

Morgan Stanley

## CEO Ted Pick sets a realistic bar

Reiterate Rating: BUY | PO: 100.00 USD | Price: 85.97 USD

## Mgmt. recommits to strategic targets: 20% ROTCE

Morgan Stanley shares underperformed on the back of 4Q23 results with core EPS of \$1.13 (ex. FDIC, legal) topping BofA/consensus \$1.10/\$1.07. EPS included -4c impact from merger charges/severance costs. We attribute stock underperformance to mgmt. outlining expectations for Wealth Management pre-tax margin (contributes ~55% to the bottom-line, highest P/E business) in the mid-20s near-term vs. ~27% BofA/consensus FY24 forecast (and 30% mgmt. target). While mgmt's update led to weakness in the stock today, it did lower the bar for what is needed to meet/exceed expectations going forward.

## EPS durability + growth focus = premium valuation

In his first earnings call as CEO, Ted Pick emphasized a focus on earnings durability as mgmt. looks to deliver on its strategic targets (no major changes YoY) and further integrate the franchise across investment banking and wealth management offerings to drive superior growth. Investor confidence in ROE durability and the secular growth potential of the wealth franchise remain critical for the stock to maintain its premium valuation, in our view. More near-term, a pick-up in investment banking activity (we forecast +13% YoY revenue growth for FY24) will likely inform investor sentiment.

## Execution on “conversions” to be under the microscope

While investors likely appreciate the construct that “conversions” in client assets from lower to higher fee generating (+ increased scale) should drive operating leverage, the focus will be on execution. Execution risk is not immaterial, both on the revenue side (growing client assets, remixing to higher fee products) and on the cost side (realizing revenue growth and efficiencies from franchise investments) given a number of macro crosscurrents and an intensely competitive operating backdrop. We believe that the next few years should provide further proof points with regards to the resiliency of the Morgan Stanley business model (= support premium stock valuation).

## Potential for valuation premium to widen

We remain positively biased on the stock given the potential for revenue boost from a pick-up in investment banking activity, fading regulatory risk tied to Basel III Endgame proposal and increased comfort among investors that mgmt. can deliver on its financial targets in a reasonable timeframe. No change to our FY24/25e EPS of \$6.25/\$7.30. Reit. Buy rating, \$100 PO. Relevant research: [MS: 2024 Year Ahead: Great expectations](#)

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	6.35	5.45	6.25	7.30	8.50
GAAP EPS	6.30	5.20	6.25	7.30	8.50
EPS Change (YoY)	-22.6%	-14.2%	14.7%	16.9%	16.3%
Consensus EPS (Bloomberg)			6.56	7.43	7.59
DPS	2.95	3.25	3.50	3.80	3.99
Valuation (Dec)					
P/E	13.5x	15.8x	13.8x	11.8x	10.1x
GAAP P/E	13.6x	16.5x	13.8x	11.8x	10.1x
Dividend Yield	3.4%	3.8%	4.1%	4.4%	4.6%

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16 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
2024E Rev (m)	54,558.8	56,424.0
2025E Rev (m)	58,602.1	60,453.6
2026E Rev (m)	62,403.0	64,564.9

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## Stock Data

Price	85.97 USD
Price Objective	100.00 USD
Date Established	4-Jan-2024
Investment Opinion	B-1-7
52-Week Range	69.42 USD -100.99 USD
Mkt Val / Shares Out (mn)	152,339 USD / 1,772.0
Free Float	75.8%
Average Daily Value	684.81 USD
BofA Ticker / Exchange	MS / NYS
Bloomberg / Reuters	MS US / MS.N
ROE (2024E)	11.1%
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"](#).

## Acronym

ROTCE: return on tangible common equity

# iQprofile<sup>SM</sup> Morgan Stanley

## Income Statement Data (Dec)

### (US\$Millions)

	2022A	2023A	2024E	2025E	2026E
Net Revenues	53,668	54,143	56,424	60,454	64,565
Compensation & Benefits	(23,032)	(24,558)	(25,507)	(27,115)	(28,912)
% of Net Revenue	42.9	45.4	45.2	44.9	44.8
Non-Compensation Expenses	(15,787)	(18,356)	(18,898)	(19,804)	(20,406)
Net Income to Ordinary Shareholders	11,190	7,667	8,144	9,282	10,586

