Building Materials - Global

2024 Outlook: A stock-pickers market as mixed macro meets high expectations

Industry Overview

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Equity
Global
Building Materials

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BLDR = Builders FirstSource

AZEK = The AZEK Company

Global Building Materials: 2024 Outlook

The Building Materials sector across Europe, US and Australia performed strongly in 2023 driven by a mix of earnings upgrades as well as multiple expansion. We think the macro backdrop/outlook for Building Materials in 2024 is rather mixed with: (1) (-) weak Europe with construction volumes expected to decline by c.3% in 2024; (2) (+) US new construction relatively solid (single family housing starts +9% yoy); (3) (=/-) muted recovery in US repair & remodel (R&R) spend (low single digit decline); and (4) (=) Australia residential activity seeing only modest improvement (forecast dwelling commencements +3% yoy). In this context, we believe that stock picking will remain key. We lay out our '24 Europe, US & Australia Building Materials/Products views in this note.

Sector views

Europe: (2024 Year Ahead: too far, too fast): We take a cautious view on the sector for 2024 given the recent sector rerating and a risky margin outlook. We expect ongoing volumes pressure and price/costs dynamics to turn more neutral/negative, likely implying lower margins. Cost inflation is shifting from variable costs (energy and raw materials) to fixed cost inflation (wages). With more limited opportunities for incremental price hikes, we expect companies to react with more cost cutting efforts. We acknowledge the industry's focus on value/margins over volumes/market shares and solutions over products, but the reality of soft demand, low utilization rates and low variable input costs raise the risks of eroding pricing discipline.

US: (2024 outlook: prefer new construction > R&R; upgrade BLDR on stronger starts): US building products stocks outperformed the market in '23 (+42% vs. S&P 500 +24%) as the new construction outlook improved and margins of many repair & remodel companies proved to be more resilient than expected despite a challenging demand environment. Investor sentiment has turned more positive, and valuations are higher, but end market performance remains mixed. We upgraded BLDR to Buy to reflect the stronger US single family starts outlook. In R&R, we prefer AZEK as it benefits from ongoing material conversion with upside to 1H24 consensus.

Australia: (Building Materials 2024 Year Ahead: Not yet...): After a weak '22 & '23, we expect Australia housing activity to recover only moderately in 2024 and forecast dwelling commencements to rise 3% yoy. While we believe that activity may have bottomed in 2Q23, we do not expect a meaningful recovery in '24 given: (1) higher for longer interest rates where our economists do not expect RBA to cut rates in '24; (2) lead indicators like dwelling approvals, new loan commitments to housing and auction clearance rates all pointing to only a modest improvement in housing activity; and (3) commentary/our discussions with building material companies/distributors/ homebuilders indicate only a mild improvement in activity.

Global Building Materials: 2024 Outlook

Europe: Cautious on the Building sector in 2024

Investors appear to discount a 'super goldilocks' environment of volumes recovery supported by lower rates, resilient pricing and low input costs supporting further margin improvement. This looks optimistic. Following the recent sector rerating and with a risky margin outlook, we take a cautious view on the sector for 2024. We expect ongoing volumes pressure and price/costs dynamics to turn more neutral/negative, likely implying lower margins. Cost inflation is shifting from variable costs (energy and raw materials) to fixed cost inflation (wages). With more limited opportunities for incremental price hikes, companies are expected to react with more cost cutting efforts. We acknowledge the industry's focus on value/margins over volumes/market shares and solutions over products, but the reality of soft demand, low utilization rates and low variable input costs raise the risks of eroding pricing discipline. This drives a cut to our estimates, and our EBIT estimates are c3-4% below consensus for 2024-2025. Risks to our cautious view include 1/ a quick rebound in new housing activity supported by lower rates and 2/ resilient pricing and lower variable costs driving margin expansion. We favour stocks with self-help, specific equity stories and attractive valuations.

