

Rush

# 4Q23 earnings: better truck sales and cost control drive the beat

Maintain Rating: BUY | PO: 57.00 USD | Price: 46.28 USD

## New truck sales drive the beat

Rush 4Q23 EPS came in ahead of our expectations. New and used truck revenues were the key source of the beat, coming in at 13% y/y versus our (2.2)% forecast. The beat was specifically driven by new trucks; used truck sales fell (4)% short of our estimate. Pricing held in better than our expectations across new trucks. Pricing was flat sequentially in medium and light trucks and increased 5% sequentially for Class 8 vehicles. On a unit basis, medium duty and used trucks both came in well above our estimates. Parts & Services came in line with our estimate in sales but missed slightly on margins. We believe this reflects growing national account mix and slowing inflation. The commentary and outlook on Class 8 trucks for 2024 is consistent with our management meetings in November. On the margin, it seems that smaller customers have slowed more than management expected, on the back of rates. Management expects the freight recession to abate sometime in 2H24 with improvement by 4Q. Buy.

## Actual vs. variance in the quarter

4Q23 EPS of 0.95 came in above our \$0.84 forecast. Revenue of \$2.03bn (+7.8% y/y) was above our \$1.88bn estimate. New & used truck revenue was up +13% y/y versus our (2.2)% y/y forecast. Gross margins came in 10bp above our forecast, driving a \$0.14 beat relative to our forecasts. Parts & Services was a \$(0.02) miss as in-line revenues were offset by 50bp worse margins, which contracted 150bp y/y to 36.5%. Lease, finance, and other was a \$0.03 headwind. Overall, gross profit came in \$0.09 above our estimate. Lower SG&A was a \$0.03 benefit. SG&A dollars were sequentially down 2% from 3Q. Below-the-line items were a net \$(0.01) headwind, as lower D&A and share count were offset by higher interest expense, gain on sale of assets, and taxes.

## Outlook into 2024: looking for 2H24 inflection

CEO Rusty Rush stated in the press release: "Challenging freight conditions continue to impact our customers, including larger fleets. However, we are hopeful that the current freight recession may begin to ease by late summer, which we believe could provide a tailwind to the aftermarket industry in the second half of 2024". ACT Research is forecasting Class 8 truck sales to decline 21.1% y/y in 2024. Rush is confident in outperforming the market. The company has a strong track record of execution. The company added 215 service technicians in 2023, as it continues to expand its Parts & Services business. We plan to review our model after the call tomorrow.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.80	4.80	4.04	3.38	4.27
EPS Change (YoY)	109.0%	71.4%	-15.8%	-16.3%	26.3%
Census EPS (Bloomberg)			4.05	3.12	3.50
DPS	0.47	0.53	0.55	0.58	0.61
Valuation (Dec)					
P/E	16.5x	9.6x	11.5x	13.7x	10.8x
Dividend Yield	1.0%	1.1%	1.2%	1.3%	1.3%
EV / EBITDA*	8.8x	5.9x	6.1x	6.9x	5.9x
Free Cash Flow Yield*	7.1%	9.2%	7.3%	10.4%	10.4%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

14 February 2024

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## Stock Data

Price	46.28 USD
Price Objective	57.00 USD
Date Established	18-Feb-2022
Investment Opinion	B-1-7
52-Week Range	33.37 USD - 50.50 USD
Mkt Val (mn) / Shares Out (mn)	4,073 USD / 88.0
Free Float	98.7%
Average Daily Value (mn)	41.26 USD
BofA Ticker / Exchange	RUSHA / NAS
Bloomberg / Reuters	RUSHA US / RUSHA.OQ
ROE (2023E)	18.5%
Net Dbt to Eqty (Dec-2022A)	14.2%
ESGMeter <sup>TM</sup>	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: 14 February 2024 05:00AM EST

# iQprofile<sup>SM</sup> Rush

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	11.4%	17.7%	15.2%	12.6%	15.9%
Return on Equity	17.7%	24.3%	18.5%	14.6%	19.2%
Operating Margin	6.0%	7.1%	6.4%	5.5%	6.3%
Free Cash Flow	289	375	297	424	422

