

DoorDash

Shift to New Verticals limits near-term profit upside, supports L.T. growth; Buy

Reiterate Rating: BUY | PO: 139.00 USD | Price: 126.27 USD

DASH beats across most metrics; EBITDA in-line

Reported Rev/EBITDA of \$2.30bn/\$363mn vs. Street at \$2.24bn/\$356mn. Gross Margin at 48.5% was below Street at 48.8%, and EBITDA margin at 15.8% was 10bps below Street. 1Q GOV guide of \$18.5bn-18.9bn was above Street at \$18.6bn, and 1Q EBITDA guide at \$320-380mn bracketed Street at \$360mn. FY24 guide for \$74-78bn in GOV bracketed Street at \$76.5bn, and EBITDA guide for \$1.5bn-\$1.9bn bracketed at \$1.6b.

Impressive Shift to New Verticals is N.T. margin headwind

Although bulls had high hopes for FY24 EBITDA guide, we were pleasantly surprised with \$1.9bn on upper end (in our preview we suggested \$1.5b-\$1.75b was likely), particularly given the recent deceleration in Online Restaurant growth. Despite the decel. DASH is maintaining its high growth profile with a mix-shift to New Verticals and Int'l, which is a margin headwind. Mgmt disclosed that New Verticals' order growth has accelerated for 3 straight quarters; DASH is likely to outgrow rest of industry in New Verticals in '24.

Estimate Changes: Raising 2024E EBITDA substantially

Our forward GOV ests. are mostly unchanged, but revenue is higher on take rate improvement (efficiency, ads) which flows through to Gross Margin. We also model additional leverage in S&M, starting in 3Q'24. For 1Q'24E, we leave Marketplace GOV unchanged at \$18.97bn, raise Revenue by 1% to \$2.47bn, and raise EBITDA estimate by 3% to \$376mn. For 2025E (important for valuation), we raise GOV/Revenue/EBITDA to \$89.3bn/\$11.97bn/\$2.17bn vs. \$89.1bn/\$11.58bn/\$1.52bn prior.

Expectations were high, but still strong growth + margin

DASH suffered from high expectations, with bulls looking for \$2.0bn+ for the upper-end of FY24 guidance. We estimate DASH already reached \$2bn in Core US Restaurant EBITDA in 2023, but with various investment areas in grocery, retail, and international, near-term company-wide incremental margins don't have the upside of others in the peer group (UBER at 7%+, DASH at 5%). That said, DASH still carries a strong growth and margin profile relative to peers, likely exiting 2024 with a 20%+ EBITDA margin on revenue (and FCF exceeded EBITDA this Q). We switch valuation basis from Core US Restaurant to Total Revenue based on comp group of FANG + Uber. With DASH at above avg. growth (17.5% avg. for '24-'25, comps at 14.5%) we select a slight premium to comps at 4.8x 2025E revenue. Our 5x multiple gets us to \$139 PO. Reiterate Buy.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(3.67)	(1.43)	0.05	0.40	0.80
EPS Change (YoY)	-164.0%	61.0%	NM	700.0%	100.0%
Consensus EPS (Bloomberg)			0.90	1.60	2.51
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	2,525.4x	315.7x	157.8x
EV / EBITDA*	119.6x	36.4x	23.5x	19.9x	17.3x
Free Cash Flow Yield*	0.4%	3.3%	3.3%	4.6%	4.9%

* For full definitions of *IQmethod*SM measures, see page 6.

16 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	119.00	139.00
2024E Rev (m)	10,080.0	10,371.3
2025E Rev (m)	11,577.1	11,966.4
2026E Rev (m)	13,181.1	13,410.9
2024E EPS	-1.48	0.05
2025E EPS	-1.37	0.40
2026E EPS	0.11	0.80

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Stock Data

Price	126.27 USD
Price Objective	139.00 USD
Date Established	16-Feb-2024
Investment Opinion	C-1-9
52-Week Range	51.50 USD - 126.65 USD
Mrkt Val (mn) / Shares Out (mn)	46,814 USD / 370.7
Free Float	83.4%
Average Daily Value (mn)	441.34 USD
BofA Ticker / Exchange	DASH / NYS
Bloomberg / Reuters	DASH US / DASH.OQ
ROE (2024E)	0.3%
Net Dbt to Eqty (Dec-2023A)	-39.0%
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".