US: Prefer new construction > R&R

US building products stocks outperformed the market in 2023 (+42% vs. S&P 500 +24%) as the new construction outlook improved and margins of many repair & remodel companies proved to be more resilient than expected despite a challenging demand environment. Investor sentiment has turned more positive, and valuations are higher, but end market performance remains mixed. Labor shortages (new construction and remodeling) continue to worsen. Valuations are near the high-end of historical ranges. Balance sheets remain historically strong across the sector. How companies allocate cash could determine if valuations re-rate (accretive M&A, share repurchase) or de-rate (add capacity, dilutive M&A).

- **New construction**: Our US team recently increased our outlook for single-family starts and expect 9% YoY growth to 1.03mm in 2024 as homebuilders increase community count and sales improve with lower mortgage rates. Our BofA US Home Sales Indicators suggests new home sales recovery will likely continue into 2024 supported by the pullback in rates. Builders FirstSource (BLDR) was upgraded to Buy to reflect the stronger US single family starts outlook, potential increase in lumber prices, and homebuilders' shift to more value-add services.

- **R&R**: Repair and remodel (R&R) spend is expected to decline low single-digits in 2024 with weaker trends in 1H24 and potentially recover against easier comparisons later in the year. We prefer AZEK as it will benefit from ongoing material conversion with upside to 1H24 consensus estimates.

Australia: Expect only modest recovery in 2024

After weak 2022 & 2023, we expect Australia housing activity to recover only moderately in 2024 and forecast dwelling commencements to rise 3% yoy. While we believe that activity may have bottomed in 2Q23, we do not expect a meaningful recovery in 2024 given: (1) higher for longer interest rates where our economists do not expect RBA to cut rates in 2024 and see cash rate at the current level of 4.35%; (2) lead indicators like dwelling approvals, new loan commitments to housing and auction clearance rates all point to only a modest improvement in housing activity; and (3) commentary/our discussions with building material companies/distributors/ homebuilders indicate only a mild improvement in activity. We expect activity to bounce back in 2025 (+7% yoy) as rates decline. We recently downgraded JHX to Underperform (solid US demand outlook reflected in estimates; rich valuation; consensus appear optimistic.).

Key stock picks across our coverage

Buys

Europe: CRH (CRH LN/CRH US, Buy): PO: GBp6,000/$76

We have a Buy rating on CRH, reflecting the group successful portfolio rotation, its primary exposure to the US, with a focus on infrastructure, strong pricing power and attractive valuation: the stock trades on a forward P/E of c14x and EV/EBITDA of c9x, a discount relative to its historical trading range.

US: Armstrong World Industries (AWI US, Buy): PO: $110

We rate Armstrong a Buy. We think 4Q23 is on track with the guidance AWI provided last quarter. Investor focus for 4Q earnings will be the project backlog, potential margin tailwinds in 2024 (including lower natural gas costs) and price realization from the 3Q price hike. AWI should have margin tailwinds in mineral fiber on moderating inflation into 4Q (lower natural gas prices offset by higher raw materials). AWI hedged around 50% of its natural gas exposure for 2023 during 1Q23, which will delay some of the benefits from lower gas prices to 2024. Despite a challenging office construction backdrop and inflation, AWI is one of few building products companies poised to grow earnings YoY in 2023 and 2024. We reiterate our Buy rating on attractive valuation vs. history.

US: Builders FirstSource (BLDR US, Buy): PO: $200

We rate BLDR shares Buy. BLDR is the best positioned in our coverage for stronger single-family starts, potential increase in lumber prices and homebuilders' shift to more value-add services. We see positive long-term tailwinds from share gains and mix shift to higher margin value-add services. BLDR should benefit from improving single-family housing starts.

US: Owens Corning (OC US, Buy): PO: $165

We rate Owens Corning as a Buy. We believe composites margin will remain under pressure until China macro outlook improves and global composite pricing stabilizes. We reiterate our Buy rating to reflect: 1) attractive valuation (~9% free cash flow yield), 2) potential upside to roofing price and margins in 2024 on channel restocking due to favorable storm demand and lean distributor inventory levels, and 3) improving volume and pricing outlook in insulation with our stronger outlook for single-family housing starts.

US: The AZEK Company Inc. (AZEK US, Buy): PO: $50

We have a Buy rating on AZEK given: 1) Azek's residential sell-out trends remain strong and composite decking/exteriors continues to meaningfully outperform over renovation market, and 2) we see upside to margin guidance from the flow-through of PVC deflation, higher utilization, and use of more recycled materials.

