

## General Motors Company

## 2024 accelerates with execution and share buyback, but what's next? – 4Q follow up

Reiterate Rating: BUY | PO: 75.00 USD | Price: 38.15 USD

## 4Q results solid; EPS benefits from lower tax, share count

GM reported solid 4Q23 results with adj. EPS of \$1.24 above BofAe/consensus at \$1.05/\$1.17. GM had solid operational performance with adj. EBIT of \$1.76bn in-line with BofA at \$1.79bn, and EPS beat primarily driven by lower tax rate due to release of a valuation allowance against deferred tax assets. GM's share count was lower than we had forecast (\$0.07 variance). At the segment level, GMNA EBIT was just below our forecast while GMI was above. GMF also showed it has more steam, with results well above our estimate. Cruise and Corporate spending were higher than our forecast. We reiterate Buy as we view GM as an industry leader in Core to Future transition with potential actions/opportunities well beyond 2024 (see [Ten key swing factors beyond 2024 that could drive value](#)).

## 2024 outlook suggests another year of strong profit

GM provided its 2024 outlook, with guidance for adjusted EBIT of \$12bn-\$14bn, adjusted EPS of \$8.50-\$9.50 (augmented by \$1.45/share from share buybacks), and adjusted Auto FCF of \$8bn-\$10bn. Although our operating estimates are only slightly revised, we meaningfully increased our EPS estimates to reflect the repurchase program. Tailwinds in 2024 include the non-recurrence of the UAW strike (\$1.1bn) and \$800mm EBIT impact from LG agreements, as well as a partial reversal of the \$1.6bn EV inventory allowance. Further, Cruise spending is expected to be \$1bn lower and GM is working to reduce costs, which we estimate will be another \$1bn tailwind excluding potential additional benefits from lower raw material costs. The ramp up of EV production on the Ultium platform and higher overall NA production should further contribute to earnings. We expect these items will be largely offset by headwinds from higher labor costs (~\$1.3bn) and weaker price/mix. Our PO is unchanged at \$75, still based on an EV/EBITDAP multiple of 4x on 2024E.

## GM remains focused on Core-to-Future transition

GM is continuing to make meaningful investments in the Core to Future transition, including to grow its EV business profitably and relaunching Cruise. GM's EV business should reach variable profit breakeven or better in 2H and achieve 2024 EV volumes of 200k+ with the Cadillac Lyriq, Chevrolet Blazer, GMC Hummer and Chevrolet Silverado EVs. While down from its prior target of ~400k production units by mid-2024, we are encouraged to see GM continuing to make progress in improving the cost position of its EV line-up. Meanwhile, GM appears committed to Cruise and is being more deliberate with its investments in the business. Commentary suggests it will provide new financial targets and more at its Capital Markets Day later in 2024.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	7.59	7.68	9.35	10.85	12.30
EPS Change (YoY)	7.4%	1.2%	21.7%	16.0%	13.4%
Consensus EPS (Bloomberg)			7.65	8.11	9.52
DPS	0.18	0.27	0.36	0.36	0.36
Adjusted EBITDA	25750	22886	25323	26678	27720
Valuation (Dec)					
P/E	5.0x	5.0x	4.1x	3.5x	3.1x
Dividend Yield	0.5%	0.7%	0.9%	0.9%	0.9%
EV / EBITDA*	1.9x	2.1x	1.9x	1.8x	1.8x
Free Cash Flow Yield*	16.2%	16.4%	17.5%	17.4%	19.1%

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

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Timestamp: 31 January 2024 05:00AM EST

31 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
2024E Rev (m)	170,111.3	180,855.4
2025E Rev (m)	174,491.0	183,146.1
2026E Rev (m)	183,336.9	189,522.3
2024E EPS	7.75	9.35
2025E EPS	8.85	10.85
2026E EPS	9.65	12.30

## John Murphy, CFA

Research Analyst  
BofAS  
+1 646 855 2025  
[johnj.murphy@bofa.com](mailto:johnj.murphy@bofa.com)

## John P. Babcock

Research Analyst  
BofAS  
+1 646 743 0046  
[john.p.babcock@bofa.com](mailto:john.p.babcock@bofa.com)

