

CRH

Strong 2024 guidance drive upgrades, PO raised to GBp7,200/\$91

Reiterate Rating: BUY | PO: 7,200 GBp | Price: 6,200 GBp

2023 profits slightly above, strong cash flow

FY-23 US GAAP EBITDA of \$6.18bn (+11% LFL) was c2% above our forecast (\$6.07bn), implying an impressive c15% growth in H2. The beat was largely driven by Americas Materials with 16% EBITDA growth and 140bp margin expansion y/y (including c200bp in H2). The other divisions, Americas Building, Europe Materials and Europe Building, were largely in line with our estimates. The EPS was c5% above our estimates. The net debt of \$5.4bn was slightly below our forecast driven by an impressive \$5.0bn operating cash flow. Share buyback will restart at a pace of \$0.3bn per quarter, equivalent to a run-rate of \$1.2bn per annum. The lower pace relative to 2023 reflects the 5% increase in dividend, slightly higher capex and the group's recently announced acquisitions (Texas cement and Adbri).

2024 EBITDA guidance: 6% to 11% growth ahead

The mid-point of the 2024 EBITDA guidance of \$6.55bn to \$6.85bn 6% to 11% y/y growth and 8.5% at the mid-point, consistent with our revised forecast of \$6.7bn. Overall we have increased our 2024 EPS estimates by c9% to reflect c8% more EBITDA (margin revised to 18.3% from 17.0%) partly offset by lower buyback estimates. We believe the bulk of the growth is likely to continue to come from Americas Materials while Europe should, in our view, deliver more stable results this year. See Exhibits 1 and 2 for the details of our revisions and our divisional forecast.

Reiterate Buy, PO raised to GBp7,200/\$91

We have raised our PO to GBp7,200/\$91 (from GBp6,800/\$86 previously) to account for the revision in our earnings estimates. We see CRH as an attractive mix of resilient demand, attractive infrastructure exposure, positive earnings momentum, strong free cash flow generation, large shareholder returns, M&A optionality, and low valuation. The stock is trading on a 2025E P/E of c13x and EV/EBITDA of c9x, which in our view fails to discount the strong fundamentals. Our revised PO is consistent with our Sum-Of-The-Parts valuation (see Exhibit 3, not included in our valuation methodology).

Estimates (Dec) (USD)	2022A	2023A	2024E	2025E	2026E
Adjusted EBITDA	5,388	6,176	6,700	7,157	7,653
EPS (Adjusted Diluted)	3.55	4.76	5.38	5.97	6.68
EPS Change (YoY)	24.9%	33.9%	13.0%	11.0%	11.9%
Dividend / Share	1.27	1.33	1.40	1.47	1.54
ADR EPS (Adjusted Diluted - US\$)	3.55	4.76	5.38	5.97	6.68
ADR Dividend / Share (US\$)	1.27	1.33	1.40	1.47	1.54
Valuation (Dec)					
P/E	21.0x	16.6x	14.6x	13.1x	11.7x
Dividend Yield	1.62%	1.70%	1.78%	1.87%	1.97%
EV / EBITDA*	11.8x	10.3x	9.47x	8.86x	8.29x
Free Cash Flow Yield*	3.85%	5.63%	5.07%	5.71%	6.44%

* For full definitions of *IQmethod*SM measures, see page 7.

29 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	6,800.00p	7,200.00p
2024E Rev (m)	36,443.4	36,666.2
2025E Rev (m)	38,321.4	38,552.9
2026E Rev (m)	40,283.5	40,534.5
2024E EPS	4.92	5.38
2025E EPS	5.69	5.97
2026E EPS	6.69	6.68

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Stock Data

Price (Common / ADR)	6,200 GBp / 79.32 USD
Price Objective	7,200 GBp / 91.00 USD
Date Established	29-Feb-2024 / 29-Feb-2024
Investment Opinion	A-1-7 / B-1-7
52-Week Range	3,736 GBp-6,282 GBp
Market Value (mn)	42,823 GBp
Shares Outstanding (mn)	690.7 / 690.7
Average Daily Value (mn)	64.34 USD
Free Float	97.0%
BofA Ticker / Exchange	CRHCF / LSE
BofA Ticker / Exchange	CRH / NYS
Bloomberg / Reuters	CRH LN / CRH.L
ROE (2024E)	17.1%
Net Dbt to Eqty (Dec-2023A)	23.0%
ESGMeter TM	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"](#).

