environment will allow Progressive to deliver on both premium growth and margins, a challenging balance to manage. In our view, the Street does not fully appreciate the earnings power or sustainability of Progressive's earnings, which is reflected in our above-consensus estimates.

Stock Data

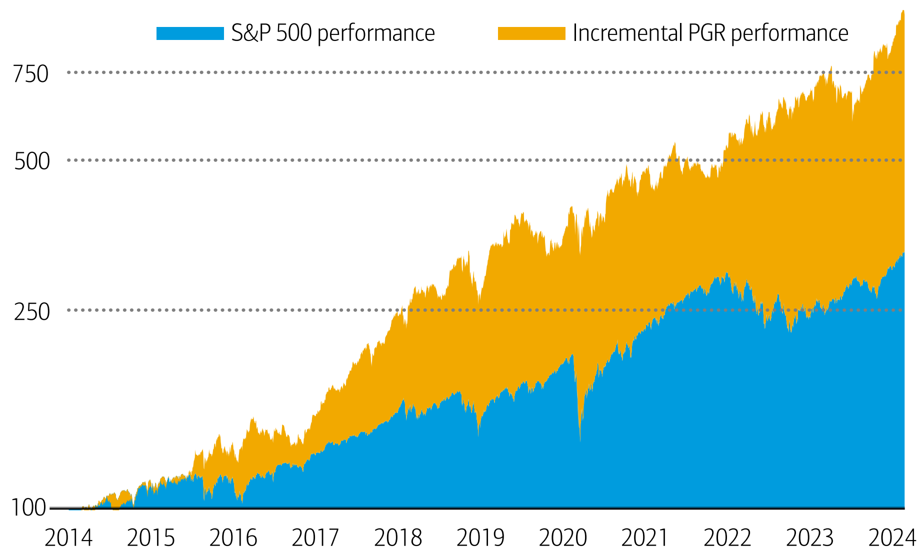
Average Daily Volume	2,409,829

Quarterly Earnings Estimates

	2023	2024
Q1	0.65A	2.81E
Q2	0.40A	2.70E
Q3	2.09A	2.63E
Q4	2.96A	2.92E

With shares up 32.5% over the past year, investors sentiment seems to be asking for a pullback in Progressive (PGR) shares before finding the stock more attractive. Shares are down 3.4% off an all-time high close over the past four trading days, while the S&P 500 is up 1.3%. 500bps of underperformance is nothing to sneeze at. In (see report) our seminal note from May 2023 where we define what we believe to be the six technologies that create Progressive's moat and success vs. competitors, we observe there have only been ten instances over the past decade where, from a new high, the stock has dropped by 10% and/or underperformed the market by at least 1,000bps. Opportunities to "buy the dip" have been rare, and the stock has roared back each time.

Exhibit 1: Progressive 10-Year Stock Performance vs. the S&P 500 (logarithmic axis)
Progressive shares are up 900% over the past decade, outperforming the S&P 500 by about 650%. The rise in PGR's value has generally been smooth, with a handful of dips along the way.