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.9x	1.6x	1.6x	2.3x	1.8x
Asset Replacement Ratio	1.0x	1.2x	1.2x	1.0x	1.1x
Tax Rate	22.9%	23.0%	24.5%	24.0%	24.0%
Net Debt-to-Equity Ratio	26.4%	14.2%	10.6%	2.1%	6.5%
Interest Cover	NM	27.9x	9.8x	7.5x	9.4x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	5,126	7,102	7,776	7,537	8,054
% Change	8.2%	38.5%	9.5%	-3.1%	6.9%
Gross Profit	1,092	1,487	1,583	1,499	1,643
% Change	24.8%	36.2%	6.5%	-5.3%	9.6%
EBITDA	485	727	702	622	719
% Change	43.4%	49.9%	-3.4%	-11.4%	15.5%
Net Interest & Other Income	(2)	(19)	(51)	(56)	(55)
<b>Net Income (Adjusted)</b>	<b>242</b>	<b>392</b>	<b>340</b>	<b>276</b>	<b>349</b>
<b>% Change</b>	<b>110.3%</b>	<b>62.1%</b>	<b>-13.3%</b>	<b>-18.8%</b>	<b>26.4%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	242	392	340	276	349
Depreciation & Amortization	169	199	201	203	205
Change in Working Capital	(21)	(334)	(75)	195	(56)
Deferred Taxation Charge	14	4	8	(13)	11
Other Adjustments, Net	52	357	58	(24)	132
Capital Expenditure	(167)	(243)	(235)	(213)	(219)
<b>Free Cash Flow</b>	<b>289</b>	<b>375</b>	<b>297</b>	<b>424</b>	<b>422</b>
<b>% Change</b>	<b>220.7%</b>	<b>29.9%</b>	<b>-20.9%</b>	<b>42.7%</b>	<b>-0.4%</b>
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(79)	59	(116)	(331)	(363)

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	148	201	256	418	344
Trade Receivables	140	221	237	230	241
Other Current Assets	1,036	1,446	1,479	1,358	1,439
Property, Plant & Equipment	1,278	1,369	1,402	1,412	1,426
Other Non-Current Assets	517	585	562	470	422
<b>Total Assets</b>	<b>3,120</b>	<b>3,821</b>	<b>3,937</b>	<b>3,888</b>	<b>3,871</b>
Short-Term Debt	27	0	0	0	0
Other Current Liabilities	965	1,384	1,397	1,386	1,478
Long-Term Debt	509	458	458	458	458
Other Non-Current Liabilities	140	171	180	167	178
<b>Total Liabilities</b>	<b>1,641</b>	<b>2,014</b>	<b>2,035</b>	<b>2,011</b>	<b>2,114</b>
<b>Total Equity</b>	<b>1,467</b>	<b>1,807</b>	<b>1,902</b>	<b>1,877</b>	<b>1,757</b>
<b>Total Equity &amp; Liabilities</b>	<b>3,108</b>	<b>3,821</b>	<b>3,937</b>	<b>3,888</b>	<b>3,871</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Industrials/Multi-Industry

## Company Description

Rush Enterprises (RUSHA), the largest truck dealer in the US, is the only publicly traded pure truck distributor. The company's strategy is focused on distributing and servicing trucks along major highways in the Southern US. The company currently operates a network of 100+ Rush Truck Centers in 20 states. Rush specializes primarily in heavy (Class 8) trucks by Peterbilt and Navistar.

## Investment Rationale

As the largest Peterbilt dealer and a leading Navistar dealer, we believe Rush is uniquely positioned to benefit from ongoing high service rates in its highest margin Parts & Services business. We also think there is earnings upside from higher Parts & Service penetration through the cycle.