US: TopBuild Corp (BLD US, Buy): PO: $410

We have a Buy rating on TopBuild given a stronger single-family housing starts forecast and benefit from insulation price increase realization. We see upside to consensus estimates in 2024 and valuation remains compelling. We also see potential upside from the Specialty Products & Insulation (SPI) acquisition in 2024.

Underperforms

Europe: Ferguson PLC (FERG LN/FERG US, U/P): PO: GBp11,400/$144

We rate FERG an U/P. Beyond downside risks to earnings, the valuation also appears full with a calendar 2024 P/E of 18.3x and EV/EBITDA of 14.3x, broadly consistent with the average of the US peer group (20.1x and 13.8x respectively) and a c25% average premium to its historical average. The impact from earnings upgrades is offset by the recent strength of the GBP.

US: Fortune Brands Innovations Inc (FBIN US, U/P): PO: $72

We have an U/P rating on FBIN primarily based on its premium valuation. We see more upside in other building product stocks in our coverage universe that trade on cheaper valuation multiples.

US: Hayward Holdings (HAYW US, U/P): PO: $12

We have an U/P rating on HAYW to reflect: 1) pool industry sell-out continues to decline, 2) macro headwinds, especially in international markets (~16% of sales) and 3) potential share loss to Pentair and Fluidra as supply chains normalize.

US: Masco Corp (MAS US, U/P): PO: $63

We rate Macro an U/P based on valuation and a still challenging repair and remodel backdrop. We see risk to 2024 consensus estimates and expect Masco to underperform given: 1) MAS generates 90% of sales from repair and remodel (R&R) and sell-out trends continue to decline against tough comparisons, 2) we expect depressed existing home turnover to continue to pressure R&R through 1H24, 3) Europe (15% of EBIT) recently and the macro backdrop remains challenging, and 4) MAS trades at a premium to its historical valuation vs. peers.

US: Mohawk Industries (MHK US, U/P): PO: $95

We have an U/P rating on MHK given: 1) flooring demand remains weak (see charts below), and 2) we expect most of the improvement in costs will be competed away on price and promotions.

Australia: James Hardie (JHX AU/JHX US, U/P): PO: A$54.20/US$35.80

We have an U/P rating on James Hardie. We continue to like fiber cement as a product and JHX's competitive positioning, as well as JHX's mix shift towards the resilient R&R market. However, we see several reasons that warrant a more cautious view: (1) Solid US demand outlook reflected in estimates: The outlook on US new construction has turned increasingly positive recently driven by rate cut expectations. While we acknowledge that US new housing will likely remain strong, we think this is adequately reflected in our estimates. (2) Rich valuation: Post the recent share price appreciation (JHX +48% in the last 3-months), JHX is trading at c. 0.7 s.d. above its historical mean on EV/EBIT. (3) Consensus appears optimistic.

Exhibit 1: Companies mentioned
Companies mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AWI	AWI US	Armstrong World	US$ 102.95	B-1-7
BLDR	BLDR US	Builders FirstSource	US$ 180.91	C-1-9
CRH	CRH US	CRH	US$ 74.71	B-1-7
CRHCF	CRH LN	CRH	5838p	A-1-7
FERG	FERG US	Ferguson	US$ 193.82	B-3-7
WOSCF	FERG LN	Ferguson	15445p	B-3-7
FBIN	FBIN US	Fortune Brands Inc	US$ 78.49	B-3-7
HAYW	HAYW US	Hayward Holdings	US$ 12.8	C-3-9
JHIUF	JHX AU	James Hardie	A$ 58.43	B-3-7
JHX	JHX US	James Hardie	US$ 38.55	B-3-7
MAS	MAS US	Masco Corp	US$ 70.44	B-3-7
MHK	MHK US	Mohawk Industries	US$ 108.96	B-3-9
OC	OC US	Owens Corning	US$ 158.57	B-1-7
AZEK	AZEK US	The AZEK Company	US$ 45.35	C-1-9
BLD	BLD US	TopBuild	US$ 379.25	B-1-9

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Armstrong World Industries, Inc. (AWI)

Our $110 PO for AWI shares is based on a 2025E adjusted EV/EBITDA multiple of roughly 11.0x, implying a 2025E P/E multiple of roughly 16x, roughly in-line with AWI's historical average as a favorable price-cost outlook, which offsets a challenging commercial construction outlook. We view AWI as among the best positioned, most resilient companies in our coverage through-out a cycle.