Source: Bloomberg

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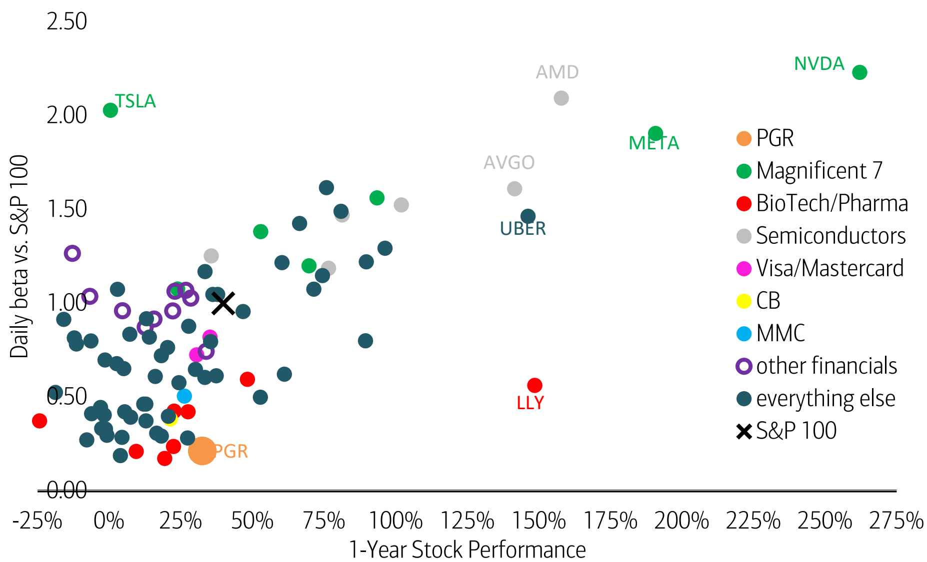
Further, to argue that the stock has been such an outperformer as to be seen as an outlier, does not appear to be supported by the evidence. While PGR shares are up 32.5% over the past year, the S&P 500 is up a not too dissimilar 32.0%, and the S&P 100 (focusing on the large-caps) is up 39.8%, particularly fueled by significant outperformers of the large semiconductor stocks, including NVIDIA. Furthermore, consensus year-ahead EPS estimates for Progressive are up 34% from where they were a year ago as compared with the S&P 500 broad index seeing EPS projections rise by 12% over the past year. The rise in Progressive shares certainly doesn't seem egregious with this backdrop.

The strength in the market has generally been that of a risk-on trade, with higher beta stocks leading the charge. Progressive's is generally viewed as "defensive growth," if such a category exists, but it is probably more proper to simply acknowledge the stock as "low beta." Over the past 12 months, the daily beta of Progressive shares has been a tiny 0.21, at the bottom rung of stocks along with a few biotech stocks and United Health. Since Jerome Powell and the Federal Reserve spoke on October 31, convincing investors that interest rate cuts were now a possibility, Progressive's daily trading beta has been zero.

Exhibit 2: One-year stock performance vs. daily beta for S&P 500 stocks with market capitalizations of over $100bn

While Progressive might be perceived as an outperformer over the past year, it has really been an in-line performer during a risk-on tape. However, it has achieved its approximate market-performing move with a daily trading beta near the lowest in the S&P 100.



Source: Bloomberg

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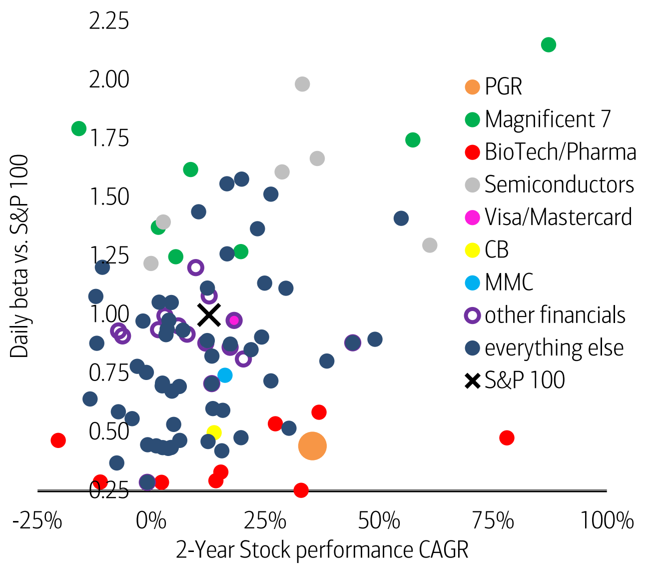
Arguably, a risk-on tape may have held back Progressive's shares as semiconductors and GLP1 pharmaceutical manufacturers dominated the financial news headlines. Over longer-periods of time, Progressive's performance relative to the market is even greater, albeit consistently bottom of market levels of daily beta. No stock has delivered better returns over the past decade with less volatility (except Eli Lilly due to its 150% upside over the past 12 months!).

Exhibit 3: Two-year stock performance CAGR vs. daily beta for S&P 500 stocks with market capitalizations of over $100bn

Two-year market performance shows low correlation between performance and volatility likely because of the risk-off market action of the prior year followed by a risk-on tape over the past year. Nonetheless, Progressive, delivered top quintile stock performance with "bottom" quintile daily beta.



