

## Lennar Corporation

# F1Q24 earnings: F1Q ahead, but F2Q outlook slightly below expectations

Reiterate Rating: NEUTRAL | PO: 160.00 USD | Price: 157.18 USD

## F1Q beats on gross margin; outlook below expectations

LEN reported adj. F1Q24 EPS of \$2.57, ahead of our \$2.42 estimate and \$2.21 consensus driven by higher gross margin (+64 bps YoY vs. +31bps forecast). F1Q deliveries of 16.8k were in-line with consensus and slightly below our forecast of 16.9k. Home sales revenue of \$6.9bn was slightly below our \$7.1bn forecast. F2Q outlook for deliveries, orders, average selling price (ASP), and gross margin were all slightly below our forecast.

## Orders slightly ahead of guide

Net orders increased 28.1% YoY in F1Q (+4.7% QoQ), which was slightly ahead of the high-end of guidance despite elevated mortgage rates during F1Q. Order average selling prices increased +1.6% QoQ, but down (5.7%) YoY. LEN is guiding to a midpoint of 21.1k orders in F2Q, which is slightly below our initial expectations.

## Gross margin guidance implies net pricing improves

LEN expects F2Q gross margin to be up approximately 70bps QoQ driven by leverage on field expenses and lower incentives, which should offset the ongoing shift to higher cost finished lots (lower margin but higher return). LEN reiterated their expectations of a flattish YoY gross margin in F2024 (implies gross margin up YoY in 2H2024), which we believe implies net pricing improves from current levels.

## LEN pursuing land spin to support finished lot pipeline

LEN announced it would pursue a taxable spinoff of its land that could create a vehicle that can option developed home sites to LEN while distributing capital to shareholders and reducing inventory on LEN's balance sheet (F1Q finished with \$4.7bn of land). The land spinoff would provide more permanent capital for future land options rather than relying on private equity. LEN stated it will no longer pursue the spinoff of Quarterra, which would have included its multi-family, single-family and land banking.

## Reiterate Neutral; Raise PO to \$160

We lower our F2024E EPS estimate by 3% and our F2025E estimate by 1% to reflect a more conservative gross margin outlook. We raise our PO to \$160 (from \$156), now based on 1.7X 12-month forward price-to-tangible book value (from 1.6X) based on higher sector multiples. We reiterate our Neutral rating; we see more upside in other homebuilder stocks with higher ROE profiles trading at similar or cheaper valuations.

Estimates (Nov) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	15.72	13.72	14.35	16.49	17.68
GAAP EPS	17.56	14.11	14.36	16.49	17.68
EPS Change (YoY)	10.1%	-12.7%	4.6%	14.9%	7.2%
Consensus EPS (Bloomberg)			14.43	16.06	17.80
DPS	1.50	1.50	2.00	2.00	2.00
Valuation (Nov)					
P/E	9.7x	11.1x	10.7x	9.3x	8.6x
GAAP P/E	8.7x	10.8x	10.6x	9.3x	8.6x
Dividend Yield	1.0%	1.0%	1.3%	1.3%	1.3%
EV / EBITDA*	6.9x	8.6x	8.9x	8.2x	8.1x
Free Cash Flow Yield*	6.8%	10.8%	5.8%	7.6%	7.0%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

15 March 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	156.00	160.00
2024E EPS	14.73	14.35
2025E EPS	16.64	16.49
2026E EPS	17.78	17.68

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### Stock Data

Price	157.18 USD
Price Objective	160.00 USD
Date Established	15-Mar-2024
Investment Opinion	B-2-7
52-Week Range	98.56 USD - 167.49 USD
Mrkt Val (mn) / Shares Out (mn)	48,193 USD / 306.6
Free Float	97.7%
Average Daily Value (mn)	318.08 USD
BofA Ticker / Exchange	LEN / NYS
Bloomberg / Reuters	LEN US / LEN.N
ROE (2024E)	15.5%
Net Dbt to Eqty (Nov-2023A)	0%
ESGMeter <sup>TM</sup>	Low

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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Timestamp: 15 March 2024 03:45PM EDT

