

# Regeneron Pharmaceuticals Inc.

# **Thoughts Post the 4Q Call**

Reiterate Rating: UNDERPERFORM | PO: 710.00 USD | Price: 945.18 USD

## Retinal franchise rests on robust Eylea HD uptake

While Regeneron reported better-than-expected 4Q results (+\$168M revs; +\$1.24 EPS vs. cons; see our 4Q initial thoughts), REGN shares traded flat with the broader Biotech sector (NBI: -1%) as many key product revenues were known prior to the call. Looking ahead, we continue to differ from consensus on US Eylea (2024: \$5.2B, +\$690M cons) and Eylea HD (2024: \$609M, -\$1B cons) sales. Indeed, while Eylea HD is on-track for a permanent J-Code (April 1st), we think 2024 consensus estimates are underappreciating Vabysmo uptake, which is reimbursed more broadly and set to add another indication (RVO) this year (see our Roche 40 read-through). Separately, we could see more material ex-Eylea erosion (BofA: -3% y/y in 2024) as reimbursement for Vabysmo has been secured across EU5. On Eylea patent litigation, we think a delay to biosimilars launching in May 2024 has become more likely with filing for a temporary injunction underway and the appeals process ongoing. While a delay to biosimilars launching may alleviate some near-term pricing pressures, it does not address underlying concerns on Eylea erosion, in our view. Beyond the retinal franchise, we think Regeneron is making good progress on its commercial oncology franchise with odronextamab (PDUFA: March 31st), and linvoseltamab (2H24) regulatory reviews on-track, and plans to grow Libtayo sales >\$1B in 2024 (BofA: \$1.2B, +\$75M cons). We'd expect Regeneron to provide further details on commercial strategy in heme/onc following approval(s). Separately, we continue to see robust growth from Dupixent with Sanofi guiding to >\$13B in 2024 (BofA: \$14.1B, +\$409M cons; see our 4Q Sanofi read-through), and potential label expansion into COPD in 2H24. In all, we remain bearish on Regeneron's retinal franchise (43% of sales) despite solid Dupixent outlook and oncology progress. Maintain Underperform, \$710 PO.

## Pipeline updates in 2024 focused on oncology, not obesity

We think recent REGN price run-up was partially due to the introduction of the company's trevogrumab (anti-myostatin) obesity program (initiating phase 2 mid-2024) and to a lesser extent, severe food allergy program with Dupixent / linvoseltamab, though we'd note that both are in early-stage development. We're more focused on oncology pipeline updates in 2024 including: 1) interim analysis from the phase 3 study of Libtayo in adjuvant CSCC, and 2) pivotal initial results from the phase 2/3 study of fianlimab (LAG-3 antibody) + Libtayo in 1L metatstatic melanoma. We're also interested in the phase 3 readout for Dupixent in chronic hives (4Q24), as additional label expansion is needed to support Dupixent's robust growth outlook. Following 4Q guidance, we update OpEx spend. Our 2024 sales / EPS est. are now \$13.3B / \$38.85 (see page 3).

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	44.98	43.78	38.85	43.10	43.90
GAAP EPS	38.22	35.11	29.16	33.35	33.60
EPS Change (YoY)	-42.4%	-2.7%	-11.3%	10.9%	1.9%
Consensus EPS (Bloomberg)			44.13	47.43	51.10
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	21.0x	21.6x	24.3x	21.9x	21.5x
GAAP P/E	24.7x	26.9x	32.4x	28.3x	28.1x
EV / EBITDA*	16.7x	18.0x	19.2x	16.8x	16.3x
Free Cash Flow Yield*	2.9%	4.3%	3.2%	3.6%	3.6%
* For full definitions of <i>IQ</i> method <sup>SM</sup> measures, see page 5.					

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 4. Price
Objective Basis/Risk on page 4.