Source: Bloomberg

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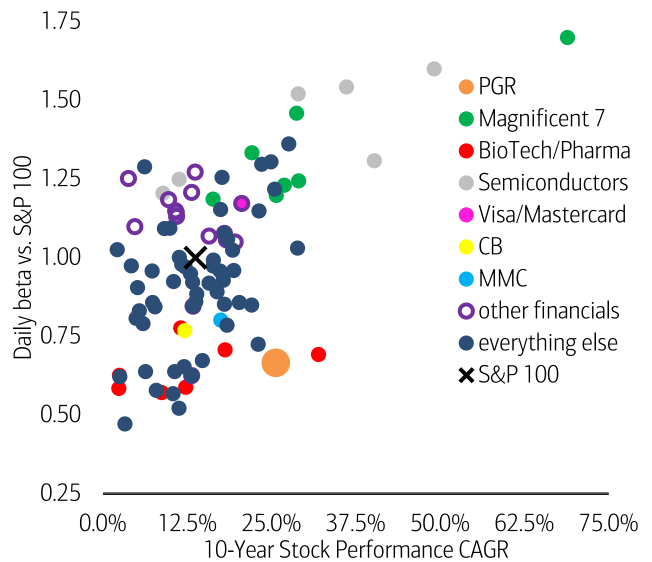
Exhibit 4: Ten-year stock performance CAGR vs. daily beta for S&P 500 stocks with market capitalizations of over $100bn

Over a decade-long period, Progressive's high return, low volatility stock performance is made even more clear (though still outshined by Eli Lilly). The 25-26% annual return over the past decade was achieved with no down years, and better return and a lower beta than any financial in the S&P 100.



Source: Bloomberg

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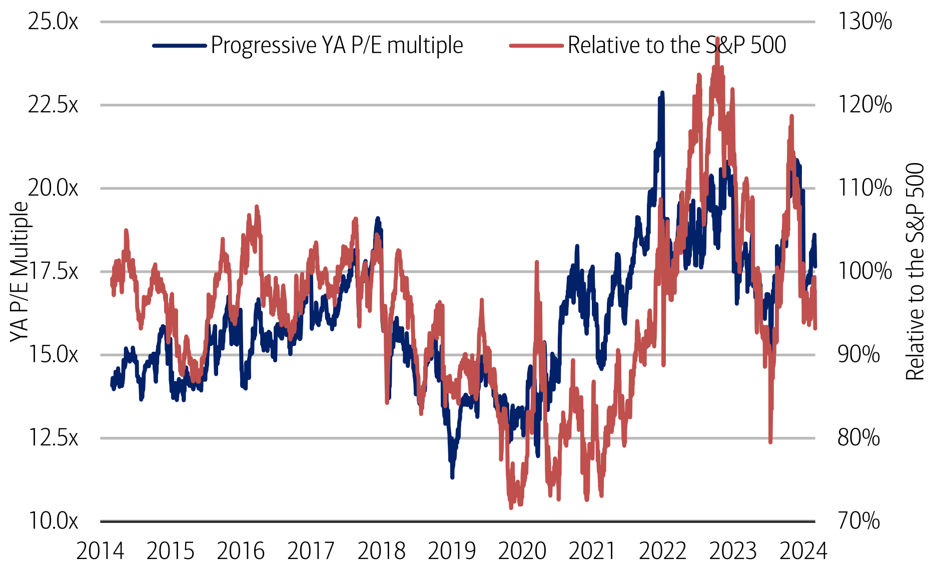
If Progressive's operational success over the past decade is the driving factor behind its stock performance (and, over a long period, we believe it is typically to overall factor), it seems reasonable to expect Progressive's past stock trajectory should continue. We believe that Progressive's ability to capture unit volume (policycount) growth in excess of 10% annual remains intact, and, assuming long-term vehicle loss cost repair inflation in the 4-5% range, mid-teens revenue growth seems likely for the foreseeable future without considering the potential for commercial and homeowners' business to substantially inflate it. Double-digit stock return over a multi-year period does not seem an unreasonable base case.

