

Hims & Hers

Value of the brand continues to grow and resonate with consumers

Reiterate Rating: BUY | PO: 14.50 USD | Price: 10.25 USD

Long pathway for revenue growth and operating leverage

HIMS reported another good quarter and provided first time 2024 revenue/EBITDA guidance that was significantly ahead of expectations ([link to our first take note here](#)). HIMS continues to differentiate itself from other digital health peers, driving notable revenue growth and simultaneous margin expansion. Just as important, HIMS is addressing several independently large addressable markets like mental health, sexual health, dermatology and weight loss (which impacts 100MM people in the United States). We think the bear thesis (that gross margins and pricing power are both unsustainable) fails to take into account how important convenience is for HIMS' customers. As HIMS continues to grow, it will also be able to acquire prescription drugs more cheaply and further scale operating expenses, which will allow the company to continue to acquire more customers. HIMS' size and scale at \$1Bn+ revenue in 2024 is already a differentiator and the relative benefits should become even more apparent as many of HIMS' peers are struggling or are unable to invest in advertising/marketing. Reiterate Buy; increase PO to \$14.50 ~2.5x EV/2024 rev (implied ~9x EV/27 EBITDA).

Raising our revenue and EBITDA estimates

We raise our FY24 revenue estimate from \$1,136.4MM to \$1,196.4MM and adjust our FY25 estimate from \$1,463.9MM to \$1,495.8MM. We are increasing our FY24 adj. EBITDA estimate from \$65.3MM to \$109.1MM and our FY25 adj. EBITDA estimate from \$110.3MM to \$160.8MM. We adjust our revenue estimates to reflect stronger core growth in FY24. Our model now reflects more operating leverage driven by lower marketing and SG&A spend in FY24 and FY25. With this note, we also roll out our FY24 quarterly and FY27 annual estimates. HIMS expects to have adjusted EBITDA margins of at least low to mid-teens by 2027 and within the long-term margin range of 20-30% no later than 2030, with the 2027 commentary driving our estimates higher.

Catalysts going forward: Execution on FY24 guide

Going forward, we will be looking for any further momentum in new categories as the company looks to continue its growth opportunity after expecting to hit the FY25 targets for \$1.2Bn in revenue and \$100MM in adj. EBITDA a year early. Execution toward the FY24 guide will be key. We will also look for traction on newly launched categories including weight-management in the coming months as well as broader script trends.

| Estimates (Dec) (US\$) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------|--------|--------|--------|--------|-------|
| EPS | (0.31) | (0.10) | 0.13 | 0.26 | 0.45 |
| GAAP EPS | (0.40) | (0.11) | (0.11) | 0.02 | 0.21 |
| EPS Change (YoY) | 43.6% | 67.7% | NM | 100.0% | 73.1% |
| Consensus EPS (Bloomberg) | | | 0.08 | 0.31 | 0.48 |
| DPS | 0 | 0 | 0 | 0 | 0 |
| Valuation (Dec) | | | | | |
| P/E | NM | NM | 78.8x | 39.4x | 22.8x |
| GAAP P/E | NM | NM | NM | 512.5x | 48.8x |
| EV / EBITDA* | NM | 39.5x | 17.9x | 12.1x | 8.6x |
| Free Cash Flow Yield* | -1.6% | 2.2% | 4.6% | 6.5% | 9.2% |

* For full definitions of *IQmethod*SM measures, see page 10.

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12664187

Timestamp: 27 February 2024 05:00AM EST

27 February 2024

Equity

Key Changes

| (US\$) | Previous | Current |
|------------------|----------|---------|
| Price Obj. | 12.50 | 14.50 |
| 2024E EPS | -0.03 | 0.13 |
| 2025E EPS | 0.11 | 0.26 |
| 2026E EPS | 0.23 | 0.45 |
| 2024E EBITDA (m) | 65.3 | 109.1 |
| 2025E EBITDA (m) | 110.3 | 160.8 |
| 2026E EBITDA (m) | 153.1 | 228.2 |

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Stock Data

| | |
|---------------------------------|----------------------|
| Price | 10.25 USD |
| Price Objective | 14.50 USD |
| Date Established | 27-Feb-2024 |
| Investment Opinion | C-1-9 |
| 52-Week Range | 5.65 USD - 12.34 USD |
| Mrkt Val (mn) / Shares Out (mn) | 2,110 USD / 205.9 |
| Free Float | 67.9% |
| Average Daily Value (mn) | 25.70 USD |
| BofA Ticker / Exchange | HIMS / NYS |
| Bloomberg / Reuters | HIMS US / HIMS.N |
| ROE (2024E) | 7.3% |
| Net Dbt to Eqty (Dec-2023A) | -28.1% |
| ESGMeter TM | Medium |

