

Brazil Bond Proxies

Local and external headwinds curb faster
Selic rate cut optimism

Industry Overview

Macro: Optimism meets bumps in the road to lower rates

The recent uptick in inflation ([see our 8 February 2024 note on IPCA](#)) and concerns about the labor market ([see our 6 February 2024 note on Copom minutes](#)) reinforce our forecast of a 50bp cut in the Selic rate per meeting ahead. In our view, this is already priced in. Inflation breakevens have also declined sharply. Plus, a further decline in local rates is largely dependent on global markets and the Fed's need for "greater confidence" in the inflation outlook.

Utilities: A rare setup, a bullish view

What if Utilities could offer among the strongest earnings growth amid expectations of stable P/E multiples? We think that this rare setup supports our bullish view on our Buy-rated names: ELET (Eletrobras) and SBSP (Sabesp). For these names, EPS growth is mostly driven by operations (e.g., cost-cutting and tariff reviews) and not solely lower interest rates (see our Utilities rare setup note).

Telcos: expect real growth & high dividends to continue in 2024

We remain bullish on telcos, with a preference for Telefonica Brasil (Vivo, rated Buy), as we see positive drivers for 2024, with (1) low inflation helping with price increases above inflation (low pricing power); (2) valuation below the 5-year average at ~4.5x EV/EBITDA and ~11/12x P/FCFE (similar for both Buy-rated TIM Brasil and Vivo); (3) declining capex globally; and (4) high dividend yields of 8.5% for Vivo and 7% for TIM, providing some support in a volatile macroeconomic scenario.

19 February 2024

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See Team Page for List of Analysts

Refer to the end of the report for methodology, bond proxies definition, and Brazil bond proxies stock universe.

See Exhibit 20 for acronyms and abbreviations mentioned in the report.

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Refer to important disclosures on page 18 to 20. Analyst Certification on page 16. Price Objective Basis/Risk on page 14.

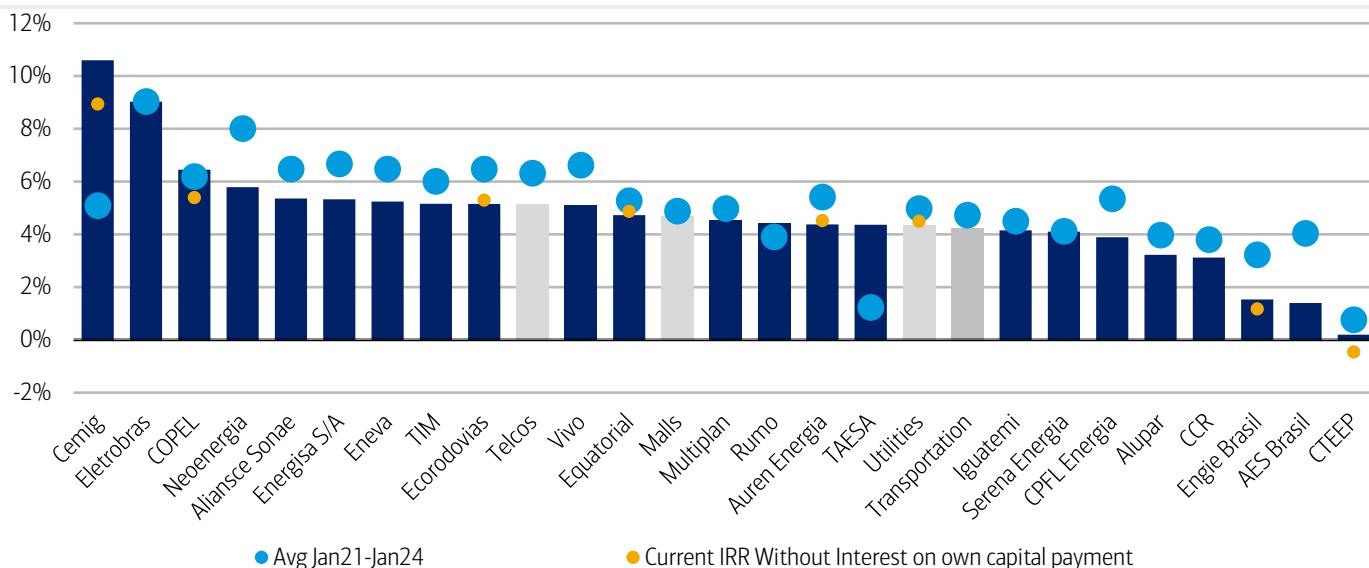
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Bond proxies: valuation & key ratios

Exhibit 1: Brazil bond proxy stocks' implied equity IRR (real terms) spread versus Brazil 10-year real bond yield (%)

We see higher spreads versus the Brazil 10-year real bond yield in stocks from the Utilities sector



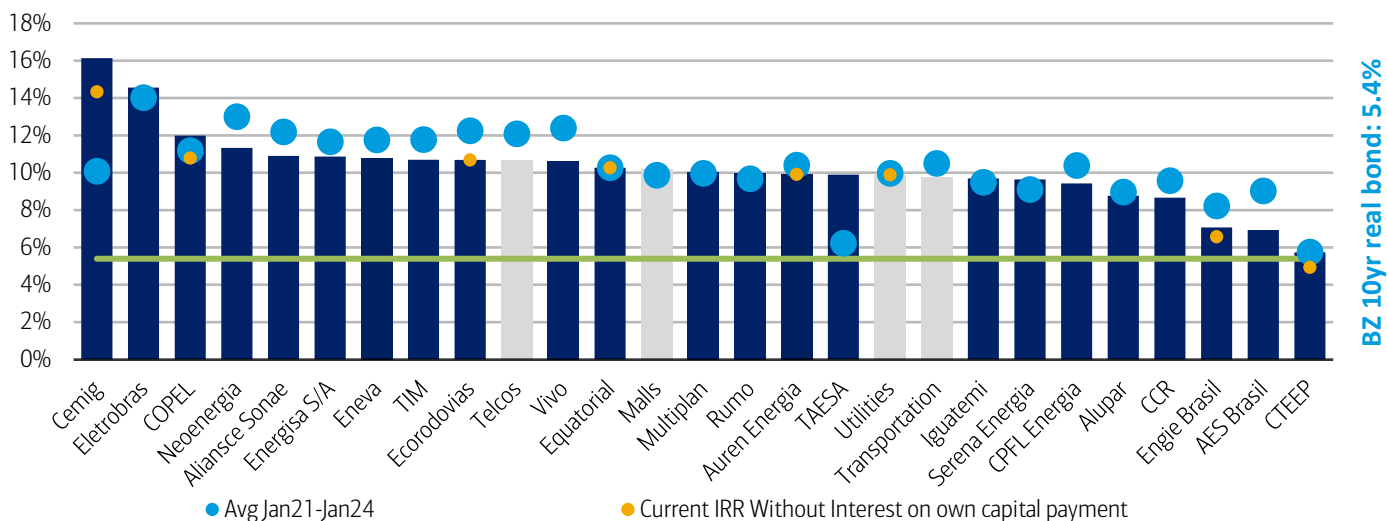
Note: For transportation companies, Telcos and Aliansce Sonae, average was calculated since September 2022 and January 2024, respectively. Note: For Telcos, our base case assumes IoC payment until 2029.