Timestamp: 02 February 2024 06:56PM EST

## 02 February 2024

#### Equity

Key Changes		
(US\$)	Previous	Current
2024E Rev (m)	13,198.4	13,337.5
2025E Rev (m)	13,764.3	13,980.2
2026E Rev (m)	13,799.9	14,019.6
2024E EPS	41.85	38.85
2025E EPS	43.60	43.10
2026E EPS	44.30	43.90

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### Stock Data

Price	945.18 USD
Price Objective	710.00 USD
Date Established	26-Jan-2024
Investment Opinion	B-3-9
52-Week Range	684.81 USD - 973.99 USD
Mrkt Val (mn) / Shares Out	109,832 USD / 116.2
(mn)	
Free Float	97.4%
Average Daily Value (mn)	553.48 USD
BofA Ticker / Exchange	REGN / NAS
Bloomberg / Reuters	REGN US / REGN.OQ
ROE (2024E)	15.3%
Net Dbt to Eqty (Dec-2023A)	-39.2%
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".

# iQprofile<sup>™</sup> Regeneron Pharmaceuticals Inc.

iOmethod <sup>SM</sup> − Bus Performance*					
(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	21.3%	15.9%	12.4%	12.5%	11.4%
Return on Equity	24.9%	20.0%	15.3%	15.1%	13.7%
Operating Margin	47.0%	39.1%	35.4%	38.9%	39.6%
Free Cash Flow	3,168	4,723	3,515	3,940	3,975
iQmethod <sup>SM</sup> − Quality of Earnings*					
(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.0x	1.1x	1.0x	1.0x	1.0x

5.4x

NM

12.8%

-34.2%

1.9x

10.3%

-39.2%

NM

## Income Statement Data (Dec)

Asset Replacement Ratio

Net Debt-to-Equity Ratio

Interest Cover

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	12,173	13,117	13,338	13,980	14,020
% Change	-24.3%	7.8%	1.7%	4.8%	0.3%
Gross Profit	10,906	11,464	11,726	12,191	12,225
% Change	-21.8%	5.1%	2.3%	4.0%	0.3%
EBITDA	6,060	5,615	5,264	6,034	6,207
% Change	-42.3%	-7.3%	-6.3%	14.6%	2.9%
Net Interest & Other Income	(149)	(261)	(249)	(204)	(196)
Net Income (Adjusted)	5,164	5,011	4,484	5,037	5,129
% Change	-41.8%	-3.0%	-10.5%	12.3%	1.8%

## Free Cash Flow Data (Dec)

2A 2023A	2024E	2025E	2026E
88 4,019	3,365	3,897	3,926
41 487	548	599	656
13) 506	(24)	(70)	(4)
16) 0	0	0	0
75 660	665	650	642
17) (949)	(1,038)	(1,136)	(1,244)
68 4,723	3,515	3,940	3,975
% <b>49</b> .1%	-25.6%	12.1%	0.9%
20 2,545	2,272	2,317	2,363
0 0	0	0	0
33) (2,000)	(2,000)	(2,000)	(2,000)
	4,019 441 487 43) 506 46) 0 675 660 47) (949) 68 4,723 694 60 2,545 0 0	488     4,019     3,365       441     487     548       43)     506     (24)       46)     0     0       675     660     665       47)     (949)     (1,038)       68     4,723     3,515       59%     49.1%     -25.6%       520     2,545     2,272       0     0     0	88     4,019     3,365     3,897       441     487     548     599       43)     506     (24)     (70)       46)     0     0     0       75     660     665     650       47)     (949)     (1,038)     (1,136)       68     4,723     3,515     3,940       59%     49.1%     -25.6%     12.1%       520     2,545     2,272     2,317       0     0     0     0