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"](#).

iQprofileSM Hims & Hers

iQmethodSM – Bus Performance*

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------|--------|-------|-------|-------|-------|
| Return on Capital Employed | -18.0% | -7.3% | 5.2% | 10.3% | 14.5% |
| Return on Equity | -19.5% | -6.4% | 7.3% | 11.9% | 15.9% |
| Operating Margin | -12.5% | -3.1% | 2.3% | 4.8% | 7.2% |
| Free Cash Flow | (34) | 47 | 96 | 136 | 194 |

iQmethodSM – Quality of Earnings*

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|--------------------------|--------|--------|--------|--------|--------|
| Cash Realization Ratio | NM | NM | 4.6x | 2.9x | 2.2x |
| Asset Replacement Ratio | 1.0x | 2.8x | 2.8x | 2.3x | 1.8x |
| Tax Rate | 0.1% | NM | 22.5% | 25.0% | 25.0% |
| Net Debt-to-Equity Ratio | -15.0% | -28.1% | -38.0% | -46.9% | -54.7% |
| Interest Cover | NA | NA | NA | NA | NA |

Income Statement Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------------|--------------|--------------|-----------|---------------|--------------|
| Sales | 527 | 872 | 1,196 | 1,496 | 1,839 |
| % Change | 93.8% | 65.5% | 37.2% | 25.0% | 23.0% |
| Gross Profit | 409 | 715 | 980 | 1,199 | 1,442 |
| % Change | 99.9% | 74.9% | 37.1% | 22.4% | 20.3% |
| EBITDA | (16) | 50 | 109 | 161 | 228 |
| % Change | 47.5% | NM | 120.4% | 47.4% | 41.9% |
| Net Interest & Other Income | 3 | 8 | 10 | 9 | 9 |
| Net Income (Adjusted) | (63) | (21) | 29 | 60 | 106 |
| % Change | 38.5% | 66.7% | NM | 110.6% | 75.3% |

Free Cash Flow Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|--|--------------|-----------|---------------|--------------|--------------|
| Net Income from Cont Operations (GAAP) | (63) | (21) | 29 | 60 | 106 |
| Depreciation & Amortization | 7 | 10 | 13 | 16 | 20 |
| Change in Working Capital | (14) | 21 | 22 | 24 | 29 |
| Deferred Taxation Charge | NA | NA | NA | NA | NA |
| Other Adjustments, Net | 43 | 64 | 69 | 73 | 76 |
| Capital Expenditure | (7) | (26) | (36) | (37) | (37) |
| Free Cash Flow | -34 | 47 | 96 | 136 | 194 |
| % Change | 14.3% | NM | 105.1% | 41.6% | 42.3% |
| Share / Issue Repurchase | 1 | (11) | 0 | 0 | 0 |
| Cost of Dividends Paid | 0 | 0 | 0 | 0 | 0 |
| Change in Debt | 0 | 0 | 0 | 0 | 0 |

Balance Sheet Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------------------|------------|------------|------------|------------|------------|
| Cash & Equivalents | 47 | 97 | 168 | 270 | 414 |
| Trade Receivables | 0 | 0 | 0 | 0 | 0 |
| Other Current Assets | 170 | 168 | 184 | 201 | 223 |
| Property, Plant & Equipment | 11 | 36 | 62 | 86 | 108 |
| Other Non-Current Assets | 139 | 140 | 162 | 194 | 239 |
| Total Assets | 366 | 441 | 576 | 751 | 983 |
| Short-Term Debt | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 48 | 88 | 122 | 161 | 208 |
| Long-Term Debt | 0 | 0 | 0 | 0 | 0 |
| Other Non-Current Liabilities | 7 | 9 | 12 | 15 | 18 |
| Total Liabilities | 55 | 97 | 134 | 176 | 226 |
| Total Equity | 312 | 344 | 442 | 575 | 757 |
| Total Equity & Liabilities | 366 | 441 | 576 | 751 | 983 |

* For full definitions of iQmethodSM measures, see page 10.

Company Sector

Healthcare Technology & Distribution

Company Description

Hims & Hers is a technology-enabled pharmacy designed to primarily address various chronic conditions with a heavy focus on a younger "millennial" patient population. The company pursues targeted direct marketing for drug classes that have a high degree of generic drug prevalence, using a tele-pharmacy model to prescribe and ship drugs directly to a member's home.

