

HP Inc.

Slower start to F24 (PC market rebound in 2H); FY guide unchanged; PO to \$32

Reiterate Rating: BUY | PO: 32.00 USD | Price: 28.72 USD

Weaker topline offset by strong margins/ 2H strength

HPQ F1Q24 rev came in below expectations at \$13.2bn versus \$13.7bn/ \$13.6bn (BofA / Street). Despite the weaker than expected revenue, HPQ delivered F1Q EPS of \$0.81, slightly below our est of \$0.82, but in line with Street est, as margins in both PS and Print remained strong (PS 6.1% vs. l-t 5-7%, Print 19.9% vs. l-t 16-19%). EPS guide for F2Q was in line with Street ests but below our est (\$0.81 mid-point vs. our/Street \$0.85/\$0.81). F24 EPS outlook is unchanged but 2H higher than 1H. We believe that FCF is the most important metric and guidance for F24 was maintained at \$3.1-3.6bn, despite near-term weakness in the commercial PC market. FY EPS guide was maintained at \$3.25-3.65. Reiterate Buy on an improving PC outlook, higher NPV print projects, cost controls, and improving FCF coming off trough levels in F23.

Commercial PC market remains weak; recovery in 2H

In F1Q, Personal Systems (PS) rev declined 4% y/y (-5% y/y in CC). HPQ gained PC share in C4Q despite weak market dynamics. Mgmt expects the PC market to grow low single digits in 2024 and the segment to be at least in line with market growth. Total PS units were up +5% y/y. Consumer PS units were up +10% y/y, while Commercial PS units were up +2% y/y. Segment OM was 6.1%, and F2Q24 OM was guided to solidly in the l-t range (cost management, pricing actions should help offset rising commodity costs).

Print margins increase q/q on lower hardware volume

In F1Q, Print margins grew 100bps q/q and came in at 19.9%. Print rev declined 5% y/y (-5% y/y in CC). Consumer print rev was down 22% y/y, while commercial print rev was down 12% y/y. Hardware units declined 17% y/y while supplies revs were flat y/y (+1% y/y in CC). Instant Ink delivered another qtr of rev & subscriber growth y/y.

Capital return back on track; Adjusting ests, PO to \$32

HPQ returned 37% of its FCF (\$1.1bn returned) to shareholders in F23 and returned \$775mn to shareholders in F1Q24. FCF guide for F24 remains \$3.1-3.6bn and HP intends to return approx. 100% of FCF to shareholders in F24. Our F24 rev/EPS moves to \$52.6bn/\$3.33 from \$54.3bn/\$3.43. PO moves to \$32 on 9x (unchanged) C24E EPS of \$3.37 (prior \$3.53).

| Estimates (Oct) (US\$) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------|-------|--------|-------|-------|-------|
| EPS | 4.07 | 3.28 | 3.33 | 3.37 | 3.41 |
| GAAP EPS | 3.05 | 3.26 | 3.06 | 3.26 | 3.30 |
| EPS Change (YoY) | 7.4% | -19.4% | 1.5% | 1.2% | 1.2% |
| Consensus EPS (Bloomberg) | | | 3.45 | 3.67 | 3.81 |
| DPS | 1.00 | 1.05 | 1.10 | 1.10 | 1.10 |
| Valuation (Oct) | | | | | |
| P/E | 7.1x | 8.8x | 8.6x | 8.5x | 8.4x |
| GAAP P/E | 9.4x | 8.8x | 9.4x | 8.8x | 8.7x |
| Dividend Yield | 3.5% | 3.7% | 3.8% | 3.8% | 3.8% |
| EV / EBITDA* | 6.2x | 7.1x | 7.2x | 7.3x | 7.4x |
| Free Cash Flow Yield* | 13.1% | 10.5% | 11.9% | 12.9% | 12.8% |

* For full definitions of *IQmethod*SM measures, see page 5.