## Stock Data

Average Daily Volume

441,776

## Quarterly Earnings Estimates

	2022	2023
Q1	1.06A	1.07A
Q2	1.28A	1.17A
Q3	1.06A	0.96A
Q4	1.16A	0.84E

**Exhibit 1: 4Q23 earnings variance analysis**

RUSHA reported 4Q23 EPS of \$0.95

	Actual	Reported		BofA Estimate		Variation Versus BofA Est.		
	4Q:22A	4Q:23A	YOY % Chg.	3Q:23E	YOY % Chg.	Dollar	Percentage	EPS
<b>Segment Sales</b>								
New and Used Truck Sales	1,175	1,310	11.4%	1,162	-1.1%	148	12.7%	
Parts and Service	609	619	1.7%	618	1.5%	1	0.2%	
Lease and Rental	85	89	5.2%	86	1.0%	4	4.2%	
Finance and Insurance	7	5	-23.9%	7	3.0%	(2)	-26.1%	
Other	7	6	-15.4%	7	0.1%	(1)	-15.5%	
<b>Total</b>	<b>1,883</b>	<b>2,029</b>	<b>7.8%</b>	<b>1,880</b>	<b>-0.2%</b>	<b>149</b>	<b>7.9%</b>	
<b>Gross Profit by Segment</b>								
New and Used Truck Sales	113	123	8.8%	108	-4.5%	15	13.9%	\$ 0.14
Parts and Service	233	226	-3.1%	229	-1.9%	(3)	-1.1%	\$ (0.02)
Lease and Rental	25	25	0.0%	25	-2.4%	1	2.4%	\$ 0.01
Finance and Insurance	7	5	-23.9%	7	3.0%	(2)	-26.1%	\$ (0.02)
Other	7	6	-15.4%	7	0.1%	(1)	-15.5%	\$ (0.01)
<b>Total Gross Profit</b>	<b>386</b>	<b>386</b>	<b>0.0%</b>	<b>376</b>	<b>-2.6%</b>	<b>10</b>	<b>2.7%</b>	<b>\$ 0.09</b>
<b>Gross Margins by Segment</b>								
New and Used Truck Sales	9.6%	9.4%	(20 bp)	9.3%	(30 bp)	10 bp	--	
Parts and Service	38.3%	36.5%	(180 bp)	37.0%	(130 bp)	(50 bp)	--	
Lease and Rental	29.8%	28.4%	(150 bp)	28.8%	(100 bp)	(50 bp)	--	
Finance and Insurance	N/M	N/M	N/M	N/M	N/M	N/M	--	
Other	N/M	N/M	N/M	N/M	N/M	N/M	--	
<b>Total Gross Margins</b>	<b>20.5%</b>	<b>19.0%</b>	<b>(150 bp)</b>	<b>20.0%</b>	<b>(50 bp)</b>	<b>(100 bp)</b>	<b>--</b>	
<b>Net Sales</b>	<b>1,883</b>	<b>2,029</b>	<b>7.8%</b>	<b>1,880</b>	<b>-0.2%</b>	<b>149</b>	<b>7.9%</b>	
COGS	1,497	1,643	9.8%	1,504	0.5%	139	9.3%	
<b>Gross Profit</b>	<b>386</b>	<b>386</b>	<b>0.0%</b>	<b>376</b>	<b>-2.6%</b>	<b>10</b>	<b>2.7%</b>	<b>\$ 0.09</b>
SG&A	235	251	6.6%	255	8.2%	(4)	-1.4%	\$ 0.03
D&A	14	15	6.9%	16	13.1%	(1)	-5.5%	\$ 0.01
<b>Operating Income</b>	<b>137</b>	<b>120</b>	<b>-12.2%</b>	<b>105</b>	<b>-22.8%</b>	<b>14</b>	<b>13.8%</b>	<b>\$ 0.13</b>
Interest Expense, net	8	15	84.6%	14	69.0%	1	9.2%	(0.01)
Gain on sale of assets	0	0		1		1		(0.01)
<b>Pretax Income</b>	<b>128</b>	<b>105</b>	<b>-18.3%</b>	<b>93</b>	<b>-27.7%</b>	<b>12</b>	<b>13.1%</b>	<b>\$ 0.11</b>
Taxes	30	27	-10.6%	22	-25.9%	5	20.6%	
Tax Rate	23.4%	25.6%	220 bp	24.0%	60 bp	160 bp	--	\$ (0.02)
<b>Net Income (Op. Earnings)</b>	<b>98</b>	<b>78</b>	<b>-20.6%</b>	<b>70</b>	<b>-28.3%</b>	<b>8</b>	<b>10.7%</b>	<b>\$ 0.09</b>
<b>FULLY DILUTED EPS</b>	<b>\$1.16</b>	<b>\$0.95</b>	<b>-18.0%</b>	<b>\$0.84</b>	<b>-27.1%</b>	<b>\$0.11</b>	<b>12.5%</b>	<b>-</b>
Diluted Shares Outstanding	85	82	-3.1%	83	-1.6%	(1)	-1.5%	\$ 0.01

