

CVS Health

Controlled acceleration into 2025, but wear a seatbelt

Reiterate Rating: BUY | PO: 95.00 USD | Price: 76.05 USD

2024 guidance may be pressured by MA utilization trends

We continue to view CVS as a 2025 earnings acceleration story and believe the company is appropriately positioning itself for more predictable growth next year. CVS' assumptions around the 2024 medical benefits ratio (MBR) could result in some risk to the guidance over the course of this year (as current guidance assumes lower MBRs over the course of the year), but we would view any 2024 guidance weakness as a particularly attractive opportunity to buy shares. CVS' commentary around "disciplined" pricing and making "significant ground" toward its target margins in Medicare Advantage next year is consistent with peers, and could indicate the industry will trend to firmer margins. CVS has a unique set of assets to capture the patient across a significant portion of their journey through the healthcare continuum: from managing the medical and pharmacy benefits as a payer/administrator all the way to providing care and dispensing prescriptions. This integrated model is differentiated and the full integration of these recently acquired businesses will continue to occur over time. Thus, we reiterate our Buy rating and \$95 PO based on ~11x CY24 EPS.

Reducing FY24 EPS estimates following 4Q

We are reducing our FY24E EPS from \$8.55 to \$8.30 and FY25 EPS from \$9.21 to \$9.14. The update to our FY24 estimate is in light of updated guidance expectations on higher MBR trends. On a segment basis, we are reducing our FY24 Health Services EBIT estimate from \$7.49Bn to \$7.40Bn and slightly increasing our Pharmacy & Consumer Wellness EBIT estimate from \$5.51Bn to \$5.60Bn. Finally, we reduce our FY24 Healthcare Benefits EBIT estimate from \$5.77Bn to \$5.40Bn.

Upcoming catalysts: utilization trends and deal integration

The most important factors will be tracking MA utilization and ongoing progress on deal integration efforts as the transactions are key to achieving long-term targets. We also continue to track broader pharmacy and front-end sales/script trends, as well as Covid and normal healthcare utilization trends, given the widespread impact on all three operating segments.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	9.03	8.74	8.30	9.14	9.98
GAAP EPS	3.07	6.80	6.84	7.70	8.53
EPS Change (YoY)	7.2%	-3.2%	-5.0%	10.1%	9.2%
Consensus EPS (Bloomberg)			8.47	9.34	10.10
DPS	2.20	2.43	2.66	2.66	2.93
Valuation (Dec)					
P/E	8.4x	8.7x	9.2x	8.3x	7.6x
GAAP P/E	24.8x	11.2x	11.1x	9.9x	8.9x
Dividend Yield	2.9%	3.2%	3.5%	3.5%	3.9%
EV / EBITDA*	8.9x	9.2x	9.5x	9.1x	8.5x
Free Cash Flow Yield*	13.7%	10.6%	9.2%	9.8%	10.0%

* For full definitions of *IQmethod*SM measures, see page 11.

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07 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E EPS	8.55	8.30
2025E EPS	9.21	9.14
2026E EPS	9.96	9.98
2024E EBITDA (m)	20,957.1	19,311.1
2025E EBITDA (m)	22,330.7	20,245.1
2026E EBITDA (m)	23,503.6	21,545.3

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Stock Data

Price	76.05 USD
Price Objective	95.00 USD
Date Established	2-Jan-2024
Investment Opinion	B-1-7
52-Week Range	64.41 USD - 90.62 USD
Mkt Val (mn) / Shares Out (mn)	97,868 USD / 1,286.9
Free Float	99.8%
Average Daily Value (mn)	958.21 USD
BoFA Ticker / Exchange	CVS / NYS
Bloomberg / Reuters	CVS US / CVS.N
ROE (2024E)	13.4%
Net Dbt to Eqty (Dec-2023A)	65.8%
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](#)".