## Federico Merendi

Research Analyst  
BofAS  
+1 646 556 2798  
[federico.merendi@bofa.com](mailto:federico.merendi@bofa.com)

## William Healey

Research Analyst  
BofAS  
+1 646 855 5747  
[william.healey2@bofa.com](mailto:william.healey2@bofa.com)

## Stock Data

Price	38.15 USD
Price Objective	75.00 USD
Date Established	26-Jul-2023
Investment Opinion	B-1-7
52-Week Range	26.30 USD - 43.63 USD
Mkt Val (mn) / Shares Out (mn)	49,862 USD / 1,307.0
Free Float	99.7%
Average Daily Value (mn)	695.45 USD
BofA Ticker / Exchange	GM / NYS
Bloomberg / Reuters	GM US / GM.N
ROE (2024E)	20.8%
Net Dbt to Eqty (Dec-2023A)	8.0%
ESGMeter <sup>TM</sup>	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".

GMNA: GM North America;

GMF: GM Financial

GMI: GM International

EV: Electric Vehicle

ICE: Internal combustion engine

W

UAW: United Auto Workers

# iQprofile<sup>SM</sup> General Motors Company

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	10.5%	10.7%	10.8%	10.6%	10.6%
Return on Equity	21.9%	20.4%	20.8%	19.9%	18.5%
Operating Margin	7.9%	6.5%	6.7%	7.1%	7.3%
Free Cash Flow	8,058	8,160	8,709	8,663	9,506

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.6x	1.8x	1.8x	1.7x	1.7x
Asset Replacement Ratio	0.8x	0.9x	0.9x	0.9x	0.9x
Tax Rate	21.7%	16.4%	19.6%	21.6%	21.6%
Net Debt-to-Equity Ratio	5.3%	8.0%	5.9%	-1.5%	-7.1%
Interest Cover	12.6x	12.2x	13.1x	15.9x	19.3x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	156,735	171,842	180,855	183,146	189,522
% Change	23.4%	9.6%	5.2%	1.3%	3.5%
Gross Profit	31,969	32,377	33,739	34,934	36,041
% Change	17.7%	1.3%	4.2%	3.5%	3.2%
EBITDA	25,750	22,886	25,323	26,678	27,720
% Change	-2.2%	-11.1%	10.6%	5.4%	3.9%
Net Interest & Other Income	446	625	430	439	457
<b>Net Income (Adjusted)</b>	<b>11,044</b>	<b>10,513</b>	<b>10,730</b>	<b>11,446</b>	<b>12,153</b>
<b>% Change</b>	<b>6.4%</b>	<b>-4.8%</b>	<b>2.1%</b>	<b>6.7%</b>	<b>6.2%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	11,147	10,618	10,835	11,597	12,306
Depreciation & Amortization	11,276	11,735	12,064	12,222	12,398
Change in Working Capital	3,430	4,013	784	(61)	26
Deferred Taxation Charge	(50)	(1,296)	0	0	0
Other Adjustments, Net	(8,541)	(6,163)	(3,974)	(4,096)	(4,224)
Capital Expenditure	(9,204)	(10,747)	(11,000)	(11,000)	(11,000)
<b>Free Cash Flow</b>	<b>8,058</b>	<b>8,160</b>	<b>8,709</b>	<b>8,663</b>	<b>9,506</b>
<b>% Change</b>	<b>668.9%</b>	<b>1.3%</b>	<b>6.7%</b>	<b>-0.5%</b>	<b>9.7%</b>
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(323)	(479)	(413)	(380)	(356)
Change in Debt	762	(1,431)	0	(2,000)	(2,000)