Source: BofA Global Research estimates and Bloomberg

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Exhibit 2: Brazil bond proxy stocks' implied equity IRR (real)

Transmission and generation stocks trade at lower IRRs than other bond proxies



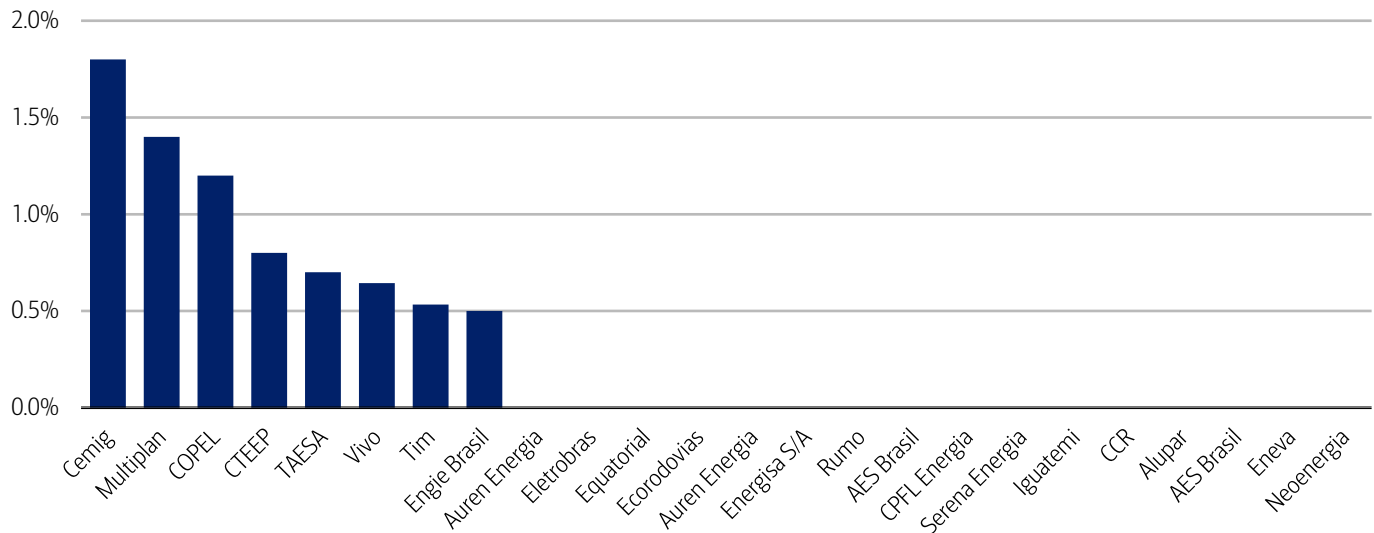
Note: For transportation companies and Aliansce Sonae, average was calculated since September 2022 and January 2024, respectively. Note: For Telcos, our base case assumes IoC payment until 2029.

Source: BofA Global Research estimates and Bloomberg

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Exhibit 3: Implied equity IRR (Real) reduction due to termination of Interest on own capital payment

We estimate that Cemig would be the company most affected by the termination of IoC tax benefit

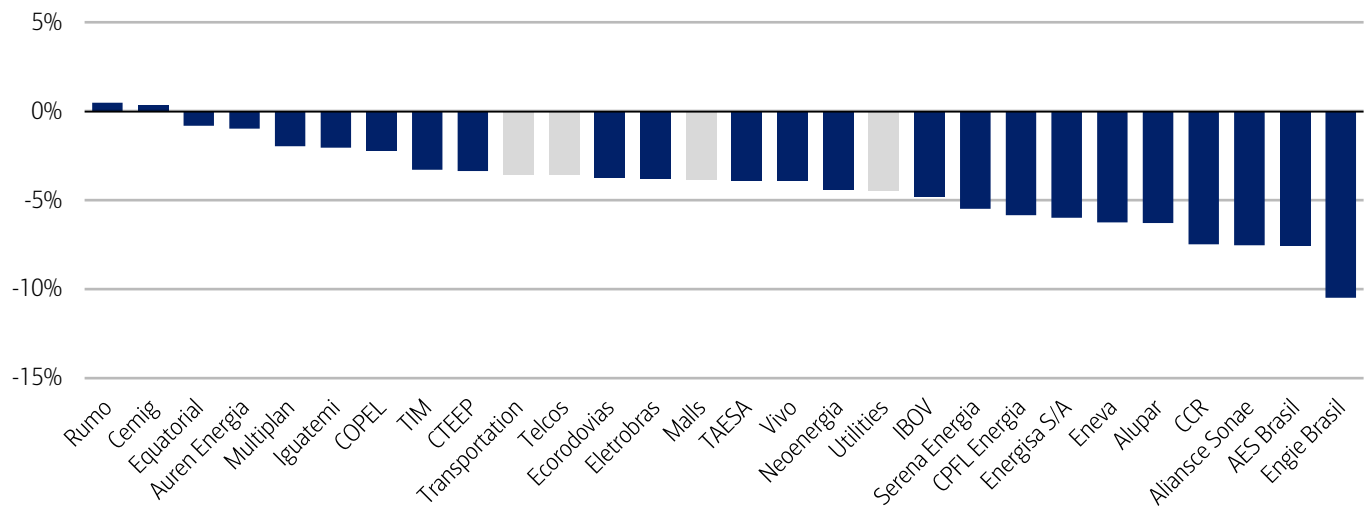


Source: BofA Global Research estimates

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Exhibit 4: Brazil bond proxies' stock performance (%)

The majority of the stocks delivered negative performances in January



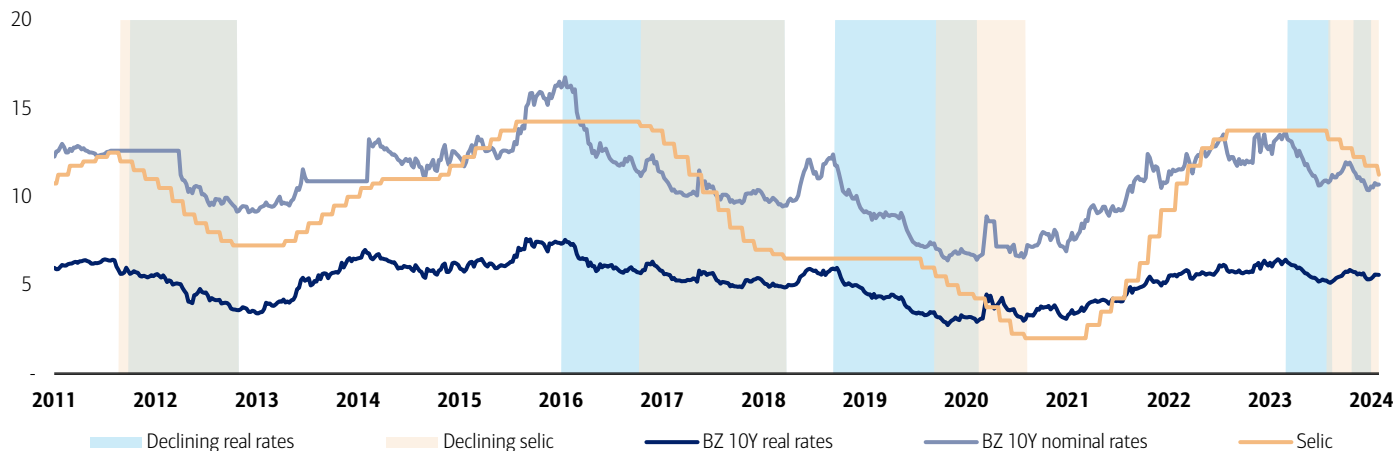
Note: Stock performance is calculated as the price variation of a stock between 31 January and 1 January, divided by the stock price on 1 January.