## Balance Sheet Data (Dec)

### (US\$Millions)

	2022A	2023A	2024E	2025E	2026E
Total Assets	1,180,231	1,170,544	1,179,462	1,184,612	1,191,077
Net Assets	NA	NA	NA	NA	NA
Tangible Shareholders' Equity	67,123	66,527	65,687	66,498	68,592
BVPS (Stated Equity)	54.56	55.49	56.72	59.14	62.57
% growth	-1.3	1.7	2.2	4.3	5.8

## Trading (Dec)

### (US\$Millions)

	2022A	2023A	2024E	2025E	2026E
Trading Revenue	19,158	18,482	16,746	17,220	17,835
% growth	-2.1	-3.5	-9.4	2.8	3.6
ROA (Net Trad Rev/Ave Bal Sht Asts)	1.91%	1.84%	1.63%	1.68%	1.74%
Value-at-Risk	NA	NA	NA	NA	NA
VaR as a % of Total Equity	NA	NA	NA	NA	NA

## Investment Banking (Dec)

### (US\$Millions)

	2022A	2023A	2024E	2025E	2026E
Financial Advisory Revenues	2,946	2,244	2,606	2,866	3,009
Equity Underwriting Revenues	851	889	978	1,467	1,687
Debt Underwriting Revenues	1,438	1,445	1,590	2,050	2,050
Total Investment Banking Revenue	5,599	4,948	5,173	6,383	6,747
% growth	-49.1	-11.6	4.5	23.4	5.7

## Performance Metrics (Dec)

### (US\$Millions)

	2022A	2023A	2024E	2025E	2026E
Operating Margin	27.7%	20.7%	21.3%	22.4%	23.6%
Pre-Tax Profit Margin	27.7%	20.7%	21.3%	22.4%	23.6%
Net Profit Margin	20.3%	16.6%	17.7%	18.6%	19.5%
Comp Expense/Revenue	42.9%	45.4%	45.2%	44.9%	44.8%
Non-Comp Expense / Revenue	29.4%	33.9%	33.5%	32.8%	31.6%
Net Revenue Growth	-10.2%	0.9%	4.2%	7.1%	6.8%
Operating Expense Growth	-2.9%	10.5%	3.5%	5.7%	5.1%
Operating Income / Average Assets	5.3%	5.4%	5.5%	5.9%	6.3%
Trading-Related Revenue / Net Revenue	35.7%	34.1%	29.7%	28.5%	27.6%

## Company Sector

Securities Broker/Dealer

## Company Description

Morgan Stanley (MS) is a global investment bank with leading positions in investment banking (M&A and equity underwriting), equity trading, and wealth management, which contributes nearly 50% of firmwide revenues. The firm also has an asset management business, which adds to the lower-risk business profile the firm has pursued since the financial crisis.

## Investment Rationale

We view MS as attractive given potential upside in wealth management, retail engagement, and margins, upside in equities and M&A. We also expect further progress on efficiency ratio, and from capital return, though it will be gradual. While the regulatory environment remains challenging for the industry, we view the risk/reward as attractive with improving returns and upside to the stock.