However, some investors argue that the stock has become too expensive. Commonly investors argue that 17.7x 2025 consensus EPS simply seems too much to pay for a stock like Progressive.

Exhibit 5: Progressive's year-ahead P/E multiple (on consensus): absolute and relative to the S&P 500
Progressive's shares, despite being labeled as trading at an elevated valuation, are not more expensive than where they have traded historically.



Source: Bloomberg

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We believe this argument is flawed for several reasons:

- **17.7x is not historically expensive**. Here is the average P/E multiple over the past 1- , 2-, 3- , 5-, and 10-year periods: 18.0x, 18.4x, 18.4x, 16.9x and 16.1x.
- **Stocks broadly are more expensive than they used to be.** Shares of Progressive currently trade at 93% of the S&P 500's P/E multiple of 18.9x. Here is the average relative P/E multiple over the past 1- , 2-, 3- , 5-, and 10-year periods: 100%, 107%, 101%, 94% and 95%.
- **Consensus numbers are too low.** Our high-on-the-Street EPS forecast of $13.85 is 31% higher than consensus of $10.60. Were the Street's forecast to move to ours, Progressive shares would be trading at 13.5x 2025 EPS and 71% of the S&P 500's P/E multiple. It is worth noting that the Street has been playing a game of catch up on Progressive's 2025 earnings forecasts, which seem to rise nearly every week from a bottom of $8.89 at the end of August 2023, consensus 2025 numbers have risen 19%.
- **Progressive's trading multiples have been consistently wrong.** The argument that an investor does not wish to pay higher multiple now than one would have to have paid in the past doesn't make sense. First, the stock isn't more expensive on an earnings valuation basis; however, more importantly, investors should have been willing to pay a higher multiple in the past than they did. The fact that the stock has returned a 25-26% CAGR over the past decade should tell investors that the historical multiples failed to appreciate the business's fair value.

A smarter objection to why Progressive's stock may look expensive is the concern over market cyclicality. From 2018-2020, the personal auto industry was in a period where its margins were above long-term averages. From 2021-2023, margins were below long-term averages. Progressive, which is typically ahead of the market trend was already over-earning (higher than average margins) in 2H23 and will likely be over-earning in 2024 and 2025. To these concerns we would note:

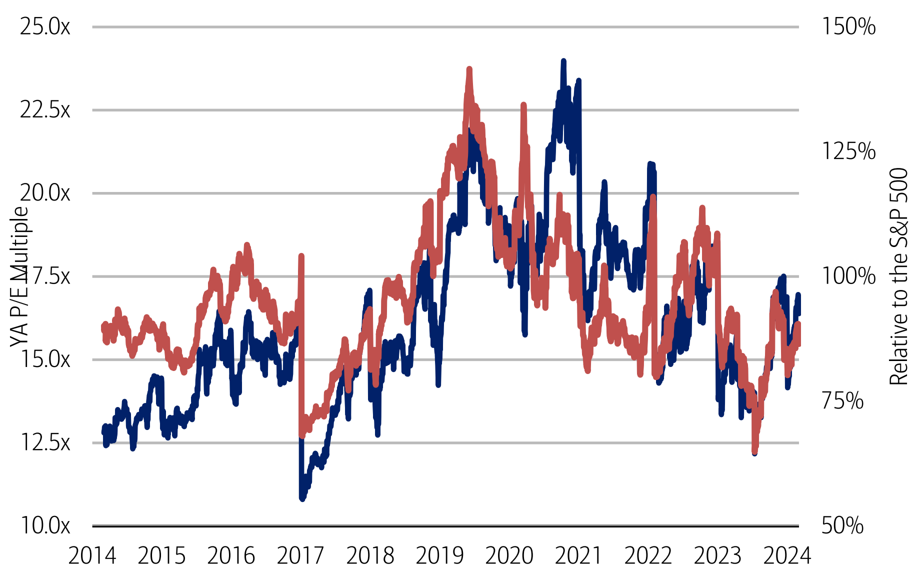
- **2018-2020 was a wonderful buying opportunity for Progressive shares.** For any shareholder with a multi-year investment horizon, shares of Progressive could have been bought at "peak over-earning" and still achieved healthy returns, outperformance vs. the market and a lower beta achieving those two things.