# iQprofile<sup>SM</sup> Lennar Corporation

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	19.5%	15.1%	14.1%	14.6%	14.2%
Return on Equity	21.1%	16.6%	15.5%	16.0%	15.2%
Operating Margin	20.0%	15.7%	14.8%	15.4%	14.9%
Free Cash Flow	3,208	5,080	2,722	3,584	3,278

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.7x	1.3x	0.7x	0.9x	0.8x
Asset Replacement Ratio	0.7x	0.9x	1.7x	1.6x	1.6x
Tax Rate	22.7%	23.9%	24.2%	24.5%	24.5%
Net Debt-to-Equity Ratio	6.3%	-6.0%	-6.8%	-9.9%	-11.6%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Nov)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	33,671	34,233	35,303	36,789	38,533
% Change	24.1%	1.7%	3.1%	4.2%	4.7%
Gross Profit	10,646	9,333	9,460	9,942	10,176
% Change	24.2%	-12.3%	1.4%	5.1%	2.4%
EBITDA	7,127	5,752	5,522	5,992	6,085
% Change	29.5%	-19.3%	-4.0%	8.5%	1.6%
Net Interest & Other Income	(707)	(164)	(63)	(16)	(16)
<b>Net Income (Adjusted)</b>	<b>4,556</b>	<b>3,887</b>	<b>3,902</b>	<b>4,256</b>	<b>4,313</b>
<b>% Change</b>	<b>4.1%</b>	<b>-14.7%</b>	<b>0.4%</b>	<b>9.1%</b>	<b>1.3%</b>

## Free Cash Flow Data (Nov)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	4,614	3,939	3,910	4,256	4,313
Depreciation & Amortization	87	110	106	110	116
Change in Working Capital	(2,321)	572	(1,321)	(737)	(1,098)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	886	560	206	136	136
Capital Expenditure	(57)	(100)	(178)	(181)	(189)
<b>Free Cash Flow</b>	<b>3,208</b>	<b>5,080</b>	<b>2,722</b>	<b>3,584</b>	<b>3,278</b>
<b>% Change</b>	<b>30.0%</b>	<b>58.3%</b>	<b>-46.4%</b>	<b>31.7%</b>	<b>-8.6%</b>
Share / Issue Repurchase	(1,039)	(1,183)	(2,000)	(2,100)	(2,100)
Cost of Dividends Paid	(438)	(431)	(544)	(516)	(488)
Change in Debt	409	29	0	0	0

## Balance Sheet Data (Nov)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	4,773	6,473	6,295	6,764	7,053
Trade Receivables	1,500	1,604	1,451	1,483	1,521
Other Current Assets	19,698	18,353	19,880	20,652	21,813
Property, Plant & Equipment	NA	NA	NA	NA	NA
Other Non-Current Assets	10,279	10,803	10,779	10,849	10,922
<b>Total Assets</b>	<b>36,251</b>	<b>37,232</b>	<b>38,405</b>	<b>39,748</b>	<b>41,310</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	3,802	4,456	5,061	5,128	5,230
Long-Term Debt	6,182	4,980	4,540	4,040	3,640
Other Non-Current Liabilities	3,759	3,097	3,012	3,012	3,012
<b>Total Liabilities</b>	<b>13,744</b>	<b>12,532</b>	<b>12,614</b>	<b>12,181</b>	<b>11,882</b>
<b>Total Equity</b>	<b>22,507</b>	<b>24,700</b>	<b>25,791</b>	<b>27,567</b>	<b>29,428</b>
<b>Total Equity &amp; Liabilities</b>	<b>36,251</b>	<b>37,232</b>	<b>38,405</b>	<b>39,748</b>	<b>41,310</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Homebuilders

## Company Description

Lennar is the second largest public homebuilder by closings in the US, delivering roughly 53k homes in FY2020. LEN is positioned in 21 states in 49 markets targeting first time, move-up, and active adult buyers. LEN reports its results under five distinct operating regions: East, Central, Texas, West, and Other. The company also owns a financial services business.

## Investment Rationale

We reiterate our Neutral rating. valuation is attractive, but we see more upside in other homebuilder stocks with higher return-on-equity profiles.