## Stock Data

Average Daily Volume 7,965,681

## Quarterly Earnings Estimates

	2023	2024
Q1	1.70A	1.70E
Q2	1.24A	1.49E
Q3	1.38A	1.62E
Q4	1.13A	1.43E

**Exhibit 1: MS Earnings variance table**

New vs. old EPS estimates, assumptions

(in millions, except per share amounts)										
KEY FORECAST VARIABLES:	3Q23	Actual 4Q23	Estimate 4Q23E	Variance	New 2024E	Old 2024E	Variance	New 2025E	Old 2025E	Variance
Net Interest Income (FTE)	1,977.0	1,897.0	1,808.3	4.90%	7,197.3	6,887.4	4.50%	6,688.5	6,887.4	-2.89%
Loan Loss Provision	134.0	3.0	141.0	-97.87%	228.0	540.0	-57.78%	200.0	300.0	-33.33%
Investment Banking	1,048.0	1,415.0	1,135.6	24.6%	5,173.0	5,170.2	0.1%	6,383.5	5,969.5	6.9%
Trading	3,679.0	3,305.0	3,692.5	-10.5%	16,281.6	17,753.0	-8.3%	16,756.2	18,633.8	-10.1%
Investments	144.0	189.0	0.0	N/A	0.0	0.0	NA	0.0	0.0	NA
Commissions and fees	1,098.0	1,110.0	711.9	55.9%	4,678.2	3,061.1	52.8%	4,912.2	3,214.1	52.8%
Asset management, dist and admin fees	5,031.0	5,041.0	4,920.6	2.4%	22,357.6	20,980.7	6.6%	24,933.3	23,160.1	7.7%
Other	296.0	(61.0)	183.0	-133.3%	736.2	706.6	4.2%	780.0	737.2	5.8%
Noninterest Revenues	11,296.0	10,999.0	10,643.6	3.34%	49,226.6	47,671.5	3.26%	53,765.1	51,714.7	3.96%
Tot. Revenue	13,273.0	12,896.0	12,451.9	3.57%	56,424.0	54,558.8	3.42%	60,453.6	58,602.1	3.16%
Total Expenses	9,926.0	10,262.0	9,733.2	5.43%	42,355.8	40,153.8	5.48%	44,771.3	42,826.1	4.54%
Pre-Tax Income (FTE)	3,213.0	2,631.0	2,577.7	2.07%	13,840.2	13,865.0	-0.18%	15,482.3	15,475.9	0.04%
FTE Tax Rate (%)	24%	24%	24%	0pp	23%	23%	0pp	23%	23%	0pp
Taxes	762.6	638.0	611.8	4.28%	3,183.2	3,189.0	-0.18%	3,560.9	3,559.5	0.04%
Net Income	2,423.4	1,966.0	1,928.6	1.94%	10,525.7	10,530.1	-0.04%	11,790.1	11,770.5	0.17%
Available For Common	2,277.4	1,832.0	1,795.6	36mn	9,965.7	9,972.1	-6mn	11,230.1	11,212.5	18mn
<b>Op. EARNINGS PER SHARE (F.D.)</b>	<b>\$1.38</b>	<b>\$1.13</b>	<b>\$1.10</b>	<b>2%</b>	<b>\$6.25</b>	<b>\$6.25</b>	<b>0%</b>	<b>\$7.30</b>	<b>\$7.30</b>	<b>0%</b>
<b>GAAP EPS (F.D.)</b>	<b>\$1.39</b>	<b>\$1.13</b>	<b>\$1.10</b>	<b>2%</b>	<b>\$6.25</b>	<b>\$6.25</b>	<b>0%</b>	<b>\$7.30</b>	<b>\$7.30</b>	<b>0%</b>
Book Value Per Share	\$ 55.09	\$ 55.49	\$ 55.15	\$ 0.34	\$ 56.72	\$ 56.91	(\$0.19)	\$ 59.14	\$ 59.45	(\$0.31)
Tangible Book Value Per Share	\$ 40.54	\$ 40.89	\$ 40.56	\$ 0.33	\$ 41.86	\$ 42.04	(\$0.18)	\$ 43.95	\$ 44.22	(\$0.27)
Dividends Per Share	\$0.85	\$0.85	\$0.85	\$0.00	\$3.50	\$3.50	\$0.00	\$3.80	\$3.80	\$0.00
Average Fully-Diluted Shares	1,643.0	1,627.0	1,630.5	-3mn	1,593.6	1,595.3	-2mn	1,537.4	1,536.3	1mn
<b>CAPITAL RATIOS:</b>										
EOP Common Equity/Assets (%)	7.7%	7.7%	7.7%	0bp	7.5%	7.6%	0bp	7.6%	7.6%	0bp
Tang. Common Equity/Assets (%)	5.7%	5.7%	5.6%	0bp	5.6%	5.6%	0bp	5.6%	5.6%	0bp
Tangible Common Equity/RWA (%)	15.0%	14.5%	14.8%	0bp	14.3%	14.7%	0bp	14.4%	14.8%	0bp
Tier 1 Common/RWA (%)	15.5%	15.2%	15.4%	0bp	14.9%	15.1%	0bp	15.0%	15.2%	0bp
<b>PROFITABILITY RATIOS:</b>										
Return On Assets (%)	0.8%	0.6%	0.6%	1bp	0.8%	0.8%	0bp	0.9%	0.9%	0bp
Return On Common Equity (%)	10.0%	8.1%	8.0%	14bp	11.1%	11.1%	2bp	12.6%	12.5%	6bp
Return On Tangible Common Equity (%)	13.6%	11.0%	10.8%	18bp	15.0%	15.0%	4bp	17.0%	16.9%	9bp
Operating Expenses/Revenues (%)	74.8%	79.6%	78.2%	141bp	75.1%	73.6%	147bp	74.1%	73.1%	98bp
<b>BALANCE SHEET ITEMS:</b>										
EOP Total Deposits	345,458	351,804	345,458	1.84%	384,546	377,610	1.84%	423,001	415,371	1.84%
EOP Total Assets	1,169,013	1,170,544	1,170,806	-0.02%	1,179,462	1,179,727	-0.02%	1,184,612	1,184,872	-0.02%
EOP Equity	100,158	99,307	99,569	-0.26%	98,697	98,962	-0.27%	99,178	99,438	-0.26%
EOP Preferred Equity	8,750	8,750	8,750	0.00%	8,750	8,750	0.00%	8,750	8,750	0.00%
EOP Common Equity	90,461	90,288	89,872	0.46%	89,000	89,265	-0.30%	89,481	89,741	-0.29%
EOP Tangible Common Equity	66,561	66,527	66,087	0.67%	65,687	65,952	-0.40%	66,498	66,759	-0.39%