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	15,148	13,572	14,413	16,696	18,846
Trade Receivables	11,910	11,814	12,387	12,544	12,981
Other Current Assets	29,875	26,538	27,379	27,508	28,128
Property, Plant & Equipment	45,109	50,197	54,058	57,826	61,490
Other Non-Current Assets	41,887	42,980	42,980	42,980	42,980
<b>Total Assets</b>	<b>143,929</b>	<b>145,101</b>	<b>151,217</b>	<b>157,553</b>	<b>164,424</b>
Short-Term Debt	2,159	869	869	869	869
Other Current Liabilities	46,726	50,090	52,288	52,514	53,596
Long-Term Debt	15,997	16,871	16,871	14,871	12,871
Other Non-Current Liabilities	22,278	24,918	24,918	24,918	24,918
<b>Total Liabilities</b>	<b>87,160</b>	<b>92,748</b>	<b>94,946</b>	<b>93,172</b>	<b>92,254</b>
<b>Total Equity</b>	<b>56,769</b>	<b>52,353</b>	<b>56,271</b>	<b>64,382</b>	<b>72,170</b>
<b>Total Equity &amp; Liabilities</b>	<b>143,929</b>	<b>145,101</b>	<b>151,217</b>	<b>157,553</b>	<b>164,424</b>

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

## Company Sector

Autos/Car Manufacturers

## Company Description

GM is one of the world's largest automakers, with annual volume of almost 9mm units. The company reports its operations in four segments, North America, International, GM Financial, and GM Cruise. It has made significant strides in restructuring its business since the last trough in 2009, positioning it well to deal with cycle swings and the evolving industry landscape.

## Investment Rationale

Our Buy rating on GM is predicated on our view that the company remains a leader among the industry in its Core to Future transition. More specifically, GM's ongoing execution and strength in its Core business continues to enable the company to step up its investments across EVs and AVs, further Future-proofing the business. Along these lines, GM continues to develop all the necessary components for the future of mobility services, which we believe may help unlock value over time.

## Stock Data

Average Daily Volume 18,229,296

## Quarterly Earnings Estimates

	2023	2024
Q1	2.21A	2.05E
Q2	1.91A	2.55E
Q3	2.28A	2.50E
Q4	1.24A	2.25E

## 4Q:23 results at a glance

### EPS beat on solid op. results, lower tax rate & share count

GM reported 4Q:23 adj. operating EPS of \$1.24, which was above our estimate of \$1.05 and consensus of \$1.17. On an operating basis, 4Q:23 total company adj. EBIT of \$1.76bn was largely in line with our estimate of \$1.79bn. GM North America was in range of BofAe, while GM International came in below our projections. GM Financial momentum remained solid with results above our forecast. Cruise spending was higher (-\$792mm vs. -\$725mm BofAe) and Corporate expense was also above our model. Specifically, GMNA posted 4Q EBIT of \$2.01bn versus our estimate of \$2.09bn, with an EBIT margin of 5.7% (BofAe 6.1%). While pricing remained strong, GMNA was negatively impacted by an EV inventory allowance (-\$1.1bn) and the UAW strike (\$900mm). GMI adj. EBIT was solid at \$269mm (BofAe \$225mm) as favorable pricing offset lower volume and weaker mix. GMF adj. EBIT of \$0.71bn compared with BofAe at \$0.53bn. For the company as a whole, price continued to be favorable YoY while weaker mix and higher costs were a headwind. Weaker mix in the quarter was due to higher CUV and EV sales.

#### Exhibit 1: GM 4Q:23 segment EBIT variance table (\$mm)

GM reported 4Q:23 adjusted EPS of \$1.24 versus BofAe of \$1.05

	Versus BofAe			YoY Change		
	4Q:23A	4Q:23E	Variance	4Q:23A	4Q:22A	Variance
GM North America - GMNA	\$2,011	\$2,086	(\$75)	\$2,011	\$3,654	(\$1,643)
GM International - GMI	\$269	\$225	\$44	\$269	\$272	(\$3)
GM Financial - GMF	\$707	\$527	\$180	\$707	\$775	(\$68)
GM Cruise	(\$792)	(\$725)	(\$67)	(\$792)	(\$524)	(\$268)
Corporate/Eliminations	(\$439)	(\$325)	(\$114)	(\$439)	(\$377)	(\$62)
Corporate (including Cruise)	(\$1,231)	(\$1,050)	(\$181)	(\$1,231)	(\$901)	(\$330)
<b>Total Company EBIT</b>	<b>\$1,757</b>	<b>\$1,788</b>	<b>(\$31)</b>	<b>\$1,757</b>	<b>\$3,799</b>	<b>(\$2,042)</b>
<b>EPS (Continuing operations)</b>	<b>\$1.24</b>	<b>\$1.05</b>	<b>\$0.19</b>	<b>\$1.24</b>	<b>\$2.12</b>	<b>(\$0.88)</b>