## **Balance Sheet Data (Dec)**

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	7,742	10,734	13,081	15,755	18,402
Trade Receivables	5,329	5,742	5,839	6,120	6,137
Other Current Assets	2,813	3,031	3,082	3,231	3,240
Property, Plant & Equipment	3,763	4,211	4,702	5,239	5,827
Other Non-Current Assets	9,567	11,393	12,300	13,307	14,348
Total Assets	29,215	35,112	39,004	43,652	47,954
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	3,141	3,385	3,442	3,608	3,618
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	3,409	4,329	4,402	4,614	4,627
Total Liabilities	6,551	7,714	7,844	8,222	8,245
Total Equity	22,664	27,397	31,160	35,430	39,708
Total Equity & Liabilities	29,215	35,112	39,004	43,652	47,954

<sup>\*</sup> For full definitions of  $\emph{\textbf{IQ}} \textit{method}^{\text{SM}}$  measures, see page 5.

## **Company Sector**

Biotechnology

1.9x

13.1%

-44.5%

NM

1.9x

13.1%

-46.3%

48.2x

1.9x

11.8%

-42.0%

39.7x

## **Company Description**

Regeneron Pharmaceuticals is a biopharmaceutical company focused on the development of therapeutic human antibodies for the treatment of eye disorders, hypercholesterolemia, cancer, inflammation, and other diseases. Regeneron's product sales are driven principally by its VEGF inhibitor Eylea, which is approved for use in wet age-related macular degeneration (wet AMD) and diabetic macular edema (DME) and Dupixent for the treatment of atopic dermatitis and asthma.

#### **Investment Rationale**

Our Underperform rating on REGN is based on fading Eylea revenues offset by Sanofi joint venture profit growth driven by Dupixent. Libtayo adds marginally to our outlook, with REGN's early pipeline offering long-term upside potential, but is yet unproven.

Stock D	)ata
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Average Daily Volume 585,581

## **Quarterly Earnings Estimates**

	2023	2024
Q1	10.09A	9.24E
Q2	10.24A	9.99E
Q3	11.59A	10.11E
Q4	11.86A	9.51E



**Exhibit 1: Regeneron Model Updates**We highlight key product and OpEx model changes below

	2	024E	2025E		
\$ in millions	Prior	Prior Current		Current	
US Eylea	5,1	91 5,191	4,331	4,331	
US Eylea HD	6	09 609	764	764	
WW Libtayo	1,1	78 1,178	1,449	1,449	
Net product sales	7,2:	24 7,224	6,792	6,792	
WW Dupixent (booked by Sanofi)	14,0	54 14,140	15,043	15,124	
WW Kevzara (booked by Sanofi)	4.	21 421	393	393	
Total Sanofi product sales	21,7	09 21,785	22,228	22,309	
Sanofi collaboration revenues	3,9	3,949	4,598	4,645	
Bayer collaboration revenues	1,4:	36 1,436	1,362	1,361	
Total Revenue	\$13,1	98 \$13,338	\$13,764	\$13,980	
COGS (adjusted)	1,6	54 1,611	1,758	1,789	
Gross Profit	11,5	34 11,726	12,007	12,191	
SG&A (adjusted)	2,4:	23 2,569	2,327	2,327	
R&D (adjusted)	3,8	31 4,243	4,087	4,231	
EBIT (non-GAAP)	5,0	33 4,716	5,395	5,435	
Other Income (net)	3	53 294	395	289	
Net Income (non-GAAP)	\$4,8	29 \$4,484	\$5,095	\$5,037	
				<del></del>	
Non-GAAP EPS	\$41.	35 \$38.85	\$43.60	\$43.10	
Shares Outstanding - Diluted	1	15 115	117	117	

**Source:** BofA Global Research estimates

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## Abbreviations:

