

Industrials/Multi-Industry

DEM #562: 4Q Week 2: EPS beats, organic growth mixed

Industry Overview

EPS stronger than we modeled, but organic rev weaker

In this week's Deus Ex Machina, we recap week 2 of earnings. GE, HON, ETN, ITW, PH, TT, MMM, JCI, ROK, FTV, DOV, and PNR reported. 9 out of 12 multi-industrials beat on EPS, 5 beat on revenue, and 5 beat on operating profit. Average organic growth was +2.5% y/y slightly below our 2.6% forecast and decelerating from +4.4% last quarter (only using the names that have reported so far). For multis that break out topline, organic growth was on average 0.7% y/y, consisting of pricing +2.7% & volumes (2.0)%. This compares to 3Q23, where organic growth was 0.3% y/ (pricing +3.9%, volumes (3.5)%). Of the 11 multi-industrials who gave total company guide, 8 introduced guide, 1 raised guide, 1 maintained guide, and 1 lowered guide. Next week EMR, CARR, AME, ITT, and software name AZPN report.

China a source of downside in the Q

China (along with Europe) has been a recurring source of weakness in the quarter. PH called out a slower recover in China than expected and MMM called out China remaining soft. ROK highlighted China as the single largest drag on its shipment in the Q and expects challenges in the Chinese manufacturing economy to continue. JCI lowered its EPS guide on growing headwinds in China. HON is not expecting a material shift between '23 and '24 for China after weathering a tough '23. Trane and ITW took a more positive stance on China. ITW expects double-digit growth for its auto business in China. We will be looking for commentary on China from EMR, AME, and ITT next week as those companies all have China exposure above the average for our coverage.

Incremental concerns raised on consumer

Coming into the quarter we heard growing concern for the state of the consumer at different industry events, particularly the recent AHR show in Chicago. MMM called out consumer retail end market continued to remain soft in 4Q. For '24, MMM's guide for consumer was lower than anticipated being guided to flat if its portfolio optimization is excluded. MMM called out that discretionary spend in the US remains muted. PNR describes its break-fix guide as "realistic rather than conservative" as it just doesn't know how the interest rate environment is going to impact the consumer.

Still seeing some destock, industrials perhaps bottoming by mid-year

The resi HVAC destock in 4Q appears to be worse than originally anticipate. Both TT and JCI anticipate destocking to continue into 2024. Other areas are seeing continuing destocking as well albeit with some signs of a bottom by mid-year. PH called out destocking in off-highway which remains soft and continued European destock. MMM noted that inventory in the channel has stabilized but called out the destock in China and EMEA. HON thinks for its sensing and safety technologies, and productivity solutions and service businesses will see distributor destocking fade throughout the year. ROK has called out sequentially improving orders, with acceleration expected into FY2H24. ETN noted the end of destock in its European business. We will look for similar destocking commentary from CARR, AME, and ITT next week.

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Timestamp: 05 February 2024 05:30AM EST

05 February 2024

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HVAC: heating, ventilation, and air conditioning

Upcoming events

Monday January	Tuesday	Wednesday	Thursday	Friday
29	PNR 4Q23 Earnings JCI 1Q24 Earnings	ROK 1Q24 Earnings FTV 4Q23 Earnings	HON 4Q24 Earnings DOV 4Q23 Earnings ITW 4Q23 Earnings TT 4Q23 Earnings ETN 4Q23 Earnings PH 2Q24 Earnings	2
February				
5	CARR 4Q23 Earnings AME 4Q23 Earnings	EMR 1Q24 Earnings	ITT 4Q23 Earnings	9
12		ATMU 4Q23 Earnings		16
19				23

Exhibit 1: BofA Global Research Reports

Reports published week ending October 27, 2023

Industrials/Multi-Industry: Fluid Power Survey #165: Slow start to January, but bullish on '24	Andrew Obin	29 January 2024
3M Company: Combat Arms to meet opt-in threshold; 3M will pay \$1bn option in cash	Andrew Obin	29 January 2024
Industrials/Multi-Industry: Red Sea impact on US multi-industrials	Andrew Obin	29 January 2024
Pentair plc: 4Q23: Balancing cyclical concerns with better execution yields an in-line '24 guide	Andrew Obin	31 January 2024
Johnson Controls International PLC: FY1Q24: EPS in line but ops miss: full year EPS guide lowered	Andrew Obin	31 January 2024
Industrials/Multi-Industry: LII read across for TT and CARR: 4Q resi volumes down, risk of more destock in '24	Andrew Obin	31 January 2024
Fortive Corporation: Rational '24 guide, but upside may require improving macro	Andrew Obin	01 February 2024
Rockwell: 1QF24: Waiting on cyclical visibility and better execution	Andrew Obin	01 February 2024
PTC Inc.: 1QF24: Beat and maintain – a solid, non-event quarter	Andrew Obin	01 February 2024
Honeywell International Inc.: 4Q23 flash: miss on organic growth, '24 guide brackets expectations	Andrew Obin	01 February 2024
Eaton Corp PLC: 4Q23 first look: clean beat with midpoint of '24 EPS guide above consensus	Andrew Obin	01 February 2024
Trane Technologies PLC: 4Q23: Commercial HVAC delivers; overall orders above expectations	Andrew Obin	01 February 2024
Dover Corp: Bookings turn up in 4Q23, with achievable 2024 guidance	Andrew Obin	02 February 2024
Parker Hannifin Corporation: 2QF24: Strong execution, margin drives EPS revisions	Andrew Obin	02 February 2024
Illinois Tool Works: 4Q23: the 2024 margin bridge has high hurdles	Andrew Obin	02 February 2024

Valuation metrics

Exhibit 2: Multi-industrial summary valuation metrics

Summary valuation metrics

	Ticker	Price	Price Obj.	Revenue Growth (%)			Operating Margin (%)			EPS Growth (%)		
				2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
3M	MMM	\$94.87	\$110	-3.6%	-4.5%	1.4%	21.1%	20.3%	21.5%	-6.4%	-7.4%	14.4%
Allegion	ALLE	\$127.63	\$95	14.1%	11.5%	3.5%	20.2%	21.9%	20.7%	9.9%	14.4%	-1.5%
Carrier	CARR	\$56.78	\$55	-0.9%	8.6%	22.3%	14.2%	14.6%	15.6%	3.1%	15.4%	11.3%
Core & Main	CNM	\$42.15	\$28	32.9%	1.1%	2.3%	11.7%	11.0%	10.2%	N/M	0.4%	0.0%
Dover	DOV	\$158.75	\$180	7.6%	-0.8%	2.0%	16.9%	17.2%	18.0%	10.7%	4.2%	3.7%
Eaton	ETN	\$270.10	\$300	5.7%	11.8%	7.4%	14.7%	17.0%	17.9%	12.0%	21.6%	9.2%
Emerson	EMR	\$93.98	\$120	-17.4%	11.3%	12.5%	18.9%	18.8%	18.6%	-10.5%	20.7%	15.5%
Flowserve	FLS	\$40.98	\$44	2.1%	18.8%	5.2%	6.2%	9.6%	10.6%	-20.6%	N/M	20.4%
Fortive	FTV	\$83.02	\$85	10.9%	4.1%	6.5%	24.3%	25.9%	27.0%	14.6%	7.1%	4.2%
General Electric	GE	\$136.54	\$145	3.0%	-14.4%	0.0%	7.9%	8.6%	8.6%	23.3%	1.7%	59.2%
Honeywell	HON	\$196.11	\$250	3.1%	4.0%	5.8%	22.0%	23.2%	23.7%	8.8%	4.8%	9.8%
Illinois Tool Works	ITW	\$256.06	\$235	10.2%	1.1%	3.2%	23.8%	25.1%	24.7%	14.7%	-0.2%	2.9%
ITT	ITT	\$126.41	\$135	8.1%	9.6%	6.1%	15.9%	17.0%	18.3%	9.5%	17.5%	16.2%
John Bean Technologies	JBT	\$99.94	\$85	15.9%	-23.1%	6.6%	9.2%	10.6%	11.0%	25.0%	-15.8%	14.8%
Johnson Controls International	JCI	\$54.45	\$60	6.4%	6.2%	4.6%	11.6%	12.6%	13.4%	12.3%	18.6%	13.6%
Montrose Environmental Group	MEG	\$31.25	\$40	-0.4%	15.2%	10.8%	-5.1%	-3.3%	0.7%	N/M	N/M	N/M
Parker Hannifin	PH	\$510.36	\$600	15.1%	12.9%	5.0%	19.7%	21.8%	21.9%	19.8%	11.9%	9.0%
Pentair	PNR	\$73.83	\$76	9.5%	-0.4%	2.5%	18.6%	20.8%	22.3%	8.2%	1.2%	9.0%
Rockwell	ROK	\$268.01	\$280	12.5%	13.8%	5.9%	17.1%	17.6%	19.7%	7.5%	22.4%	10.2%
Trane Technologies	TT	\$276.78	\$282	13.1%	10.5%	7.1%	14.9%	16.3%	16.7%	21.2%	19.3%	10.8%
Vontier	VNT	\$36.03	\$40	6.5%	-3.1%	0.7%	20.0%	19.1%	20.1%	7.0%	-7.1%	6.8%
AVERAGE				8.9%	5.0%	6.0%	15.1%	16.6%	17.4%	8.4%	7.4%	12.5%
MEDIAN				8.8%	6.7%	5.1%	15.4%	17.0%	18.0%	11.3%	7.1%	9.5%

Source: Company Reports, BofA Global Research estimates; Data calendarized for Dec. 31st year end

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Exhibit 3: Multi-industrial summary valuation metrics