Margin Analysis	Actual	Reported	BofA Estimate	Variation (b.p.)	
	4Q:22A	4Q:23A	3Q:23E	BofA Est.	4Q:22A
COGS	79.5%	81.0%	80.0%	100 bp	150 bp
Gross Margin	20.5%	19.0%	20.0%	(100 bp)	(150 bp)
SG&A	12.5%	12.4%	13.6%	(120 bp)	(10 bp)
Operating Margin	7.3%	5.9%	5.6%	30 bp	(130 bp)
Pretax Margin	6.8%	5.2%	4.9%	20 bp	(160 bp)
Net Margin	5.2%	3.8%	3.7%	10 bp	(140 bp)

Source: BofA Global Research estimates, company filings

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# Valuation

We base our \$57 price objective on a 13x P/E multiple of our 2025 EPS estimate. Our target multiple is below the company's long term P/E multiple of 14x, which we think is fair given near-term cyclical pressures on the US truck cycle.

## Exhibit 2: RUSHA valuation vs. comparables

RUSHA trades at a discount to distributor peers, slightly below Truck OEMs and Construction Dealer peers, and at a premium to auto dealer peers

Company	Ticker	Stock Price 2/13/2024	P/E		EV/EBITDA		EBITDA margins		EPS Growth	
			2024	2025	2024	2025	2024	2025	2024	2025
Traton SE	8TRA GR	EUR 22.64	4.6 x	4.1 x	3.7 x	3.6 x	12.8%	13.5%	-8.0%	12.4%
Paccar	PCAR	\$105.19	16.1 x	13.7 x	11.9 x	10.2 x	14.5%	15.0%	-19.6%	17.6%
<b>Truck OEM Average</b>			<b>10.3 x</b>	<b>8.9 x</b>	<b>7.8 x</b>	<b>6.9 x</b>	<b>13.6%</b>	<b>14.2%</b>	<b>-13.8%</b>	<b>15.0%</b>
Asbury Automotive Group	ABG	\$218.35	7.1 x	6.9 x	6.9 x	6.6 x	6.4%	5.9%	-8.0%	3.2%
AutoNation	AN	\$147.82	6.7 x	6.6 x	6.1 x	6.2 x	6.0%	5.7%	-3.1%	2.0%
Group 1 Automotive	GPI	\$274.65	6.7 x	6.6 x	6.3 x	6.4 x	5.0%	4.8%	-8.5%	1.7%
Lithia Motors Inc.	LAD	\$298.33	7.2 x	6.6 x	6.6 x	6.1 x	5.4%	5.2%	9.1%	9.7%
Sonic Automotive	SAH	\$57.45	9.0 x	9.4 x	6.2 x	6.2 x	3.8%	3.5%	-3.8%	-3.9%
Penske Automotive Group	PAG	\$150.35	9.1 x	8.6 x	8.5 x	8.6 x	4.5%	4.3%	0.3%	6.1%
<b>Auto Dealer Average</b>			<b>7.7 x</b>	<b>7.4 x</b>	<b>6.8 x</b>	<b>6.7 x</b>	<b>5.2%</b>	<b>4.9%</b>	<b>-2.3%</b>	<b>3.1%</b>
Barloworld Ltd.	BRRAF	ZAR 74.37	5.5 x	5.1 x	3.0 x	2.8 x	13.7%	13.9%	8.0%	7.1%
Finning	YFTT	C\$ 36.07	8.0 x	7.7 x	5.3 x	5.2 x	13.7%	13.8%	8.4%	4.4%
Titan Machinery*	TITN	\$26.05	5.8 x	6.1 x	5.2 x	5.1 x	6.7%	6.7%	-8.2%	-5.3%
Toromont Industries*	TIH CT	C\$ 117.33	18.9 x	18.1 x	10.6 x	10.1 x	18.4%	18.4%	-0.8%	4.7%