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Timestamp: 28 February 2024 11:39PM EST

28 February 2024

Equity

Key Changes

| (US\$) | Previous | Current |
|---------------|----------|----------|
| Price Obj. | 33.00 | 32.00 |
| 2024E Rev (m) | 54,335.5 | 52,661.0 |
| 2025E Rev (m) | 55,412.2 | 52,997.6 |
| 2026E Rev (m) | 56,694.6 | 53,424.3 |
| 2024E EPS | 3.43 | 3.33 |
| 2025E EPS | 3.50 | 3.37 |
| 2026E EPS | 3.58 | 3.41 |

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Stock Data

| | |
|---------------------------------|-----------------------|
| Price | 28.72 USD |
| Price Objective | 32.00 USD |
| Date Established | 28-Feb-2024 |
| Investment Opinion | B-1-7 |
| 52-Week Range | 25.22 USD - 33.90 USD |
| Mrkt Val (mn) / Shares Out (mn) | 28,102 USD / 978.5 |
| Free Float | 97.5% |
| Average Daily Value (mn) | 219.64 USD |
| BofA Ticker / Exchange | HPQ / NYS |
| Bloomberg / Reuters | HPQ US / HPQ.N |
| ROE (2024E) | NA |
| Net Dbt to Eqty (Oct-2023A) | NA |
| 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".

PS: Personal Systems, OM: Operating Margin, FCF:

Free Cash Flow, NPV: Net Present Value, SAM:

Security Analyst Meeting, l-t: long-term; TAM:

Total Available Market, CC: Constant Currency

iQprofileSM HP Inc.

iQmethodSM – Bus Performance*

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------|-------|-------|-------|-------|-------|
| Return on Capital Employed | 40.0% | 30.9% | 30.3% | 28.4% | 26.7% |
| Return on Equity | NM | NM | NM | NM | NM |
| Operating Margin | 8.5% | 8.5% | 8.6% | 8.4% | 8.2% |
| Free Cash Flow | 3,673 | 2,962 | 3,336 | 3,635 | 3,610 |

iQmethodSM – Quality of Earnings*

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|--------------------------|-------|-------|-------|-------|-------|
| Cash Realization Ratio | 1.0x | 1.1x | 1.2x | 1.4x | 1.4x |
| Asset Replacement Ratio | 1.0x | 0.7x | 0.8x | 0.8x | 0.8x |
| Tax Rate | 15.4% | 14.6% | 14.5% | 14.9% | 14.9% |
| Net Debt-to-Equity Ratio | NM | NM | NM | NM | NM |
| Interest Cover | 14.8x | 6.8x | 6.9x | 6.5x | 6.5x |

Income Statement Data (Oct)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------------|--------------|---------------|--------------|--------------|--------------|
| Sales | 62,910 | 53,718 | 52,661 | 52,998 | 53,424 |
| % Change | -0.9% | -14.6% | -2.0% | 0.6% | 0.8% |
| Gross Profit | 12,263 | 11,508 | 11,524 | 11,598 | 11,691 |
| % Change | -8.4% | -6.2% | 0.1% | 0.6% | 0.8% |
| EBITDA | 6,258 | 5,423 | 5,370 | 5,258 | 5,212 |
| % Change | -4.5% | -13.3% | -1.0% | -2.1% | -0.9% |
| Net Interest & Other Income | (371) | (671) | (660) | (680) | (674) |
| Net Income (Adjusted) | 4,276 | 3,278 | 3,270 | 3,155 | 3,110 |
| % Change | -7.4% | -23.3% | -0.2% | -3.5% | -1.4% |

Free Cash Flow Data (Oct)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|--|---------------|---------------|--------------|--------------|--------------|
| Net Income from Cont Operations (GAAP) | 4,562 | 3,646 | 3,684 | 3,433 | 3,390 |
| Depreciation & Amortization | 780 | 850 | 816 | 823 | 837 |
| Change in Working Capital | (1,111) | (590) | (465) | 15 | 24 |
| Deferred Taxation Charge | 0 | 0 | 0 | 0 | 0 |
| Other Adjustments, Net | 232 | (335) | (69) | 53 | 53 |
| Capital Expenditure | (790) | (609) | (631) | (689) | (695) |
| Free Cash Flow | 3,673 | 2,962 | 3,336 | 3,635 | 3,610 |
| % Change | -37.0% | -19.4% | 12.6% | 9.0% | -0.7% |
| Share / Issue Repurchase | (95) | (100) | (76) | 0 | 0 |
| Cost of Dividends Paid | (1,037) | (1,036) | (1,083) | (1,033) | (1,005) |
| Change in Debt | 3,082 | (1,455) | 143 | 0 | 0 |