PDUFA: Prescription Drug User Fee Act

COPD: chronic obstructive pulmonary disease

LOE: loss of exclusivity

RVO: retinal vein occlusion

CSCC: cutaneous squamous cell carcinoma

LAG-3: lymphocyte-activation gene 3

1L: first line



## Price objective basis & risk

## Regeneron Pharmaceuticals Inc. (REGN)

Our \$710 price objective is based on a probability-adjusted net present value (NPV) analysis of Eylea, including outside of US (OUS) revenues from the Bayer collaboration (\$160/share), Sanofi collaboration revenue including Dupixent and other product revenues (\$335/share), Libtayo (\$60/share), early pipeline assets (\$65/share), and the rest from net cash. We use a weighted-average cost of capital (WACC) ranging from 7% for approved products to 10% for pipeline products and terminal growth ranging from -3 to 3%. Upside risks to our price objective are 1) better-than-expected Eylea growth trajectory, 2) a larger contribution of Dupixent to Regeneron's topline from commercial uptake in new indications, and 3) better-than-expected economics realized by Regeneron from joint ventures. Downside risks to our price objective are 1) slower-than-expected growth from product sales, particularly Eylea and Dupixent, 2) failure to obtain approval for additional indications for Dupixent, and 3) pipeline setbacks.

## **Analyst Certification**

I, Geoff Meacham, 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 - Biopharmaceuticals Coverage Cluster** 

nvestment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UY				
	89bio, Inc	ETNB	ETNB US	Geoff Meacham
	Acumen Pharma	ABOS	ABOS US	Geoff Meacham
	Agios Pharmaceuticals	AGIO	AGIO US	Greg Harrison, CFA
	Amylyx Pharmaceuticals	AMLX	AMLX US	Geoff Meacham
	BioMarin	BMRN	BMRN US	Geoff Meacham
	BioXcel Therapeutics	BTAI	BTAI US	Greg Harrison, CFA
	BridgeBio Pharma	BBIO	BBIO US	Greg Harrison, CFA
	Caribou	CRBU	CRBU US	Geoff Meacham
	CRISPR Therapeutics	CRSP	CRSP US	Geoff Meacham
	Eli Lilly and Company	LLY	LLY US	Geoff Meacham
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmed Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Geoff Meacham
	Keros	KROS	KROS US	Greg Harrison, CFA
	Kiniksa Pharmaceuticals, Ltd.	KNSA	KNSA US	Geoff Meacham
	Krystal Biotech	KRYS	KRYS US	Alec W. Stranahan
	Kura Oncology	KURA	KURA US	Jason Zemansky
	Liquidia Corporation	LQDA	LQDA US	Greg Harrison, CFA
	Lyell Immunopharma	LYEL	LYEL US	Geoff Meacham
	MeiraGTx	MGTX	MGTX US	Alec W. Stranahan
	Merck & Co.	MRK	MRK US	Geoff Meacham
	Mineralys Therapeutics	MLYS	MLYS US	Greg Harrison, CFA
	Neumora Therapeutics	NMRA	NMRA US	Geoff Meacham
	Rani Therapeutics	RANI	RANI US	Geoff Meacham
	Regenxbio, Inc.	RGNX	RGNX US	Alec W. Stranahan
	Revolution Medicines	RVMD	RVMD US	Alec W. Stranahan
	Rocket Pharmaceuticals, Inc.	RCKT	RCKT US	Greg Harrison, CFA
	Royalty Pharma	RPRX	RPRX US	Geoff Meacham
	Sana Biotechnology	SANA	SANA US	Geoff Meacham
	SpringWorks	SWTX	SWTX US	Alec W. Stranahan
	Syndax Pharmaceuticals	SNDX	SNDX US	Jason Zemansky
	Travere Therapeutics Inc	TVTX	TVTX US	Greg Harrison, CFA

