

Equinor ASA

Net cash vs. free cash – how to end 2025 with zero debt and 25% mkt cap paid back

Reiterate Rating: BUY | PO: 400.00 NOK | Price: 296.90 NOK

4Q23 earnings season is 2024+ cash flow outlook season

This isn't earnings season. This is outlook season. And in Big Oil, recent quarters have shown the outlook that matters the most is on cash flow and how much of it is committed to come back to shareholders. Nowhere will that be more relevant than at Equinor's FY23 results presentation on February 7th – with last year's \$17bn cash returns implying a ~20% yield and hence a significant cut toward the sector average near ~10% already. We reiterate our Buy rating and believe Equinor's outlook is likely to impress:

9M23 cash flows = Equinor's FY23 outlook MTM

We believe Equinor's cash flow generation last year will significantly exceed its original guidance despite production undershooting its original guidance and before working capital inflows (\$5bn in 9M23 so far): Adjusting its FY23 guidance for ~\$20bn post-tax CFFO for the delta in its commodity 'reference case' and actual oil and gas prices leaves on our calculations a marked-to-market <\$18bn CFFO instead – vs. \$17bn achieved after 9M23 already and with ~\$3bn of CFFO still due in 4Q23.

Outlook into 2024+ underwritten by net cash

We see strip FCF for 2024+25 at \$5+9bn – coupled with Equinor's net cash pile (likely to remain near \$4bn by year-end 2023), we believe \$10bn annual cash return commitments (implying ~12% yields ahead of peers averaging 10%) across 2024 and 2025 remain undervalued given the fact that they will still not push Equinor into net debt by year-end 2025 (vs. 20% average gearing for Big Oils by 2025 assuming strip).

Updated estimates imply >10% FCF yield at strip

We cut our CFFO estimates by ~3% across 2023 / 24 reflecting Equinor's 4Q23 trading update and 1H24 outlook (slightly higher opex as well as slightly higher discount to Brent). At strip, however, our 2024 CFFO estimate remains >10% above consensus – implying a >10% FCF yield despite capex stepping up from ~\$10bn to ~\$12bn y/y.

Estimates (Dec) (USD)	2021A	2022A	2023E	2024E	2025E
EPS (Adjusted Diluted)	3.56	7.35	3.73	4.24	4.55
EPS Change (YoY)	NM	106.6%	-49.3%	13.9%	7.3%
Dividend / Share	0.56	1.68	3.60	3.60	3.60
ADR EPS (Adjusted Diluted - US\$)	3.56	7.35	3.73	4.24	4.55
ADR Dividend / Share (US\$)	0.56	1.68	3.60	3.60	3.60
Valuation (Dec)					
P/E	9.46x	4.10x	7.85x	6.66x	6.21x
Dividend Yield	1.98%	5.94%	12.7%	12.7%	12.7%
EV / EBITDA*	1.86x	1.00x	1.88x	1.85x	1.82x
Free Cash Flow Yield*	27.9%	36.3%	12.2%	14.9%	14.7%

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

24 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-1-8	B-1-7
2023E EPS	3.86	3.73
2024E EPS	4.29	4.24
2025E EPS	4.61	4.55

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Stock Data

Price (Common / ADR)	296.90 NOK / 28.21 USD
Price Objective	400.00 NOK / 37.00 USD
Date Established	7-Dec-2023 / 7-Dec-2023
Investment Opinion	B-1-7 / B-1-7
52-Week Range	262.92 NOK-375.91 NOK
Market Value (mn)	891,622 NOK
Shares Outstanding (mn)	3,003.1 / 3,003.1
Average Daily Value (mn)	73.96 USD
Free Float	27.3%
BofA Ticker / Exchange	STOHF / OSL
BofA Ticker / Exchange	EQNR / NYS
Bloomberg / Reuters	EQNR NO / EQNR.OL
ROE (2023E)	21.2%
Net Dbt to Eqty (Dec-2022A)	-24.6%
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"](#).