Source: BofA Global Research, Company filings

BofA GLOBAL RESEARCH

## Price objective basis & risk

### Morgan Stanley (MS)

Our \$100 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 19.5x/1.8x multiples respectively, above the bank's 5 year pre pandemic median of 11.7x/1.3x given an improved (stickier) revenue mix driven by its wealth and asset management segments.

Risks to the upside is stronger wealth/asset management trends and capital markets activity and higher rates. Risks to the downside are a weak economy/capital markets, increased macro issues, tougher regulation, and litigation.

## Analyst Certification

I, Ebrahim H. Poonawala, 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.

### North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSIX	TSIX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
<b>NEUTRAL</b>				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman

## North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
<b>UNDERPERFORM</b>				
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman

IQmethod<sup>SM</sup> 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 &amp; 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



Valuation Toolkit

Numerator

Denominator

*IQmethod*<sup>SM</sup> 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*<sup>®</sup> 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.

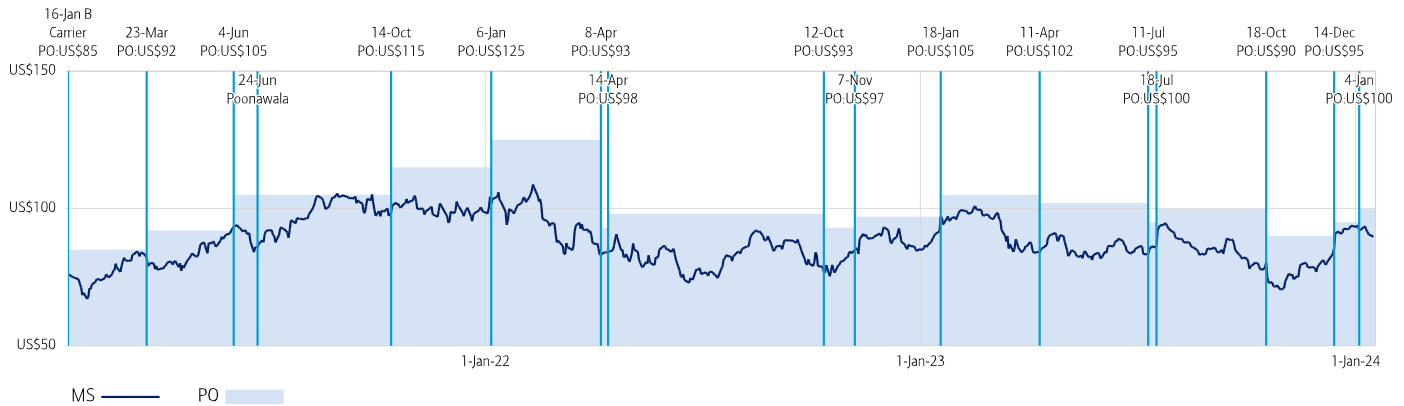
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# Disclosures

## Important Disclosures

### Morgan Stanley (MS) 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 <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> 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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