Summary valuation metrics

	Ticker	P/E				Cash P/E			EV/EBITDA			Dividend Yield		
		2022	2023E	2024E	10-yr Avg	2022	2023E	2024E	2022	2023E	2024E	2022	2023	2024
3M	MMM	9.6 x	10.4 x	9.1 x	15.7 x	14.0 x	10.4 x	17.0 x	7.5 x	7.7 x	7.3 x	6.3%	6.3%	6.3%
Allegion	ALLE	21.3 x	18.6 x	18.9 x	17.7 x	28.5 x	21.4 x	18.9 x	18.1 x	15.0 x	14.9 x	1.3%	1.4%	1.4%
Carrier	CARR	24.2 x	21.0 x	18.9 x	N/A	35.2 x	25.2 x	20.7 x	16.8 x	14.4 x	13.9 x	1.0%	1.4%	1.5%
Core & Main	CNM	19.4 x	19.3 x	19.3 x	N/A	27.6 x	9.8 x	16.8 x	13.0 x	11.7 x	11.4 x	0.0%	0.0%	0.0%
Dover	DOV	18.8 x	18.0 x	17.4 x	13.4 x	39.0 x	19.5 x	17.7 x	14.9 x	14.3 x	12.7 x	1.3%	1.3%	1.3%
Eaton	ETN	NM	29.9 x	27.4 x	12.0 x	NM	37.8 x	31.6 x	29.0 x	23.8 x	21.4 x	1.2%	1.3%	1.3%
Emerson	EMR	24.4 x	20.2 x	17.5 x	16.8 x	27.0 x	24.4 x	19.6 x	18.1 x	13.3 x	13.4 x	2.2%	2.2%	2.3%
Flowserve	FLS	NM	20.5 x	17.0 x	16.3 x	NM	NM	23.4 x	19.8 x	12.4 x	10.7 x	2.0%	2.0%	2.0%
Fortive	FTV	26.3 x	24.6 x	23.6 x	20.4 x	24.7 x	23.7 x	21.9 x	21.7 x	19.0 x	17.4 x	0.3%	0.3%	0.4%
General Electric	GE	NM	NM	NM	2.1 x	31.6 x	29.4 x	29.4 x	19.4 x	21.6 x	21.8 x	0.2%	0.2%	0.2%
Honeywell	HON	22.4 x	21.3 x	19.4 x	15.2 x	29.7 x	30.7 x	21.2 x	15.9 x	14.3 x	12.9 x	2.0%	2.1%	2.2%
Illinois Tool Works	ITW	26.2 x	26.3 x	25.5 x	0.0 x	NM	25.2 x	24.6 x	20.6 x	19.0 x	18.4 x	2.0%	2.1%	2.3%
ITT	ITT	28.5 x	24.2 x	20.9 x	14.4 x	NM	26.5 x	21.1 x	18.0 x	15.3 x	13.2 x	0.8%	0.9%	1.0%
John Bean Technologies	JBT	20.9 x	24.8 x	21.6 x	16.0 x	NM	28.3 x	25.2 x	14.7 x	12.6 x	11.5 x	0.4%	0.4%	0.4%
Johnson Controls International	JCI	17.6 x	14.8 x	13.0 x	N/A	25.9 x	19.9 x	14.6 x	11.8 x	11.0 x	9.9 x	2.6%	2.7%	2.7%
Montrose Environmental Group	MEG	NM	NM	NM	N/A	NM	19.5 x	14.7 x	NM	39.2 x	28.2 x	0.0%	0.0%	0.0%
Parker Hannifin	PH	25.5 x	22.8 x	20.9 x	15.1 x	30.1 x	25.5 x	19.5 x	0.0 x	8.6 x	13.5 x	0.9%	0.0%	0.0%
Pentair	PNR	20.0 x	19.8 x	18.2 x	17.8 x	NM	20.4 x	18.5 x	17.6 x	15.4 x	13.7 x	1.1%	1.2%	1.3%
Rockwell	ROK	26.4 x	21.6 x	19.6 x	N/A	NM	NM	19.6 x	21.4 x	17.7 x	14.9 x	1.7%	1.8%	1.9%
Trane Technologies	TT	NM	NM	28.4 x	14.0 x	NM	NM	NM	25.5 x	21.9 x	19.9 x	1.0%	1.1%	1.2%
Vontier	VNT	11.7 x	12.6 x	11.8 x	N/A	22.2 x	14.4 x	11.7 x	10.8 x	10.6 x	10.0 x	0.3%	0.3%	0.3%
AVERAGE		21.8 x	20.9 x	20.1 x	13.9 x	28.9 x	23.7 x	21.2 x	18.5 x	16.8 x	15.2 x	1.2%	1.2%	1.3%
MEDIAN		21.9 x	21.2 x	19.5 x	15.2 x	29.1 x	24.6 x	20.7 x	18.0 x	15.1 x	13.8 x	1.0%	1.1%	1.2%

Source: Company Reports, BofA Global Research estimates; Data calendarized for Dec. 31st year end

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4Q price vs. volume

We look at organic growth for the companies that have already reported and disclose price. For companies that break out topline reporting this season, organic growth was an average of 0.7%, accelerating from 0.3% last quarter. Price was 2.7% and volumes were (2.0)%, drive by steep volume declines at Dover and Pentair.

Exhibit 4: 4Q23, price vs. volume breakout

On average, 0.7% organic growth has been driven by 2.7pts of price and (2.0)pts of volume declines

	Organic growth	Price	Volume
DOV	-3.4%	2.0%	-5.4%
HON	2.4%	3.0%	-0.6%
PNR	-2.0%	3.0%	-5.0%
TT	5.8%	2.7%	3.1%
Average	0.7%	2.7%	-2.0%

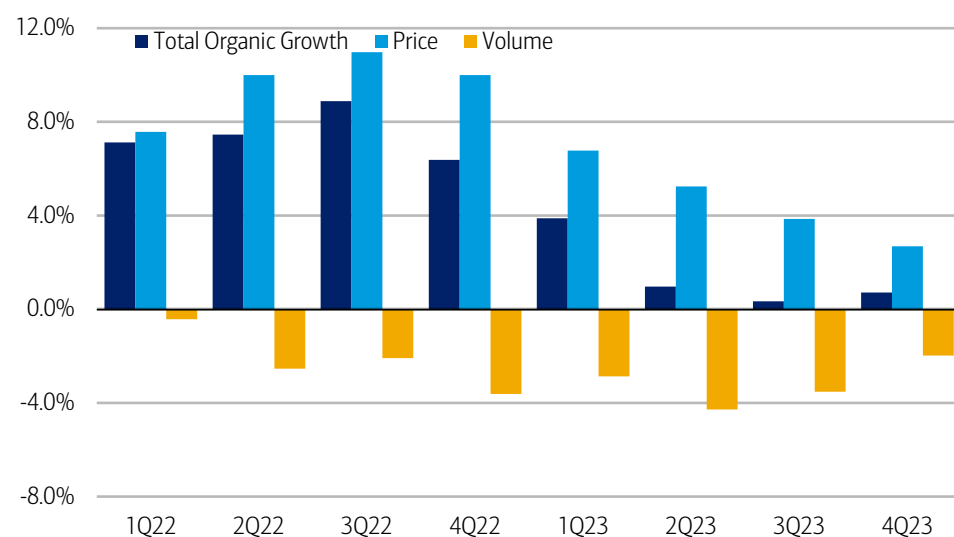
Source: BofA Global Research, company filings

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The below chart shows price, volume, and organic growth for DOV, HON, PNR, and TT.

Exhibit 5: Price, volume, and organic growth

Average price, volume, and organic growth, 1Q22-4Q23



Source: BofA Global Research, company filings

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4Q23 Earnings Review

9 out of 12 multi-industrials beat on EPS, 5 beat on revenue, and 5 beat on operating profit. Of the companies that reported earnings so far, PH reported the greatest EPS beat vs. our model, while ROK had the largest miss vs our EPS estimate. GE reported the largest revenue beat.

Exhibit 6: Key earnings metrics, actual vs. our forecast

9 out of 12 multis beat on EPS, 5 beat on revenue

	BofA Forecast				Actual				Variance Analysis (%)			
	Revenue	Operating Income	Operating Margin	EPS	Revenue	Operating Income	Operating Margin	EPS	Revenue	Operating Income	Operating Margin	EPS
DOV	2,167	400	18.5%	\$2.46	2,106	376	17.8%	\$2.45	-2.8%	-6.1%	(60 bp)	-0.4%
ETN	5,958	1,070	18.0%	\$2.45	5,967	1,115	18.7%	\$2.55	0.2%	4.2%	70 bp	4.1%
FTV	1,571	421	26.8%	\$0.93	1,584	439	27.7%	\$0.98	0.8%	4.1%	90 bp	5.4%
GE	17,096	1,522	8.9%	\$0.88	18,514	1,773	9.6%	\$1.03	8.3%	16.5%	70 bp	17.0%
HON	9,673	2,335	24.1%	\$2.62	9,440	2,293	24.3%	\$2.60	-2.4%	-1.8%	20 bp	-0.8%
ITW	3,975	995	25.0%	\$2.37	3,983	988	24.8%	\$2.38	0.2%	-0.7%	(20 bp)	0.4%
JCI	6,189	567	9.2%	\$0.49	6,094	542	8.9%	\$0.51	-1.5%	-4.4%	(30 bp)	4.1%
MMM	7,746	1,669	21.5%	\$2.33	7,693	1,608	20.9%	\$2.42	-0.7%	-3.7%	(60 bp)	3.9%
PH	4,828	1,018	21.1%	\$5.21	4,821	1,110	23.0%	\$6.15	-0.2%	9.1%	200 bp	18.0%
PNR	978	200	20.4%	\$0.86	985	198	20.1%	\$0.87	0.7%	-1.0%	(30 bp)	1.2%
ROK	2,089	382	18.3%	\$2.58	2,052	313	15.2%	\$2.04	-1.8%	-18.2%	(310 bp)	-20.9%
TT	4,430	650	14.7%	\$2.12	4,424	688	15.6%	\$2.17	-0.1%	5.9%	90 bp	2.4%
								Average	0.1%	0.3%	3 bp	2.9%
								Median	-0.1%	-0.7%	3 bp	2.9%

Source: BofA Global Research estimates, company reports

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The table below summarizes results from US multi-industrial companies and peers. We highlight that organic growth is 4.2% on average with a median of 3.0% this quarter.

Exhibit 7: Multi-Industrials and peers 4Q23 earnings metrics

Average organic revenue growth is 4.2%

	Organic Rev. Growth	EPS Growth	EBIT Growth
ABB	6.0%	-17.5%	-5.8%
DOV	-3.4%	14.0%	9.0%
ETN	9.6%	18.9%	19.6%
FTV	2.7%	5.8%	8.0%
GE	13.3%	-16.5%	18.8%
HON	2.4%	3.0%	13.5%
ITW	-0.5%	-19.7%	0.9%
JCI	12.5%	6.3%	-0.7%
MMM	-1.4%	10.8%	8.9%
PH	2.9%	29.3%	18.6%
PNR	-2.0%	4.7%	22.9%
ROK	1.0%	4.8%	3.1%
RTX	10.0%	2.0%	10.9%
TT	5.8%	16.4%	16.0%
Average	4.2%	4.4%	10.5%
Median	3.0%	5.3%	10.0%

Source: BofA Global Research, company reports

*Note the companies in blue represent industrial peers

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Average organic growth in 4Q23 was up 2.5%, decelerating from last quarter's 4.4% pace. GE reported the largest growth increase and DOV reported the largest revenue decline.