Source: Company filings, BofA Global Research estimates

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### FCF lower in 4Q; Balance sheet reflects share buybacks

GM generated \$1.34bn in adjusted Auto free cash flow in 4Q:23. This compares with adjusted Auto free cash flow of \$4.46bn in 4Q:22, with lower net Auto cash from operations (\$4.7bn vs. \$7.5bn in 4Q:22). At the end of 4Q:23, GM had gross cash and marketable securities of \$19.8bn and total liquidity of \$36.3bn, while net cash stood at ~\$3.4bn. GM's liquidity levels should be sufficient to manage potential volatility in the macro environment, while also proactively investing for the future.

#### Exhibit 2: Key Automotive balance sheet items

GM's liquidity of \$36.3bn at the end of 4Q:23 is solid, with \$19.8bn in gross cash and \$3.4bn in net cash

(\$bn)	Dec. 30, 2023	Sept. 30, 2023	Dec. 30, 2022
Cash & Current Marketable Securities	\$19.8	\$29.0	\$24.4
Available Credit Facilities	<u>\$16.4</u>	<u>\$13.5</u>	<u>\$15.1</u>
<b>Available Liquidity</b>	<b>\$36.3</b>	<b>\$42.5</b>	<b>\$39.5</b>
<b>Key Obligations:</b>			
Debt	\$16.4	\$16.4	\$17.8
Net Cash/(Debt)	\$3.4	\$12.6	\$6.6

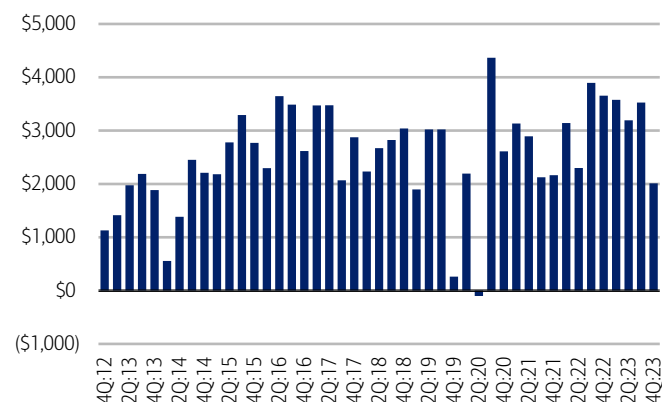
Source: Company filings

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## Segment performance

### Exhibit 3: North America (GMNA) quarterly EBIT/(loss) (\$mm)

GM North America posted EBIT of \$2.01bn vs. BofAe of \$2.09bn



Source: Company filings

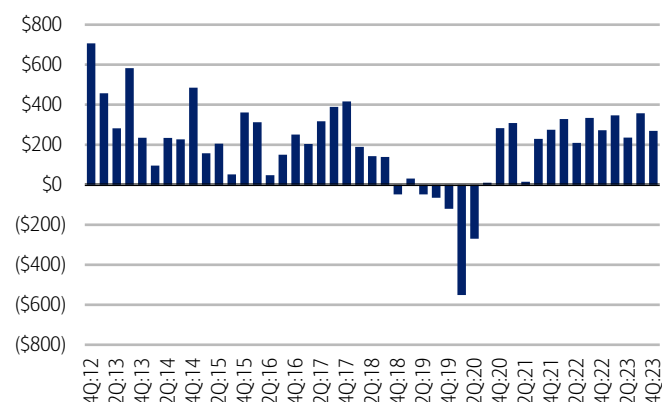
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North America 4Q:23 adj. EBIT of \$2.01bn was slightly below our estimate of \$2.09bn, with an EBIT margin of 5.7% lower than our estimate of 6.1%.