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Timestamp: 16 February 2024 02:52AM EST

iQprofileSM DoorDash

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	5.7%	16.5%	22.3%	23.6%	22.3%
Return on Equity	-23.8%	-8.3%	0.3%	2.2%	3.5%
Operating Margin	5.5%	13.8%	17.8%	18.2%	18.8%
Free Cash Flow	191	1,550	1,538	2,177	2,287

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	15.1x	8.0x
Asset Replacement Ratio	176.0x	123.0x	292.4x	337.4x	0.5x
Tax Rate	2.2%	NM	4.4%	0.6%	0.3%
Net Debt-to-Equity Ratio	-29.2%	-39.0%	-59.9%	-71.5%	-78.5%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	6,583	8,635	10,371	11,966	13,411
% Change	34.7%	31.2%	20.1%	15.4%	12.1%
Gross Profit	3,132	4,218	5,125	5,972	6,638
% Change	19.4%	34.7%	21.5%	16.5%	11.1%
EBITDA	363	1,192	1,846	2,185	2,506
% Change	24.7%	228.4%	54.9%	18.4%	14.7%
Net Interest & Other Income	(274)	45	(11)	(11)	(11)
Net Income (Adjusted)	(1,363)	(563)	22	167	334
% Change	-191.1%	58.7%	NM	664.5%	100.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(1,367)	(563)	22	167	334
Depreciation & Amortization	1	1	1	1	778
Change in Working Capital	73	516	14	347	160
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	1,660	1,719	1,793	1,999	1,393
Capital Expenditure	(176)	(123)	(292)	(337)	(378)
Free Cash Flow	191	1,550	1,538	2,177	2,287
% Change	-66.5%	711.5%	-0.8%	41.6%	5.1%
Share / Issue Repurchase	(375)	(752)	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	1,977	2,656	4,062	6,058	8,166
Trade Receivables	400	533	640	739	828
Other Current Assets	2,343	2,408	2,485	2,638	2,745
Property, Plant & Equipment	637	712	812	912	962
Other Non-Current Assets	4,432	4,530	3,066	3,066	3,066
Total Assets	9,789	10,839	11,066	13,413	15,767
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	2,544	3,410	3,608	4,207	4,563
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	477	616	676	736	796
Total Liabilities	3,021	4,026	4,284	4,943	5,359
Total Equity	6,768	6,813	6,781	8,470	10,409
Total Equity & Liabilities	9,789	10,839	11,066	13,413	15,767

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Internet/e-Commerce

Company Description

DoorDash was founded in 2013 and has rapidly expanded to become the largest third-party delivery platform in the US, with 390k merchants, 1mn couriers & 18mn customers in September. The DashPass subscription has reached 5mn subs, leading to industry-leading customer retention. DoorDash has a wide range of national chain partnerships, with 175 of the 200 largest US restaurant brands on the platform, leading to a competitive advantage in restaurant selection in suburbs.

Investment Rationale

We rate DoorDash Buy. DoorDash is the leading delivery app in terms of US bookings and US revenue and a market share gainer from 2018 to 2021. Long term, we think that 3P app penetration of restaurant spend could increase from 7% to 16%, with DASH remaining the share leader. COVID-19 has created habit changes for consumers and restaurants that benefit the online food delivery industry. New categories are shifting into 3P delivery, and DoorDash has been a leader in addressing these categories.

Stock Data

Average Daily Volume 3,495,175

Quarterly Earnings Estimates

	2023	2024
Q1	-0.41A	-0.18E
Q2	-0.44A	-0.12E
Q3	-0.19A	0.09E
Q4	-0.39A	0.27E

Actuals vs. Estimates

Exhibit 1: Actuals vs. Estimates

DoorDash reported GOV/revenue/EBITDA of \$17.6bn/\$2.3bn/\$363mn vs. our estimates of \$17.5bn/\$2.2bn/\$365mn.

Actuals vs. Estimates	4Q'23A		
	Actuals	Estimates	% Diff
Gross Order Value	\$17,639	\$17,480	1%
Y/Y Growth	22%	21%	1pts
Total Revenue	\$2,303	\$2,237	3%
Y/Y Growth	27%	23%	4pts
Take Rate	13.1%	12.8%	26bps
Cost of Revenue	1,229	1,190	3%
Gross Profit	\$1,074	\$1,047	3%
Gross Margin	46.6%	46.8%	0pts
Y/Y Growth	34%	30%	3pts
Sales & Marketing	460	458	0%
Research & Development	253	269	-6%
General & Administrative	320	283	13%
Depreciation & Amortization	130	145	-11%
GAAP Operating Income	(\$89)	(\$108)	-18%
Income (Loss) before Taxes	(139)	(115)	21%
Net loss	(\$156)	(\$116)	35%
Basic Shares Outstanding	399	393	2%
Fully Diluted Shares Outstanding	399	393	2%
Fully Diluted EPS	\$ (0.39)	\$ (0.30)	31%
Total SBC	272	313	-13%
Adj EBITDA	\$363	\$365	0%
EBITDA Margin on Revenue	15.8%	16.3%	-1pts
Contribution Profit	\$689	\$678	2%
Contribution Margin	29.9%	30.3%	0pts

Source: BofA Global Research estimates, company report

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Estimate Changes

Exhibit 2: Estimate Changes

For 2025E, we raise our Marketplace GOV estimate by 0% to \$89.27bn, we raise our Revenue estimate by 3% to \$11.97bn, and we raise our EBITDA estimate by 42% to \$2168mn.