LFL: Like for like

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Refer to important disclosures on page 8 to 11. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

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Timestamp: 29 February 2024 02:08AM EST

iQprofileSM CRH

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(US\$ Millions)					
Sales	32,723	34,949	36,666	38,553	40,534
EBITDA Adjusted	5,388	6,176	6,700	7,157	7,653
Depreciation & Amortization	(1,579)	(1,990)	(1,654)	(1,684)	(1,691)
EBIT Adjusted	3,809	4,186	5,046	5,474	5,962
Net Interest & Other Income	(249)	(172)	(265)	(265)	(265)
Tax Expense / Benefit	(762)	(925)	(1,052)	(1,146)	(1,253)
Net Income (Adjusted)	2,693	3,470	3,694	4,009	4,388
Average Fully Diluted Shares Outstanding	758	729	687	672	657

Key Cash Flow Statement Data					
Net Income (Reported)	3,862	3,195	3,694	4,009	4,388
Depreciation & Amortization	1,579	1,990	1,654	1,684	1,691
Change in Working Capital	(518)	(80.0)	(163)	(179)	(188)
Deferred Taxation Charge	0	0	0	0	0
Other CFO	(1,123)	(88.0)	(172)	(153)	(151)
Cash Flow from Operations	3,800	5,017	5,013	5,360	5,739
Capital Expenditure	(1,523)	(1,817)	(2,300)	(2,369)	(2,440)
(Acquisition) / Disposal of Investments	(3,298)	(727)	(3,900)	(500)	(500)
Other CFI	3,904	153	1,394	194	194
Cash Flow from Investing	(917)	(2,391)	(4,806)	(2,675)	(2,746)
Share Issue / (Repurchase)	11.0	4.00	15.0	20.0	20.0
Cost of Dividends Paid	(930)	(953)	(918)	(945)	(970)
Increase (decrease) debt	(737)	1,929	1,896	(560)	(843)
Other CFF	(843)	(3,360)	(3,096)	(640)	(357)
Cash Flow from Financing	(2,499)	(2,380)	(2,103)	(2,125)	(2,150)
Total Cash Flow (CFO + CFI + CFF)	384	246	(1,896)	560	843
FX and other changes to cash	(213)	234	1,896	(560)	(843)
Change in Cash	171	480	0	0	0
Change in Net Debt	(908)	1,449	1,896	(560)	(843)
Net Debt	3,520	4,969	6,865	6,304	5,461

Key Balance Sheet Data					
Property, Plant & Equipment	17,768	17,841	20,987	21,972	23,022
Goodwill	3,800	3,800	3,800	3,800	3,800
Other Intangibles	1,088	1,041	1,041	1,041	1,041
Other Non-Current Assets	7,830	7,902	7,868	7,834	7,800
Trade Receivables	4,300	4,507	4,818	5,066	5,326
Cash & Equivalents	6,244	6,724	6,724	6,724	6,724
Other Current Assets	4,289	5,654	4,677	4,913	5,160
Total Assets	45,319	47,469	49,915	51,350	52,874
Long-Term Debt	8,222	9,776	11,672	11,111	10,268
Other Non-Current Liabilities	6,016	6,059	6,059	6,059	6,059
Short-Term Debt	1,542	1,917	1,917	1,917	1,917
Other Current Liabilities	6,499	8,096	7,020	7,077	7,150
Total Liabilities	22,279	25,848	26,667	26,164	25,394
Total Equity	23,040	21,621	23,248	25,186	27,479
Total Equity & Liabilities	45,319	47,469	49,915	51,350	52,874

Business Performance*					
Return On Capital Employed	7.69%	8.24%	9.57%	9.80%	10.3%
Return On Equity	12.6%	16.1%	17.1%	17.1%	17.2%
Operating Margin	11.3%	12.0%	13.8%	14.2%	14.7%
Free Cash Flow (MM)	2,277	3,200	2,713	2,991	3,299

Quality of Earnings*					
Cash Realization Ratio	1.41x	1.45x	1.36x	1.34x	1.31x
Asset Replacement Ratio	0.98x	1.11x	1.39x	1.41x	1.44x
Tax Rate	22.0%	23.0%	22.0%	22.0%	22.0%
Net Debt/Equity	15.3%	23.0%	29.5%	25.0%	19.9%
Interest Cover	15.3x	24.3x	18.4x	19.9x	21.7x

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Building Materials

Company Description

CRH is a diversified building materials group which operates in two activities: Materials and Products. Materials includes the production of cement, aggregates, asphalt and ready mix concrete. Products includes concrete products and construction-related products and services. The key markets for the group are Europe and the US.