- **The stock does not appear expensive relative to the past on normalized earnings**. The stock appears to be in-line with long-term averages in a P/E basis and closer to the bottom of the range on a multiple relative to the S&P 500.

This concept of "normalized" earnings is a bit confusing. Over the past 5-, 10- and 20-years, Progressive's combined ratio has averaged 93%. It's been a little higher in recent years because of the addition of a catastrophe-exposed subscale homeowners' business venture begun in 2015. Perhaps that business does not run at a 93% combined ratio (but it may one day). It is possible to go back historically an replace Progressive's actual results by adjusting them as if the company had been generating a 93% combined ratio in the auto businesses and, say, a 100% combined ratio in the homeowners' business. We can run the historical price of the stock against this hypothetical time series instead of consensus's forecasts. For example, Progressive delivered $6.11/sh of operating earnings in 2023, but at a 93% combined for auto and a 100% combined for homeowners', it would have delivered $7.20/sh. For 2025, we are forecasting $13.85/sh of operating earnings, but we do believe Progressive will be over-earning at that time. At a 93% combined for auto and a 100% combined for homeowners', we would expect $11.42/sh and use that as the denominator in the year-ahead 2024 EPS calculation.

Exhibit 6: Progressive's year-ahead P/E multiple (on normalized EPS): absolute and relative to the S&P 500

Progressive shares currently trade within the normal trading range of P/E relative to normalized earnings. Furthermore, we would again make the observation that historical multiples have tended to undervalue Progressive's future stock performance.



Source: Bloomberg and BofA Global Research estimates

BofA GLOBAL RESEARCH

We estimate Progressive is currently trading at 16.4x "normalized" 2025 EPS. Here is the average P/E multiple on "normalized" earnings over the past 1- , 2-, 3- , 5-, and 10-year periods: 16.1x, 17.8x, 16.5x, 15.6x and 15.0x. Likewise, on "normalized" earnings, shares of Progressive currently trade at 86% of the S&P 500's P/E multiple of 18.9x. Here is the average relative P/E multiple over the past 1- , 2-, 3- , 5-, and 10-year periods: 95%, 99%, 90%, 91% and 84%.

One might make the observation that the multiple and relative multiple today doesn't feel like s "true bottom" the way it did in early 2017, muddling the "perfect" market timing signal to enter the stock. The truth is that it was not so obvious in early 2017 either. In early 2017, the market presumed that 2018 earnings would have a 35% corporate tax rate, which explains some of the discontinuity. Overall, we believe Progressive shares remain entirely attractive at this valuation. With 41% upside potential to our Price Objective of $261, we do not believe the trajectory of stock performance over the past decade for Progressive shares have slowed.

Price objective basis & risk

Progressive (PGR)

Our $261 price objective is based on the current S&P 500 P/E multiple for 2025 of 18.9x on our 2025E EPS forecast. Due to quickly accelerating EPS ahead of the market growth rate, as seen in 2016-2019, we believe Progressive shares should trade at a premium to market as its earnings accelerate. However, given a multiple valuation two years out, we only assume parity due to the necessarily decreased certainty in an out-year forecast.

Downside risks to our PO are 1) presented by the pressure from lower interest rates, causing a decline in earnings power and potentially leading the company to miss our EPS expectations, 2) the volatility associated with catastrophes, which also creates the risk of missing and exceeding our EPS outlook, 3) the impact of material pricing changes by major competitors, 4) the long-term impact of emergent technologies, such as ride-sharing applications and autonomously driven automobiles.