Downside risks: 1) weaker than anticipated commercial construction activity, 2) slower than forecast share repurchases, 3) weaker than expected economic growth in North America, 4) a resurgence in COVID-19 outbreaks that leads to another round of construction market closures, 5) slower than expected return to the office, 6) less municipal spending dedicated to non-residential R&R.

Upside risks: 1) stronger than anticipated recovery in commercial construction, 2) faster than expected recovery in mineral fiber AUV, 3) stronger than expected economic growth in North America, 4) an unexpected decline in COVID-19 cases, 5) faster than expected return to the office, 6) strong municipal spending on R&R for schools and other projects.

Builders FirstSource Inc (BLDR)

Our $200 price objective (PO) is based on a 2025E EV/EBITDA multiple of roughly 9x (around 14x P/E on 2024E EPS), above its average of roughly 6.5x from 2017-2023. We think that BLDR deserves a premium to its historical average given structurally higher margins, increased exposure to value-added products, and a higher ROIC profile.

Upside risks to our PO: 1) faster-than-expected recovery in new home starts, 2) further residential market share gains through organic growth and M&A, 3) higher commodity prices, and 4) lower interest rates.
Downside risks: 1) a downturn in the housing market leading to less starts, 2) margins normalizing lower than anticipated, 3) a decline in commodity prices, and 4) higher than expected capex related to tech investments.

CRH (CRHCF / CRH)

Our price objective of GBp6,000 ($76) for CRH is based on a small premium to the company's 10-year historical forward average P/E and EV/EBITDA multiples of 16.5x and 9.5x, 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.

Ferguson PLC (WOSCF / FERG)
Our price objective for Ferguson is £114 / US$144 and is set by applying 16x P/E and 12x EV/EBITDA multiples to our annualised 2024E and 2025E EPS and EBITDA estimates (with a 50% weighting for each year). Our target multiples account for the optionality from the US relisting, which could drive Ferguson multiples closer to its US listed peers.

Upside risks to our PO are an acceleration of organic growth in the US, incremental margin improvement, macro-economic upturn in the Canada and GBP weakness.

Downside risks to our price objective are the pace of recovery in construction markets in both the US and Canada, management execution, changes in pricing, and competition, which could impact negatively upon gross margin.

Fortune Brands Innovations Inc (FBIN)
Our $72 PO for FBIN shares is based on a 2025E adjusted EV/EBITDA multiple of roughly 10.5x. At 10.5x adjusted EV/EBITDA, FBIN would trade near the mid-point of its historical valuation range.

Downside risks to our PO are: 1) slowing in the residential R&R market, 2) failure to successfully integrate acquisitions, 3) failure to meet long term outlook, 4) pricing pressure from large customers, 5) greater than expected input cost inflation, 6) rising interest rates increasing the cost of home equity loans, 7) tariffs on imported goods, 8) slowing US economy.

Upside risks to our PO are: 1) acceleration in the residential R&R market, 2), relief on Chinese tariffs, 3) portfolio rationalization, 4) faster than expected Cabinet business restructuring, 5) greater than expected declines in raw material costs.

Hayward Holdings, Inc. (HAYW)
Our $12 PO for HAYW shares is based on a 2025e adjusted EV/EBITDA multiple of roughly 11x. In determining the adjusted EV/EBITDA multiple underlying our PO on HAYW shares, we considered current valuation multiples for pool equipment manufacturing competitors and other pool and outdoor living related companies. We believe Hayward should trade at a slight premium to pool peers given its share gain trends in the pool segment.

Upside risks are: 1) a faster than anticipated rebound in pool demand, 2) market share gains, 3) favorable demographics, 4) a more favorable economic backdrop with lower interest rates, and 5) continued elevated price increases.