## Stock Data

Average Daily Volume 2,023,683

## Quarterly Earnings Estimates

	2023	2024
Q1	2.06A	2.57A
Q2	3.01A	3.33E
Q3	3.87A	4.11E
Q4	4.82A	4.38E

**Exhibit 1: Lennar F1Q24 variance table**

F1Q24 earnings beat on gross margin and orders

	YoY Change			Variance vs BofAe		
	F1Q23	F1Q24	YoY	BofAe	F1Q24	Δ
Income Statement						
Home Sales (\$ in mms)	\$6,094	\$6,902	13%	\$7,090	\$6,902	(3%)
Homebuilding Gross Margin ex-impairments	21.2%	21.8%	64 bps	21.5%	21.8%	32 bps
Homebuilding SG&A % of revenue	7.4%	8.2%	85 bps	7.5%	8.2%	73 bps
Homebuilding Operating Margin	13.8%	13.6%	-21 bps	14.0%	13.6%	-41 bps
Financial Services op. income	\$79	\$131	67%	\$90	\$131	46%
Multi-family op. income	(\$22)	(\$16)	(28%)	(\$25)	(\$16)	(37%)
Lennar Other income	(\$32)	\$30	(193%)	(\$45)	\$30	(165%)
Pre-tax Margin	12.1%	12.7%	64 bps	12.0%	12.7%	75 bps
<b>Operating EPS (ex. mark to market)</b>	<b>\$2.06</b>	<b>\$2.57</b>	<b>25%</b>	<b>\$2.42</b>	<b>\$2.57</b>	<b>6%</b>
GAAP EPS	\$2.12	\$2.57	21%	\$2.42	\$2.57	6%
Regional Results						
Deliveries (units)	F1Q23	F1Q24	YoY	BofAe	F1Q24	Δ
Average Delivered Price (\$000s)	\$448.5	\$413.4	(7.8%)	\$420.2	\$413.4	(1.6%)
<b>Total Orders (units)</b>	<b>14,194</b>	<b>18,176</b>	<b>28.1%</b>	<b>18,067</b>	<b>18,176</b>	<b>0.6%</b>
<b>Average Selling Price (\$000s)</b>	<b>\$451.8</b>	<b>\$426.0</b>	<b>(5.7%)</b>	<b>\$423.3</b>	<b>\$426.0</b>	<b>0.6%</b>
East orders	4,277	4,526	5.8%	5,517	4,526	(18.0%)
Central orders	2,305	4,274	85.4%	3,458	4,274	23.6%
Texas orders	3,142	4,431	41.0%	4,399	4,431	0.7%
West orders	4,465	4,927	10.3%	4,688	4,927	5.1%
Other orders	5	18	260.0%	5	18	260.0%
Backlog Units	19,403	16,270	(16.1%)	16,088	16,270	1.1%
Backlog Value (\$ in mms)	\$9,028	\$7,431	(17.7%)	\$7,193	\$7,431	3.3%
Avg Price in Backlog	\$465.3	\$456.8	(1.8%)	\$447.1	\$456.8	2.2%
Backlog Conversion Ratio	72.4%	112.8%	4041 bps	113.3%	112.8%	-49 bps

Source: Company data, BofA Global Research estimates

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**Exhibit 2: LEN Income Statement (\$ 000s, except per share data)**