Investment Rationale

We see a positive outlook for the group's US operations as the underlying market lead indicators trend positively, in particular in the infrastructure space. The balance sheet is very solid and offers substantial upside potential in term of M&A activity and share buybacks. We believe that the valuation is attractive, with the stock trading at a discount to its own historical average and to several of its building materials peers.

Stock Data

Shares / ADR	1.00
Price to Book Value	2.4x

Key Changes

(US\$)	Previous	Current
Price Obj.	86.00	91.00
2024E EPS	4.92	5.38
2025E EPS	5.69	5.97
2026E EPS	6.69	6.68

Exhibit 1: CRH revised estimates

High single digit upgrades to 2024 E BITDA estimates

US\$m	Revised Forecasts (US GAAP)				% chg. In forecast		
	2023A	2024E	2025E	2026E	2023A	2024E	2025E
Sales							
Americas Materials Solutions	15,435	17,061	17,744	18,631	0%	2%	2%
Americas Building Solutions	7,017	7,368	7,810	8,357	1%	4%	4%
Europe Materials Solutions	9,690	9,514	10,222	10,631	-3%	-2%	-2%
Europe Building Solutions	2,807	2,723	2,777	2,916	-3%	-3%	-3%
Total Sales	34,949	36,666	38,553	40,534	-1%	1%	1%
% change	6.8%	4.9%	5.1%	5.1%			
EBITDA							
Americas Materials Solutions	3,059	3,498	3,691	3,912	5%	9%	9%
margin (%)	19.8%	20.5%	20.8%	21.0%			
Americas Building Solutions	1,442	1,547	1,679	1,864	-2%	8%	7%
margin (%)	20.6%	21.0%	21.5%	22.3%			
Europe Materials Solutions	1,395	1,370	1,482	1,541	-2%	9%	8%
margin (%)	14.4%	14.4%	14.5%	14.5%			
Europe Building Solutions	280	286	305	335	0%	2%	0%
margin (%)	10.0%	10.5%	11.0%	11.5%			
Total EBITDA	6,176	6,700	7,157	7,653	2%	8%	8%
margin (%)	17.7%	18.3%	18.6%	18.9%			
% change	14.6%	8.5%	6.8%	6.9%			
LFL change	11.0%	5.9%	5.0%	6.5%			
Group EBITA	4,543	5,046	5,474	5,962	2%	10%	10%
margin (%)	13.0%	13.8%	14.2%	14.7%			
% change	16.7%	11.1%	8.5%	8.9%			
Profit/Loss on disposals	0	0	0	0			
Finance costs (net)	(172)	(275)	(275)	(275)	-19%	15%	4%
Associates	10	10	10	10			
Income tax expense	(925)	(1,052)	(1,146)	(1,253)			
PAT	3,456	3,729	4,063	4,444	4%	10%	10%
Minority interest	106	(35)	(54)	(56)			
NPAT	3,562	3,694	4,009	4,388	8%	10%	10%
Clean EPS (c)	4.73	5.38	5.97	6.68	5%	9%	4%
% change	33.3%	13.6%	11.0%	11.9%			

Source: BofA Global Research estimates, company report

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Exhibit 2: CRH divisional forecast