Downside risks are: 1) higher financial leverage than many building product peers, 2) real/perceived COVID-beneficiaries could lag as economy re-opens, 3) international expansion could negatively impact margins and valuation multiple, 4) effectiveness of

Omni app to drive sales remains unclear, 5) rising interest rates could make financing pools more expensive.

James Hardie Industries Plc (JHIUF / JHX)

Our 12-month PO of A$54.20/US$35.80 is based on 17.3x target multiple applied to an average of FY24E and FY25E EBIT. Our target multiple is 0.5 standard deviation above JHX's long term historical mean. We believe a higher multiple versus mean is warranted given the improving earnings profile.

Upside/downside risks are: (1) Stronger-than-expected/weaker-than-expected R&R and new construction activity. (2) Lower-than-expected/higher-than-expected costs. (3) Markets share gains/losses for fiber cement or versus competitors. (4) Favourable/unfavourable FX.

Masco Corp (MAS)

Our $63 PO for MAS shares is based on a 2025E adjusted EV/EBITDA multiple of roughly 10x. At 10x adjusted EV/EBITDA, MAS would trade near the mid-point of its recent valuation range.

Downside risks to our PO are: 1) slowing in the residential R&R market, 2) larger than expected declines in paint sales/margins, 3) pricing pressure from large customers, 4) greater than expected input cost inflation, 5) rising interest rates increasing the cost of home equity loans, and 6) slowing US economy.

Upside risks to our PO are: 1) stronger spend in residential R&R market, 2) decline in input costs, 3) declining interest rates and 4) improved DIY paint trends.

Mohawk Industries (MHK)

Our $95 PO for MHK shares is based on 5.0x 2025E EV/EBITDA. At 5.0x 2024e adjusted EV/EBITDA, MHK would trade at the low-end of its 3-year historical average, which we view as appropriate given the a slowdown in near-term revenue growth due to capacity constraints, weakening demand and a recent surge in raw material costs.

Downside risks to our PO are: 1) accelerating execution challenges, 2) greater than expected negative impact from the industry mix-down to lower-value-add products, 3) slowdown in residential new construction, 4) economic slowdown in Europe, 5) political uncertainty in Mexico, 6) slowdown in the resi R&R market, 7) slowdown in commercial construction, 8) continued structural decline in carpeting, 9) capacity additions present risk, 10) rising interest rates increasing the cost of home equity loans, 11) additional loss of patent income, 12) slowdown in acquisitions, 13) slowing global economic growth.

Upside risks to our PO are: 1) more rapid than expected improvement in execution, 2) industry mix improvement, 3) stronger than expected new construction and R&R markets in the US, 4) stronger than expected economic growth in Europe, 5) stabilization in the Mexican political environment, 6) increased carpet demand, 7) smoother execution with capacity additions, 8) lower than expected interest rates, 9) resumption of accretive acquisitions.

Owens Corning (OC)

Our PO for OC is $165. Our PO is based on 7x 2025E EV/EBITDA, in line with Owens Corning's historical average and roughly in line with OC's historical discount to the group to the current peer group average. We believe that a multiple in the middle of OC's historical range is appropriate given positive demand and pricing trends but some input cost pressure and capacity constraints.

Downside risks: 1) further input cost pressure, 2) softer-than-expected new construction and repair and remodel trends in the US, 3) slower-than-expected GDP growth in key regions, 4) deceleration in industrial production, 5) further competitor capacity additions in the insulation industry, 6) inability to successfully integrate acquisitions, 7) slowing global growth.

Upside risks: 1) stronger than-expected new construction and repair and remodel trends in the US, 2) upside to GDP growth in key regions and global industrial production, 3) better-than-forecast capacity utilization, particularly in Insulation, 4) stronger-than-expected pricing power.

The AZEK Company Inc. (AZEK)
Our $50 PO for AZEK shares is based on a CY2025E EV/EBITDA multiple of 18x, which implies Azek trades in line with its historical discount to key peer Trex. We believe a discount to TREX is appropriate given AZEK's lower return on invested capital, margins and brand recognition.

Upside risks to our PO are: 1) an acceleration in residential repair & remodeling and outdoor living spending, 2) a faster than expected conversion from wood decks to composite decks, 3) faster than expected share gain, 4) continued consumer preference towards enhancing the overall outdoor living space, and 5) faster than expected transition to recycled materials.