LEN announced guidance for gross margin at 22.5% range in F2Q24

FYE 11/30 (\$ 000s)	FY2024E				FY2023	FY2024E	FY2025E
	2/28/2024	5/31/2024	8/31/2024	11/30/2024	11/30/2023	11/30/2024	11/30/2025
	<b>1Q</b>	<b>2QE</b>	<b>3QE</b>	<b>4QE</b>			
<b>Revenue</b>							
Home Sales	\$6,901,781	\$8,629,403	\$9,967,744	\$8,376,073	\$32,459,129	\$33,875,001	\$35,818,557
Land sales	29,210	33,605	32,906	73,566	201,858	169,287	170,133
Financial Services	249,720	222,979	266,206	304,693	976,859	1,043,598	1,043,598
Multifamily	129,677	154,779	140,142	143,640	573,485	568,238	579,603
<b>Total Revenue</b>	<b>\$7,312,930</b>	<b>\$9,040,766</b>	<b>\$10,406,997</b>	<b>\$8,897,973</b>	<b>\$34,233,366</b>	<b>\$35,658,666</b>	<b>\$37,611,891</b>
<b>Homebuilding Cost of Goods Sold</b>	<b>\$5,395,532</b>	<b>\$6,644,640</b>	<b>\$7,575,485</b>	<b>\$6,365,816</b>	<b>\$24,900,470</b>	<b>\$25,981,473</b>	<b>\$27,479,332</b>
Land sales	14,017	20,163	19,743	44,140	92,142	98,063	102,080
<b>Homebuilding Gross Profit</b>	<b>\$1,506,249</b>	<b>\$1,984,763</b>	<b>\$2,392,259</b>	<b>\$2,010,258</b>	<b>\$7,558,659</b>	<b>\$7,893,528</b>	<b>\$8,339,225</b>
Land Sales Gross Profit	15,193	13,442	13,162	29,426	109,716	71,224	68,053
<b>Selling General &amp; Administrative Expenses</b>							
Homebuilding SG&A	\$567,987	\$604,058	\$727,645	\$586,325	\$2,231,033	\$2,486,016	\$2,555,921
Financial services costs & expenses	118,424	111,490	138,427	158,440	467,398	526,781	533,217
Multifamily costs & expenses	132,667	154,779	140,142	143,640	573,658	571,228	579,603
Corporate general & administrative expense	174,119	137,519	147,954	126,166	574,425	585,758	608,827
<b>Operating Income</b>							
Homebuilding	\$938,262	\$1,380,704	\$1,664,613	\$1,423,932	\$5,327,626	\$5,407,512	\$5,783,305
Financial Services	131,296	111,490	127,779	146,253	509,461	516,817	510,381
Multifamily	(2,990)	-	-	-	(173)	(2,990)	-
<b>Total Operating Profit</b>	<b>\$901,096</b>	<b>\$1,368,117</b>	<b>\$1,657,600</b>	<b>\$1,473,446</b>	<b>\$5,366,559</b>	<b>\$5,400,259</b>	<b>\$5,752,912</b>
Homebuilding equity from unconsolidated entities	\$13,302	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,886)	\$4,302	(\$16,000)
Homebuilding other income, net	57,124	-	-	-	109,684	57,124	-
Homebuilding other interest expense	4,915	(2,273)	(2,075)	(2,075)	(15,433)	(1,507)	-