MA – Medicare Advantage

MBR – Medical benefits ratio

PBM – Pharmacy benefits manager

iQprofileSM CVS Health

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	8.2%	8.0%	7.3%	7.4%	7.8%
Return on Equity	16.4%	15.3%	13.4%	13.5%	13.5%
Operating Margin	5.6%	4.9%	4.6%	4.5%	4.5%
Free Cash Flow	13,450	10,395	9,025	9,550	9,741

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.4x	1.2x	1.1x	1.2x	1.2x
Asset Replacement Ratio	0.6x	0.7x	0.7x	0.9x	0.9x
Tax Rate	24.8%	24.5%	25.4%	25.5%	25.4%
Net Debt-to-Equity Ratio	55.1%	65.8%	62.4%	52.4%	47.3%
Interest Cover	7.9x	6.6x	5.8x	6.8x	7.5x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	322,467	357,776	371,436	392,574	414,239
% Change	10.4%	10.9%	3.8%	5.7%	5.5%
Gross Profit	54,837	54,495	57,225	62,153	65,485
% Change	7.2%	-0.6%	5.0%	8.6%	5.4%
EBITDA	20,476	19,995	19,311	20,245	21,545
% Change	4.7%	-2.3%	-3.4%	4.8%	6.4%
Net Interest & Other Income	(2,118)	(2,570)	(2,800)	(2,455)	(2,380)
Net Income (Adjusted)	11,946	11,272	10,491	11,202	12,095
% Change	7.0%	-5.6%	-6.9%	6.8%	8.0%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	4,165	8,368	10,491	11,202	12,095
Depreciation & Amortization	4,247	4,366	4,360	4,711	4,971
Change in Working Capital	535	(1,525)	(2,172)	(275)	(736)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	7,230	2,217	(641)	(1,910)	(2,180)
Capital Expenditure	(2,727)	(3,031)	(3,012)	(4,178)	(4,408)
Free Cash Flow	13,450	10,395	9,025	9,550	9,741
% Change	-14.6%	-22.7%	-13.2%	5.8%	2.0%
Share / Issue Repurchase	(2,949)	(1,735)	(3,750)	(750)	(3,000)
Cost of Dividends Paid	(2,907)	(3,132)	(3,364)	(3,264)	(3,547)
Change in Debt	(4,211)	7,932	801	(4,698)	(4,000)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	12,945	8,196	9,655	9,240	7,181
Trade Receivables	27,276	35,227	37,590	40,267	43,056
Other Current Assets	25,461	24,435	31,840	35,524	39,612
Property, Plant & Equipment	12,873	13,183	14,090	15,988	17,986
Other Non-Current Assets	149,720	168,687	168,279	169,403	170,466
Total Assets	228,275	249,728	261,453	270,421	278,301
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	67,958	79,189	86,784	92,871	99,012
Long-Term Debt	52,254	58,638	59,439	54,741	50,741
Other Non-Current Liabilities	36,748	35,265	35,400	35,980	36,364
Total Liabilities	156,960	173,092	181,624	183,591	186,117
Total Equity	71,315	76,636	79,829	86,829	92,184
Total Equity & Liabilities	228,275	249,728	261,453	270,421	278,301

* For full definitions of iQmethodSM measures, see page 11.

Company Sector

Healthcare Technology & Distribution

Company Description

CVS is one of the largest healthcare companies in the United States, providing retail, mail, and specialty pharmacy dispensing services and pharmacy benefits. CVS is one of the most vertically integrated publicly traded healthcare companies that has continued to expand into the health services sector. CVS Health is based in Woonsocket, RI.

Investment Rationale

Our Buy rating is driven by CVS' clear path to accelerating earnings growth, stable free cash flow, and appealing valuation. We believe CVS is well positioned for a "controlled acceleration" in 2025 driven by the recapture of Medicare Advantage (MA) Star rating bonus payments and full capture of higher MA utilization in pricing. CVS' new CostVantage program could help reduce reimbursement pressure on pharmacy margins over time. We see limited downside risk and potential for multiple expansion.