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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: 24 January 2024 12:30AM EST

iQprofileSM Equinor ASA

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(US\$ Millions)					
Sales	48,623	88,549	48,362	49,636	50,780
EBITDA Adjusted	45,299	83,896	44,844	45,473	46,169
Depreciation & Amortization	(10,430)	(8,879)	(9,025)	(9,122)	(9,799)
EBIT Adjusted	34,869	75,017	35,820	36,351	36,370
Net Interest & Other Income	NA	NA	NA	NA	NA
Tax Expense / Benefit	(23,456)	(52,248)	(24,982)	(24,824)	(24,777)
Net Income (Adjusted)	11,413	22,769	10,838	11,527	11,593
Average Fully Diluted Shares Outstanding	3,206	3,096	2,909	2,717	2,548

Key Cash Flow Statement Data					
Net Income (Reported)	11,413	22,769	10,838	11,527	11,593
Depreciation & Amortization	10,430	8,879	9,025	9,122	9,799
Change in Working Capital	(4,545)	(4,951)	4,512	1,000	0
Deferred Taxation Charge	0	0	0	0	0
Other CFO	11,519	8,437	141	2,766	2,159
Cash Flow from Operations	28,817	35,134	24,515	24,415	23,551
Capital Expenditure	(8,040)	(8,324)	(9,943)	(12,000)	(13,000)
(Acquisition) / Disposal of Investments	0	0	(1,507)	0	0
Other CFI	1,752	680	(132)	200	200
Cash Flow from Investing	(6,288)	(7,644)	(11,582)	(11,800)	(12,800)
Share Issue / (Repurchase)	(321)	(3,316)	(6,000)	(6,000)	(6,000)
Cost of Dividends Paid	(1,797)	(5,379)	(10,738)	(9,773)	(9,170)
Increase (decrease) debt	(1,876)	(4,071)	1,521	3,158	4,419
Other CFF	1,876	4,071	(1,521)	(3,158)	(4,419)
Cash Flow from Financing	(2,118)	(8,695)	(16,738)	(15,773)	(15,170)
Total Cash Flow (CFO + CFI + CFF)	20,411	18,795	(3,805)	(3,158)	(4,419)
FX and other changes to cash	(3,661)	(8,712)	(1,416)	3,158	4,419
Change in Cash	16,750	10,083	(5,221)	0	0
Change in Net Debt	(18,626)	(14,154)	6,742	3,158	4,419
Net Debt	867	(13,287)	(6,545)	(3,387)	1,032

Key Balance Sheet Data					
Property, Plant & Equipment	62,075	56,498	56,761	59,440	62,441
Goodwill	NA	NA	NA	NA	NA
Other Intangibles	6,452	5,158	5,732	5,732	5,732
Other Non-Current Assets	16,092	18,196	18,145	21,070	24,588
Trade Receivables	17,927	22,452	15,053	15,053	15,053
Cash & Equivalents	35,372	45,455	40,234	40,234	40,234
Other Current Assets	9,202	10,262	7,184	6,184	6,184
Total Assets	147,120	158,021	143,109	147,713	154,232
Long-Term Debt	29,853	26,551	24,488	24,488	24,488
Other Non-Current Liabilities	39,107	33,676	31,585	31,585	31,585
Short-Term Debt	6,386	5,617	9,201	12,359	16,778
Other Current Liabilities	32,752	38,189	29,340	29,340	29,340
Total Liabilities	108,098	104,033	94,614	97,772	102,191
Total Equity	39,024	53,989	48,496	49,936	52,040
Total Equity & Liabilities	147,122	158,022	143,109	147,708	154,231

Business Performance*					
Return On Capital Employed	15.7%	32.0%	15.3%	15.7%	15.0%
Return On Equity	31.3%	49.0%	21.2%	23.4%	22.7%
Operating Margin	71.7%	84.7%	74.1%	73.2%	71.6%
Free Cash Flow (MM)	25,322	31,761	10,060	11,415	10,551