Analyst Certification

I, Joshua Shanker, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Insurance Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Aflac	AFL	AFL US	Joshua Shanker
	Allstate Corp.	ALL	ALL US	Joshua Shanker
	Arch Capital	ACGL	ACGL US	Joshua Shanker
	Assurant	AIZ	AIZ US	Grace Carter, CFA
	Axis Capital	AXS	AXS US	Joshua Shanker
	BRP Group, Inc.	BRP	BRP US	Joshua Shanker
	Cincinnati Financial Corporation	CINF	CINF US	Grace Carter, CFA
	Corebridge Financial	CRBG	CRBG US	Joshua Shanker
	Everest Group Ltd	EG	EG US	Joshua Shanker
	Intact Financial	YIFC	IFC CN	Grace Carter, CFA
	Intact Financial	IFCZF	IFCZF US	Grace Carter, CFA
	MetLife	MET	MET US	Joshua Shanker
	Progressive	PGR	PGR US	Joshua Shanker
	RenaissanceRe	RNR	RNR US	Joshua Shanker
	The Hartford	HIG	HIG US	Joshua Shanker
	Voya	VOYA	VOYA US	Joshua Shanker
	W.R. Berkley	WRB	WRB US	Joshua Shanker
NEUTRAL				
	American International Group	AIG	AIG US	Joshua Shanker
	Aon	AON	AON US	Joshua Shanker
	Brown & Brown	BRO	BRO US	Grace Carter, CFA
	Lincoln National	LNC	LNC US	Joshua Shanker
	Marsh McLennan	MMC	MMC US	Joshua Shanker
	Principal Financial Group	PFG	PFG US	Joshua Shanker
	Prudential Financial	PRU	PRU US	Joshua Shanker
	The Hanover	THG	THG US	Grace Carter, CFA
	Trupanion	TRUP	TRUP US	Joshua Shanker
	Unum	UNM	UNM US	Joshua Shanker
UNDERPERFORM				
	Arthur J. Gallagher & Co.	AJG	AJG US	Joshua Shanker
	Chubb Ltd	CB	CB US	Joshua Shanker
	CNA Financial	CNA	CNA US	Joshua Shanker
	Goosehead Insurance Inc.	GSHD	GSHD US	Joshua Shanker
	Selective	SIGI	SIGI US	Grace Carter, CFA

US - Insurance Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Travelers Cos	TRV	TRV US	Joshua Shanker
	Willis Towers Watson	WTW	WTW US	Joshua Shanker

*iQ*method[SM] Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings	**Numerator**	**Denominator**
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt – Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	**Numerator**	**Denominator**
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

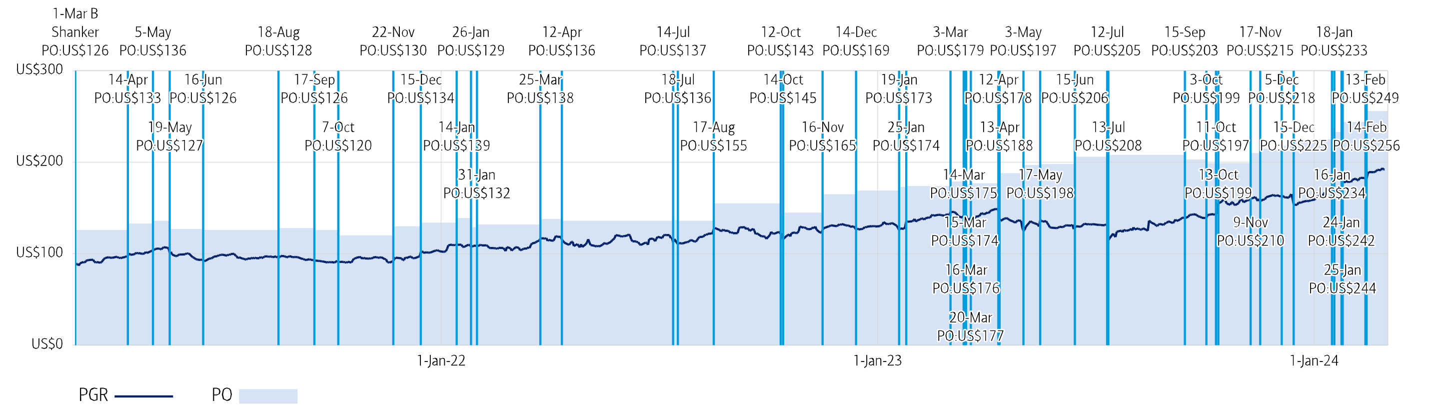
iQmethod[SM] is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase® is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

Disclosures

Important Disclosures

Progressive Corp (PGR) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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