Source: Bloomberg, BofA Global Research

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Exhibit 5: Long-term real rates declined during most of the cutting cycle

Brazil nominal and real long-term rates versus Selic

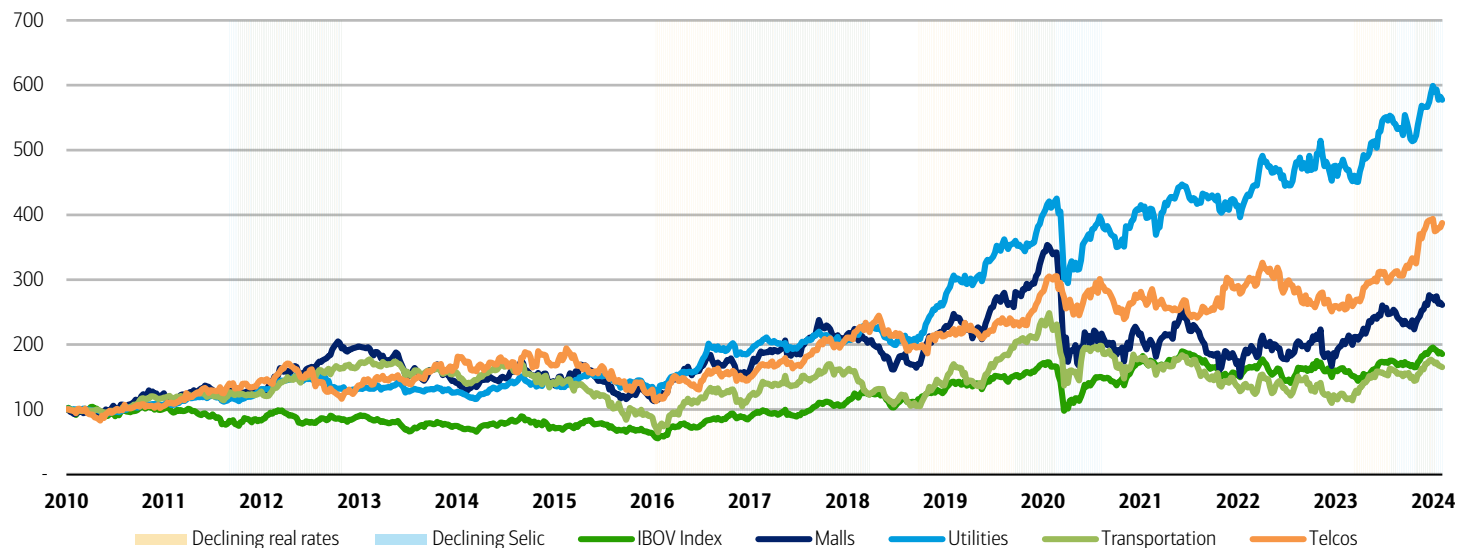


Source: BofA Global Research, Bloomberg

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Exhibit 6: Brazil bond proxies have historically delivered higher total return than IBOV (excluding Commodities) when rates fall – Index 100 = January 2010

Brazil bond proxies and IBOV historical cumulative total return



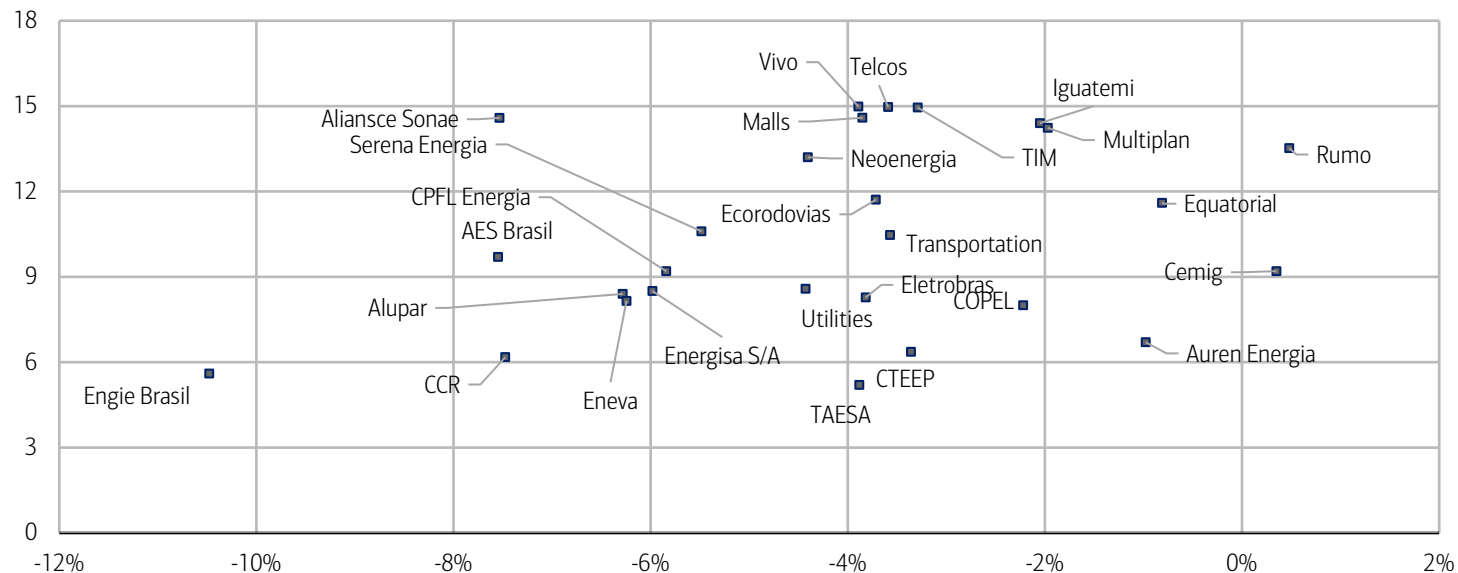
Note: the sector's cumulative total return is the arithmetic average of each sector stocks' cumulative total return - calculated using Bloomberg's total return index gross dividends ("TOT_RETURN_INDEX_GROSS_DVDS") since January 2010.

Source: BofA Global Research, Bloomberg

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Exhibit 7: Brazil bond proxies' stock performance (X-axis) versus duration (Y-axis)

Rumo delivered the best performance in our Brazil bond proxy universe in January



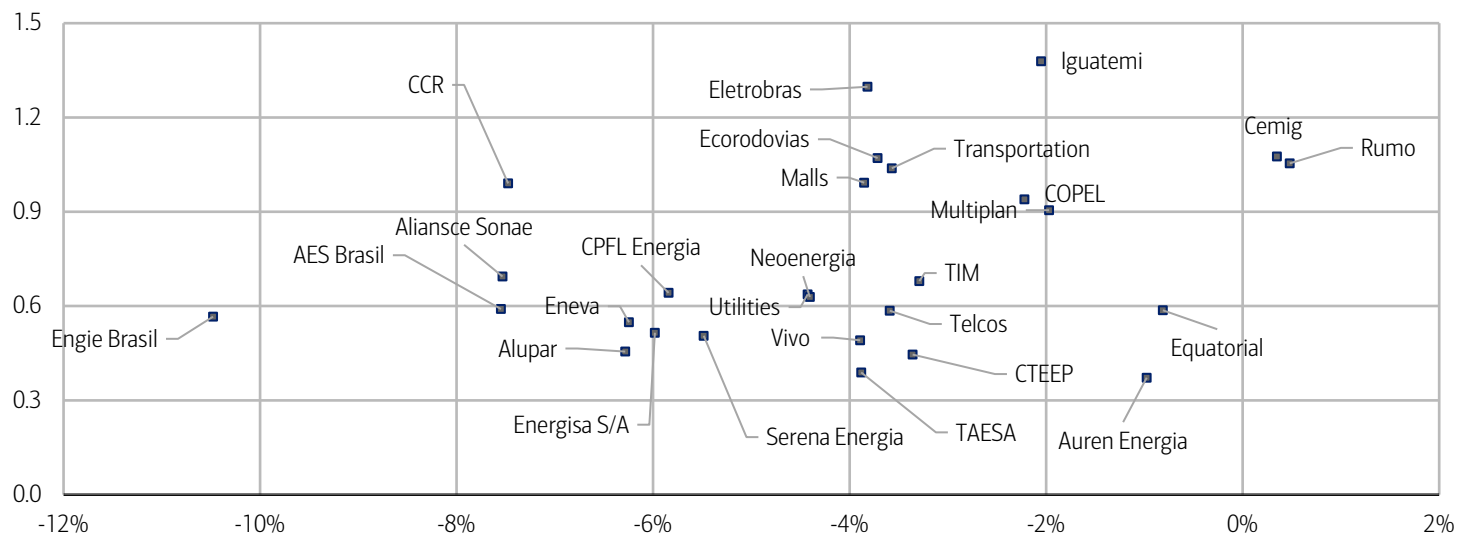
Note: Stock performance is calculated as the price variation of a stock between 31 January and 1 January, divided by the stock price on 1 January.