Stock Data

Average Daily Volume 12,599,728

Quarterly Earnings Estimates

	2023	2024
Q1	2.20A	1.67E
Q2	2.21A	2.10E
Q3	2.21A	2.25E
Q4	2.12A	2.30E

4Q'23 call takeaways

Prepared Remarks:

- Delivered adjusted operating income of \$4.2Bn and adjusted EPS of \$2.12
- Total revenues of \$358Bn an increase of 11% versus the prior year
- Have more than 55MM members that utilize more than one offering
- Utilizing innovative model for transparency
- Cost Vantage model – eliminates cross subsidization for all prescriptions
 - Delivered initial terms and conditions to several PBMs
 - Reached preliminary agreements to discount card providers to utilize cost vantage starting April 1st
- Simplified pricing
 - Access to national pharmacy network
 - Improves consumer confidence in insurance
- Humira to be removed from formularies starting April 1st. Cordavis will provide biosimilar.
- Healthcare Benefits
 - Elevated utilization in Medicare Advantage
 - 16% revenue growth
 - Medical membership 27.5MM, increase of 1.3MM members. Growth across multiple product lines
 - Expect to add 800k new members in 2024
 - Received 2025 rates notice – consistent with expectations. But don't believe rates are sufficient. Part-B rates not sufficient
- Healthcare Services
 - Adj. Operating income grew 4%
- Caremark
 - Onboarded 3MM members
- Healthcare delivery
 - OakStreet increased at-risk lives by 27%
 - Aetna members in OakStreet doubled y/y
- Pharmacy and Consumer Wellness
 - 9% y/y revenue growth
 - \$2Bn operating income



- Made progress on store closures, 630 YTD and on track to close 900 by end of year
- 11% same store sales growth. Prescription up 4% y/y

Financials:

- Highlights:

- Consolidated revenue up 12% on growth across all businesses
- Adj. EPS growth of 4% y/y
 - Strong results in pharmacy/consumer wellness, lower corporate, offset by higher MLR

- Healthcare Benefits

- 4Q revenue up 16% y/y – strength in Medicare Advantage
- Medicaid redeterminations offset by growth in individual exchange
- MBR of 88.5% up y/y due to higher MA utilization
- Utilization pressure from outpatient, supplemental benefits (Dental/Vision)
- Confident in adequacy of reserves

- Healthcare Services

- 12% revenue growth y/y. Due to pharmacy drug mix and addition of Signify/OakStreet
- Adj. Operating income up 4% y/y – improved purchasing economics and growth in specialty pharmacy
- Total claims up y/y due to net new business. NYC Medicaid carve out a negative impact
- Signify generated 39% growth
- OakStreet – expect to add 50-60 centers in 2024.

- Pharmacy and Consumer wellness

- Growth driven by pharmacy product mix, brand inflation. Generic introductions offset.
- Adj. Operating income benefited from better purchasing economics and Vaccine benefits
- Same store prescription up 4% y/y

- Balance Sheet

- Committed to maintain investment grade rating
- Returned \$779MM in dividends

- \$3Bn repurchases
- Guidance:
 - Revised GAAP diluted EPS guidance to at least \$7.06 from at least \$7.26
 - Revised Adjusted EPS guidance to at least \$8.30 from at least \$8.50
 - Revised cash flow from operations guidance to at least \$12.0 billion from at least \$12.5 billion
 - Healthcare Benefits:
 - FY24 MBR to be 87.7%, increased of 50bps from prior 87.2%
 - Elevated cost trends in MA – impacted 10bps. Remaining pressure is from mix and higher revenue offset
 - Assuming elevated cost trends in 4Q carries forward into 2024
 - Other portion, increased FY24 MBR guide by 40bps with provision for elevated utilization.
 - Expect 800K new Medicare members. Profile is attractive – ¾ switching from other plans. Neutral to earnings, but mix impact represents 10bps of MBR guide revision.
 - Total Revenues at least \$125.1Bn and Adjusted Operating Income of at least \$5.40Bn
 - Healthcare Services:
 - Expect Adj. Operating Income growth with drivers to persist into FY24
 - Total Revenues at least \$169.7Bn
 - Adjusted Operating Income at least \$7.40Bn
 - Considering emerging payer risks in services
 - Pharmacy and consumer wellness:
 - Total Revenues at least \$123.4Bn
 - Adjusted Operating Income at least \$5.60Bn
 - 2023 outperformance to persists into FY24
 - Cadence of earnings:
 - Expect less than 50% of EPS in 1H. Expect 20% of EPS in 1Q.
 - Different from prior quarters – largest MBR increase y/y in first quarter and least in the 4th quarter