Balance Sheet Data (Oct)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------------------|----------------|----------------|----------------|---------------|---------------|
| Cash & Equivalents | 3,145 | 3,232 | 3,482 | 4,084 | 4,689 |
| Trade Receivables | 4,546 | 4,237 | 3,989 | 4,010 | 4,042 |
| Other Current Assets | 12,045 | 10,508 | 11,175 | 11,214 | 11,274 |
| Property, Plant & Equipment | 2,774 | 2,827 | 2,819 | 2,885 | 2,942 |
| Other Non-Current Assets | 15,984 | 16,200 | 16,181 | 16,181 | 16,181 |
| Total Assets | 38,494 | 37,004 | 37,646 | 38,373 | 39,128 |
| Short-Term Debt | 218 | 230 | 359 | 359 | 359 |
| Other Current Liabilities | 25,971 | 24,258 | 24,678 | 24,752 | 24,869 |
| Long-Term Debt | 10,796 | 9,254 | 9,301 | 9,301 | 9,301 |
| Other Non-Current Liabilities | 4,534 | 4,331 | 4,328 | 4,328 | 4,328 |
| Total Liabilities | 41,519 | 38,073 | 38,666 | 38,740 | 38,857 |
| Total Equity | (3,025) | (1,069) | (1,020) | (367) | 271 |
| Total Equity & Liabilities | 38,494 | 37,004 | 37,646 | 38,373 | 39,128 |

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

IT Hardware

Company Description

HP Inc. (HPQ) includes the PC and Printing segments of the former Hewlett-Packard Company. The Personal Systems segment provides consumer and commercial desktops and notebooks, workstations, thin clients, tablets, point-of-sale systems, calculators and related accessories, software, and support. The Printing segment provides printer hardware (Inkjet, Laser, Multi-function, Graphics), supplies, media, software and managed print services.

Investment Rationale

Our Buy rating is based on improving PC outlook and lower restructuring costs that drive higher free cash flow, growth in operating profit dollars from a combination of higher NPV projects and tight cost control, and resumption of capital returns.

Stock Data

Average Daily Volume 7,647,685

Quarterly Earnings Estimates

| | 2023 | 2024 |
|----|-------|-------|
| Q1 | 0.73A | 0.81A |
| Q2 | 0.79A | 0.81E |
| Q3 | 0.86A | 0.82E |
| Q4 | 0.90A | 0.89E |

Model

Figure 1: HPQ Income Statement

We model F25 revenue/EPS at \$53bn/\$3.37

Hewlett-Packard Inc (HPQ)

(\$ Millions Except Per Share Data)