Quality of Earnings*					
Cash Realization Ratio	2.52x	1.54x	2.26x	2.12x	2.03x
Asset Replacement Ratio	0.77x	0.94x	1.10x	1.32x	1.33x
Tax Rate	67.3%	69.6%	69.7%	68.3%	68.1%
Net Debt/Equity	2.22%	-24.6%	-13.5%	-6.78%	1.98%
Interest Cover	NM	NM	NM	NM	NM

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

Company Sector

Oils

Company Description

Equinor is the dominant oil and gas producer in offshore Norway and one of the leading suppliers of gas in the European market. Upstream activities outside of Norway account for around 40% of current production, a contribution that is expected to grow in coming years. The Norwegian Government is the company's majority shareholder.

Investment Rationale

We rate Equinor Buy. Equinor is among the most exposed to European spot gas price (36% of its hydrocarbon production). This year's gas price decrease has not made a significant dent in its net cash position. And with its earnings momentum stabilised, we see its cash returns still offering above average yields and a more attractive risk / reward into 2024.

Stock Data

Shares / ADR	1.00
Price to Book Value	1.7x

Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-1-8	B-1-7
2023E EPS	3.86	3.73
2024E EPS	4.29	4.24
2025E EPS	4.61	4.55

2024+ cash flow outlook

2023 outlook to turn out conservative

9M23 cash flows = Equinor's FY23 outlook

We believe Equinor's cash flow generation in 2023 will significantly exceed its original guidance even before \$5bn working capital inflows in 9M23 so far: Adjusting its FY23 guidance for ~\$20bn post-tax CFFO for the delta between its commodity "reference case" and actual oil and gas prices (see Exhibit 2), we calculate a MTM (marked-to-market) <\$18bn CFFO instead – close to the \$17bn CFFO achieved after 9M23 already. And yet, we still expect Equinor to generate ~\$3bn of CFFO in 4Q23 – suggesting it will significantly exceed its original guidance MTM:

Exhibit 1: FY23 CFFO before working capital changes: Guidance vs. MTM

We expect reported FY23 CFFO to reveal a significant >\$2bn buffer in EQNR's original guidance

	\$bn	Comment
9M23A	17.0	
4Q23E	3.1	BofA estimate (NB: VA consensus sits at ~\$3.5bn)
FY23E	20.0	
Guidance buffer	2.1	despite \$1bn extra cash taxes, despite lower production
FY23 guidance MTM	17.9	See Exhibit 2 below for the bridge from EQNR's FY23 'reference case'

Source: BofA Global Research estimates, company report, Visible Alpha consensus

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2023 outlook based on overly conservative assumptions?

Our calculation above reveals a >\$2bn buffer in Equinor's original CFFO guidance first published in February 2023. And while we accept that guidance at the start of any financial year will always contain a degree of contingency buffer, we believe Equinor's 2023 performance had to make use of ~\$1.5bn buffers via two main aspects:

1. Oil and gas production was originally guided to grow by ~3% in 2023 – compared to what we (and VA consensus) expect to turn out to be marginal growth y/y. We estimate this ~20mboe guidance gap cost Equinor ~\$0.5bn in post-tax cash flows vs. its original guidance.
2. Despite 2023 European gas prices averaging significantly below Equinor's 'reference case' assumptions at the start of the year, Equinor did elect to pay ~\$1bn in extra cash taxes to the Norwegian government in 4Q23.