Downside risks to our PO are: 1) a slowdown in residential repair & remodeling spending, 2) a slower than expected conversion from wood decks to composite decks, 3) potential market share loss, 4) a mix shift in consumer preferences away from outdoor living and 5) a slowing US economy.

TopBuild Corp (BLD)
Our $410 price objective (PO) is based on a 11x EV/2025E EBITDA multiple, in line with its average from 2017-2023. We think that BLD's valuation will trade more in line with its historical valuation as housing starts recover.

Upside risks to our PO: 1) faster-than-expected recovery in new home starts, 2) further residential market share gains through organic growth and M&A, 3) continued strength in the commercial/industrial market, 4) continued price increases on insulation products.

Downside risks: 1) a downturn in the housing market leading to less starts, 2) deflation in insulation products leading to weaker revenue growth and margin pressure, 3) a broad pullback in commercial/industrial activity.

Analyst Certification

We, Shaurya Visen, Arnaud Lehmann and Rafe Jadrosich, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective 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	CODYY	CODYY 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	GEBN SW	Arnaud Lehmann
	Rockwool International A/S	RKWBF	ROCKB DC	Arnaud Lehmann
	Skanska	SKSBF	SKAB SS	Arnaud Lehmann
	Travis Perkins	TVPKF	TPK LN	Arnaud Lehmann

US - Homebuilders and Building Products Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Armstrong World Industries, Inc.	AWI	AWI US	Rafe Jadrosich
	Builders FirstSource Inc	BLDR	BLDR US	Rafe Jadrosich
	D.R. Horton, Inc.	DHI	DHI US	Rafe Jadrosich
	Latham Group, Inc.	SWIM	SWIM US	Shaun Calnan, CFA
	Leslie's	LESL	LESL US	Shaun Calnan, CFA
	NVR, Inc.	NVR	NVR US	Rafe Jadrosich
	Owens Corning	OC	OC US	Rafe Jadrosich
	PulteGroup Inc.	PHM	PHM US	Rafe Jadrosich
	The AZEK Company Inc.	AZEK	AZEK US	Rafe Jadrosich
	Toll Brothers, Inc.	TOL	TOL US	Rafe Jadrosich
	TopBuild Corp	BLD	BLD US	Rafe Jadrosich
	Trex Company, Inc.	TREX	TREX US	Rafe Jadrosich
NEUTRAL				
	Dream Finders Homes, Inc.	DFH	DFH US	Rafe Jadrosich
	KB Home	KBH	KBH US	Rafe Jadrosich
	Lennar Corporation	LEN	LEN US	Rafe Jadrosich
	Smith Douglas Homes Corp.	SDHC	SDHC US	Rafe Jadrosich
UNDERPERFORM				
	Fortune Brands Innovations Inc	FBIN	FBIN US	Rafe Jadrosich
	Hayward Holdings, Inc.	HAYW	HAYW US	Rafe Jadrosich
	Masco Corp	MAS	MAS US	Rafe Jadrosich
	Mohawk Industries	MHK	MHK US	Rafe Jadrosich
	Patrick Industries, Inc.	PATK	PATK US	Rafe Jadrosich

US - Homebuilders and Building Products Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Pool Corporation	POOL	POOL US	Shaun Calnan, CFA