High single digit EBITDA growth in 2024E

US\$m, US GAAP		2021A	2022A	2023E	2024E	2025E	2026E
TOTAL CRH	Sales	29,206	32,723	34,949	36,666	38,553	40,534
	% chg		12%	6.8%	4.9%	5.1%	5.1%
	% LFL		11%	3%	2.2%	3%	5%
	Scope		6%	3%	2.6%	2%	0%
	Currency		-4%	1%	0%	0%	0%
	EBITDA	4,806	5,388	6,176	6,700	7,157	7,653
	% chg		12.1%	14.6%	8.5%	6.8%	6.9%
	% LFL		7.0%	11.0%	5.9%	5.0%	6.5%
	Scope		8.4%	3.0%	2.5%	1.8%	0.4%
	Currency		-3.3%	0.6%	0.1%	0.0%	0.0%
	EBITDA margin	16.5%	16.5%	17.7%	18.3%	18.6%	18.9%
AMERICAS	Sales	17,035	20,512	22,452	24,429	25,553	26,987
	% chg		20%	9.5%	8.8%	4.6%	5.6%
	LFL chg.		12%	5%	5%	4%	5%
	Scope		9%	5%	4%	1%	1%
	Currency		0%	0%	0%	0%	0%
	EBITDA	3,263	3,857	4,501	5,044	5,370	5,776
	% chg		18.2%	16.7%	12.1%	6.5%	7.6%
	EBITDA margin	19.2%	18.8%	20.0%	20.6%	21.0%	21.4%
Americas Materials Solutions	Sales	12,407	14,324	15,435	17,061	17,744	18,631
	% chg		15%	8%	11%	4%	5%
	LFL chg.		12%	6%	6%	4%	5%
	Scope		4%	2%	5%	0%	0%
	Currency		0%	0%	0%	0%	0%
	EBITDA	2,543	2,638	3,059	3,498	3,691	3,912
	EBITDA margin	20.5%	18.4%	19.8%	20.5%	20.8%	21.0%
	EBITDA change		3.7%	16.0%	14.3%	5.5%	6.0%
Americas Building Solutions	Sales	4,628	6,188	7,017	7,368	7,810	8,357
	% chg		34%	13%	5%	6%	7%
	LFL chg.		10%	1%	3%	4%	5%
	Scope		24%	12%	2%	2%	2%
	Currency		0%	0%	0%	0%	0%
	EBITDA	720	1,219	1,442	1,547	1,679	1,864
	EBITDA margin	15.6%	19.7%	20.6%	21.0%	21.5%	22.3%
	EBITDA change			18.3%	7.2%	8.6%	11.0%
Europe	Sales	12,171	12,211	12,497	12,237	12,999	13,547
	% chg		0%	2.3%	-2.1%	6.2%	4.2%
	LFL chg.		10%	0%	-3%	2%	4%
	Scope		1%	0%	1%	4%	0%
	Currency		-11%	2%	0%	0%	0%
	EBITDA	1,543	1,531	1,675	1,656	1,788	1,877
	% chg			9.4%	-1.1%	8.0%	5.0%
	EBITDA margin	12.7%	12.5%	13.4%	13.5%	13.8%	13.9%
Europe Materials Solutions	Sales	9,389	9,349	9,690	9,514	10,222	10,631
	% chg		0%	4%	-2%	7%	4%
	LFL chg.		10%	3%	-3%	2%	4%
	Scope		0%	-1%	1%	5%	0%
	Currency		-11%	2%	0%	0%	0%
	EBITDA	1,228	1,195	1,395	1,370	1,482	1,541
	EBITDA margin	13.1%	12.8%	14.4%	14.4%	14.5%	14.5%
	EBITDA change			16.7%	-1.8%	8.2%	4.0%
Europe Building Solutions	Sales	2,782	2,862	2,807	2,723	2,777	2,916
	% chg		3%	-2%	-3%	2%	5%
	LFL chg.		11%	-8%	-3%	2%	5%
	Scope		2%	3%	0%	0%	0%
	Currency		-10%	2%	0%	0%	0%
	EBITDA	315	336	280	286	305	335
	EBITDA margin	11.3%	11.7%	10.0%	10.5%	11.0%	11.5%
	EBITDA change			-16.7%	2.1%	6.9%	9.8%

Source: BofA Global Research estimates, company report

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Exhibit 3: CRH Sum-Of-The-Parts valuation