Exhibit 2: FY23 CFFO: Equinor's \$20bn CFFO outlook in its "Reference case" vs. MTM

Applying Equinor's cash flow sensitivities in our MTM exercise implies FY23 CFFO <\$18bn (i.e. barely more than \$17bn reported after 9M23)

EQNR Reference case				Pre-tax CFFO sensitivity per \$1/bbl or \$1/mbtu (\$bn)*		Post-tax CFFO	CFFO MTM 2023
		MTM	MTM delta		Marginal tax rate	MTM delta (\$bn)	(\$bn)
Brent (\$/bbl)	70	83	13.0	0.3	60%	1.7	
NBP (\$/mbtu)	20	13	(7.0)	1.8	78%	(2.8)	
Henry Hub (\$/mbtu)	3.5	2.7	(0.8)	1.8	25%	(1.1)	
CFFO (\$bn)	20					(>2)	<18

Source: BofA Global Research estimates, company report

* As per Equinor's 2023 cash flow sensitivities

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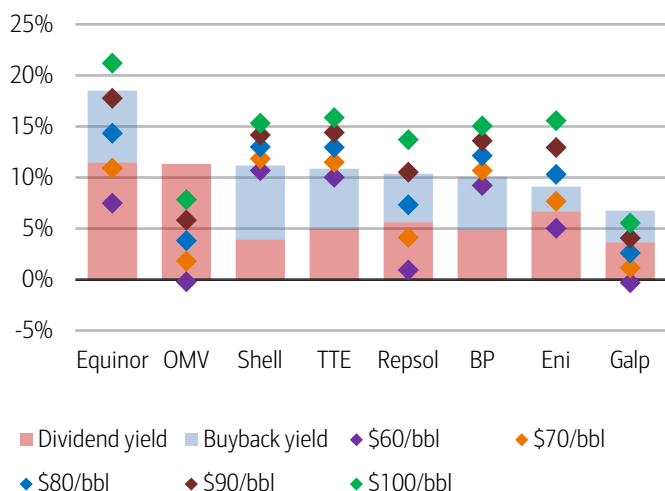
Strip valuation and cash return potential

>100% FCF payout stands out – total cash yield already prices in significant cut

We believe Equinor's current level of cash returns to shareholders (\$17bn for 2023) stands out as deliberately paying out >100% of FCF. We note it is the only cash return yield trading at a significant premium already – in fact, assuming a 50% cut in Equinor's total cash payout would still leave its shares trade inline with its peer group at ~10% total cash yields.

Exhibit 3: 2024 FCF yields at various oil prices

At our base-case Brent Equinor will fail to cover distributions

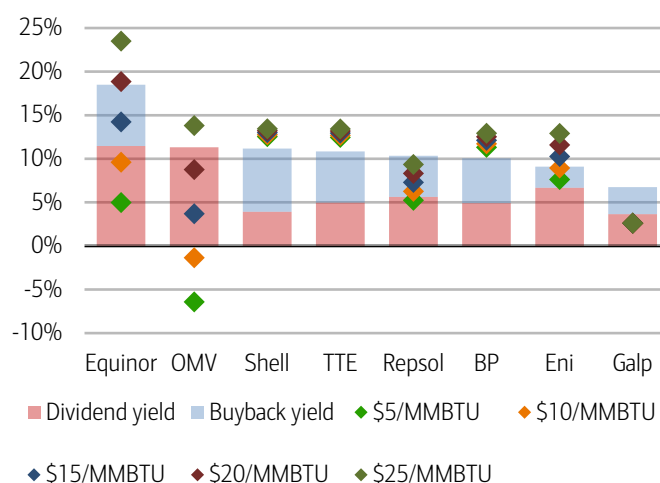


Source: BofA Global Research estimates

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Exhibit 4: 2024 FCF yields at various European gas prices

Equinor has the highest exposure to European gas prices



Source: BofA Global Research estimates

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Cash flow outlook underwrites \$10bn annual cash returns into 2025

Even at strip, our estimates suggest Equinor can afford to distribute \$10bn to shareholders annually and still start the second half of the decade at zero net debt (considering its current net cash position of ~\$8bn). We believe this leaves Equinor in a significantly more resilient position vs. peers: We see average gearing grow to 20% by year-end 2025 at strip (from 19% at year-end 2023).