Australia - Materials & Industrials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	29Metals Limited	XMLNF	29M AU	James Redfern
	AGL Energy	AGLNF	AGL AU	Reinhardt van der Walt
	APA Group	APAJF	APA AU	Reinhardt van der Walt
	BHP Group Limited	BHPLF	BHP AU	James Redfern
	BHP Group Limited	ZBHPF	BHP LN	James Redfern
	BHP Group-ADR	BHP	BHP US	James Redfern
	BlueScope	BLSFF	BSL AU	Chen Jiang
	Boral Ltd	BOALF	BLD AU	Shaurya Visen
	Boss Energy	BQSSF	BOE AU	Cameron Taylor
	Brambles Limited	BMBLF	BXB AU	Reinhardt van der Walt
	Champion Iron	CIAFF	CIA AU	Chen Jiang
	Champion Iron	YCIA	CIA CN	Chen Jiang
	Coronado	CODQL	CRN AU	Chen Jiang
	Evolution Mining	CAHPF	EVN AU	Meredith Schwarz
	Gold Road Resources	ELKMF	GOR AU	Meredith Schwarz
	GWA Group	GWAXF	GWA AU	Shaurya Visen
	Incitec Pivot	ICPVF	IPL AU	Reinhardt van der Walt
	Mineral Resources	MALRF	MIN AU	Matt Chalmers, CFA
	Monadelphous	MDPHF	MND AU	Josephine Forde
	Nickel Industries	NICMF	NIC AU	Cameron Taylor
	Northern Star Resources	NESRF	NST AU	Meredith Schwarz
	NRW Holdings	NRWWF	NWH AU	Josephine Forde
	Nufarm	NUFMF	NUF AU	Reinhardt van der Walt
	Orica	OCLDF	ORI AU	Reinhardt van der Walt
	Origin Energy	OGFGF	ORG AU	Reinhardt van der Walt
	Orora	ORRAF	ORA AU	Roy Harrison
	Paladin Energy	PALAF	PDN AU	Cameron Taylor
	Regis Resources	RGRNF	RRL AU	Meredith Schwarz
	Reliance Worldwide Corporation Limited	RLLWF	RWC AU	Shaurya Visen
	Rio Tinto Ltd	RTNTF	RIO AU	James Redfern
	Seven Group Holdings	XSEVF	SVW AU	Shaurya Visen
	South32 Ltd	SHTLF	S32 AU	James Redfern
	South32 Ltd	XKTPF	S32 LN	James Redfern
	South32 Ltd	XMWTF	S32 SJ	James Redfern
	Ventia	XVXGF	VNT AU	Roy Harrison
	Whitehaven Coal Limited	WHITF	WHC AU	Chen Jiang
	Worley Limited	WYGPF	WOR AU	Cameron Taylor
NEUTRAL				
	Codan	CODAF	CDA AU	Sriharsh Singh
	CSR Limited	CSRLF	CSR AU	Shaurya Visen
	Deterra Royalties	DETRF	DRR AU	Chen Jiang
	Downer EDI Limited	DNERF	DOW AU	Roy Harrison
	Fletcher Building	FRCEF	FBU NZ	Shaurya Visen
	Fletcher Building	YFLBF	FBU AU	Shaurya Visen
	Pilbara Minerals	PILBF	PLS AU	Matt Chalmers, CFA
	Qube Holdings	QUBHF	QUB AU	Reinhardt van der Walt
	Reece Limited	REECF	REH AU	Shaurya Visen
	Sandfire Resources	SFRRF	SFR AU	Matt Chalmers, CFA
	Sims Limited	SMUPF	SGM AU	Chen Jiang
	Transurban Group	XTRAF	TCL AU	Reinhardt van der Walt
	Transurban Group	TRAUF	TRAUF US	Reinhardt van der Walt
UNDERPERFORM				
	ALS Limited	CPBLF	ALQ AU	Reinhardt van der Walt
	Alumina Limited	AWCMF	AWC AU	Chen Jiang
	Atlas Arteria Ltd	MAQAF	ALX AU	Reinhardt van der Walt
	Cleanaway Waste Management	TSPCF	CWY AU	Reinhardt van der Walt

Australia - Materials & Industrials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Fortescue Ltd.	FSUMF	FMG AU	James Redfern
	IGO	IPGDF	IGO AU	Matt Chalmers, CFA
	James Hardie Industries Plc	JHIUF	JHX AU	Shaurya Visen
	James Hardie Industries Plc	JHX	JHX US	Shaurya Visen
	Vulcan Steel Limited	XVULF	VSL AU	Shaurya Visen
	Vulcan Steel Limited	XVSTF	VSL NZ	Shaurya Visen

Disclosures

Important Disclosures

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: Business Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	26	55.32%	Buy	17	65.38%
Hold	8	17.02%	Hold	3	37.50%
Sell	13	27.66%	Sell	11	84.62%

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.

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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
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

R2 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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