Source: BofA Global Research, Bloomberg

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Exhibit 8: Brazil bond proxies' stock performance (X-axis) versus beta (Y-axis)

Stocks with elevated beta in our Brazil bond proxy universe delivered the best performances in January



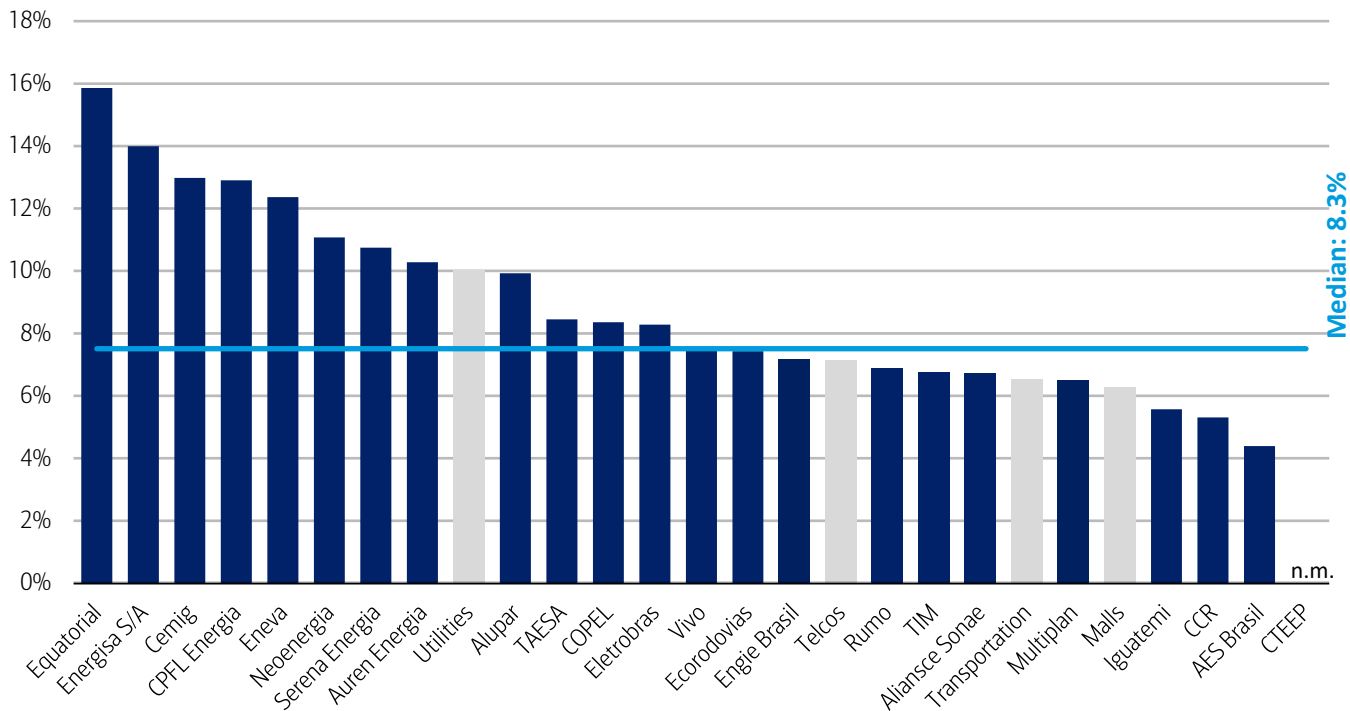
Note: Stock performance is calculated as the price variation of a stock between 31 January and 1 January, divided by the stock price on 1 January.

Source: BofA Global Research, Bloomberg

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Exhibit 9: Brazil bond proxy stocks' Implied equity risk premium – foreign investors' perspective

We see a median equity risk premium of 8.3% among our Brazil bond proxy stocks for foreign investors



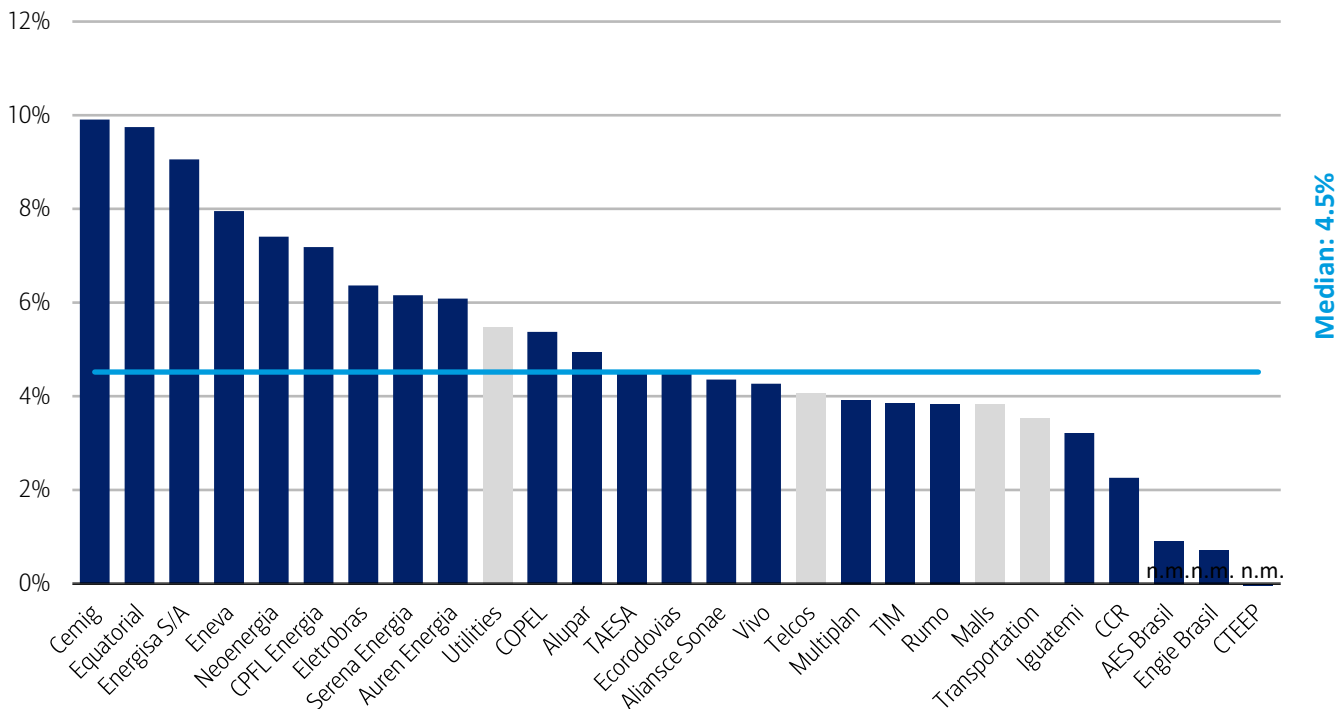
Note: We calculate equity risk premium as being the sum of US 10-year bond yield, Brazil 10-year CDS, and the difference between the long-term inflation target in Brazil and the U.S., divided by each stock's beta.