Exhibit 8: 4Q organic revenue growth

4Q23 average organic revenue growth of +2.9%

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
DOV	-2.7%	-16.0%	-5.0%	-2.3%	8.8%	29.7%	13.2%	11.5%	9.4%	7.5%	9.0%	9.3%	2.9%	-3.0%	-2.4%	-3.4%
ETN	-7.1%	-22.1%	-8.7%	-4.9%	0.5%	27.3%	8.0%	6.2%	10.5%	11.2%	14.5%	14.7%	14.9%	13.0%	9.6%	9.6%
FTV	6.0%	-4.3%	1.5%	2.6%	10.9%	11.0%	4.7%	-0.8%	0.6%	3.3%	-0.8%	5.3%	0.1%	3.5%	2.5%	2.7%
GE	-5.0%	-20.0%	-12.0%	-13.7%	-10.0%	7.0%	-1.0%	-3.0%	0.8%	5.0%	7.1%	11.2%	16.9%	19.0%	18.0%	13.3%
HON	-4.0%	-18.0%	-14.0%	-7.0%	-2.0%	15.0%	8.0%	-2.0%	1.0%	4.3%	9.2%	9.6%	8.2%	2.9%	2.1%	2.4%
ITW	-6.6%	-26.5%	-4.6%	-0.9%	6.1%	37.2%	6.3%	5.3%	10.6%	10.4%	15.7%	11.9%	5.2%	3.0%	0.2%	-0.5%
JCI	-4.9%	-16.1%	-5.8%	-4.7%	1.4%	15.0%	5.3%	8.2%	9.0%	7.3%	9.3%	8.5%	12.5%	9.0%	4.0%	-0.7%
MMM	0.3%	-13.1%	0.9%	5.5%	8.0%	21.4%	6.3%	1.3%	1.8%	1.1%	1.2%	0.4%	-5.4%	-2.5%	-3.1%	-1.4%
PH	-7.4%	-21.1%	-13.0%	-6.1%	-1.0%	21.8%	15.8%	13.2%	11.1%	12.0%	14.2%	10.3%	11.5%	6.4%	2.3%	2.9%
PNR	2.7%	-10.0%	10.40%	3.4%	18.5%	27.7%	18.4%	19.4%	12.4%	12.3%	4.2%	-3.0%	-2.6%	-7.0%	-7.4%	-2.0%
ROK	-0.2%	-17.6%	-12.06%	-9.7%	1.3%	26.4%	12.6%	16.8%	1.3%	7.1%	20.5%	9.9%	27.3%	13.2%	17.7%	1.0%
TT	-5.2%	-12.5%	0.5%	-1.0%	11.1%	17.6%	4.3%	11.0%	12.3%	10.7%	19.4%	16.0%	9.0%	10.9%	8.8%	6.0%
Average	-2.8%	-16.4%	-5.2%	-3.2%	4.5%	21.4%	8.5%	7.3%	6.7%	7.7%	10.3%	8.7%	8.4%	5.7%	4.4%	2.5%
Median	-4.4%	-16.8%	-5.4%	-3.5%	3.7%	21.6%	7.1%	7.2%	9.2%	7.4%	9.3%	9.8%	8.6%	4.9%	2.4%	1.7%

Source: BofA Global Research, Company filings

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4Q23 median organic growth so far has come in at +1.7%. This is below our forecast for +2.9% organic growth. DOV reported the largest organic growth miss versus our model at (380)bps, while GE reported the greatest beat of 760bps.

Exhibit 9: Organic revenue growth above our forecast

So far, average organic revenue growth of +2.9% is below BofA +3.1% forecast

	BofA	Reported	Difference
DOV	0.4%	-3.4%	-380bps
ETN	10.2%	9.6%	-70bps
FTV	3.0%	2.7%	-30bps
GE	5.7%	13.3%	760bps
HON	3.4%	2.4%	-100bps
ITW	-0.3%	-0.5%	-20bps
JCI	0.3%	-0.7%	-100bps
MMM	0.4%	-1.4%	-180bps
PH	2.7%	2.9%	20bps
PNR	-3.0%	-2.0%	100bps
ROK	3.0%	1.0%	-200bps
TT	5.8%	6.0%	20bps
Average	2.6%	2.5%	-15bps
Median	2.9%	1.7%	-50bps

Source: BofA Global Research estimates, company reports

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Median EPS growth is coming in at 11.5%, improving from 7.8% last quarter.

Exhibit 10: Multi-Industrial quarterly EPS growth rates

Median EPS growth is +11.5% so far

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
DOV	12.3%	-27.3%	0.0%	0.6%	30.0%	81.9%	24.3%	14.9%	4.6%	3.6%	14.0%	21.4%	2.3%	-4.2%	4.1%	13.7%
ETN	-12.5%	-49.4%	-20.1%	-11.0%	15.2%	99.2%	29.2%	18.9%	12.4%	9.0%	15.9%	19.8%	16.4%	18.1%	21.9%	23.8%
FTV	6.5%	-24.9%	8.6%	-31.7%	-13.9%	-2.5%	-29.5%	13.2%	11.0%	18.3%	19.4%	10.6%	6.2%	9.1%	6.8%	12.1%
GE	-66.2%	-186.7%	-60.1%	-61.3%	-39.2%	-133.2%	22.2%	39.8%	2.8%	102.9%	-38.6%	35.4%	12.9%	-12.9%	133.2%	56.0%
HON	15.0%	-39.9%	-24.9%	0.3%	-12.7%	60.0%	29.5%	1.0%	-1.0%	3.7%	11.1%	20.8%	8.6%	6.4%	1.1%	3.0%
ITW	0.0%	0.0%	-10.1%	1.7%	19.2%	143.3%	10.5%	-4.2%	0.0%	-3.1%	16.0%	10.5%	10.5%	4.6%	8.7%	-19.2%
JCI	32.2%	4.5%	-1.8%	8.3%	23.5%	23.1%	14.8%	25.1%	21.4%	2.9%	13.1%	25.2%	19.5%	20.4%	6.3%	-23.5%
MMM	0.9%	-13.0%	-2.8%	38.2%	29.4%	45.7%	0.4%	-9.6%	-9.4%	-8.9%	3.3%	-10.3%	-25.2%	-11.5%	3.2%	10.8%
PH	-2.0%	-15.7%	0.5%	15.5%	21.3%	44.7%	38.8%	29.7%	17.5%	17.7%	11.3%	6.7%	22.7%	17.8%	25.7%	29.3%
PNR	20.6%	-14.7%	20.2%	2.7%	56.5%	42.7%	27.0%	24.2%	4.9%	21.8%	12.0%	-5.9%	7.2%	0.7%	-4.9%	6.7%
ROK	19.1%	-45.4%	-5.6%	-17.3%	-2.3%	74.7%	21.0%	20.2%	-31.2%	15.1%	30.4%	15.0%	81.5%	12.9%	19.6%	-17.1%
TT	-28.8%	-25.9%	6.4%	11.7%	132.9%	51.4%	4.4%	32.1%	10.6%	12.2%	26.5%	34.5%	25.9%	24.1%	22.8%	22.8%
Average	-0.2%	-36.5%	-7.5%	-3.5%	21.7%	44.3%	16.0%	17.1%	3.6%	16.3%	11.2%	15.3%	15.7%	7.1%	20.7%	9.9%
Median	3.7%	-25.4%	-2.3%	1.2%	20.2%	48.6%	21.6%	19.6%	4.8%	10.6%	13.5%	17.4%	11.7%	7.8%	7.8%	11.5%

Source: BofA Global Research estimates, company reports

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Median EPS growth of 11.5% has come above our 6.2% estimate. We highlight GE as the company with the largest beat on EPS growth vs. our model, while ROK posted the largest EPS miss.

Exhibit 11: BofA EPS growth forecast vs. reported

Median EPS beat is 11.5%

	BofA	Reported	Difference
DOV	14.0%	13.7%	-20bps
ETN	18.9%	23.8%	490bps
FTV	5.8%	12.1%	620bps
GE	33.0%	56.0%	2300bps
HON	3.9%	3.0%	-90bps
ITW	-19.7%	-19.2%	50bps
JCI	-26.5%	-23.5%	300bps
MMM	6.6%	10.8%	430bps
PH	9.5%	29.3%	1980bps
PNR	4.7%	6.7%	210bps
ROK	4.8%	-17.1%	-2180bps
TT	22.8%	22.8%	0bps
Average	6.5%	9.9%	341bps
Median	6.2%	11.5%	255bps

Source: BofA Global Research estimates, company reports

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The table below shows 2024 revenue and EPS guidance for companies which have reported so far and compares guidance to prior consensus and BofA forecasts. Of the 11 multi-industrials below, 8 introduced guide, 1 raised guide, 1 maintained guide, and one lowered guide.

Exhibit 12: Guidance as of 2Q23 vs Consensus vs. BofA

8 multi-industrials introduced; 1 raised; 1 lowered; 1 maintained

'24 Revenue Growth					'24 EPS			
	<u>Old</u>	<u>As of 4Q23</u>	<u>Consensus*</u>	<u>BofA Forecast*</u>	<u>Old</u>	<u>As of 4Q23</u>	<u>Consensus*</u>	<u>BofA Forecast*</u>
DOV		2 - 4%	2.6%	2.3%		\$8.95 - \$9.15	\$9.20	\$9.05
ETN		6.5 - 8.5%	7.0%	7.0%		\$9.95 - \$10.35	\$10.02	\$9.95
FTV**		2 - 4%	4.5%	3.1%		\$3.73 - \$3.85	\$3.66	\$3.57
HON**		4 - 6%	5.5%	5.4%		\$9.80 - \$10.10	\$9.96	\$10.10
ITW		1 - 3%	2.5%	2.1%		\$10.00 - \$10.40	\$10.17	\$9.87
JCI**	~MSD	~MSD	4.8%	5.9%	\$3.65 - \$3.80	\$3.60 - \$3.75	\$4.16	\$3.70
MMM**		Flat to +2%	3.0%	5.0%		\$9.35 - \$9.75	\$9.92	\$10.47
PH**	+~1.5%	1.5%	1.6%	2.3%	\$22.60 - \$23.40	\$23.90 - \$24.50	\$23.30	\$23.39
PNR		2 - 3%	3.3%	2.9%		\$4.15 - \$4.25	\$4.19	\$4.21
ROK**	(2.0)% - 4%	(2.0)% - 4%	1.8%	4.0%	\$12.00 - \$13.50	\$12.00 - \$13.60	\$14.01	\$13.38
TT**		6 - 7%	5.2%	4.9%		\$10.00 - \$10.30	\$10.05	\$9.94

Source: BofA Global Research estimates, company reports

*Consensus and BofA forecasts as of time of earnings report. Consensus revenue growth is reported