<b>Construction Dealer Average</b>			<b>9.6 x</b>	<b>9.3 x</b>	<b>6.0 x</b>	<b>5.8 x</b>	<b>13.1%</b>	<b>13.2%</b>	<b>1.9%</b>	<b>2.7%</b>
Fastenal *	FAST	\$68.92	32.0 x	29.4 x	21.9 x	20.3 x	23.1%	23.1%	7.5%	9.0%
WW Grainger *	GWW	\$935.41	23.9 x	22.0 x	16.5 x	15.2 x	16.8%	16.8%	7.5%	8.8%
MSC Industrial *	MSM	\$96.80	15.7 x	14.1 x	9.9 x	9.0 x	14.3%	14.8%	-0.1%	11.0%
Watsco *	WSO	\$384.17	26.2 x	23.7 x	15.4 x	13.8 x	11.5%	11.9%	4.9%	10.7%
Wesco*	WCC	\$132.59	8.2 x	7.2 x	5.9 x	5.3 x	7.8%	7.9%	2.3%	13.5%
<b>Industrial Distributor Average</b>			<b>21.2 x</b>	<b>19.3 x</b>	<b>13.9 x</b>	<b>12.7 x</b>	<b>14.7%</b>	<b>14.9%</b>	<b>4.4%</b>	<b>10.6%</b>
<b>Rush Enterprises</b>	<b>RUSHA</b>	<b>\$46.28</b>	<b>13.3 x</b>	<b>11.2 x</b>	<b>6.5 x</b>	<b>5.8 x</b>	<b>8.2%</b>	<b>8.5%</b>	<b>-15.9%</b>	<b>18.8%</b>
<b>Rush Enterprises at PO</b>		<b>\$57.00</b>	<b>16.3 x</b>	<b>13.8 x</b>	<b>7.9 x</b>	<b>7.1 x</b>	<b>8.2%</b>	<b>8.5%</b>	<b>-15.9%</b>	<b>18.8%</b>

Source: BofA Global Research estimates, Bloomberg, company files. \* based on Bloomberg consensus estimates

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## Price objective basis & risk

### Rush (RUSHA)

We base our \$57 price objective on a 13x P/E multiple of our 2024 EPS estimate. Our target multiple is below the company's long term P/E multiple of 14x, which we think is fair given near-term pressures on the truck cycle.

Upside risks are: 1) improving mix of service-related revenue, 2) accretive use of free cash flow in either share repurchases or acquisitions, 3) an improvement in US truck market. Downside risks are: 1) Rush's relationship with PACCAR given the majority of revenue comes from the sale of PACCAR products, namely Peterbilt trucks and parts. 2) PACCAR has ultimate veto power on Rush's growth plans by virtue of having a right of first refusal on the purchase of additional Peterbilt dealerships. PACCAR may terminate Rush's dealership agreements upon change of control of the company from the Rush family or if the Rush family's aggregate voting power falls below 30%. 3) The heavy truck market is a highly cyclical business that can be affected by fuel prices, interest rate fluctuations, economic recessions and customer business cycles.