Source: BofA Global Research estimates and Bloomberg

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Exhibit 10: Stocks' Implied equity risk premium – local investors' perspective

We see a median equity risk premium of 4.5% among our Brazil bond proxies for local investors



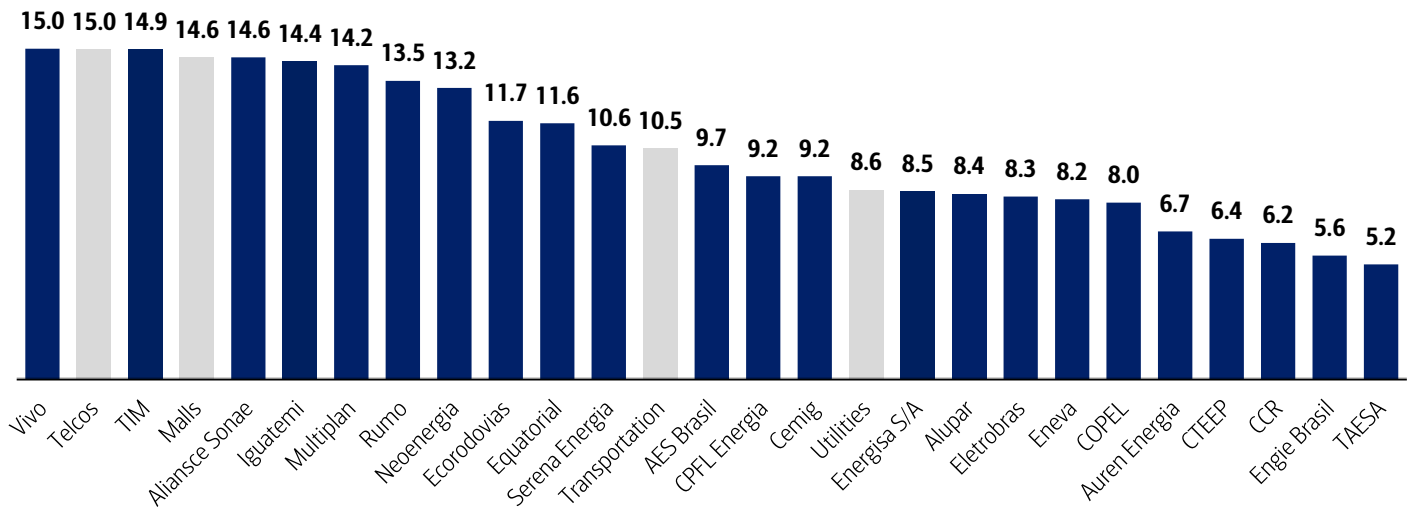
Note: We calculate equity risk premium as being the division of Brazil's 10-year bond yield by each stock's beta.

Source: BofA Global Research estimates and Bloomberg

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Exhibit 11: Brazil bond proxy stocks' duration (years)

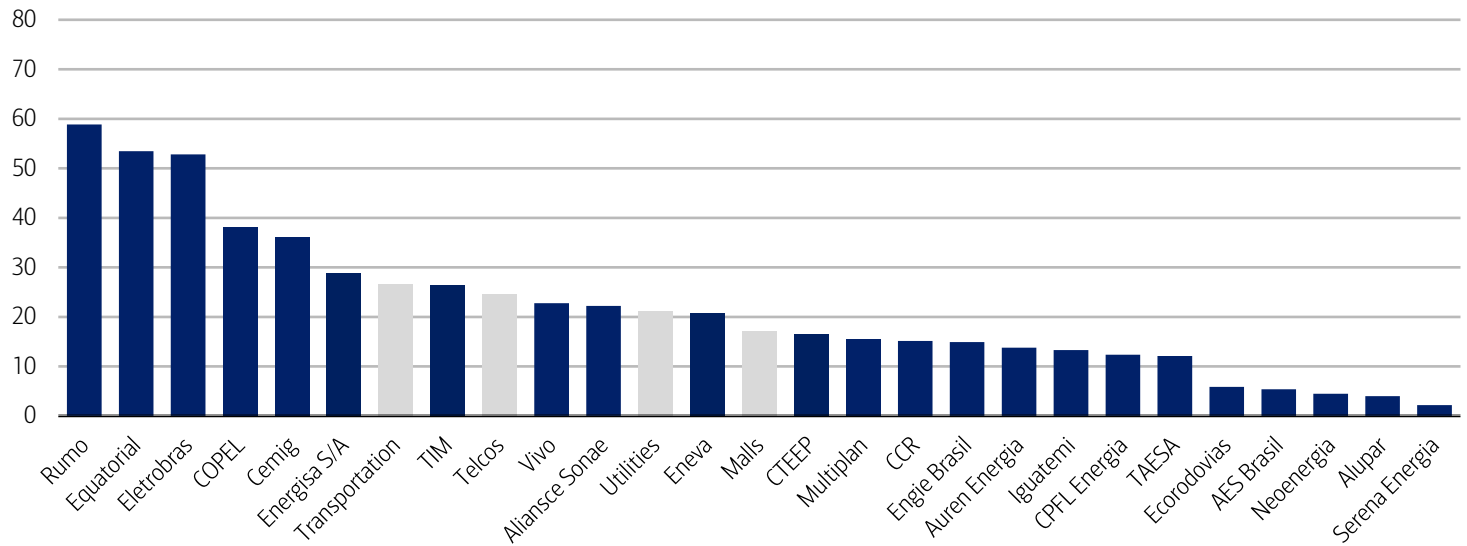
In our Brazil bond proxy universe, malls and telcos have higher duration than utilities and transportation stocks



Source: BofA Global Research estimates

Exhibit 12: Brazil bond proxy stocks' average daily traded value (ADTV, US\$ mn)

Rumo, Equatorial, and Eletrobras are the three most liquid stocks among our Brazil bond proxies

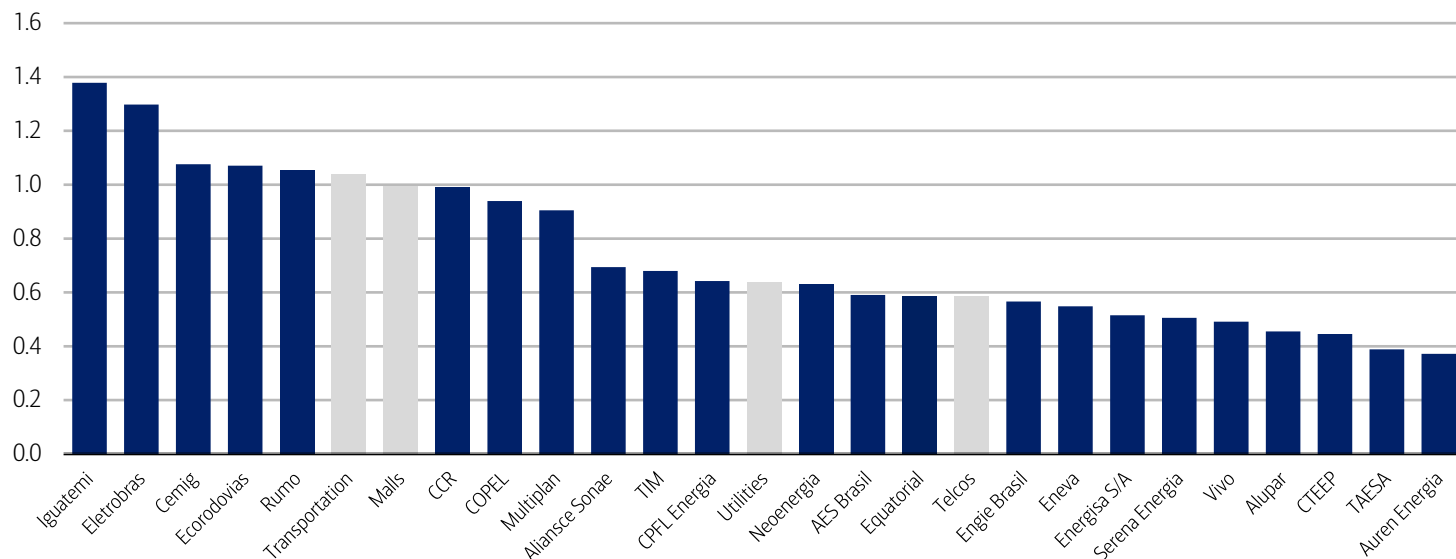


Source: Bloomberg

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Exhibit 13: Brazil bond proxy stocks' 10-year average beta (US\$ mn)