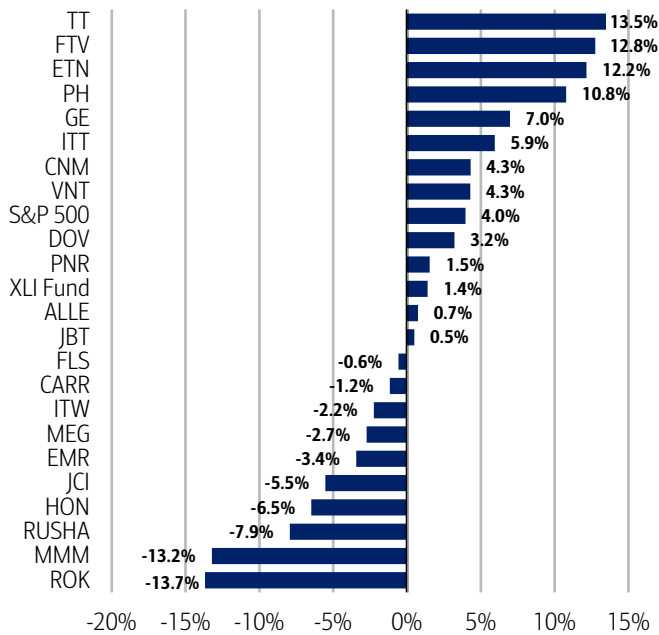
** Growth indicates organic growth outlook

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Stock performance

Exhibit 13: YTD Stock Performance

TT is the best YTD stock performer

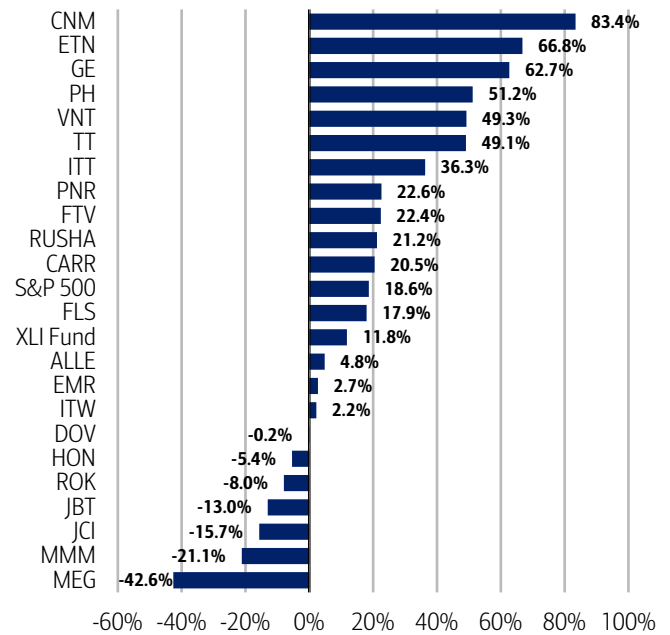


Source: BofA Global Research, Bloomberg

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Exhibit 14: 1-Year Stock Performance

CNM is the best 1-year stock performer

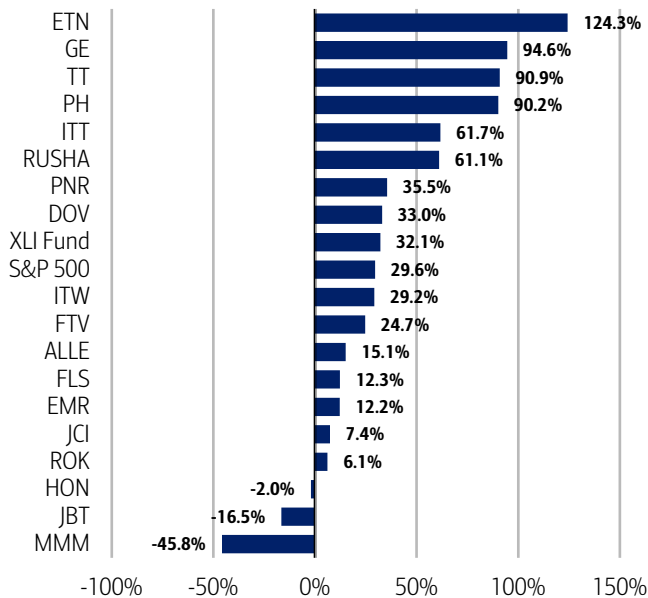


Source: BofA Global Research, Bloomberg

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Exhibit 15: 3-Years Stock Performance

ETN is the best 3-year stock performer

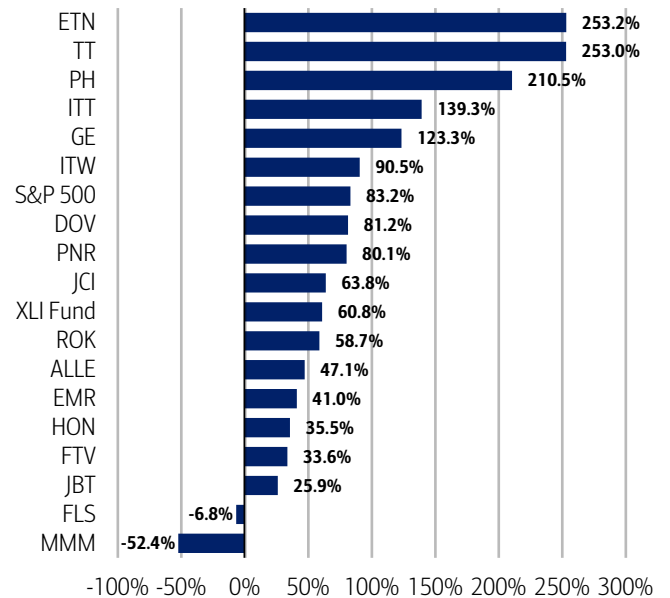


Source: BofA Global Research, Bloomberg

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Exhibit 16: 5-Years Stock Performance

ETN is the best 5-year stock performer



Source: BofA Global Research, Bloomberg

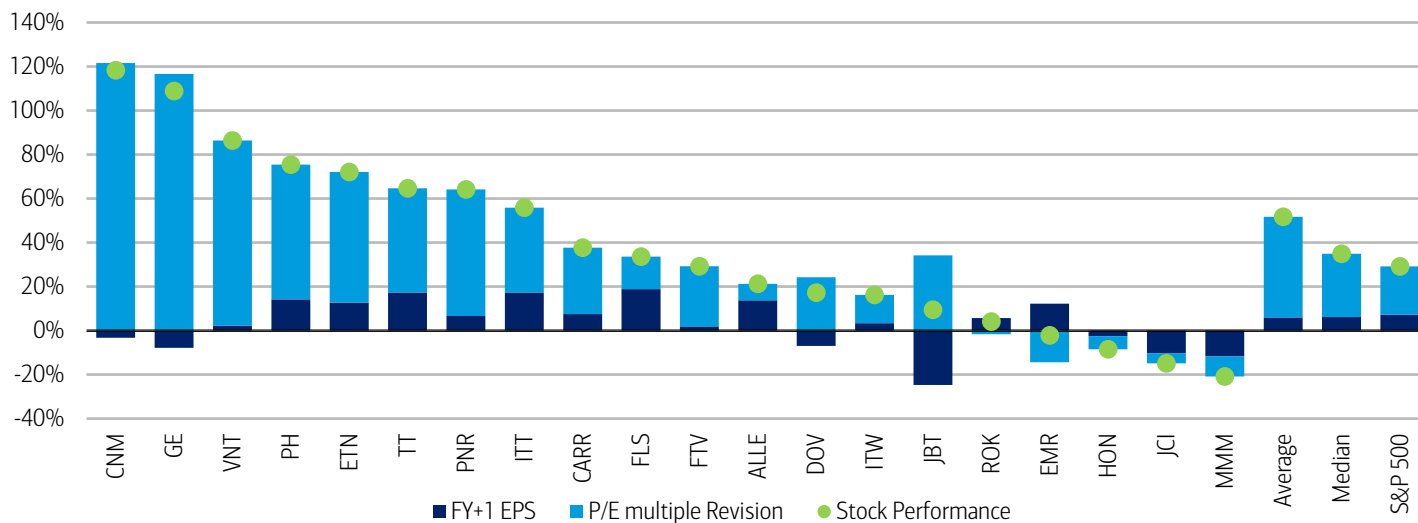
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YTD stock performance attribution

Year-to-date, stock performance across our coverage (up 29.2% on a median basis) has been driven more by multiple expansion than earnings revisions.

Exhibit 17: Stock performance attribution (P/E multiple revision vs. '23 EPS revision)

Stock performance attribution, P/E multiple revisions versus FY+1 EPS revisions

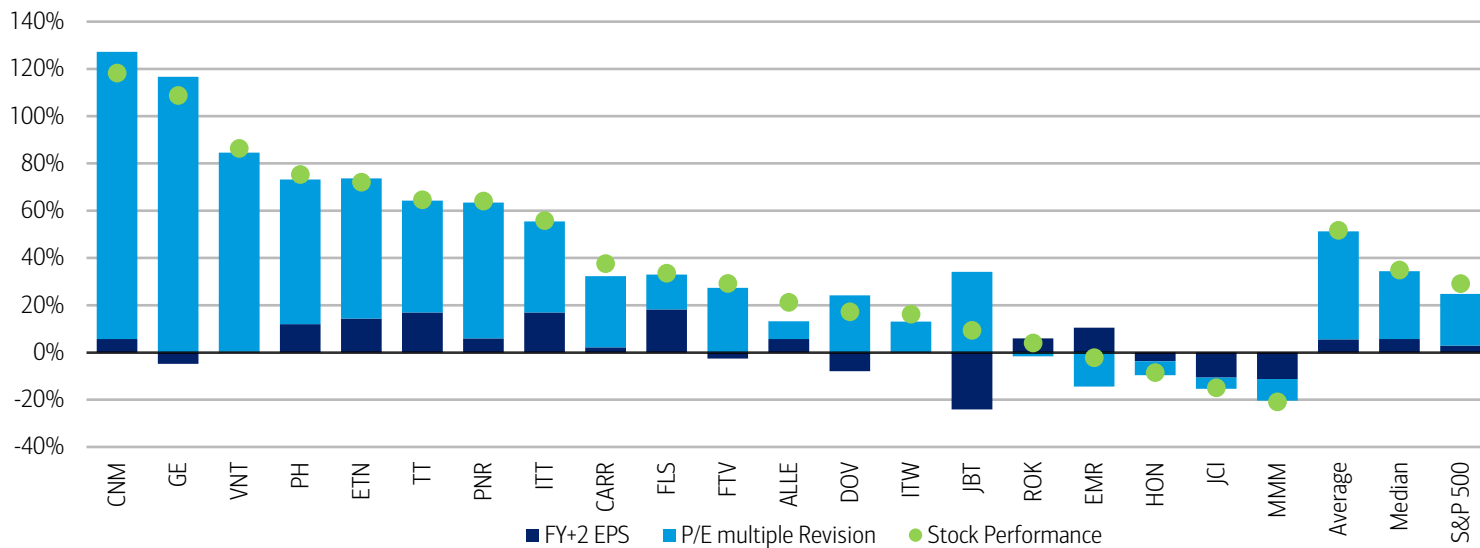


Source: BofA Global Research, Bloomberg

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Exhibit 18: Stock performance attribution (P/E multiple revision vs. '23 EPS revision)