- Looking to drive MA margins to 4-5%
- For 2025 – goal is to drive low-double digit EPS growth from updated FY24 guide
- Focused on operational execution

Q/A

- What happened from investor day to today on guide? Risk coding for new members and level of comfort there? Medical cost trends vs. supplemental benefits?
 - What changed from Investor Day – say high claims paid in back half of December.
 - Start with 4Q'23 – ended year with 86.2% 20bps higher. Half of that should not carry into 2024. Medicaid pass through payments and higher individual membership
 - Other half – 10bps is related to trend pressure in Medicare. Outpatient trend accelerated in 4Q (hips/knees). Supplemental benefits more dental/vision.
 - Pressure in quarter from vaccinations – Respiratory Syncytial Virus (RSV) related.
 - Pulled 10bps into FY24 (10bps a quarter). Mix impact of new member gets to total of 50bps.
 - Medicare business – only projected to be marginally profitable in 2024. Expect to improve in 2025
 - New members – nothing that gives pause. Risk scores look reasonable – switchers is an important component. A large portion is Dual Eligible Special Needs Plans (DSNIPs). Benefits 2025.
 - Supplemental benefits – reflected cost of those benefits in FY24 guide. Full utilization of flex cards and dental/vision fully reflected.
- 2025 bidding strategy. Tailwind from margin improvement in 2025. Do you expect to cut benefits beyond what rates suggest?
 - Rate notice – believe it is in line with expectations, but does not cover cost trends that have emerged in Medicare Advantage
 - Complexity in risk model and some uncertainty around inflation reduction act impact to part B
 - Will be driving for margin recovery – committed for 4-5%, a multi-year journey. Will be disciplined in pricing, but expect to make good progress in 2025
 - Part B benefit has been meaningfully enhanced. Taking on more risk in catastrophic layer. Total beneficiary change limitations could constraint reductions in benefits.
 - Expect to increase ahead of Stars tailwind

- Medicare Advantage offers superior benefits – even with changes, will be superior benefit
 - Member coordination and navigation far superior to regular fee-for-service Medicare
- Getting the 4-5% Medicare Advantage over time. Your positioning, can you take share and enhance margin knowing what you know? Ability to bid vs. rest of marketplace?
 - Have to get a final idea of trend into 2025
 - Relative share – have compelling value proposition. Stars coming back provide a benefit on margin there.
 - Membership growth in 2024 also gives a tailwind
 - Margin growth more important than taking market share
- Challenging to get hands around utilization. Comments on how January played out vs. 4Q? Breakdown of MBR components in FY24?
 - y/y MBR increase, almost entirety is related to Medicare Advantage business
 - Increase is related to MA. About 65bps is for \$800MM Stars headwind. Other portion is partly for new member mix and rest is for provision for utilization pressure
 - January data still early – nothing to give pause. On the risk model – Not every player is impacted the same way. Have relatively low portion of Duals and DSNIPs – under-indexed and they are impacted more by risk-model changes
 - Inpatient – some puts/takes there, but largely in line with expectations. Two-midnight rule in guide.
- Feedback from payors on Cost Vantage? Mandatory program?
 - Comments and feedback have been positive. Lot of details to go through
 - Pleased with initial reaction
 - Launched model at Analyst Day – progress made since then
 - Passing through leading cost of goods to payors
 - Biggest pain point is branded/specialty drugs. It is not pharmacy reimbursement that is driving that
 - \$14bn impact to system from Glucagon-like peptide-1s (GLP-1) in 2023
 - Industry has continually talked about cost transparency – CVS is really leading the efforts
- Philosophy on Medicare Advantage bids? Does OakStreet growth support MA bids?