On a YoY basis, GMNA's EBIT was negatively impacted by, higher costs (-\$1.1bn), weaker mix (-\$0.8bn), and lower volumes (-\$0.1bn). These factors were partially offset by favorable pricing (+\$0.4bn). Recall that higher costs were driven primarily by inventory allowance adjustments, which at the company level had a \$1.1bn impact on 4Q and to a slightly lesser extent the UAW strike.

### Exhibit 4: International (GMI) quarterly EBIT/(loss) (\$mm)

GM International posted EBIT of \$269mm vs. BofAe of \$225mm



Source: Company filings

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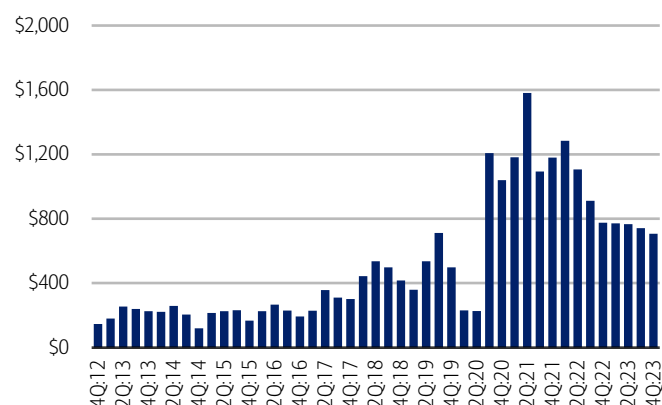
GM International (South America and Asia Pacific / China) reported 4Q:23 adj. EBIT of \$269mm, which was above our estimate of \$225mm, and down slightly from \$272mm in 4Q:22.

On a YoY basis, GMI's performance was positively impacted by favorable price (+\$0.2bn) and lower costs (+\$0.1bn). However, lower volumes (-\$0.1bn), weaker mix (-\$0.1bn), and other charges (-\$0.2bn) were offset by price and lower costs.

GMI posted equity income (mostly China) of \$93mm in 4Q:23 (BofAe \$131mm), which declined YoY from \$200mm in 4Q:22 due to intensified market competition in China, which resulted in pricing pressures.

### Exhibit 5: GM Financial (GMF) quarterly EBIT/(loss) (\$mm)

GM Financial posted EBIT of \$0.71bn vs. BofAe of \$0.53bn



Source: Company filings

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GM Financial reported 4Q:23 adj. EBIT of \$707mm, which was well above our forecast for \$527mm.

GMF's earnings assets of \$117.6bn increased YoY from \$109.3bn in 4Q:22 and sequentially from \$115.0bn in 3Q:23. Retail sales penetration declined both YoY to 38.6% from 39.7% in 4Q:22 and sequentially from 40.8% in 3Q:23.

In 4Q:23, GMF paid a dividend to the parent company in the amount of \$450mm.

## Price objective basis & risk

### General Motors Company (GM)

Our price objective of \$75 is based on an EV/EBITDAP multiple (EV/EBITDA adjusted for pension) of roughly 4x on our 2024 estimates. This valuation methodology reflects a multiple within GM's historical range (3-6x). We believe a multiple at this level is warranted considering the timing of the cycle and as GM's Core business is being well managed even amidst a choppy macro, while the accelerating focus on Future-proofing the business with the development of the necessary components of the future of mobility services, including an autonomous electric vehicle fleet (Cruise Anywhere) and connectivity (OnStar), may provide upside.

Downside risks: 1) a more swift and/or material downturn in US auto sales, 2) a sharp and sustained rise in input costs, 3) disruption in the supply base, 4) significant increase in gas prices, 5) new vehicle pricing deteriorates, 6) market share losses pressure results, 7) unwillingness of dealers to shoulder inventory risk, 8) suppliers gain significant pricing power, 9) stress in capital markets makes borrowing more expensive, 10) key members of management leave.

Upside risks: 1) continued strength in US auto cycle, 2) growth in China remains robust, which benefits GM through its established market position, 3) mix and pricing remain favorable, 4) capital allocation is directed towards shareholder returns (share repurchases, etc.).