SOTP based on peers valuations

	Sales 2025E	%	EBITDA 2025E	%	Multiple (x)	Valuation (\$bn)	%	Comment
Americas Materials Solutions	17,744	46%	3,691	52%	11.7x	43,245	62%	
Aggregates US	3,158	8%	1,101	15%	15.4x	16,895	24%	VMC and MLM average multiples
Cement US	1,952	5%	680	10%	11.0x	7,482	11%	Acquisition of Ash Grove cement, Suwannee cement, MLM Texas asset
Asphalt US	2,843	7%	464	6%	10.8x	4,992	7%	ROAD US / KNF US average multiples
RMC US	3,158	8%	275	4%	8.5x	2,339	3%	Market multiples
Contracting/Other US	4,503	12%	707	10%	10.8x	7,596	11%	ROAD US / KNF US average multiples
Canada	2,129	6%	464	6%	8.5x	3,942	6%	Market multiples
Americas Building Solutions	7,810	20%	1,679	23%	9.5x	15,910	23%	Owens Corning, Eagle Materials, Beacon Roofing and James Hardie
Europe Materials Solutions	10,222	27%	1,482	21%	5.5x	8,152	12%	Heidelberg, Buzzi, Vicat and Titan
Europe Building Solutions	2,777	7%	305	4%	8.7x	2,670	4%	Saint-Gobain, Rockwool, Kingspan, Wienerberger, Ibstock
Total	38,553		7,157		9.8x	69,977		-
Net debt end of 2023E (US GAAP)						-5,406		
Other EV						-1,956		
Equity value (\$m)						62,615		
Market cap. (\$m)						53,812		
Equity Value/share (\$)						90.7		

Source: BofA Global Research estimates, company report

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Price objective basis & risk

CRH (CRHCF / CRH)

Our price objective of GBp7,200 (\$91) for CRH is based on a premium to the company's 10-year historical forward average P/E and EV/EBITDA multiples of 17x and 10x, respectively, which we think is reasonable as it includes periods of strong and weaker trading, consistent with valuation methodology of other companies in the sector and our Sum of the Parts. We then apply these multiples to our 2024 and 2025 earnings forecasts, with a discount factor.

Upside risks to our price objective for CRH are: 1) stronger-than-expected strength of US volumes, with non-residential and infrastructure volumes driving growth, 2) resilience of European volumes, driven by the infrastructure sector, 3) an acceleration of the group's bolt-on accretive acquisitions, and 4) a significant decrease in net debt from potential disposals. Downside risks are: 1) a decline of European volumes, 2) a faster-than-expected slowdown in the US, including potential decline in non-residential spending, 3) another surge in energy costs that would put pressure on operating margins.

Analyst Certification

I, Arnaud Lehmann, 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.

EMEA - Building, Construction & Cement Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Balfour Beatty	BAFBF	BBY LN	Arnaud Lehmann
	Buzzi	BZZUF	BZU IM	Lukha Aggarwal
	Buzzi	BZZUY	BZZUY US	Lukha Aggarwal
	CRH	CRHCF	CRH LN	Arnaud Lehmann
	CRH	CRH	CRH US	Arnaud Lehmann
	Heidelberg Materials	HLBZF	HEI GY	Arnaud Lehmann
	Heidelberg Materials	HDELY	HDELY US	Arnaud Lehmann
	Kingspan Group PLC	KGSPF	KSP ID	Arnaud Lehmann
	Taylor Wimpey	TWODF	TW/ LN	Arnaud Lehmann
	Vistry Group PLC	BVHMF	VTY LN	Lukha Aggarwal
NEUTRAL				
	Ashtead	ASHTY	ASHTY US	Arnaud Lehmann
	Ashtead Group Plc	ASHTF	AHT LN	Arnaud Lehmann
	Holcim	HCMLY	HCMLY US	Arnaud Lehmann
	Holcim Ltd	HCMLF	HOLN SW	Arnaud Lehmann
	Persimmon	PSMMF	PSN LN	Arnaud Lehmann
	Persimmon	PSMMY	PSMMY US	Arnaud Lehmann
	Saint-Gobain	CODGF	SGO FP	Arnaud Lehmann
	Saint-Gobain	CODY	CODY US	Arnaud Lehmann
	Sika	SKFOF	SIKA SW	Arnaud Lehmann
	Sika	SXYAY	SXYAY US	Arnaud Lehmann
UNDERPERFORM				
	Barratt Developments	BTDPF	BDEV LN	Lukha Aggarwal
	Bellway	BLWYF	BWY LN	Lukha Aggarwal
	Berkeley Group	BKGFF	BKG LN	Lukha Aggarwal
	Ferguson PLC	WOSCF	FERG LN	Arnaud Lehmann
	Ferguson PLC	FERG	FERG US	Arnaud Lehmann
	Geberit	GBERF	GBN SW	Arnaud Lehmann
	Rockwool International A/S	RKWB	ROCKB DC	Arnaud Lehmann
	Skanska	SKSBF	SKAB SS	Arnaud Lehmann
	Travis Perkins	TVPKF	TPK LN	Arnaud Lehmann