- Benefit from growth from all other assets
- Healthspire
 - Have additional levers that can lower medical costs and improve care (Signify, OakStreet)
 - When payor partners grow – becomes a tailwind for Healthspire
 - RubiconMD – e-consults for specialty care implemented fully in 2023. Lowered trend 1% across full book, despite higher utilization across categories
- From an enterprise perspective. All businesses need to earn cost of capital. High teens % of dollars at risk for each premium \$ earned.
- Healthcare Services profit guidance for FY24 and assumption changes vs. Investor day?
 - External utilization environment – given multi-payor business, this could translate
 - Potential utilization pressure contemplated in healthcare delivery assets
- Guidance reduction for Services business – can you expand more specifically on loss for OakStreet?
 - Healthcare delivery is part of a much larger segment
 - Had a very successful 2023- so was able to manage through pressures in Medicare Advantage and hit targets
 - Took a cautious – hopeful outlook
- On retail pharmacy side, prescriptions strong, how should that trend into 2024? Benefit from bankruptcy of peer?
 - Pharmacy relationships sticky
 - Feel good about script performance
 - Expect to continue and grow share to offset reimbursement pressure.
 - Had same store growth, impact of store closures, prescriptions growth of 4% vs. market that grew mid 2%
 - Making progress on store closures and retaining scripts and colleagues
- Cost Vantage and acquisition costs. Reaction from payors regarding costs that are passed through. Perverse incentives?
 - Delivered terms and conditions to payors. Simple transparent formula based on acquisition cost of drugs
 - Will be held accountable to reduce acquisition costs and delivering services at a low-cost

- Need to provide consistent care across communities
- Respiratory Syncytial Virus, net impact across FY24?
 - Not going to get specific for RSV
 - Relative market share differences a net tailwind for enterprise from RSV
 - Medicare business and commercial business around Aetna saw some pressure, benefit better in pharmacy and wellness
 - Given vaccines are new, took a more cautious outlook into FY24
- Cordavis impact to profits? Thoughts on regulatory changes in PBMs?
 - Cordavis – pleased with progress to date. Do have projection for positive contribution in Healthcare Services in FY24
 - Think anything that gets passed will be around transparency
 - Cost Vantage resonates with politicians



Price objective basis & risk

CVS Health (CVS)

Our \$95 price objective is based on about 11x our CY24 EPS estimate. This multiple is below the five-year average on an absolute basis and near the lower end of the historical range of 10.0x-17.5x. This also represents a bigger discount to the S&P500 vs. the last five years. The discount reflects margin pressure across CVS's core Pharmacy Services and Retail Pharmacy segments and uncertainty around drug prices.

Downside risks to our PO are failure to generate expected benefits from the Aetna combination (or have any regulatory issues in a highly regulated business), growing competitive risks in the pharmacy benefit market (including competitive pricing around rebates), business disruption tied to Covid any potential impact from ongoing opioid-related investigations, any issues with the closing and integration of the pending Signify Health/Oak Street transactions, costs and mitigation efforts needed to address the lost Stars ratings for CVS' MA plans, potential regulatory risk across the HCB and Pharmacy Services businesses, a slowdown in 340B, and slowing prescription/insurance trends. Upside risks to our PO are any potential prescription volume pickup, faster and stronger than expected synergies from Aetna, biosimilar contributions, and improving front-end performance (including better attach rates post-Covid).