**Exhibit 2: LEN Income Statement (\$ 000s, except per share data)**

LEN announced guidance for gross margin at 22.5% range in F2Q24

	FY2024E				FY2023	FY2024E	FY2025E
<b>FYE 11/30</b>							
Multifamily equity in loss from unconsolidated entities	(12,649)	(20,000)	(20,000)	(20,000)	(50,478)	(72,649)	-
<b>Total Other Income (expenses)</b>	<b>\$29,690</b>	<b>(\$25,273)</b>	<b>(\$25,075)</b>	<b>(\$25,075)</b>	(\$164,255)	(\$45,732)	(\$16,000)
<b>Earnings before income taxes</b>	<b>\$930,786</b>	<b>\$1,342,844</b>	<b>\$1,632,526</b>	<b>\$1,448,371</b>	<b>\$5,202,304</b>	<b>\$5,354,527</b>	<b>\$5,736,912</b>
Provision for Income Taxes	210,865	328,997	399,969	354,851	1,241,013	1,294,682	1,405,543
<b>Net Income (Continuing Operations)</b>	<b>\$719,921</b>	<b>\$1,013,847</b>	<b>\$1,232,557</b>	<b>\$1,093,520</b>	<b>\$3,961,291</b>	<b>\$4,059,846</b>	<b>\$4,331,369</b>
Net earnings attributable to non-controlling interest	587	-	-	-	22,780	587	-
<b>Net Income attributable to Lennar</b>	<b>\$719,334</b>	<b>\$1,013,847</b>	<b>\$1,232,557</b>	<b>\$1,093,520</b>	<b>\$3,938,511</b>	<b>\$4,059,259</b>	<b>\$4,331,369</b>
Potential add-back of convert interest	-	-	-	-	-	-	-
Add-back of undistributed earnings	(\$8,000)	\$0	\$0	\$0	(52,000)	(8,000)	-
<b>Net Income attributable to Lennar post add-backs</b>	<b>\$711,334</b>	<b>\$1,013,847</b>	<b>\$1,232,557</b>	<b>\$1,093,520</b>	<b>\$3,886,511</b>	<b>\$4,051,259</b>	<b>\$4,331,369</b>
Non-Recurring Items	(3,973)	-	-	-	(110,506)	(3,973)	-
<b>Net Income (GAAP)</b>	<b>\$715,307</b>	<b>\$1,013,847</b>	<b>\$1,232,557</b>	<b>\$1,093,520</b>	<b>\$3,997,017</b>	<b>\$4,055,232</b>	<b>\$4,331,369</b>
Diluted EPS (Adjusted Shares, GAAP)	\$2.58	\$3.71	\$4.56	\$4.10	\$14.11	\$14.91	\$16.78
<b>Diluted EPS (Adjusted Shares, Cont. Ops.)</b>	<b>\$2.57</b>	<b>\$3.71</b>	<b>\$4.56</b>	<b>\$4.10</b>	<b>\$13.72</b>	<b>\$14.90</b>	<b>\$16.78</b>
Diluted shares outstanding	276,946	273,590	270,235	266,879	283,319	271,912	258,070
Dividend per share	\$0.50	\$0.50	\$0.50	\$0.50	\$1.50	\$2.00	\$2.00
<b>Margins</b>							
Homebuilding Gross Margin (Excluding Impairments)	21.8%	23.0%	24.0%	24.0%	23.3%	23.3%	23.3%
Land Sales Gross Margin	52.0%	40.0%	40.0%	40.0%	54.4%	42.1%	40.0%
Homebuilding Operating Margin	13.6%	16.0%	16.7%	17.0%	16.4%	16.0%	16.1%
Financial Services Operating Margin	52.6%	50.0%	48.0%	48.0%	52.2%	49.5%	48.9%
Total Operating Margin	12.3%	15.1%	15.9%	16.6%	15.7%	15.1%	15.3%
Pre-tax Margin	12.7%	14.9%	15.7%	16.3%	15.2%	15.0%	15.3%
Net Margin (Cont. Ops)	9.8%	11.2%	11.8%	12.3%	11.6%	11.4%	11.5%
Tax Rate	22.7%	24.5%	24.5%	24.5%	23.9%	24.2%	24.5%
<b>% Sales</b>							
Homebuilding SG&A expenses	8.2%	7.0%	7.3%	7.0%	6.9%	7.3%	7.1%
Financial Services expenses	47.4%	50.0%	52.0%	52.0%	47.8%	50.5%	51.1%
Corporate general & administrative expense	2.4%	1.5%	1.4%	1.4%	1.7%	1.6%	1.6%
Total Homebuilding & Corporate SG&A expenses	10.1%	8.2%	8.4%	8.0%	8.2%	8.6%	8.4%
<b>YoY % Change</b>							
Home Sales	13.3%	13.0%	20.3%	(19.8%)	2.1%	4.4%	5.7%
Land & Lot Sales	-53.2%	0.5%	0.5%	0.5%	17.1%	(16.1%)	0.5%
Financial Services Sales	36.5%	0.0%	0.0%	0.0%	20.6%	6.8%	0.0%
Total Sales	12.7%	12.4%	19.2%	(18.9%)	1.7%	4.2%	5.5%
Home Sales Gross Profit	16.7%	15.4%	18.2%	(20.3%)	(13.6%)	4.4%	5.6%
Land & Lot Sales Gross Profit	(62.4%)	(37.5%)	(6.1%)	(12.9%)	12642.9%	(35.1%)	(4.5%)
Operating Income	10.4%	14.7%	12.7%	(21.9%)	(20.2%)	0.6%	6.5%
Net Income (continuing ops)	20.1%	15.5%	10.4%	(20.0%)	(14.8%)	2.5%	6.7%
EPS (continuing ops)	24.8%	23.2%	17.8%	(15.0%)	(12.7%)	8.6%	12.6%

Source: Company data, BofA Global Research estimates

BofA GLOBAL RESEARCH



## Price objective basis & risk

### Lennar Corporation (LEN)

Our PO of \$160 is based on 1.7x price to 2024E tangible book value, slight premium to LEN's historical average (1.4-1.5x price to tangible book value) given favorable demand trends.