EMEA - Building, Construction & Cement Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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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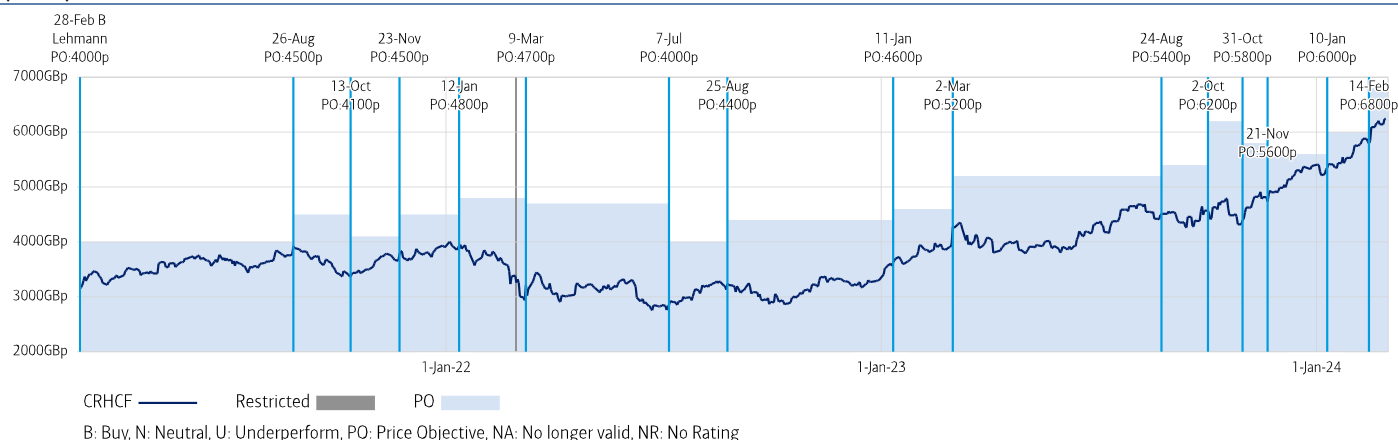
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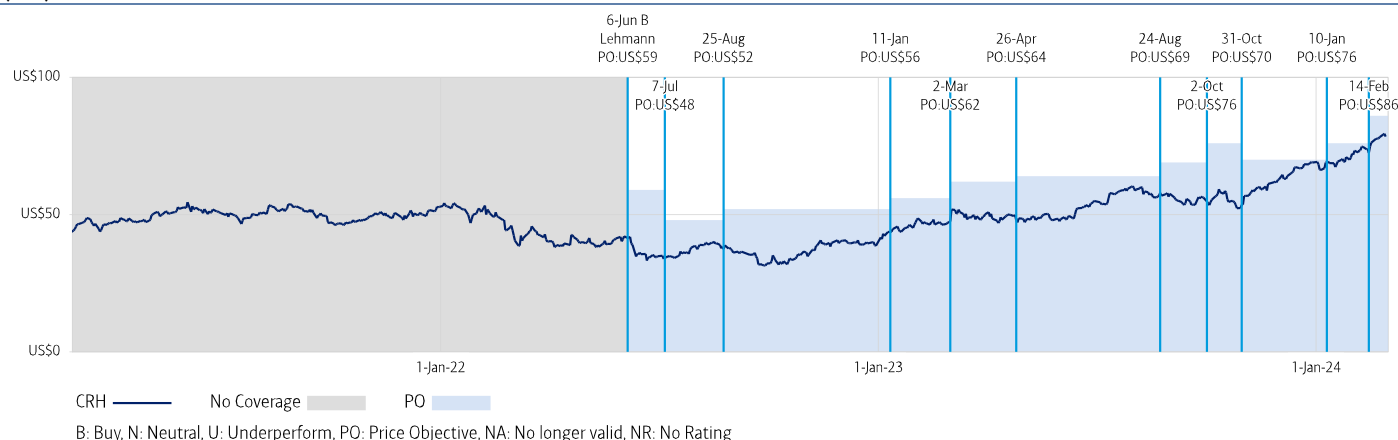
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CRH (CRHCF) Price Chart



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CRH (CRH) Price Chart



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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	39	44.83%	Buy	22	56.41%
Hold	18	20.69%	Hold	11	61.11%
Sell	30	34.48%	Sell	8	26.67%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
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^{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}
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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