Investment Rationale

We see an opportunity for HIMS to capitalize on its core market, targeting primarily cash-pay/generic drugs. We also see the ramp in categories such as hair loss, erectile dysfunction, and dermatology as strong places to start, while primary care serves as a sizable opportunity. Given the scale in these core markets, the breakeven EBITDA is impressive and should set HIMS up for ongoing profitable growth.

Stock Data

Average Daily Volume 2,506,858

Quarterly Earnings Estimates

| | 2023 | 2024 |
|----|--------|------|
| Q1 | -0.05A | NA |
| Q2 | -0.03A | NA |
| Q3 | -0.03A | NA |
| Q4 | 0.01A | NA |

4Q'23 call takeaways

Prepared Remarks

- Over 1.5MM subscribers on platform as of the end of FY23
- Delivered first quarter of positive net income
- Continued to excel in providing users with access
- Core specialties: men's sexual health, men's and women's dermatology, mental health, weight loss (launched in 4Q)
- Move beyond generics for personalized treatments
- Personalized offerings adopted by +30% of subscribers at year-end
- Substantial runway for growth remains as HIMS evolves its offerings
- New users are increasingly opting to unique approaches to individualized care
- Subscribers to new weight loss offerings are all offering to personalized treatment
- Continue to see rapid adoption of personalized specialties
- Strong momentum of the past 6 years continue into 2024
- FY25 target of \$1.2Bn revenue and \$100 EBITDA
- Tracking towards first year of positive net income in 2024
- In 2024 expect personalization to be foundational
- +85% of orders through affiliated pharmacies allow for scale and value passed down to users

Financials

- Revenue of \$246.6MM, up 47% y/y
 - Driven by ongoing expansion of subscriber base
 - Over the course of 2023, continued to evolve the suite of personalized offerings
- Shift towards affiliated pharmacies allowed HIMS to offset gross margin impact from pricing strategy
- Exited 2023 with +85% orders filled via affiliated pharmacies
- Gross margin of 83% vs. 79% in prior year
 - Greater scale will allow HIMS to drive more efficiency
- Net income of \$1.2MM vs. a net loss of \$(10.9)MM in the prior year
- Adjusted EBITDA was \$20.6MM vs. \$3.9MM in prior year
- Net cash provided by operating activities was \$22.0MM vs. \$(6.7)MM in prior year
- Free Cash Flow was \$10.8MM vs. \$(9.3)MM in prior year



- Intend to leverage balance sheet to improve portfolio and personalized offerings
- 1Q'24 guidance
 - Revenue of \$267-\$272MM, up 40-43% y/y
 - Adjusted EBITDA of \$22-\$27MM, reflecting an adj. EBITDA margin of 8%-10%
- FY24 guidance
 - Revenue of \$1.17-\$1.20Bn, up 34-38% y/y
 - Adjusted EBITDA of \$100-\$120MM, reflecting an adj. EBITDA margin of 9%-10%
- 2024 to be first full year of generating positive net income
- Low to mid-teens adj. EBITDA in 2027
- Will be within our long-term margin range no later than 2030
- Can increase conversion and retention by offering high quality personalized solutions
- Majority of marketing spend goes to acquisition of new users

Q&A

- Line of sight into new HER's categories and marketing expectations
 - For emerging categories, seeing massive adoption of personalized categories
 - Seeing a great dynamic with regard to stickiness
 - Given size of the markets and unique mass market pricing/personalized approach have high conviction to contribute to long-term goals
 - Historically, had targeted and broad ads. Many investments in social tends to be mid and later funnels
 - In 2022-2023, started to scale broad based brand spend to be aware of holistic set of conditions offered
- Margin profile in 4Q and margin trajectory into 2024
 - In the near to mid-term, view maintaining relationships as strategic
 - With regard to affiliated pharmacies targeting mid to high 70s, but will take a few years to get there
 - Can leverage balance sheet to drive balance sheet
- Any degradation in marketing efficiency and any color on churn/retention rates
 - Focal point on maintaining payback period of less than a year
 - Customer Acquisition Cost (CAC) tends to fluctuate across quarters