Downside risks: 1) worsening affordability, 2) expectations for rising rates, 3) continued supply chain challenges, 4) capital allocation less shareholder-friendly than some peers, 5) executing ancillary business strategy, 6) elevated mgmt. ownership, 7) higher financial leverage than some peers, 8) rising land prices and input costs, 8) potential for local permitting delays, and 9) slowing US economy.

Upside risks: 1) continued improvement in the US homebuilding market, 2) favorable interest rates and moderating home price appreciation, 3) potential for a more shareholder friendly approach to capital allocation, 4) better than expected execution of its rental business.

## Analyst Certification

I, Rafe Jadrosich, 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 - Homebuilders and Building Products Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	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
	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
	Tempur Sealy International Inc.	TPX	TPX 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
<b>NEUTRAL</b>				
	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
<b>UNDERPERFORM</b>				
	Fortune Brands Innovations Inc	FBIN	FBIN US	Rafe Jadrosich
	Hayward Holdings, Inc.	HAYW	HAYW US	Rafe Jadrosich
	Latham Group, Inc.	SWIM	SWIM US	Shaun Calnan, CFA
	Masco Corp	MAS	MAS US	Rafe Jadrosich
	Mohawk Industries	MHK	MHK US	Rafe Jadrosich
	Patrick Industries, Inc.	PATK	PATK US	Rafe Jadrosich
	Pool Corporation	POOL	POOL US	Shaun Calnan, CFA
	Whirlpool	WHR	WHR US	Rafe Jadrosich



## iQmethod<sup>SM</sup> 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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

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

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

### Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

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

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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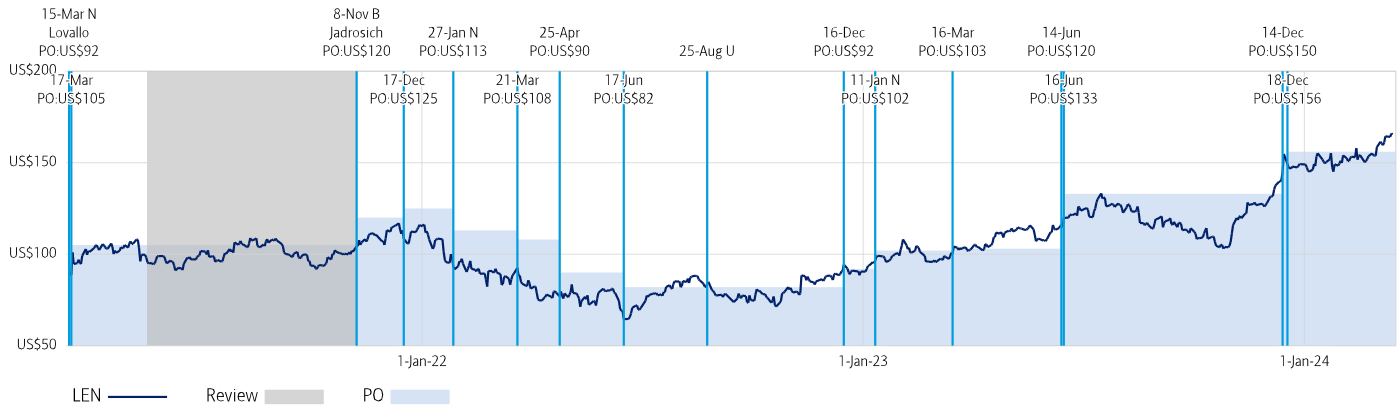
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### Equity Investment Rating Distribution: Building Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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