Transportation is the sector with the highest beta in our Brazil bond proxy universe

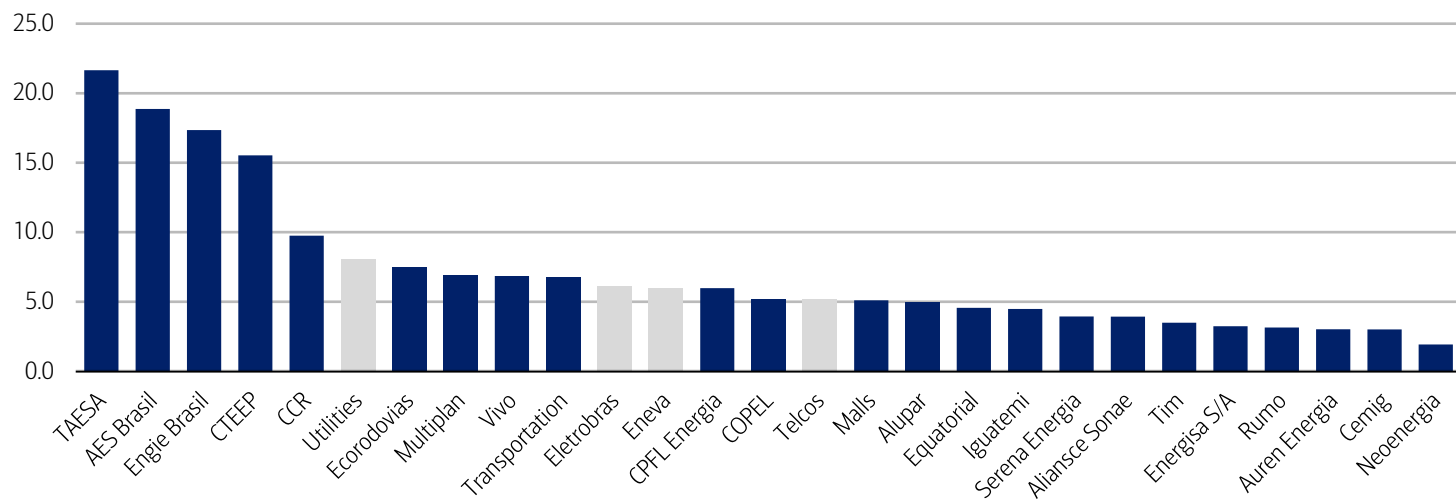


Source: Bloomberg

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Exhibit 14: Brazil bond proxy stocks' short sell positions (number of days to cover)

Taes, AES Brasil, and Engie are the stocks with heavier short sell positioning in our Brazil bond proxy universe

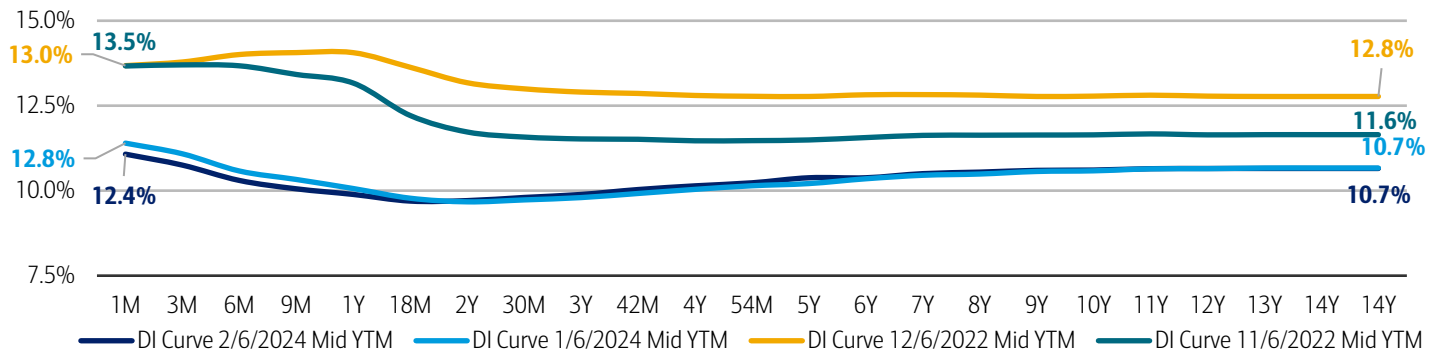


Source: Bloomberg

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Exhibit 15: One-Day Interbank Deposit Futures (nominal terms)

Expected longer-term rates were roughly constant in February

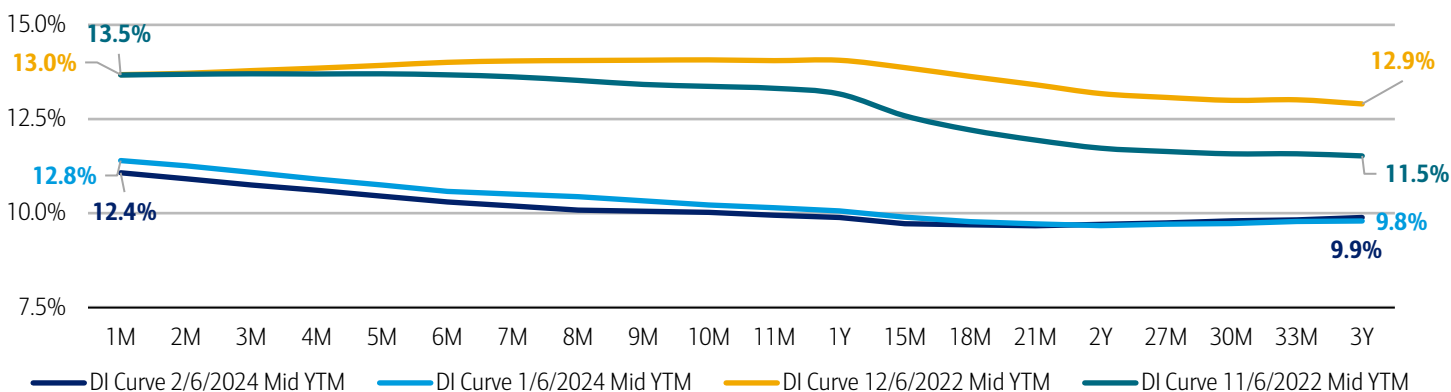


Source: Bloomberg

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Exhibit 16: One-Day Interbank Deposit Futures

Expected short-term were also roughly constant in February



Source: Bloomberg

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Exhibit 17: National Treasury Bond, 2029 Maturity (NTN-B 2029)

NTN-B 2029 has decreased by 25bps over the past three months



Source: National Treasury of Brazil

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Exhibit 18: National Treasury Bond, 2045 Maturity (NTN-B 2045)

NTN-B 2045 has decreased by ~24bps over the past three months



Source: Bloomberg

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Exhibit 19: National Treasury Bill, 2026 Maturity (LTN 2026)

LTN 2026 declined 90bps over the past three months



Source: Bloomberg

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Exhibit 20: Acronyms and abbreviations in the report

Comprehensive list of all acronyms mentioned in our report

Acronym	Meaning
IPCA	Brazil's National Consumer Prices Index
Copom	Brazil's Monetary Policy Committee
Selic	Special System for Settlement and Custody
FED	Federal Reserve
EPS	Earnings per share
IRR	Internal Rate of Return
FFO	Funds from Operations
EV	Enterprise Value
EBITDA	Earnings before interest, taxes, depreciation, and amortization
FCFE	Free Cash Flow to Equity

Source: BofA Global Research

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Exhibit 21: Stocks mentioned in the report

Prices and ratings for stocks mentioned in this report

Company	BofA ticker	BBG ticker	Price	Q-R-Q rating
Eletrobras	CAIFF	ELET3 BZ	42.94	C-1-7
Eletrobras (ADS)	EBR	EBR US	8.58	C-1-7
Eletrobras-Pref (ADS)	EBRB	EBR/B US	9.51	C-1-7
Eletrobras-Pref	CAIGF	ELET6 BZ	47.28	C-1-7
Sabesp	CSBJF	SBSP3 BZ	78.97	B-1-7
Sabesp (ADS)	SBS	SBS US	15.74	B-1-7
Vivo	XCPTF	VIVT3 BZ	53.68	B-1-7
Telefonica Brasil (ADS)	VIV	VIV US	10.68	B-1-7
TIM Brasil (ADS)	TIMB	TIMB US	18.41	B-1-7
TIM	XZUAF	TIMS3 BZ	18.43	B-1-7

Source: BofA Global Research

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Methodology

Our tracker gathers bond proxies' (1) current implied equity IRR; (2) equity risk premium; (3) recent stock performance; (4) stocks' cash flow duration; and more. With each month's tracker, we also highlight our Brazil bond proxy sector and stock-specific views.