Exhibit 5: Equinor cash flows into 2025

At strip, we believe \$10bn annual cash returns in 2024-25 would leave EQNR with zero net debt

\$bn	FY23	FY25	FY25
CFFO before NWC - BofA	20	23	24
CFFO before NWC - strip	20	17	22
Organic capex	(10)	(12)	(13)
FCF	10	5	9
NWC	5	1	-
Cash returns	(17)	(10)	(10)
Change in net cash	(2)	(4)	(1)

Source: BofA Global Research estimates

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4Q23 preview

7th February: 4Q23 results and strategy update

Equinor reports its 4Q23 earnings at 6am UK time / 7am CET before hosting a management presentation in London from midday.

Group Results & Outlook

We forecast adj. EBIT of \$8.3bn – slightly ahead of 4Q23 but >10% below VA consensus. We expect a significant CFFO decline from 3Q23 to ~\$3bn (before expected \$0.5bn net working capital outflows) – reflecting the uneven phasing of Norway's tax instalments (4Q23 includes two of six annual tax payment instalments) as well as an extra ~\$1bn tax payment Equinor elected to pay in 4Q23. After almost \$3bn of capex, we hence expect limited positive organic FCF. As a result – and without significant M&A outflows – we see Equinor's >\$8bn net cash position to decline q/q to >\$4bn in the quarter.

Segment Results

We forecast Upstream EBIT Norway of \$7.0bn – up 15% q/q but ~10% below VA consensus. A decrease in achieved oil prices is offset by an increase in achieved gas prices q/q. We forecast Upstream International (incl. USA) EBIT of ~\$0.9bn – down >20% q/q with lower achieved oil prices weighing more heavily and >10% below VA consensus. We forecast MMP to record EBIT of \$0.4bn (in-line with Equinor's guidance for 4Q23 ending up toward the lower end of their \$0.4-0.8bn quarterly guidance). Below EBIT, we forecast Equinor's Group tax rate to increase to 72% (71% for VA) from 70% in 3Q23.

Trading Update

Despite the fact that Equinor published its 4Q23 trading update two weeks ago already, we note its guidance for achieved oil prices is still below VA consensus today: In Norway (midpoint -2%), International (midpoint -5%) and US (midpoint -2%). Quarterly MMP earnings guidance towards the bottom of Equinor's \$400-800m range also does not seem to be reflected in ~\$0.5bn VA consensus yet.

Exhibit 6: Equinor 4Q23 estimates vs 4Q22, 3Q23 and VA consensus (USDm)

We are close to consensus on most line items

	4Q23E	4Q22A	YoY (%)	3Q23A	QoQ (%)	4Q23E	BofA vs VA
	BofAe					VA Consensus	Cons (%)
Adj. Earnings bef. Tax							
D&P Norway	7,022	14,595	-52%	6,088	15%	7,637	-8%
D&P International (incl. USA)	882	1,234	-29%	1,152	-23%	969	-9%
MMP	438	(543)	-181%	875	-50%	564	-22%
Other (incl. Renewables)	(60)	(145)	-59%	(90)	-33%	(82)	-27%
Group	8,282	15,141	-45%	8,025	3%	9,089	-9%
Group Tax	(5,933)	(9,262)	-36%	(5,293)	12%	(6,427)	-8%
Group tax rate	72%	72%	-1%	70%	-71%	71%	-142%
Adjusted earnings aft. Tax							
D&P Norway	1,580	3,301	-52%	1,345	17%	1,729	-9%
D&P International (incl. USA)	573	902	-36%	907	-37%	643	-11%
MMP	241	1,904	-87%	542	-56%	297	-19%
Other (incl. Renewables)	(45)	(228)	-80%	(62)	-27%	(8)	474%
Group	2,349	5,879	-60%	2,732	-14%	2,661	-12%
Cash From Operations	2,550	4,267	-40%	5,236	-51%	3,057	-17%
of which WC	(500)	(2,532)	-80%	(2,357)	-79%	(161)	211%
Cash From Operations before WC	3,050	6,799	-55%	7,593	-60%	3,218	-5%
Organic Capex	(2,750)	(2,376)	16%	(2,600)	6%	(2,768)	-1%
Organic FCF post WC	(200)	1,891	-111%	2,636	-108%	289	-169%
Organic FCF pre WC	300	4,423	-93%	4,993	-94%	450	-33%