Analyst Certification

I, Allen Lutz, 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 - Healthcare Technology & Distribution Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Accolade	ACCD	ACCD US	Allen Lutz, CFA
	American Well Corp	AMWL	AMWL US	Allen Lutz, CFA
	Cencora Inc	COR	COR US	Allen Lutz, CFA
	CVS Health	CVS	CVS US	Allen Lutz, CFA
	Definitive Healthcare Corp	DH	DH US	Allen Lutz, CFA
	dentalcorp	YDNTL	DNTL CN	Allen Lutz, CFA
	Envista	NVST	NVST US	Allen Lutz, CFA
	HealthEquity Inc	HQY	HQY US	Allen Lutz, CFA
	Hims & Hers	HIMS	HIMS US	Allen Lutz, CFA
	McKesson	MCK	MCK US	Allen Lutz, CFA
	Omniceil Inc.	OMCL	OMCL US	Allen Lutz, CFA
	Patterson Companies	PDCO	PDCO US	Allen Lutz, CFA
	Progyny	PGNY	PGNY US	Allen Lutz, CFA
	R1 RCM	RCM	RCM US	Allen Lutz, CFA
NEUTRAL				
	Cardinal Health	CAH	CAH US	Allen Lutz, CFA
	Dentsply Sirona, Inc.	XRAY	XRAY US	Allen Lutz, CFA
	Doximity Inc	DOCS	DOCS US	Allen Lutz, CFA
	Teladoc Health	TDOC	TDOC US	Allen Lutz, CFA
UNDERPERFORM				
	GoodRx	GDRX	GDRX US	Allen Lutz, CFA
	Henry Schein	HSIC	HSIC US	Allen Lutz, CFA
	Owens & Minor	OMI	OMI US	Allen Lutz, CFA
	Premier, Inc.	PINC	PINC US	Allen Lutz, CFA
	Walgreens Boots Alliance	WBA	WBA US	Allen Lutz, CFA

iQmethodSM 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

iQmethodSM 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.

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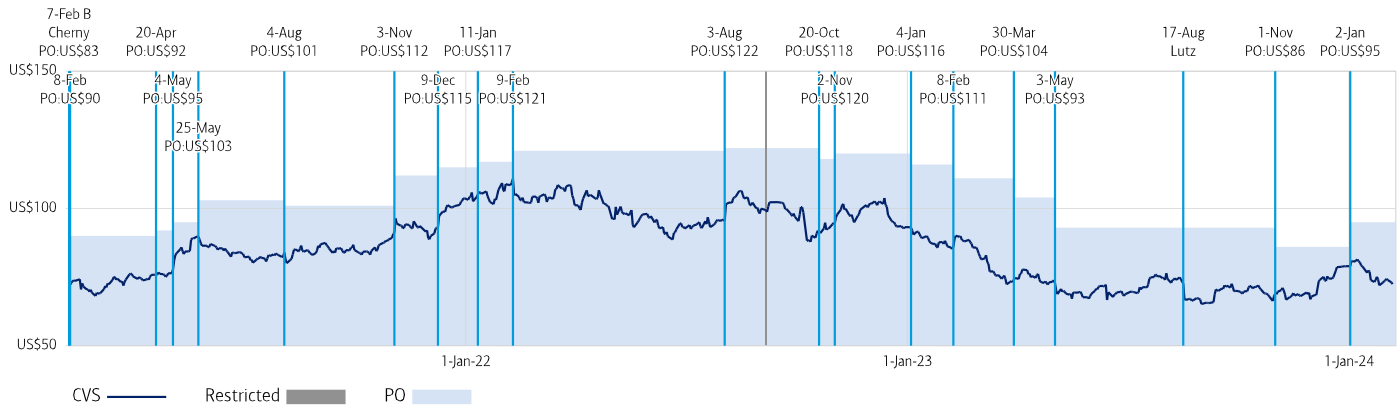
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Disclosures

Important Disclosures

CVS Health (CVS) Price Chart



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: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

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.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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%

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