- Broad based campaigns – seeing that show up
- Have a diversified set of products across the ecosystem
- Differentiated offering resonates across the user base
- Vast majority of spend goes to acquisition of new customers, so as HIMS build base of existing users this results in more leverage
- On mental health there continues to be artificial intelligence to increase personalized treatment options
- Run-rate for CapEx and investments in the website/app in 2024 and beyond
 - Will vary q/q
 - (1) Expanding capabilities and capacity
 - (2) different scale profile to leverage affiliated pharmacy
- New product launches assumed in guidance
 - Have seen very rapid adoption as HIMS rolled out new products
 - Things that can drive further upside is faster adoption
 - Still in the early days of weight management (platform will evolve), takes 12-18 months to see meaningful contribution from categories
 - Focus this year on depth (on core specialties)
 - Total addressable market is massive with 1-3% penetration rates
 - Continuing to go deeper in core specialties as well as technology capabilities to strengthen confidence from a consumer perspective
- Retention rate trends and assumptions
 - Excited about adoption of personalized products
 - As a greater share of users shift to products, retention will be more sticky especially around more tenured specialties
 - Will start to lap price effect from 2Q of last year
 - As HIMS puts many of the personalized offerings at attractive price points, will see potential for higher retention from new and existing users (products are differentiated at cost effective price points)
 - Retention to continue to improve in 2024 which is reflect in the stronger guide
- Contribution with regard to emerging categories
 - Seeing emerging categories (dermatology, weight loss) show exceptional signs of momentum
 - High adoption of personalized product reflect stickiness of customer profiles



- Composition of growth – more and more of that composition is moving towards emerging categories
- Seeing an acceleration in more tenured categories
- Seeing a ramp up happening with the emerging categories
- As HIMS started to roll out personalized products within tenured specialties, saw rapid adoption across the portfolio
- Able to take historical learnings across different areas and rapidly deploy them in new offerings
- Cross sell opportunities and any change in growth algorithm
 - Focus remains on expanding the subscriber base
 - Overall total addressable market is massive (+100MM users across the country)
 - Starting to see HIMS innovate with personalized offerings such as with MedMatch
 - Subscriber growth the primary metric
 - Platform is moving away from the simplistic concept of cross sell and more focused on holistic care
- Weight loss traction and pricing for products within this program
 - Excited by the launch
 - Have been refining the clinical offering under weight management
 - Treating areas such as Insulin resistance, metabolic disorder, eating dynamics, depressive binge dynamics
 - Pricing that in the range of \$70 per month
 - Expect in the coming year for GLP-1 to be on the platform and plan to continue to expand the portfolio/offering with the category to be a massive contributor to growth
- Monthly ramp for subscribers and average order value
 - Combination of customers tending to go towards longer duration subscription (higher basket and longer-term commitment at a lower monthly rate)
 - As a result of some pricing changes, seeing a greater share of users opting for longer duration subscriptions
 - Some q/q adjustments in the overall product mix
 - Has been relatively stable over the past few quarters
- Free cash flow expectations for FY24 and capital deployment
 - Like the optionality cash provides on the balance sheet

- Seeing operating cash flow accelerate meaningfully, north of \$70MM of operating cash flow
 - See meaningful opportunities to introduce new capabilities (affiliated pharmacy and broader set of personalized offering), also see opportunity for M&A (setting a high bar)
 - M&A would be around expanding new capabilities similar to Apostrophe or to increase efficiency
 - Opportunistic with M&A, but primarily centered around new capabilities vs. acquisition of revenue
- Flexibility in incremental pricing adjustments
 - Pleased with actions taken in 2023 to enable new users into the ecosystem
 - Considering several factors including yielding higher net present value
 - Continuing to experiment the right mix to pass through value to consumers
- Inputs into pricing actions
 - Less around the external environment/external factors
 - More around experimentation in the ecosystem
 - Having 1.5MM subscribers, HIMS can move experiments at any given time
- Gross margin and assumptions for 2024
 - Takes time to identify the most optimal opportunities
 - Likely to be a multi-year journey for the path to mid to high 70s
- Opportunities to introduce new products around weight management
 - Can bring true necessities of what is needed for success
 - Each category has a different component for that
 - For obesity management it's a wide range (pharma intervention, caloric/nutrition, movement, water intake, protein, mental health, etc.)
 - Category is one where you need all hands on deck
- Any data around change in spend per subscriber
 - Have not disclosed
 - Personalization adoption – have gone from 0 to north of 30% on the platform being treated with a personalized offering
- Gross margins and pricing for customer benefits; potential variability
 - Across a variety of different improvements to model and giveback to consumers



- Given HIMS is looking to add tens of millions of subscribers, started to run different scenarios
- Can offer both premium and mass market at a margin profile that lands in the mid-70s (will take some time)
- Margins may expand as HIMS unlocks efficiencies in advance of that

Price objective basis & risk

Hims & Hers (HIMS)

Our \$14.50 price objective is based on about 2.5x our CY24 revenue estimate. We use a range of health IT companies, both newer digital health as well as more traditional software for comparison, comparing relative growth and relative margin rates, with the digital health side being more representative. Given relative growth rates, spend levels, and margin characteristics, our target multiple is in-line with some of the other digital health companies that are currently unprofitable.