## Analyst Certification

I, Andrew Obin, 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 - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	APi Group	APG	APG US	Andrew Obin
	AspenTech	AZPN	AZPN US	Andrew Obin
	Atmos Filtration	ATMU	ATMU US	Andrew Obin
	Dover Corp	DOV	DOV US	Andrew Obin
	Eaton Corp PLC	ETN	ETN US	Andrew Obin
	Emerson Electric Co	EMR	EMR US	Andrew Obin
	Flowserve	FLS	FLS US	Andrew Obin
	General Electric Company	GE	GE US	Andrew Obin
	Honeywell International Inc.	HON	HON US	Andrew Obin
	ITT Inc.	ITT	ITT US	Andrew Obin
	Montrose Environmental Group, Inc.	MEG	MEG US	Andrew Obin
	Parker Hannifin Corporation	PH	PH US	Andrew Obin
	PTC Inc.	PTC	PTC US	Andrew Obin
	Rush	RUSHA	RUSHA US	Andrew Obin
	Vertiv	VRT	VRT US	Andrew Obin
	Vontier	VNT	VNT US	Andrew Obin
<b>NEUTRAL</b>				
	3M Company	MMM	MMM US	Andrew Obin
	AMETEK Inc	AME	AME US	Andrew Obin
	Fortive Corporation	FTV	FTV US	Andrew Obin
	Johnson Controls International PLC	JCI	JCI US	Andrew Obin
	Pentair plc	PNR	PNR US	Andrew Obin
	Rockwell	ROK	ROK US	Andrew Obin
	Trane Technologies PLC	TT	TT US	Andrew Obin
<b>UNDERPERFORM</b>				
	Allegion	ALLE	ALLE US	Andrew Obin
	Carrier Global Corp.	CARR	CARR US	Andrew Obin
	Core & Main	CNM	CNM US	Andrew Obin
	Illinois Tool Works	ITW	ITW US	Andrew Obin
	John Bean Technologies	JBT	JBT US	Andrew Obin
	Keysight	KEYS	KEYS US	David Ridley-Lane, CFA



## US - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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**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

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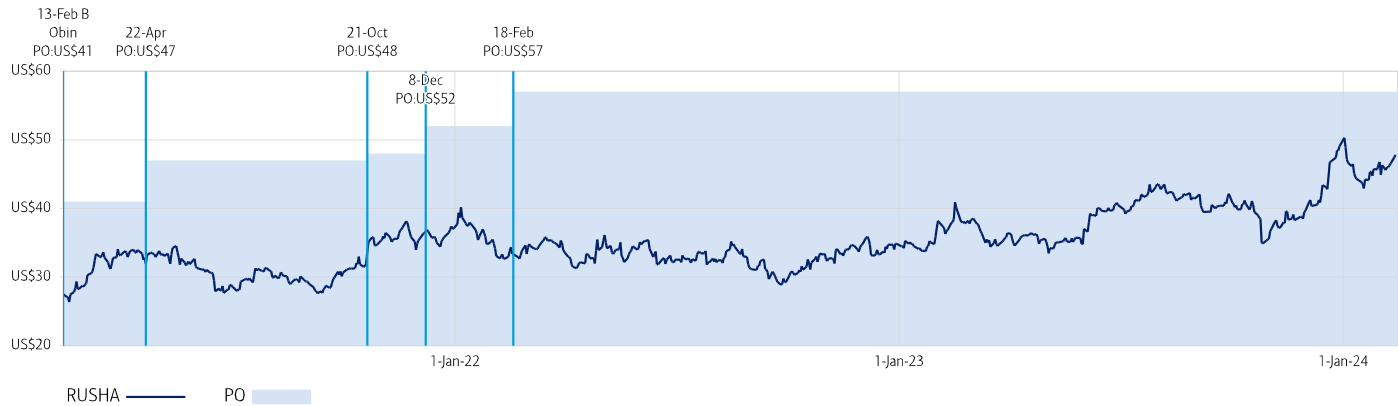
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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: 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%
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<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>
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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