Estimate Changes	1Q'24E			2024E			2025E		
	Prior	New	% Chg	Prior	New	% Chg	Prior	New	% Chg
Gross Order Value	\$18,965	\$18,965	0%	\$78,353	\$78,539	0%	\$89,055	\$89,265	0%
Y/Y Growth	19%	19%	0pts	18%	18%	0pts	14%	14%	0pts
Total Revenue	\$2,446	\$2,465	1%	\$10,080	\$10,371	3%	\$11,577	\$11,966	3%
Y/Y Growth	20%	21%	1pts	18%	20%	2pts	15%	15%	1pts
Take Rate	12.9%	13.0%	10bps	12.9%	13.2%	34bps	13.0%	13.4%	41bps
Cost of Revenue	1,315	1,323	1%	5,423	5,458	1%	6,251	6,222	0%
Gross Profit	\$1,132	\$1,143	1%	\$4,657	\$4,914	6%	\$5,327	\$5,745	8%
Gross Margin	46.3%	46.4%	0pts	46.2%	47.4%	1pts	46.0%	48.0%	2pts
Y/Y Growth	17%	18%	1pts	16%	21%	6pts	14%	17%	3pts
Sales & Marketing	517	508	-2%	2,189	1,957	-11%	2,597	2,310	-11%
Research & Development	276	269	-2%	1,098	1,080	-2%	1,145	1,154	1%
General & Administrative	304	296	-3%	1,265	1,251	-1%	1,374	1,408	2%
Depreciation & Amortization	165	141	-15%	680	591	-13%	753	694	-8%
GAAP Operating Income	(\$130)	(\$71)	-46%	(\$575)	\$34	-106%	(\$542)	\$179	-133%
Income (Loss) before Taxes	(133)	(73)	-45%	(586)	23	-104%	(553)	168	-130%
Net loss	(\$133)	(\$74)	-45%	(\$587)	\$22	-104%	(\$554)	\$167	-130%
Basic Shares Outstanding	395	401	2%	398	404	2%	406	412	2%
Fully Diluted Shares Outstanding	395	401	2%	398	404	2%	406	412	2%
Fully Diluted EPS	\$ (0.34)	\$ (0.18)	-46%	\$ (1.48)	\$ 0.05	-104%	\$ (1.37)	\$ 0.40	-130%
Total SBC	318	296	-7%	1,259	1,163	-8%	1,273	1,254	-2%
Adj EBITDA	\$363	\$376	3%	\$1,405	\$1,829	30%	\$1,525	\$2,168	42%
EBITDA Margin on Revenue	14.8%	15.2%	0pts	13.9%	17.6%	4pts	13.2%	18.1%	5pts



Exhibit 2: Estimate Changes

For 2025E, we raise our Marketplace GOV estimate by 0% to \$89.27bn, we raise our Revenue estimate by 3% to \$11.97bn, and we raise our EBITDA estimate by 42% to \$2168mn.

	1Q'24E			2024E			2025E		
Contribution Profit	\$709	\$725	2%	\$2,847	\$3,312	16%	\$3,126	\$3,823	22%
Contribution Margin	29.0%	29.4%	0pts	28.2%	31.9%	4pts	27.0%	31.9%	5pts

Source: BofA Global Research estimates, company report

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Valuation

We are switching our valuation basis from a Core US Restaurant Based multiple to a Total Revenue multiple based on a comp group consisting of FANG stocks + Uber. Our Comp group trades at 4.8x 2025E Revenue, with a 21% Average EBITDA Margin and 15% average Revenue growth for 2024+2025. With DASH at an 18% margin and 17.5% growth, we select a multiple that is at a slight premium to the peer group average, given the above average growth (DASH at 17.5% avg during 2024-2025, comps at 14.5%). Our multiple implies an EV of \$59bn, or \$62bn Market Cap inc. Cash, and we get to \$139 PO based on 440mn shares (reduced by 10mn shares for incremental buybacks).