Downside risks are lack of differentiation vs. more traditional pharmacy providers, a limited number of disease categories serviced, the need to continue to spend on both R&D and sales & marketing to remain competitive, and a slower return of overall market script growth post-COVID. Upside risks are increased demand from consumer-oriented disease categories, faster growth from targeted marketing spend (leading to stronger LTV/CAC), and potential upside from moving into new disease categories.

Analyst Certification

I, Allen Lutz, CFA, 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 - Healthcare Technology & Distribution Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|----------------------------|-------------|------------------|-----------------|
| BUY | | | | |
| | Accolade | ACCD | ACCD US | Allen Lutz, CFA |
| | American Well Corp | AMWL | AMWL US | Allen Lutz, CFA |
| | Cencora Inc | COR | COR US | Allen Lutz, CFA |
| | CVS Health | CVS | CVS US | Allen Lutz, CFA |
| | Definitive Healthcare Corp | DH | DH US | Allen Lutz, CFA |
| | dentalcorp | YDNTL | DNTL CN | Allen Lutz, CFA |
| | Envista | NVST | NVST US | Allen Lutz, CFA |
| | HealthEquity Inc | HQY | HQY US | Allen Lutz, CFA |
| | Hims & Hers | HIMS | HIMS US | Allen Lutz, CFA |
| | McKesson | MCK | MCK US | Allen Lutz, CFA |
| | Omniceil Inc. | OMCL | OMCL US | Allen Lutz, CFA |
| | Patterson Companies | PDCO | PDCO US | Allen Lutz, CFA |
| | Progyny | PGNY | PGNY US | Allen Lutz, CFA |
| NEUTRAL | | | | |
| | Cardinal Health | CAH | CAH US | Allen Lutz, CFA |
| | Dentsply Sirona, Inc. | XRAY | XRAY US | Allen Lutz, CFA |
| | Doximity Inc | DOCS | DOCS US | Allen Lutz, CFA |
| | Teladoc Health | TDOC | TDOC US | Allen Lutz, CFA |
| UNDERPERFORM | | | | |
| | GoodRx | GDRX | GDRX US | Allen Lutz, CFA |
| | Henry Schein | HSIC | HSIC US | Allen Lutz, CFA |
| | Owens & Minor | OMI | OMI US | Allen Lutz, CFA |
| | Premier, Inc. | PINC | PINC US | Allen Lutz, CFA |
| | Walgreens Boots Alliance | WBA | WBA US | Allen Lutz, CFA |



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM 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.

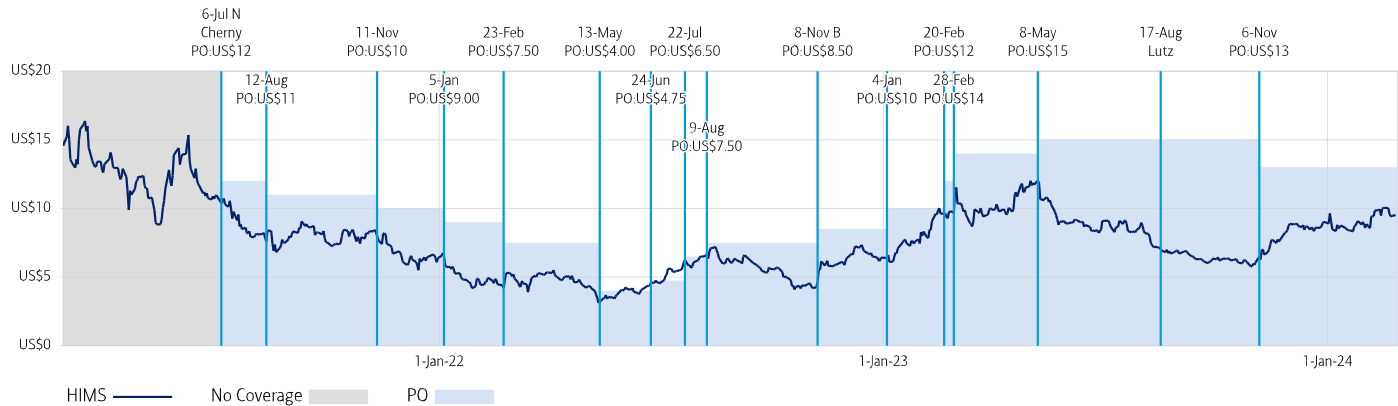
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Disclosures

Important Disclosures

Hims & Hers (HIMS) 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: Health Care Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 234 | 60.94% | Buy | 115 | 49.15% |
| Hold | 80 | 20.83% | Hold | 36 | 45.00% |
| Sell | 70 | 18.23% | Sell | 29 | 41.43% |

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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