IRR calculation methodology

We calculate each company's implied equity IRR assuming a generic project cash flow. The first cash flow is the negative value of company's market cap – (-1) *company's market cap. The subsequent cash flows are each analyst's FCFE forecasts for each company (see Exhibit 22).

Exhibit 22: IRR calculation formula

To calculate each company's IRR, we assume the first cash flow being the negative of company's market cap and the subsequent cash flows being each analysts' FCFE forecasts

$$0 = CF_0 + \frac{CF_1}{(1+IRR)^1} + \frac{CF_2}{(1+IRR)^2} + \frac{CF_3}{(1+IRR)^3} + \dots + \frac{CF_t}{(1+IRR)^t}$$

Source: BofA Global Research

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Bond proxies stock universe and definition

We define bond proxies as stocks in sectors that generally have predictable cash flows, with revenues and cash costs tending to grow in line with inflation. In Brazil, we consider the companies that we cover from the energy generation, transmission and distribution, toll roads, railways, shopping malls, and telecommunication sectors as generally having predictable cash flows and hence include them in our Brazil Bond Proxy tracker. Below is the list of our covered stocks included in this monthly Brazil bond proxy tracker since inception; we will update this list if coverage changes.

- **Utilities:** Alupar (since 26 April 2013), Eletrobras, Energisa S/A, Eneva, Equatorial, Neoenergia (since 28 June 2019), Serena Energia (since 28 July 2017), TASEA, Auren Energia, Cemig, COPEL, CPFL Energia, Engie Brasil, AES Brasil (since 15 January 2016) and CTEEP
- **Transportation:** CCR, Rumo (since 3 March 2015), and Ecorodovias (since 2 April 2010)
- **Malls:** Iguatemi, Multiplan, BR Malls (until 23 December 2022), and Aliansce Sonae (since 4 February 2011).
- **Telcos:** Vivo and TIM.

We note that despite being considered stocks with predictable cash flows, some of them might have medium and high volatility ratings (B and C ratings, respectively), given elevated volatility of Brazil's market and interest rates.

We also note that some stocks with predictable cash flows might have Income ratings of 9 (pays no cash dividends) or 8 (pays same/lower cash dividends), due elevated capex commitments and high indebtedness, for instance – rendering them unable to pay dividends but still have predictable cash flows.

Stock performance calculation methodology

In Exhibit 4, Exhibit 7, and Exhibit 8, stock performance is the arithmetic average of the following stocks' price performance (calculated as price of the stock at the end of the

period minus price of the stock at the beginning of the period, divided by the price of the stock at the beginning of the period) in each sector below for the most recent calendar month:

- **Utilities:** Alupar, Eletrobras, Energisa S/A, Eneva, Equatorial, Neoenergia, Serena Energia, TASEA, Auren Energia, Cemig, COPEL, CPFL Energia, Engie Brasil, AES Brasil and CTEEP
- **Transportation:** CCR, Rumo, and Ecorodovias
- **Malls:** Iguatemi, Multiplan, and Aliansce Sonae
- **Telcos:** Vivo and TIM

Cumulative total return calculation methodology

In , the sector cumulative total return is the arithmetic average of the following stocks' cumulative total return, calculated using Bloomberg's total return index gross dividends ("TOT_RETURN_INDEX_GROSS_DVDS"), since January 2010.

- **Utilities:** Alupar (since 26 April 2013), Eletrobras, Energisa S/A, Eneva, Equatorial, Neoenergia (since 28 June 2019), Serena Energia (since 28 July 2017), TASEA, Auren Energia, Cemig, COPEL, CPFL Energia, Engie Brasil, AES Brasil (since 15 January 2016) and CTEEP
- **Transportation:** CCR, Rumo (since 3 March 2015), and Ecorodovias (since 2 April 2010)
- **Malls:** Iguatemi, Multiplan, BR Malls (until 23 December 2022), and Aliansce Sonae (since 4 February 2011).
- **Telcos:** Vivo and TIM.

Foreign and domestic investors equity risk premium calculation

In Exhibit 9, where we show implied equity risk premium in foreign investors perspective, we define equity risk premium as the sum of 10-year bond yield, Brazil 10-year CDS, and the difference between the long-term inflation target in Brazil and the US, divided by each covered stock's beta (from Bloomberg).

In Exhibit 10, where we show implied equity risk premium in Brazilian investors perspective, we define equity risk premium as the division of Brazil's 10-year bond yield by each stock's beta (from Bloomberg).

Brazil's short- and long-term interest rates evolution

In Exhibit 15 and Exhibit 16, we show the evolution of Brazil's long-term and short-term interest rates, respectively, in the last 4 months. In Exhibit 17, Exhibit 18, and Exhibit 19, we show the yield evolution of Brazil's 2029 real bond, 2045 real bond, and 2046 nominal bond. Brazil bond proxies stocks usually have an inverse correlation with the movement of Brazilian interest rates.

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Price objective basis & risk

Eletrobras (CAIFF / EBR)

Our R\$50 PO (ELET3) (US ADR: \$9.40) is built on a sum-of-the-parts valuation that does not incorporate any of the upside of a potential privatization. We derive our fair value from: 1) DCF-based valuation for main subsidiaries, discounted by a 10% real terms (14.3% in nominal terms). We estimate FCFEs through the end of the concession periods and do not assume any residual value. 2) market value of listed equity holdings, and 3) average sector multiples for non-listed equity holdings (wind, hydro and transmission SPVs).

Upside risks: 1) higher energy prices, 2) further cost-cutting initiatives, 3) liability management.

Downside risks: 1) compulsory loans liability increasing above our R\$20bn NPV-loss base-case, and 2) unattractive investments.

Eletrobras-Pref (CAIGF / EBRB)

Our R\$56 PO (ELET6) (US ADR: \$10.60) is built on a sum-of-the-parts valuation that does not incorporate any of the upside of a potential privatization. We derive our fair value from: 1) DCF-based valuation for main subsidiaries, discounted by a 10% real terms (14.3% in nominal terms). We estimate FCFEs through the end of the concession

periods and do not assume any residual value. 2) market value of listed equity holdings, and 3) average sector multiples for non-listed equity holdings (wind, hydro and transmission SPVs).

Upside risks: 1) higher energy prices, 2) further cost-cutting initiatives, 3) liability management.

Downside risks: 1) compulsory loans liability increasing above our R\$20bn NPV-loss base-case, and 2) unattractive investments.

SABESP (CSBJF / SBS)

Our R\$81 PO (USD 16.2 ADR) on Sabesp is based on our DCF model, discounting estimated free cash flow to equity at an 9% cost of equity (real terms). Our key assumptions are: 1) full recognition of capex deployed into the company's RAB, 2) 50% of the concessions fee paid built into tariffs, 3) capex deployment matching the regulatory business plan, 4) Sabesp financing 70% of total capex deployment with new debt, at market rates IPCA +6.5%, 5) average tax rate of 34%, and 6) a 1x RAB residual value in 2040 (further deducted by Gross Debt).