Stock performance attribution, P/E multiple revisions versus FY+2 EPS revisions



Source: BofA Global Research, Bloomberg

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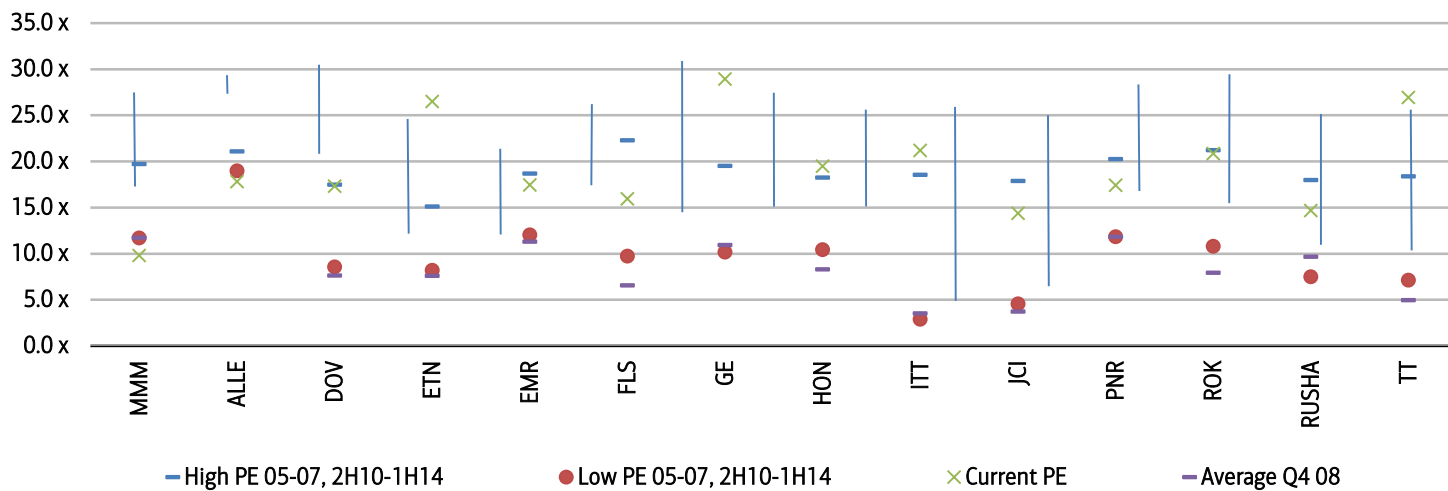
Current valuation vs. historical

We look at where valuations in our coverage stand relative to ranges of historical valuations and other sell-off periods. The exhibit below shows consensus based on 12 months forward PE multiples for (i) the current share price, shown as a green X, (ii) the high and low levels since 2005, excluding the extreme cycle from 2008 to 1H10, shown as a blue line stop and red dot (iii) Q4 08, the trough US financial crisis, shown as a purple line stop.

This week, stocks are generally trading above or at the high end of their historical ranges. Stocks are trading at higher multiples relative to low points seen during 05 – 07 and 2H10 – 2H14. We note that ITT exists in its current form only since '12.

Exhibit 19: Multi-industrial coverage stocks consensus PE ranges – current vs. range since 2005 vs. pre-financial crisis vs. Q4 2008

Stocks are trading towards or below the high end of their historical valuation ranges, with ETN, GE, and TT trading well above



Source: BofA Global Research estimates, Factset

Note: ALLE (spin-off from IR in 2013), time period range for ITT has been revised to post-2012 divestiture

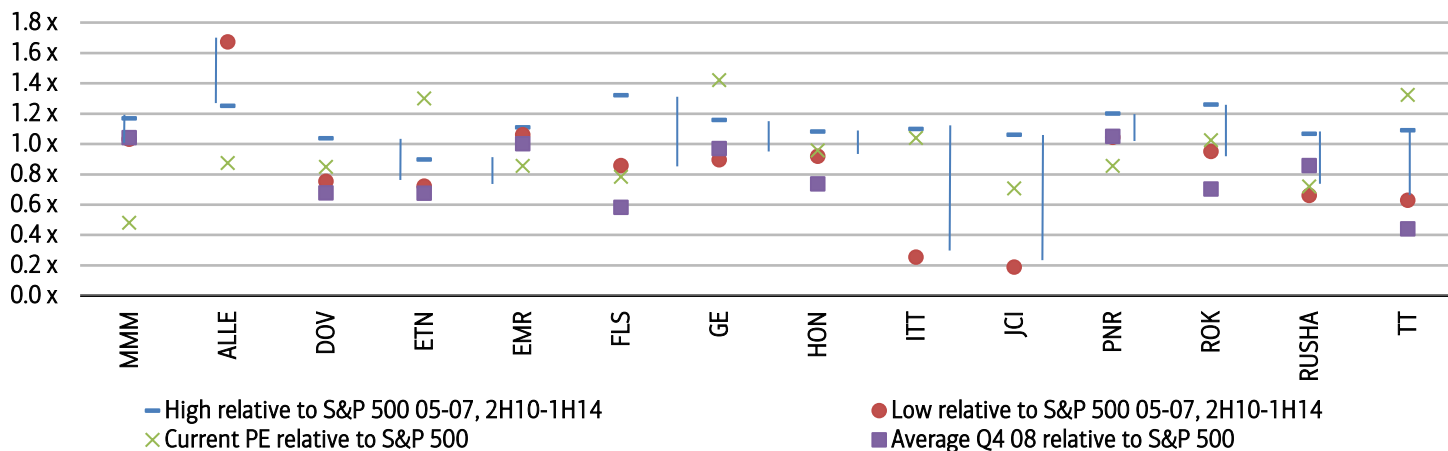
*Current PE based on Bloomberg consensus estimate

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We also highlight PE multiples relative to the S&P 500 for the same time periods analyzed above.

Exhibit 20: Multis coverage stocks consensus PE ranges relative to S&P 500 – current vs. range since 2005 vs. pre-financial crisis vs. Q4 2008

Stocks are trading towards or below the high end of their relative historical valuation ranges, with ETN, GE, and TT trading well above



Source: BofA Global Research estimates, Factset

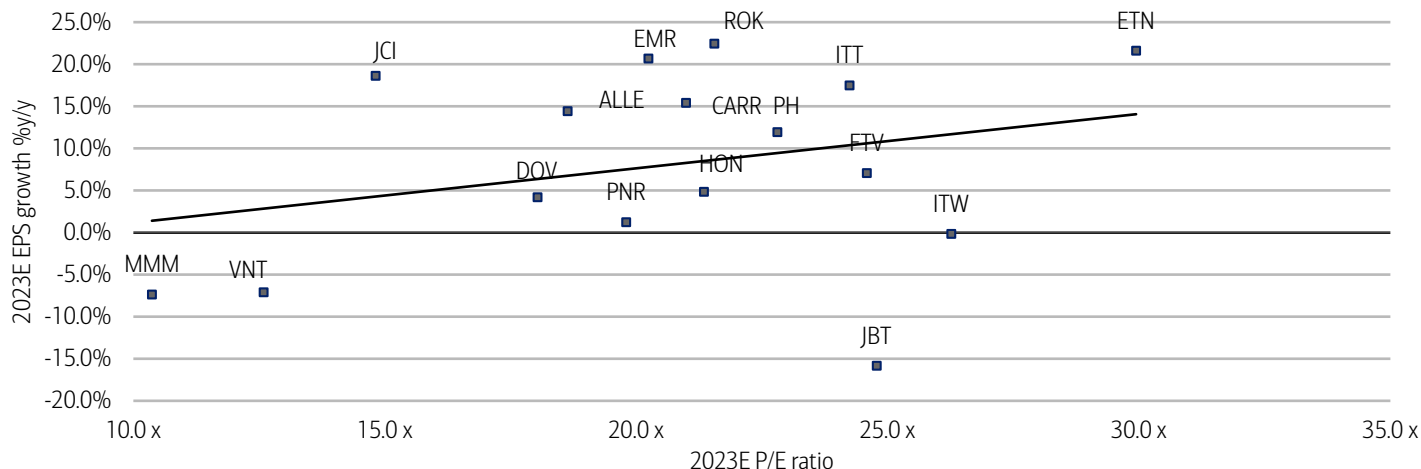
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Multi-industrial valuation charts

The chart below illustrates what 2023E P/E ratio investors are paying for 2023E earnings growth. We think the market will generally pay a premium for names with faster earnings growth, assuming forecasts are achievable.

Exhibit 21: Headline P/E ratio (BofA estimates) versus 2023 EPS forecast growth (BofA)

Higher P/E ratios are somewhat associated with higher earnings growth

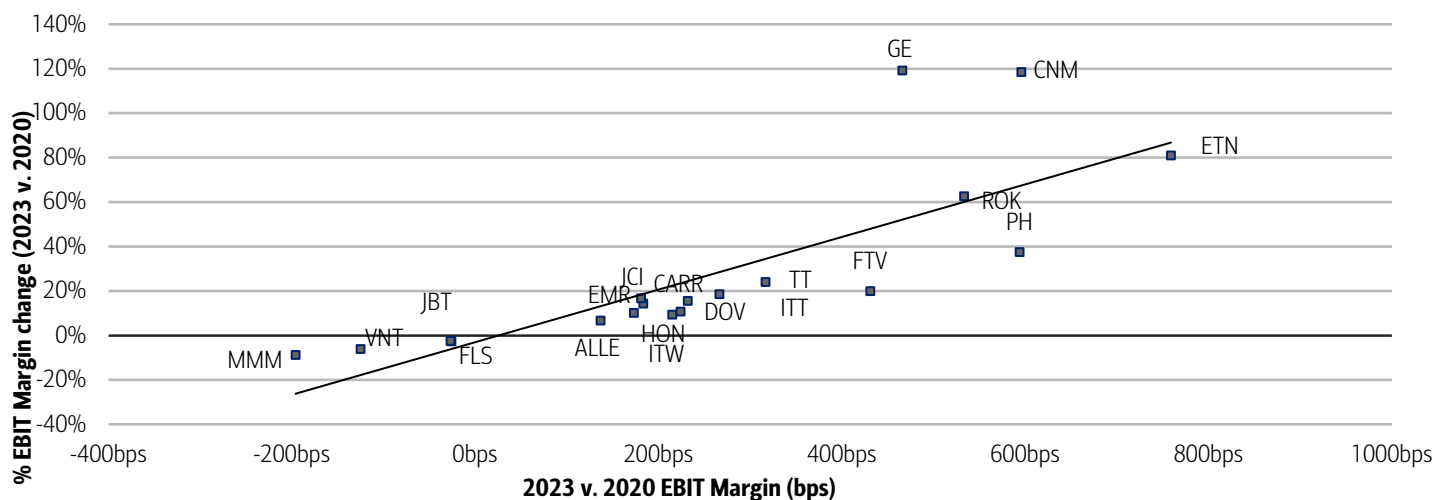


Source: BofA Global Research estimates

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Exhibit 22: 2023 vs. 2020 EBIT margin expansion