Income Statement

| | F2023E | | | | F2024E | | | | F2022A | F2023A | F2024E | F2025E | F2026E |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1/23A | 4/23A | 7/23A | 10/23A | 1/24A | 4/24E | 7/24E | 10/24E | | | | | |
| Revenue | \$13,798 | \$12,907 | \$13,196 | \$13,817 | \$13,185 | \$12,481 | \$13,167 | \$13,828 | \$62,910 | \$53,718 | \$52,661 | \$52,998 | \$53,424 |
| PPSG | \$13,827 | \$12,912 | \$13,195 | \$13,816 | \$13,184 | \$12,480 | \$13,166 | \$13,827 | \$62,986 | \$53,750 | \$52,657 | \$52,994 | \$53,420 |
| Corporate investment | \$1 | \$3 | \$1 | \$2 | \$2 | \$1 | \$1 | \$1 | \$2 | \$7 | \$5 | \$4 | \$4 |
| Eliminations | \$0 | (\$1) | \$0 | (\$1) | (\$1) | \$0 | \$0 | \$0 | (\$5) | (\$2) | (\$1) | \$0 | \$0 |
| Cost of Goods Sold | 11,011.0 | 9,993.0 | 10,374.0 | 10,832.0 | 10,297.0 | 9,676.0 | 10,338.1 | 10,826.4 | 50,647.0 | 42,210.0 | 41,137.5 | 41,399.8 | 41,733.1 |
| Gross Profit | 2,787.0 | 2,914.0 | 2,822.0 | 2,985.0 | 2,888.0 | 2,805.4 | 2,829.0 | 3,001.1 | 12,289.0 | 11,508.0 | 11,523.5 | 11,597.8 | 11,691.2 |
| Total Operating Expense | 1,734.0 | 1,808.0 | 1,656.0 | 1,738.0 | 1,782.0 | 1,675.7 | 1,703.6 | 1,809.1 | 6,917.0 | 6,936.0 | 6,970.3 | 7,162.6 | 7,315.9 |
| R&D | 403.0 | 410.0 | 354.0 | 411.0 | 399.0 | 359.0 | 326.9 | 383.7 | 1,653.0 | 1,578.0 | 1,468.6 | 1,372.3 | 1,276.6 |
| SG&A | 1,331.0 | 1,398.0 | 1,302.0 | 1,327.0 | 1,383.0 | 1,316.7 | 1,376.7 | 1,425.4 | 5,264.0 | 5,358.0 | 5,501.8 | 5,790.3 | 6,039.3 |
| Operating Income (Post Options, Pre-Amort.) | 1,053.0 | 1,107.0 | 1,166.0 | 1,247.0 | 1,106.0 | 1,129.7 | 1,125.4 | 1,192.0 | 5,478.0 | 4,573.0 | 4,553.2 | 4,435.1 | 4,375.3 |
| Total Interest & Other Income/(Expense) | (183.0) | (172.0) | (143.0) | (173.0) | (144.0) | (172.6) | (172.5) | (171.2) | (371.0) | (671.0) | (660.3) | (679.5) | (673.6) |
| Pretax Income | 870.0 | 935.0 | 1,023.0 | 1,074.0 | 962.0 | 957.1 | 952.9 | 1,020.9 | 5,107.0 | 3,902.0 | 3,892.9 | 3,755.6 | 3,701.7 |
| 0.0 | | | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provision for Income Taxes (Credit) | 139.0 | 149.0 | 164.0 | 172.0 | 154.0 | 152.5 | 152.8 | 163.5 | 831.0 | 624.0 | 622.8 | 600.8 | 592.2 |
| Net Income (pro-forma-adj for Options) | 731.0 | 786.0 | 859.0 | 902.0 | 808.0 | 804.6 | 800.2 | 857.4 | 4,276.0 | 3,278.0 | 3,270.1 | 3,154.8 | 3,109.5 |
| Options Expense (net of tax) | 140.3 | 79.9 | 76.4 | 71.4 | 148.7 | 83.9 | 88.4 | 92.9 | 286.0 | 368.0 | 414.0 | 278.3 | 280.5 |
| Net Income (pro-forma pre options) | 871.3 | 865.9 | 935.4 | 973.4 | 956.7 | 888.5 | 888.6 | 950.3 | 4,562.0 | 3,646.0 | 3,684.1 | 3,433.1 | 3,390.1 |
| Diluted Operating EPS (Pre-Options) | \$0.87 | \$0.87 | \$0.93 | \$0.97 | \$0.95 | \$0.90 | \$0.91 | \$0.99 | \$4.34 | \$3.65 | \$3.75 | \$3.66 | \$3.72 |