## Analyst Certification

I, John Murphy, 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 - Automotives Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Adient Plc	ADNT	ADNT US	John Murphy, CFA
	Aptiv PLC	APTIV	APTIV US	John Murphy, CFA
	Asbury Auto	ABG	ABG US	John Murphy, CFA
	AutoNation, Inc.	AN	AN US	John Murphy, CFA
	BorgWarner	BWA	BWA US	John Murphy, CFA
	Ferrari	RACE	RACE US	John Murphy, CFA
	Ferrari NV	XJHKF	RACE IM	John Murphy, CFA
	Ford Motor	F	F US	John Murphy, CFA
	General Motors Company	GM	GM US	John Murphy, CFA
	Group 1 Auto	GPI	GPI US	John Murphy, CFA
	Lear Corp.	LEA	LEA US	John Murphy, CFA
	Lithia Motors A	LAD	LAD US	John Murphy, CFA
	Magna Intl	MGA	MGA US	John Murphy, CFA
	Magna Intl	YMG	MG CN	John Murphy, CFA
	Penske Auto Group	PAG	PAG US	John Murphy, CFA
	Rivian Automotive	RIVN	RIVN US	John Murphy, CFA
	Visteon	VC	VC US	John P. Babcock
<b>NEUTRAL</b>				
	Gentex	GNTX	GNTX US	John Murphy, CFA
	Lucid Group	LCID	LCID US	John Murphy, CFA
	Luminar Technologies	LAZR	LAZR US	John P. Babcock
	Tesla Motors	TSLA	TSLA US	John Murphy, CFA
<b>UNDERPERFORM</b>				
	American Axle	AXL	AXL US	John Murphy, CFA
	America's Car-Mart, Inc.	CRMT	CRMT US	John Murphy, CFA



**US - Automotives Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	CarMax, Inc.	KMX	KMX US	John Murphy, CFA
	Mobileye	MBLY	MBLY US	John Murphy, CFA
	OPENLANE	KAR	KAR US	John Murphy, CFA
	Sonic Automotive	SAH	SAH US	John Murphy, CFA

**RVW**

	Fisker	FSR	FSR US	John P. Babcock
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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 & 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

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 valuations. 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.

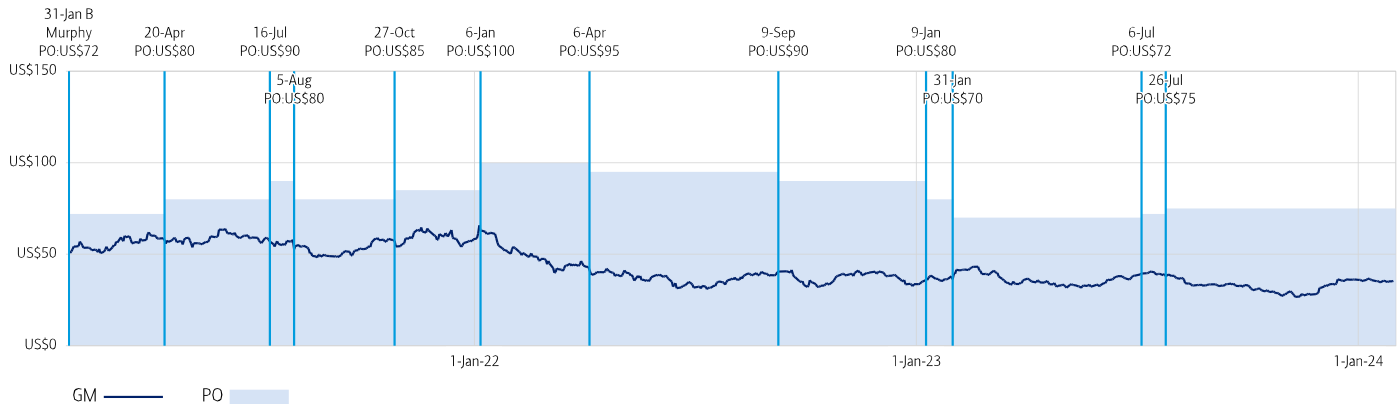
iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

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# Disclosures

## Important Disclosures

### General Motors (GM) 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: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

### 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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