Within our coverage, ETN stands out as having the highest '20-'23 margin expansion

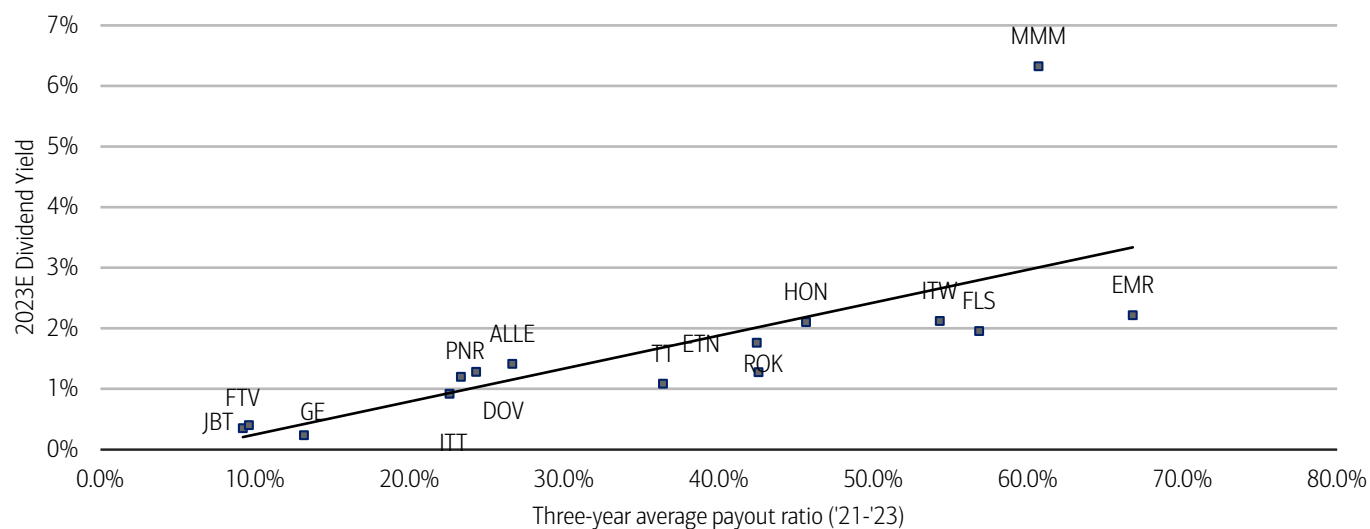


Source: BofA Global Research estimates

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Exhibit 23: 2023 Dividend yield forecast (BofA estimates) versus three-year average payout ratio ('20-'23)

EMR, MMM have among the highest 3-year average dividend payout



Source: BofA Global Research estimates

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Exhibit 24: Multi-industrial summary Net Debt/EBITDA

2023E coverage average net debt-to-EBITDA is 1.5x

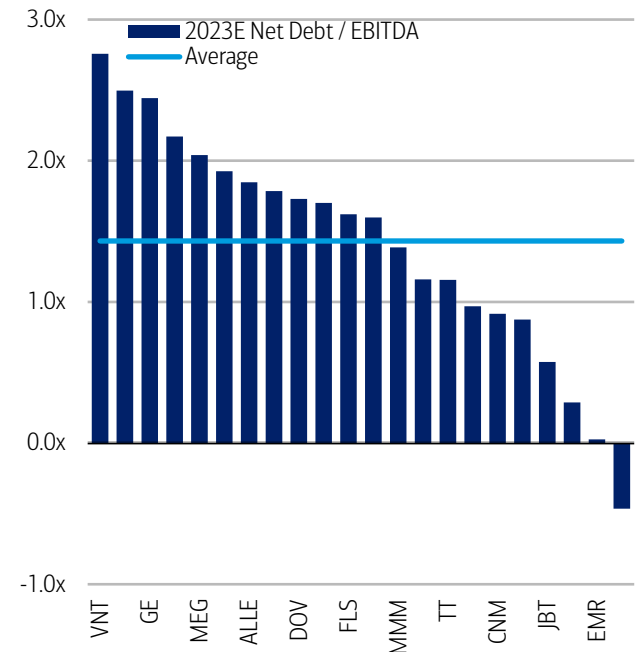
Company	S&P credit rating	Net Debt/ EBITDA		
		2022	2023E	2024E
MMM	BBB+ *	1.4x	1.4x	1.3x
ALLE	BBB	2.5x	1.8x	1.6x
CARR	BBB	1.7x	1.2x	2.9x
CNM		1.8x	0.9x	1.0x
DOV	BBB+	1.9x	1.7x	0.8x
ETN	A-	2.0x	1.8x	1.6x
EMR	A	2.4x	0.0x	1.7x
FLS	BBB-	2.5x	1.6x	1.2x
FTV	BBB	1.7x	1.7x	1.7x
GE	BBB+	4.1x	2.4x	2.4x
HON	A	1.0x	0.9x	0.5x
ITW	A+	1.7x	1.6x	1.6x
ITT	BBB	-0.2x	-0.5x	-0.8x
JBT		3.2x	0.6x	0.1x
JCI	BBB+	1.8x	2.2x	1.9x
PH	BBB+	3.0x	2.5x	1.8x
PNR	BBB-	2.7x	1.9x	1.2x
ROK	A	2.1x	1.0x	0.6x
RUSHA		0.4x	0.3x	0.1x
TT	BBB+	1.3x	1.2x	0.9x
VNT	BBB-	3.2x	2.8x	2.6x
Average leverage		2.2x	1.5x	1.2x

Source: BofA Global Research

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Exhibit 25: 2023E Multi-Industrial Net Debt/EBITDA

2023E coverage average net debt-to-EBITDA is 1.5x



Source: BofA Global Research estimates

Note: GE net debt is calculated using rating agency methodology and Industrial-assumed debt ex-GE Capital

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Valuation metrics

Exhibit 26: Multi-Industrial summary valuation metrics

Summary valuation metrics

	Ticker	ROIC			ROTA			FCF Conversion		
		2022	2023	2024	2022	2023	2024	2022	2023	2024
3M	MMM	14.6%	14.4%	17.3%	20.0%	18.1%	20.4%	68.5%	98.9%	58.0%
Allegion	ALLE	20.6%	19.9%	19.0%	31.6%	32.3%	30.2%	74.8%	87.0%	102.0%
Carrier	CARR	10.6%	11.9%	12.6%	14.2%	16.3%	16.7%	69.7%	83.3%	92.5%
Core & Main	CNM	14.8%	12.6%	12.6%	23.0%	17.0%	17.0%	70.3%	196.5%	109.1%
Dover	DOV	15.2%	15.1%	14.8%	27.8%	26.9%	24.9%	54.5%	107.8%	111.1%
Eaton	ETN	9.6%	11.6%	0.0%	19.5%	22.1%	22.2%	75.0%	87.6%	94.2%
Emerson	EMR	8.3%	6.9%	6.5%	14.5%	12.4%	12.4%	104.6%	98.6%	112.3%
Flowserve	FLS	4.9%	7.9%	8.8%	5.5%	8.6%	9.4%	-80.5%	31.3%	72.6%
Fortive	FTV	8.4%	9.2%	9.6%	35.9%	37.8%	36.7%	106.6%	103.6%	107.8%
General Electric	GE	3.0%	3.2%	3.2%	2.6%	2.6%	2.6%	165.9%	175.3%	175.3%
Honeywell	HON	13.0%	14.1%	15.2%	14.9%	15.9%	17.2%	75.3%	69.4%	91.7%
Illinois Tool Works	ITW	27.4%	27.0%	25.4%	20.6%	20.6%	20.8%	63.8%	104.2%	105.4%
ITT	ITT	12.8%	14.6%	16.2%	14.3%	16.3%	17.7%	46.8%	91.5%	98.8%
John Bean Technologies	JBT	9.3%	6.3%	6.5%	13.5%	9.0%	9.2%	35.6%	87.8%	85.8%
Johnson Controls International	JCI	5.2%	6.7%	8.5%	9.0%	10.5%	13.0%	68.2%	74.8%	90.0%
Montrose Environmental Group	MEG	-2.6%	-0.1%	2.7%	-5.5%	-0.1%	4.7%	NM	NM	0.0%
Parker Hannifin	PH	13.5%	0.0%	0.0%	22.2%	24.9%	30.1%	85.0%	0.0%	123.7%
Pentair	PNR	14.4%	13.4%	14.0%	33.4%	33.9%	33.0%	46.4%	96.2%	94.4%
Rockwell	ROK	14.8%	17.6%	18.6%	19.5%	22.3%	22.7%	65.4%	33.9%	100.3%
Trane Technologies	TT	14.0%	16.8%	17.7%	20.6%	24.0%	24.9%	81.2%	67.5%	60.4%
Vontier	VNT	16.1%	15.1%	15.1%	27.3%	26.0%	26.0%	52.7%	87.2%	98.0%
AVERAGE		11.9%	12.3%	11.9%	18.8%	20.0%	20.1%	142.9%	91.4%	90.9%
MEDIAN		12.9%	12.2%	12.6%	19.8%	19.3%	20.6%	69.7%	87.8%	96.9%

Source: Company Reports, BofA Global Research estimates, Bloomberg

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Exhibit 27: Multi-Industrial summary valuation metrics