| Diluted Operating EPS (Post-Options) | \$0.73 | \$0.79 | \$0.86 | \$0.90 | \$0.81 | \$0.81 | \$0.82 | \$0.89 | \$4.07 | \$3.28 | \$3.33 | \$3.37 | \$3.41 |
| Diluted Weighted Average Shares | 996 | 998 | 1,002 | 1,004 | 1,002 | 992 | 977 | 962 | 1,050 | 1,000 | 983 | 937 | 912 |
| Income Statement Continued | | | | | | | | | | | | | |
| <i>% of revenue</i> | | | | | | | | | | | | | |
| Gross Profit | 20% | 23% | 21% | 22% | 22% | 22% | 21% | 22% | 20% | 21% | 22% | 22% | 22% |
| Opex | 13% | 14% | 13% | 13% | 14% | 13% | 13% | 13% | 11% | 13% | 13% | 14% | 14% |
| R&D | 3% | 3% | 3% | 3% | 3% | 3% | 2% | 3% | 3% | 3% | 3% | 3% | 2% |
| SG&A | 10% | 11% | 10% | 10% | 10% | 11% | 10% | 10% | 8% | 10% | 10% | 11% | 11% |
| EBIT (Post-options, Pre-Amortization) | 8% | 9% | 9% | 9% | 8% | 9% | 9% | 9% | 9% | 9% | 9% | 8% | 8% |
| Options Expense | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| EBIT (Pre-options, Pre-Amortization) | 9% | 9% | 10% | 10% | 10% | 10% | 9% | 9% | 9% | 9% | 10% | 9% | 9% |
| Pretax Income | 6% | 7% | 8% | 8% | 7% | 8% | 7% | 7% | 8% | 7% | 7% | 7% | 7% |
| Tax Rate | 16% | 16% | 16% | 16% | 16% | 16% | 16% | 16% | 16% | 16% | 16% | 16% | 16% |
| Net Income (Operating, pre-options) | 6% | 7% | 7% | 7% | 7% | 7% | 7% | 7% | 7% | 7% | 7% | 6% | 6% |
| Net Income (Operating, post-options) | 5% | 6% | 7% | 7% | 6% | 6% | 6% | 6% | 7% | 6% | 6% | 6% | 6% |
| Revenues (Y/Y) | -19% | -22% | -10% | -7% | -4% | -3% | 0% | 0% | -1% | -15% | -2% | 1% | 1% |
| Organic Growth (Y/Y) | -19% | -22% | -10% | -7% | -4% | -3% | 0% | 0% | -1% | -15% | -2% | 1% | 1% |
| Opex (Y/Y) | -11% | -4% | 10% | 11% | 3% | -7% | 3% | 4% | -10% | 0% | 0% | 3% | 2% |
| R&D (Y/Y) | -16% | -4% | -4% | 8% | -1% | -12% | -8% | -7% | -11% | -5% | -7% | -7% | -7% |
| SG&A (Y/Y) | -9% | -5% | 14% | 12% | 4% | -6% | 6% | 7% | -8% | 2% | 3% | 5% | 4% |
| EBIT Incl. SFAS 123 (Y/Y) | -30% | -23% | -16% | 9% | 5% | 2% | -3% | -4% | -5% | -17% | 0% | -3% | -1% |
| Pretax Income (Y/Y) | -39% | -32% | -20% | 6% | 11% | 2% | -7% | -5% | -7% | -24% | 0% | -4% | -1% |
| Net Income (Y/Y) | -32% | -29% | -19% | 7% | 10% | 3% | -5% | -2% | -7% | -20% | 1% | -7% | -1% |
| Op. EPS (Y/Y) | -25% | -24% | -17% | 7% | 9% | 3% | -3% | 2% | 8% | -16% | 3% | -2% | 1% |
| Op. EPS Option adj (Y/Y) | -31% | -28% | -19% | 6% | 10% | 3% | -4% | -1% | 8% | -20% | 1% | 1% | 1% |
| Revenues (Q/Q) | -7% | -6% | 2% | 5% | -5% | -5% | 5% | 5% | | | | | |
| Organic Growth (Q/Q) | -7% | -6% | 2% | 5% | -5% | -5% | 5% | 5% | | | | | |
| Opex (Q/Q) | 10% | 4% | -8% | 5% | 3% | -6% | 2% | 6% | | | | | |
| R&D (Q/Q) | 5% | 2% | -14% | 16% | -3% | -10% | -9% | 17% | | | | | |
| SG&A (Q/Q) | 12% | 5% | -7% | 2% | 4% | -5% | 5% | 4% | | | | | |