## **US - Biopharmaceuticals Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Turnstone Biologics	TSBX	TSBX US	Geoff Meacham
	Vertex Pharmaceuticals Inc.	VRTX	VRTX US	Geoff Meacham
	Werewolf Therapeutics	HOWL	HOWL US	Jason Zemansky
	Xencor	XNCR	XNCR US	Alec W. Stranahan
NEUTRAL				
HEOTHER	AbbVie	ABBV	ABBV US	Geoff Meacham
	Alector, Inc	ALEC	ALEC US	Greg Harrison, CFA
	Amgen Inc.	AMGN	AMGN US	Geoff Meacham
	Arcus Biosciences	RCUS	RCUS US	Jason Zemansky
	Beam Therapeutics	BEAM	BEAM US	,
	•			Greg Harrison, CFA
	Biogen Inc.	BIIB	BIIB US	Geoff Meacham
	Bristol-Myers Squibb	BMY	BMY US	Geoff Meacham
	Cytokinetics, Incorporated	CYTK	CYTK US	Jason Zemansky
	Editas Medicine	EDIT	EDIT US	Greg Harrison, CFA
	Erasca	ERAS	ERAS US	Alec W. Stranahan
	Esperion	ESPR	ESPR US	Jason Zemansky
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	IGM Biosciences	IGMS	IGMS US	Greg Harrison, CFA
	Johnson & Johnson	JNJ	JNJ US	Geoff Meacham
	Kymera Therapeutics	KYMR	KYMR US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Recursion Pharmaceuticals, Inc.	RXRX	RXRX US	Alec W. Stranahan
	Tyra Biosciences	TYRA	TYRA US	Greg Harrison, CFA
	Vir	VIR	VIR US	Geoff Meacham
	Y-mAbs Therapeutics, Inc	YMAB	YMAB US	Alec W. Stranahan
UNDERPERFORM	, , , , ,			
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky
	CureVac	CVAC	CVAC US	Geoff Meacham
	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	LianBio	LIAN	LIAN US	Geoff Meacham
	Novavax	NVAX	NVAX US	Alec W. Stranahan
	Regeneron Pharmaceuticals Inc.	REGN	REGN US	Geoff Meacham
	Reneo Pharmaceuticals	RPHM	RPHM US	Jason Zemansky
	TG Therapeutics	TGTX	TGTX US	Alec W. Stranahan
	United Therapeutics Corporation	UTHR	UTHR US	Greg Harrison, CFA
	Officed Therapeduics Corporation	OTTIN	COMITO	GIEG HAITISUH, CI A

## **IQ**method<sup>™</sup> Measures Definitions

<b>Business Performance</b>	Numerator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 - Tax Rate) + Goodwill Amortization
Return On Equity	Net Income
Operating Margin	Operating Profit
Earnings Growth	Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations - Total Capex

Quality of Earnings	Numerator
Cash Realization Ratio	Cash Flow From Operations

Asset Replacement Ratio Capex Tax Rate Tax Charge

Net Debt-To-Equity Ratio Net Debt = Total Debt - Cash & Equivalents **EBIT** 

Interest Cover

#### **Valuation Toolkit** Numerator

Price / Earnings Ratio Current Share Price Price / Book Value Current Share Price Dividend Yield Annualised Declared Cash Dividend

Free Cash Flow Yield Cash Flow From Operations - Total Capex Enterprise Value / Sales

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



EV / EBITDA

Free Cash Flow

Valuation Toolkit Numerator Denominator

Manethod Suis 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.

Matarbase\* is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

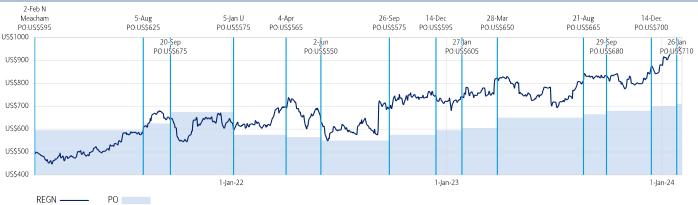
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## **Disclosures**

## **Important Disclosures**

## Regeneron Pharmaceut (REGN) 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.

#### 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<sup>R2</sup>

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

R2Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. Coverage Cluster is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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