Source: BofA Global Research estimates, Visible Alpha

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Price objective basis & risk

Equinor ASA (STOHF / EQNR)

Our price objective is defined by DCF-based valuation using our base case \$70/bbl for long-term Brent oil prices. We also include our bottom-up Renewables valuation at a 0% discount. We use in both cases a WACC of 8%, and a terminal growth rate of zero to arrive at our PO of NOK400 (USD37).

Downside risks to our price objective are a significant change in the price of oil or natural gas prices, currency, government regulatory or fiscal intervention, unforeseen circumstances with operation. Upside risks are: lower capex than expectations, further cost efficiency gains and exploration success.

Analyst Certification

I, Christopher Kuplent, 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 - Oil & Gas Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Capricorn Energy	CRNZD	CNE LN	Matthew Smith
	Energean	EERGF	ENOG LN	Matthew Smith
	Energean	XMQFF	ENOG IT	Matthew Smith
	Equinor ASA	STOHF	EQNR NO	Christopher Kuplent
	Equinor ASA	EQNR	EQNR US	Christopher Kuplent
	Harbour Energy	PMOIF	HBR LN	Matthew Smith
	Kosmos Energy	KOS	KOS US	Matthew Smith
	Kosmos Energy	XKELF	KOS LN	Matthew Smith
	Neste	NTOIF	NESTE FH	Christopher Kuplent
	Neste	NTOIY	NTOIY US	Christopher Kuplent
	Saipem	SAPMF	SPM IM	Christopher Kuplent
	Shell plc	SHEL	SHEL US	Christopher Kuplent
	Shell Plc	RYDAF	SHEL LN	Christopher Kuplent
	TotalEnergies	TTFNF	TTE FP	Christopher Kuplent
	TotalEnergies	TTE	TTE US	Christopher Kuplent
	Vallourec	VLOUF	VK FP	Joseph Charuy
NEUTRAL				
	Aker Solutions	AKRTF	AKSO NO	Christopher Kuplent
	BP plc	BP	BP US	Christopher Kuplent
	BP plc	BPAQF	BP/ LN	Christopher Kuplent
	Eni	E	E US	Matthew Smith
	Eni	EIPAF	ENI IM	Matthew Smith
	EnQuest	ENQUF	ENQ LN	Matthew Smith
	Ithaca Energy plc	XMFYF	ITH LN	Matthew Smith
	Tenaris	TS	TS US	Joseph Charuy
	Tenaris	TNRSF	TEN IM	Joseph Charuy
	Var Energi	XGZNF	VAR NO	Matthew Smith
UNDERPERFORM				
	Aker BP	DETNF	AKRBP NO	Matthew Smith
	Galp Energia	GLPEF	GALP PL	Matthew Smith
	OMV	OMVJF	OMV AV	Matthew Smith
	OMV	OMVKY	OMVKY US	Matthew Smith
	Repsol	REPY	REPY US	Matthew Smith
	Repsol	REPYF	REP SQ	Matthew Smith
	Subsea 7 SA	ACGYF	SUBC NO	Christopher Kuplent
	Technip Energies	THNPF	TE FP	Christopher Kuplent
	Technip Energies	THNPY	THNPY US	Christopher Kuplent
	Tullow Oil	TUWLF	TLW LN	Matthew Smith

EMEA - Oil & Gas 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

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.