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH



Price objective basis & risk

HP Inc. (HPQ)

Our PO of \$32 is based on 9x our C24E EPS of \$3.37. This multiple is the median of long-term range 5-13x. In our opinion, this multiple is justified given it balances near-term pressures the company is facing vs. long term opportunities. The weaker macro is leading to softer enterprise demand, weak demand in China, and price competition in the Printer business from Japanese competitors creates headwinds. Positives drivers include an improving PC market backdrop, improved profitability from cost actions and and stable to higher free cash flow over the next several years.

Downside risks to our price objective are increased price pressure in PCs and Print, weaker than expected macro, additional channel inventory correction required in light of lower demand in the near-term, uncertainty surrounding the company's pricing models in print, higher than expected restructuring costs which can pressure free cash flow, and FX headwinds favoring Japanese Print competitors.

Upside risks to our price objective are faster than expected recovery in PC demand and print supplies, strong capital return, large cost actions to support earnings, an unexpected recovery in the global economy, more than expected improvement in cash conversion cycle, unexpected share gain versus competitors, and large transformative accretive M&A that drives earnings growth.

Analyst Certification

I, Wamsi Mohan, 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 - IT Hardware and Technology Supply Chain Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|---------------------------------------|-------------|------------------|--------------------|
| BUY | | | | |
| | Amphenol | APH | APH US | Wamsi Mohan |
| | Apple Inc. | AAPL | AAPL US | Wamsi Mohan |
| | Corning Inc. | GLW | GLW US | Wamsi Mohan |
| | Dell Technologies Inc. | DELL | DELL US | Wamsi Mohan |
| | Flex Ltd. | FLEX | FLEX US | Ruplu Bhattacharya |
| | HP Inc. | HPQ | HPQ US | Wamsi Mohan |
| | International Business Machines Corp. | IBM | IBM US | Wamsi Mohan |
| | Jabil Inc. | JBL | JBL US | Ruplu Bhattacharya |
| | Nutanix Inc | NTNX | NTNX US | Wamsi Mohan |
| | Roku, Inc. | ROKU | ROKU US | Ruplu Bhattacharya |
| | Seagate Technology | STX | STX US | Wamsi Mohan |
| | Super Micro Computer Inc. | SMCI | SMCI US | Ruplu Bhattacharya |
| | TD Synnex Corp | SNX | SNX US | Ruplu Bhattacharya |
| | TE Connectivity Ltd. | TEL | TEL US | Wamsi Mohan |
| | Western Digital Corporation | WDC | WDC US | Wamsi Mohan |
| NEUTRAL | | | | |
| | Arrow Electronics Inc. | ARW | ARW US | Ruplu Bhattacharya |
| | Avnet Inc. | AVT | AVT US | Ruplu Bhattacharya |
| | CDW Corp | CDW | CDW US | Ruplu Bhattacharya |
| | Concentrix Corporation | CNXC | CNXC US | Ruplu Bhattacharya |
| | Hewlett-Packard Enterprise | HPE | HPE US | Wamsi Mohan |
| | Pure Storage | PSTG | PSTG US | Wamsi Mohan |
| | Sensata Technologies Holdings Plc | ST | ST US | Wamsi Mohan |
| | Teradata Corporation | TDC | TDC US | Wamsi Mohan |

US - IT Hardware and Technology Supply Chain Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|------------------------------|-------------|------------------|--------------------|
| UNDERPERFORM | DigitalOcean | DOCN | DOCN US | Wamsi Mohan |
| | NetApp Inc. | NTAP | NTAP US | Wamsi Mohan |
| | Sanmina Corporation | SANM | SANM US | Ruplu Bhattacharya |
| | Vishay Intertechnology, Inc. | VSH | VSH US | Ruplu Bhattacharya |
| | | | | |

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

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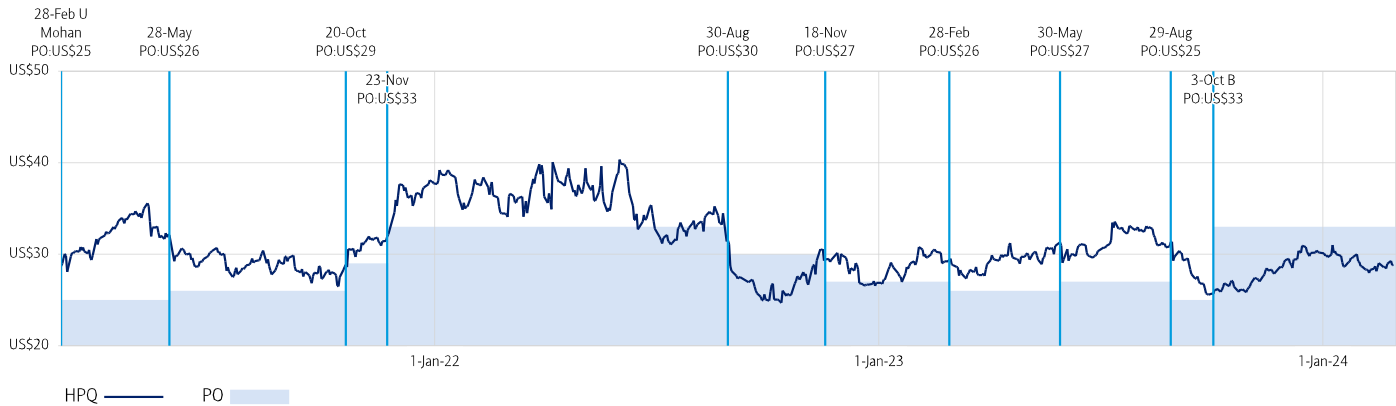
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| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 215 | 53.09% | Buy | 111 | 51.63% |
| Hold | 97 | 23.95% | Hold | 45 | 46.39% |
| Sell | 93 | 22.96% | Sell | 24 | 25.81% |

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% |

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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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