Summary valuation metrics

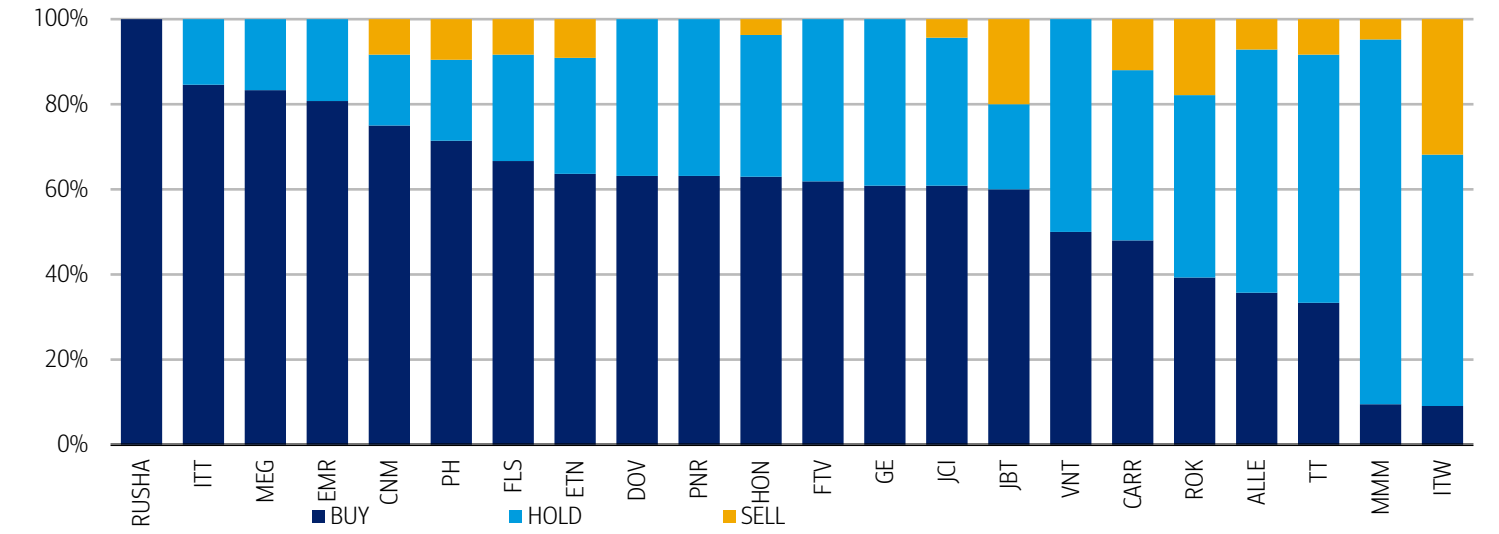
	BofA Rating	Ratings			BofA	FY+1 EPS			BofA	FY+2 EPS		
		Buy	Neutral	U/P		Consensus	Low	High		Consensus	Low	High
3M	Neutral	2	18	1	\$9.24	\$9.12	\$9.01	\$9.20	\$9.60	\$9.60	\$9.43	\$9.85
Allegion	Underperform	5	8	1	\$6.85	\$6.87	\$6.80	\$6.90	\$6.62	\$7.10	\$6.77	\$7.41
Carrier	Underperform	12	10	3	\$2.70	\$2.72	\$2.69	\$2.79	\$2.97	\$2.87	\$2.55	\$3.15
Core & Main	Underperform	9	2	1	\$2.19	\$2.12	\$1.85	\$2.24	\$2.30	\$2.22	\$1.95	\$2.60
Dover	Buy	12	7	0	\$8.80	\$8.77	\$8.67	\$8.85	\$9.08	\$9.09	\$8.12	\$9.40
Eaton	Buy	14	6	2	\$9.12	\$9.04	\$9.00	\$9.08	\$10.15	\$10.09	\$9.02	\$10.45
Emerson	Buy	21	5	0	\$4.44	\$4.46	\$4.43	\$4.52	\$5.25	\$5.23	\$4.67	\$5.31
Flowserve	Buy	8	3	1	\$2.00	\$2.02	\$1.99	\$2.06	\$2.41	\$2.53	\$2.41	\$2.67
Fortive	Neutral	13	8	0	\$3.43	\$3.39	\$3.37	\$3.41	\$3.75	\$3.78	\$3.70	\$3.82
General Electric	Buy	14	9	0	\$2.81	\$2.66	\$2.56	\$2.75	\$4.36	\$4.59	\$4.35	\$4.99
Honeywell	Buy	17	9	1	\$9.19	\$9.16	\$9.11	\$9.20	\$10.10	\$9.96	\$9.71	\$10.10
Illinois Tool Works	Underperform	2	13	7	\$9.74	\$9.77	\$9.65	\$9.93	\$9.87	\$10.17	\$9.66	\$10.58
ITT	Buy	11	2	0	\$5.21	\$5.21	\$5.20	\$5.23	\$6.06	\$5.90	\$5.79	\$6.06
John Bean Technologies	Underperform	3	1	1	\$4.03	\$4.05	\$4.00	\$4.10	\$4.63	\$4.85	\$4.63	\$5.25
Johnson Controls International	Neutral	14	8	1	\$3.50	\$3.55	\$3.51	\$3.67	\$3.66	\$3.60	\$3.52	\$3.67
Montrose Environmental Group	Buy	5	1	0	-\$1.59	-\$0.63	-\$1.61	\$0.42	-\$0.44	\$0.08	-\$0.74	\$0.75
Parker Hannifin	Buy	15	4	2	\$21.55	\$20.84	\$19.24	\$21.14	\$24.50	\$23.82	\$19.60	\$24.50
Pentair	Neutral	12	7	0	\$3.75	\$3.75	\$3.72	\$3.80	\$4.21	\$4.19	\$3.92	\$4.27
Rockwell	Neutral	11	12	5	\$12.15	\$11.97	\$11.73	\$12.23	\$13.38	\$12.40	\$11.10	\$13.38
Trane Technologies	Neutral	8	14	2	\$9.04	\$9.01	\$8.98	\$9.15	\$10.21	\$10.16	\$9.80	\$10.52
Vontier	Buy	6	6	0	\$2.86	\$2.83	\$2.48	\$2.88	\$3.14	\$3.07	\$2.79	\$3.15

Source: Company Reports, BofA Global Research estimates, Bloomberg

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Exhibit 28: Sell side stock ratings of BUY/HOLD/SELL
Over half of our coverage has a consensus Buy rating



Source: Bloomberg

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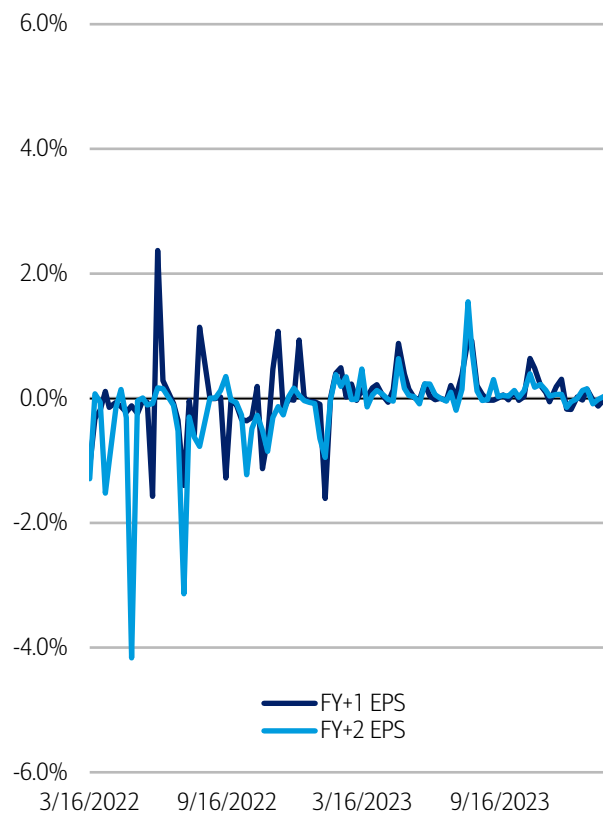


Consensus revision tracker

The charts below shows historical consensus revisions compared to the previous week and month, respectively. Revisions remained flat vs last week for FY+1 EPS and FY+2 EPS. Revisions were flat for FY+1 EPS and for FY+2 EPS vs. last month.

Exhibit 29: Bloomberg consensus revisions vs. 1 week ago

FY+1 EPS revision and FY+2 EPS revision remained flat vs. 1 week ago

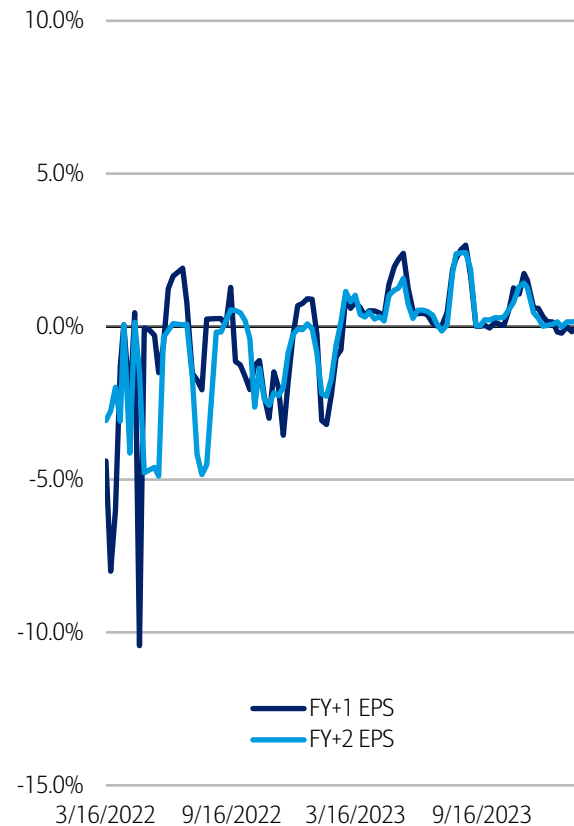


Source: Bloomberg

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Exhibit 30: Bloomberg consensus revisions vs. 1 month ago

FY+1 EPS and FY+2 EPS revisions flat vs. 1 month ago



Source: Bloomberg

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Exhibit 31: Changes to consensus EPS estimates versus a week ago