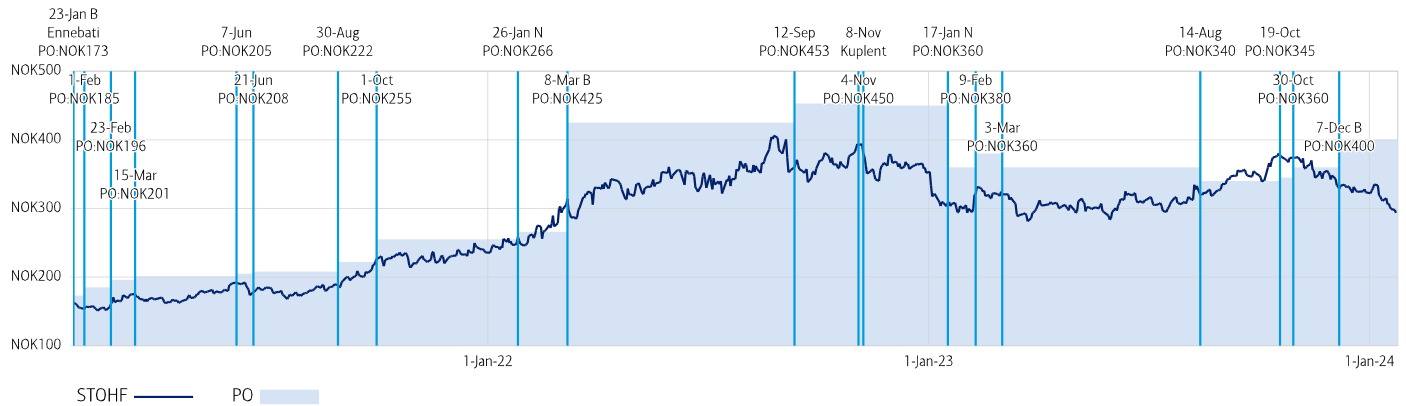
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Disclosures

Important Disclosures

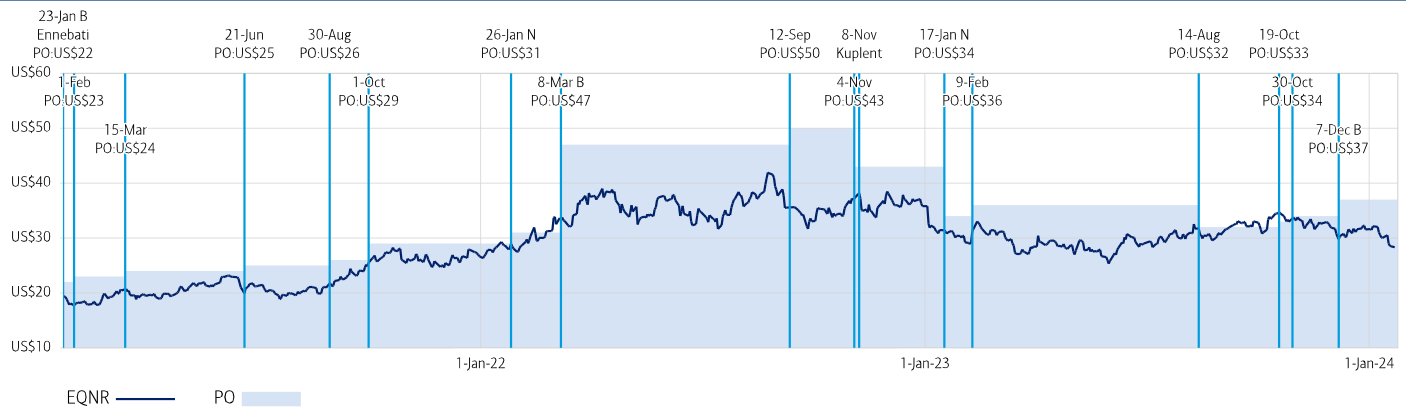
Equinor ASA (STOHF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equinor ASA (EQNR) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

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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