Exhibit 3: Valuation

Our PO of \$139 is based on 5x 2025 Revenue

Valuation	
2025 Revenue	\$11,966
Revenue Multiple	5x
Enterprise Value	\$58,635
(+) Cash	2,656
Market Cap	\$61,291
Shares	440
Price Objective	\$139

Source: BofA Global Research estimates, company report

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Exhibit 5: Comp Table

DASH Trades at 3.9x 2025E Revenue, vs. FANG + Uber at 4.8x

	Revenue Growth			EBITDA Margin		EBITDA Growth			EV/ Revenue		EV/EBITDA		GAAP Price to Earnings			Price to FCF		
	2024	2025	x	2024	2025	2024	2025	x	2024	2025	2024	2025	x	2024	2025	x	2024	2025
Meta	18%	12%		38%	34%	27%	15%		7.6x	6.8x	12.9x	10.9x		24x	20x		25x	22x
Alphabet	12%	16%		35%	30%	11%	13%		5.9x	5.1x	12.2x	10.5x		20x	17x		21x	18x
Netflix	15%	12%		19%	17%	36%	20%		6.9x	6.2x	26.4x	21.9x		34x	28x		41x	32x
Amazon	12%	12%		15%	13%	21%	18%		2.9x	2.6x	14.4x	12.6x		34x	27x		28x	22x
Uber	17%	16%		4%	4%	55%	35%		4.1x	3.5x	27.7x	19.9x		49x	32x		31x	22x
Average	15%	14%		22%	20%	30%	20%		5.5x	4.8x	18.7x	15.2x		32x	25x		29x	23x
DoorDash	20%	15%		18%	18%	54%	19%		4.6x	3.9x	33.9x	26.0x		140x	79x		111x	87x

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Price objective basis & risk

DoorDash (DASH)

Our PO of \$139 is based on a Total Revenue multiple based on a comp group consisting of FANG stocks + Uber. Our Comp group trades at 4.8x 2025E Revenue, with a 21% Average EBITDA Margin and 14.5% average Revenue growth for 2024+2025. With DASH at an 18% margin and 17.5% growth, we select a multiple that is at a slight premium to the peer group average, given the above average growth (DASH at 17.5% avg during 2024-2025, comps at 14.5%). Our multiple implies an EV of \$59bn, or \$62bn Market Cap inc. Cash, and we get to \$139 PO based on 440mn shares (reduced by 10mn shares for incremental buybacks).

Risks are 1) slowing industry growth in 2021, which puts premium valuations at risk, 2) DASH potentially facing tougher comps than competitors, 3) entrenched incumbents in adjacent categories (including Amazon), 4) regulatory battle, which is not over yet, despite Proposition 22.

Analyst Certification

I, Michael McGovern, 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 - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post



US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
UNDERPERFORM				
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, 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.

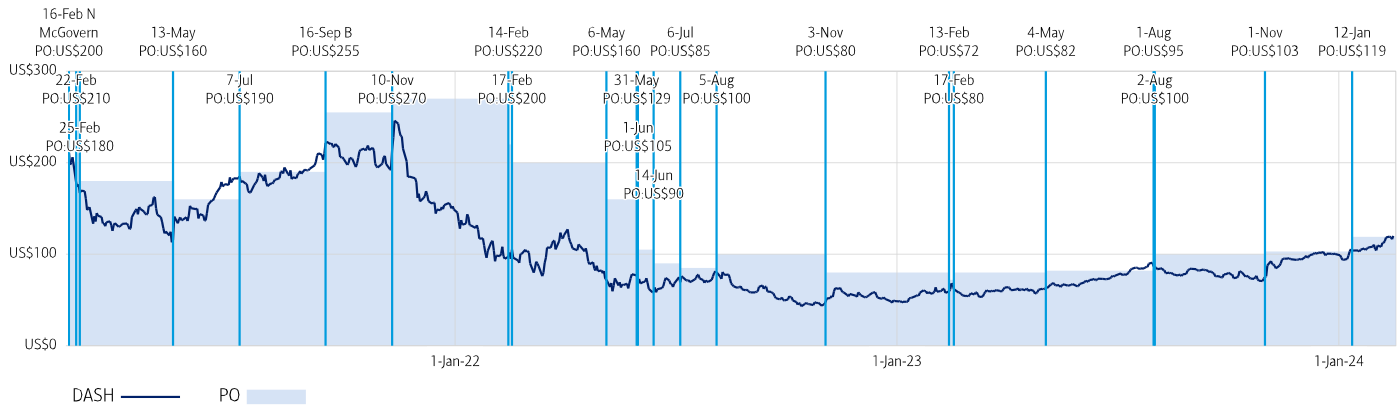
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Disclosures

Important Disclosures

DoorDash (DASH) 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: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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%

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