Upside risks

Upside risks to Sabesp's investment cases are: i) privatization, ii) higher dividend payout policy (vs current 25%), and iii) lower regulatory risk perception (each +/-100bp to our 11% Ke real) impacts our equity value by +/-9%.

Downside risks

Downside risks to Sabesp's investment case are: i) tightening regulatory returns in upcoming tariff reviews, ii) capex deployed not recognized into RAB, iii) operational costs above opex allowances

Telefonica Brasil (XCPTF / VIV)

Our price objective of R\$63/US\$13 per share is based on a 10-year DCF-to-Firm, discounted at a weighted average cost of capital (WACC) of 12.5%, assuming a capital structure of 95% equity / 5% debt in the long term. Our cost of equity (Ke) is composed of a Beta of 0.80, a risk-free rate of 3%, a market risk premium of 5.7% and a country risk in Brazil of 280bps. We use cost of debt of 5% and terminal growth rate of 3%.

Risks: (i) limited benefit from the macroeconomic recovery given its premium customer base, (ii) legacy business continues to pressure top-line growth, (iii) price pressure in the mobile segment given the highest ARPU in the space, (iv) creation of dividend tax would strongly impact Vivo.

TIM Brasil (XZUAF / TIMB)

Our price objective of R\$22/US\$22 per share is based on a ten-year DCF-to-Firm, discounted at a weighted average cost of capital (WACC) of 12.3%, assuming a capital structure of 90% equity / 10% debt in the long term. Our cost of equity (Ke) is composed of a Beta of 0.90, a risk-free rate of 3%, a market risk premium of 5.7% and country risk in Brazil of 280bps. We use cost of debt of 5% and terminal growth rate of 3%.

Upside risks: (i) leaner than its peers in terms of systems since Pay TV and fixed telephony are irrelevant, (ii) major beneficiary from potential synergies with Oi, (iii) establishment of new fronts of revenue growth, such as the partnership with C6 Bank or advertising, (iv) potential to benefit the most in a scenario of macro recovery, (v) run sharing agreement with Vivo, which should lead to opex and capex savings.

Downside risks: (i) limited growth for the sector puts pressure on prices, (ii) net adds,

which have been weak over the last two years, leading to market share losses, (iii) inefficient capital structure, as its controlling shareholder is highly leveraged, (iv) reduced focus on FTTH, which is a high-growth business but still too small for the company.

Analyst Certification

We, Aline Caldeira, Arthur Pereira, CFA, Fred Mendes, CFA, Paula Andrea Soto, CFA and Rogerio Araujo, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Securities is currently acting as advisor to Cassa Depositi e Prestiti SpA in connection with its proposed non-binding offer jointly with Macquarie Asset Management, for the acquisition of Telecom Italia's NetCo, which was announced on March 5, 2023. Any proposed transaction is expected to be subject to approval by shareholders of Telecom Italia. This research report is not intended to provide voting advice, serve as an endorsement of the proposed transaction, or result in the procurement, withholding or revocation of a proxy.

BofA Securities is currently acting as Financial Advisor to Telefonica SA in connection with its voluntary public cash offer for outstanding shares of Telefonica Deutschland Holding AG, which was announced on November 7, 2023.

Latin America - Utilities Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alupar	XDFCF	ALUP11 BZ	Arthur Pereira, CFA
	COPEL	ELP	ELP US	Arthur Pereira, CFA
	COPEL PN	XLPUF	CPL6 BZ	Arthur Pereira, CFA
	Edenor	XEDTF	EDN AR	Gustavo Faria
	Edenor	EDN	EDN US	Gustavo Faria
	Eletrobras	CAIFF	ELET3 BZ	Arthur Pereira, CFA
	Eletrobras	EBR	EBR US	Arthur Pereira, CFA
	Eletrobras-Pref	EBRB	EBR/B US	Arthur Pereira, CFA
	Eletrobras-Pref	CAIGF	ELET6 BZ	Arthur Pereira, CFA
	Energisa S/A	XLXGF	ENGI11 BZ	Arthur Pereira, CFA
	Eneva	XZUMF	ENEV3 BZ	Arthur Pereira, CFA
	Equatorial	XKERF	EQL3 BZ	Arthur Pereira, CFA
	Neoenergia	XGXGF	NEOE3 BZ	Arthur Pereira, CFA
	Pampa Energia	PPENF	PAMP AR	Gustavo Faria
	Pampa Energia	PAM	PAM US	Gustavo Faria
	SABESP	CSBJF	SBSP3 BZ	Arthur Pereira, CFA
	SABESP	SBS	SBS US	Arthur Pereira, CFA
	Serena Energia	XZQAF	SRNA3 BZ	Arthur Pereira, CFA
NEUTRAL				
	Auren Energia	XZMXF	AURE3 BZ	Arthur Pereira, CFA
	Cemig	CIG	CIG US	Arthur Pereira, CFA
	Cemig	CEMCF	CMIG4 BZ	Arthur Pereira, CFA
	Central Puerto	CEPU	CEPU US	Gustavo Faria
	Central Puerto	CEPUF	CEPU AR	Gustavo Faria
	COPASA	CSAOF	CSMG3 BZ	Arthur Pereira, CFA
	TAESA	XTAEF	TAE11 BZ	Arthur Pereira, CFA
UNDERPERFORM				
	AES Brasil	XDFDF	AESB3 BZ	Arthur Pereira, CFA
	CPFL Energia	XPFGF	CPFE3 BZ	Arthur Pereira, CFA
	CTEEP	XOOTF	TRPL4 BZ	Arthur Pereira, CFA
	Engie Brasil	XZDDF	EGIE3 BZ	Arthur Pereira, CFA
	Sanepar	XJALF	SAPR11 BZ	Arthur Pereira, CFA
RSTR				
	Ambipar	XAPEF	AMBP3 BZ	Arthur Pereira, CFA

Latin America - Telecom Services and Information Technology Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	America Movil	AMX	AMX US	Fred Mendes, CFA
	America Movil	AMXVF	AMXB MM	Fred Mendes, CFA
	Desktop S.A	XNUKF	DESK3 BZ	Fred Mendes, CFA
	Eletromidia	XSUHF	ELMD3 BZ	Fred Mendes, CFA
	Locaweb	XZVMF	LWSA3 BZ	Fred Mendes, CFA
	Telefonica Brasil	XCPTF	VIVT3 BZ	Fred Mendes, CFA
	Telefonica Brasil	VIV	VIV US	Fred Mendes, CFA
	Televisa	TV	TV US	Fred Mendes, CFA
	Televisa	GRPFF	TLEVICPO MM	Fred Mendes, CFA
	TIM Brasil	TIMB	TIMB US	Fred Mendes, CFA
	TIM Brasil	XZUAF	TIMS3 BZ	Fred Mendes, CFA
	TOTVS	XBEGF	TOTS3 BZ	Fred Mendes, CFA
	VTEX	VTEX	VTEX US	Fred Mendes, CFA
NEUTRAL				
	Intelbras S.A.	XLTXF	INTB3 BZ	Fred Mendes, CFA
UNDERPERFORM				
	Brisanet	XNHKF	BRIT3 BZ	Fred Mendes, CFA
	Megacable Holdings SAB	MHSDF	MEGACPO MM	Fred Mendes, CFA
	Unifique S.A	XYDF	FIQE3 BZ	Fred Mendes, CFA



Latin America - Telecom Services and Information Technology Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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Disclosures

Important Disclosures

Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

Equity Investment Rating Distribution: Real Estate/Property Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	68	61.26%	Buy	22	32.35%
Hold	20	18.02%	Hold	6	30.00%
Sell	23	20.72%	Sell	7	30.43%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

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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