FY+1 EPS revision is flat vs. 1 week ago

Ticker	Current Quarter EPS			FY+1 EPS			FY+2 EPS		
	Current	1 Week Ago	% Revision	Current Est.	1 Week Ago	% Revision	Current Est.	1 Week Ago	% Revision
ALLE	\$1.58	\$1.58	-0.2%	\$6.87	\$6.87	0.00%	\$7.10	\$7.10	0.00%
CARR	\$0.52	\$0.52	0.8%	\$2.72	\$2.72	0.00%	\$2.87	\$2.87	0.00%
CNM	\$0.32	\$0.37	-12.8%	\$2.22	\$2.23	-0.45%	\$2.42	\$2.44	-0.82%
DOV	\$1.99	\$2.10	-5.0%	\$9.09	\$9.20	-1.20%	\$9.88	\$9.93	-0.50%
EMR	\$1.03	\$1.03	-0.4%	\$5.23	\$5.23	0.00%	\$5.68	\$5.68	0.00%
ETN	\$2.25	\$2.17	3.8%	\$10.09	\$10.01	0.80%	\$11.18	\$11.01	1.54%
FLS	\$0.60	\$0.60	-0.2%	\$2.02	\$2.02	0.00%	\$2.53	\$2.53	0.00%
FTV	\$0.79	\$0.82	-3.9%	\$3.78	\$3.66	3.28%	\$4.14	\$4.03	2.73%
GE	\$0.66	\$0.64	3.6%	\$4.59	\$4.60	-0.22%	\$5.93	\$5.96	-0.50%
HON	\$2.21	\$2.24	-1.2%	\$9.96	\$9.96	0.00%	\$10.93	\$10.94	-0.09%
ITT	\$1.34	\$1.34	0.4%	\$5.21	\$5.21	0.00%	\$5.90	\$5.90	0.00%
ITW	\$2.38	\$2.38	-0.1%	\$10.17	\$10.17	0.00%	\$10.98	\$10.89	0.83%
JBT	\$1.36	\$1.36	0.0%	\$4.05	\$4.05	0.00%	\$4.85	\$4.85	0.00%
JCI	\$0.75	\$0.78	-3.7%	\$3.60	\$3.66	-1.64%	\$4.11	\$4.16	-1.20%
MEG	(\$0.01)	(\$0.01)	16.7%	(\$0.63)	(\$0.81)	22.22%	\$0.08	(\$0.05)	260.00%
MMM	\$2.09	\$2.09	0.1%	\$9.60	\$9.60	0.00%	\$10.27	\$10.27	0.00%
PH	\$6.07	\$5.96	1.9%	\$23.82	\$23.30	2.23%	\$25.74	\$25.36	1.50%
PNR	\$0.90	\$0.99	-9.4%	\$4.19	\$4.19	0.00%	\$4.65	\$4.67	-0.43%
ROK	\$2.41	\$3.15	-23.6%	\$12.40	\$12.87	-3.65%	\$13.67	\$14.01	-2.43%
RUSHA	\$0.85	\$0.85	0.0%	\$4.05	\$4.05	0.00%	\$3.12	\$3.12	0.00%
TT	\$1.63	\$1.62	0.5%	\$10.16	\$10.05	1.09%	\$11.28	\$11.16	1.08%
VNT	\$0.78	\$0.78	-0.1%	\$2.83	\$2.83	0.00%	\$3.07	\$3.09	-0.65%
Average			-2.2%			0.0%			0.0%

Source: Bloomberg

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Since 1 week ago, MEG had the largest positive revision for FY+1 followed by FTV. ROK had the largest negative revision for FY+1 followed by DOV. FTV has had the largest positive revision for FY+2 followed by TT. ROK had the largest negative revision for FY+2 followed by JCI.

Exhibit 32: Changes to consensus EPS estimates versus a month ago

FY+1 EPS revision and FY+2 EPS revision are flat vs. 1 month ago

Ticker	Current Quarter EPS			FY+1 EPS			FY+2 EPS		
	Current	1 Month Ago	% Revision	Current Est.	1 Month Ago	% Revision	Current Est.	1 Month Ago	% Revision
ALLE	\$1.58	\$1.59	-0.6%	\$6.87	\$6.86	0.1%	\$7.10	\$7.12	-0.3%
CARR	\$0.52	\$0.52	0.0%	\$2.72	\$2.72	0.0%	\$2.87	\$2.88	-0.3%
CNM	\$0.32	\$0.37	-13.5%	\$2.22	\$2.24	-0.9%	\$2.42	\$2.40	0.8%
DOV	\$1.99	\$2.12	-6.1%	\$9.09	\$9.32	-2.5%	\$9.88	\$10.05	-1.7%
EMR	\$1.03	\$1.03	0.0%	\$5.23	\$5.23	0.0%	\$5.68	\$5.70	-0.4%
ETN	\$2.25	\$2.13	5.6%	\$10.09	\$9.97	1.2%	\$11.18	\$11.01	1.5%
FLS	\$0.60	\$0.60	0.0%	\$2.02	\$2.03	-0.5%	\$2.53	\$2.53	0.0%
FTV	\$0.79	\$0.82	-3.7%	\$3.78	\$3.66	3.3%	\$4.14	\$4.01	3.2%
GE	\$0.66	\$0.72	-8.3%	\$4.59	\$4.62	-0.6%	\$5.93	\$5.98	-0.8%
HON	\$2.21	\$2.24	-1.3%	\$9.96	\$9.97	-0.1%	\$10.93	\$10.97	-0.4%
ITT	\$1.34	\$1.34	0.0%	\$5.21	\$5.21	0.0%	\$5.90	\$5.88	0.3%
ITW	\$2.38	\$2.39	-0.4%	\$10.17	\$10.20	-0.3%	\$10.98	\$10.89	0.8%
JBT	\$1.36	\$1.34	1.5%	\$4.05	\$4.04	0.2%	\$4.85	\$4.66	4.1%
JCI	\$0.75	\$0.79	-5.1%	\$3.60	\$3.67	-1.9%	\$4.11	\$4.19	-1.9%
MEG	(\$0.01)	(\$0.01)	0.0%	(\$0.63)	(\$0.81)	22.2%	\$0.08	(\$0.05)	260.0%
MMM	\$2.09	\$2.21	-5.4%	\$9.60	\$9.81	-2.1%	\$10.27	\$10.50	-2.2%
PH	\$6.07	\$5.95	2.0%	\$23.82	\$23.26	2.4%	\$25.74	\$25.32	1.7%
PNR	\$0.90	\$0.99	-9.1%	\$4.19	\$4.18	0.2%	\$4.65	\$4.67	-0.4%
ROK	\$2.41	\$3.16	-23.7%	\$12.40	\$12.87	-3.7%	\$13.67	\$14.00	-2.4%
RUSHA	\$0.85	\$0.85	0.0%	\$4.05	\$4.05	0.0%	\$3.12	\$3.12	0.0%
TT	\$1.63	\$1.62	0.6%	\$10.16	\$10.01	1.5%	\$11.28	\$11.08	1.8%
VNT	\$0.78	\$0.78	0.0%	\$2.83	\$2.83	0.0%	\$3.07	\$3.10	-1.0%
Average			-2.9%			-0.1%			0.2%

Source: Bloomberg

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Compared to last month, MEG had the largest positive revision for FY+1, followed by FTV. ROK had the largest negative revision for FY+1, followed by DOV. MEG had the largest positive revision for FY+2, followed by JBT. ROK had the largest negative revision for FY+2, followed by MMM.

Revenue breakdown by region

We present the geographic breakout for our multi-industrials coverage below.

Exhibit 33: Revenue breakout by region

Multi-Industrial coverage revenue breakout by geographic exposure

Company	Ticker	Americas	Europe (EMEA)	Asia (APAC)	China	Other
Allegion	ALLE	78%	18%	4%	2%	
Carrier	CARR	60%	23%	17%	5%	
Core & Main	CNM	100%				
Dover	DOV	65%	21%	11%	6%	3%
Emerson	EMR	56%	16%	28%	12%	
Eaton	ETN	70%	19%	11%	5%	
Flowserve	FLS	49%	32%	18%	5%	
Fortive	FTV	57%	13%	12%	12%	18%
General Electric	GE	51%	32%	17%	6%	
Honeywell	HON	60%	19%	21%	6%	
ITT	ITT	41%	38%	18%	10%	4%
Illinois Tool Works	ITW	57%	25%	19%	11%	
Johnson Controls	JCI	51%	17%	23%	4%	10%
Montrose	MEG	80%	5%			15%
3M	MMM	54%	17%	29%	11%	
Parker Hannifin	PH	68%	20%	12%	6%	
Pentair	PNR	71%	11%	5%	5%	14%
Rockwell	ROK	67%	19%	14%	5%	
Rush Enterprise	RUSHA	100%				
Trane Technologies	TT	79%	13%	8%	5%	
Vontier	VNT	75%	9%	12%	4%	4%

Source: BofA Global Research estimates, company report

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The table below illustrates the end market breakout for our coverage.

Exhibit 34: Revenue breakout by end market

Multi-Industrial coverage revenue breakout by end market exposure

End Market	ALLE	AME	CARR	CNM	DOV	EMR	ETN	FLS	FTV	GE	HON	ITT	ITW	JBT	JCI	MEG	MMM	PH	PNR	ROK	TT	VRT	VNT
Upstream Oil & Gas		2%				11%		2%	2%		2%	2%	3%			7%		1%		5%			
Midstream Oil & Gas						5%		8%	2%		3%	3%				2%				3%			
Downstream Oil & Gas		2%				6%		30%	2%		6%	4%				4%				2%			
Chemicals					7%	15%		22%			7%	9%				4%				5%			
Materials & Metals						3%		13%			7%	3%				3%		12%		20%			
Industrial		13%	9%		21%	17%	6%		27%		22%	22%	10%	10%			25%	40%		5%			
Aerospace		9%				2%	9%		1%	35%	18%	5%	1%			1%	5%	14%					
Defense		9%					6%		4%	8%	16%	5%						17%					
Residential Construction	25%		33%	22%			8%						22%		13%				60%		39%		
Commercial Construction	35%		25%	39%			10%						12%		45%	23%	1%		26%		30%	5%	
Institutional Construction	40%		10%	39%			20%		10%				23%		31%	11%			14%		16%	5%	1%
Commercial & Professional Services			10%														5%				6%		
Transportation			12%			5%				5%	3%	6%					2%						
Autos		5%				3%	17%					42%	25%					11%		10%	9%		
Consumer Durables & Apparel								7%			6%					8%	20%			5%			
Consumer Services					34%																		99%
Consumer Staples		4%			25%			5%						86%			12%			20%			
Healthcare		23%			6%	14%		30%		6%		4%	4%				29%	2%		5%			
Information Technology							5%	8%	5%	4%										5%			
Semiconductors & Semiconductor Equipment		13%				4%		4%										3%		5%			
Telecommunication		4%														18%				5%		20%	
Utilities/ Power Gen		16%			7%	15%	10%	16%	8%	48%	1%					18%		1%					
Data Center							9%								12%					5%		70%	

Source: BofA Global Research estimates, company report

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Exhibit 35: Stocks mentioned

Prices and ratings for stocks mentioned in this report

	Ticker	Rating	Price
3M	MMM	B-2-8	\$ 94.87
Allegion	ALLE	B-3-7	\$ 127.63
Carrier	CARR	B-3-7	\$ 56.78
Core & Main	CNM	B-3-9	\$ 42.15
Dover	DOV	B-1-7	\$ 158.75
Eaton Corp.	ETN	B-1-7	\$ 270.10
Emerson	EMR	B-1-7	\$ 93.98
Flowserve	FLS	B-1-7	\$ 40.98
Fortive	FTV	B-2-7	\$ 83.02
General Electric	GE	B-1-7	\$ 136.54
Honeywell	HON	B-1-7	\$ 196.11
Illinois Tool Works	ITW	B-3-7	\$ 126.41
ITT	ITT	B-1-7	\$ 126.41
John Bean Technologies	JBT	B-3-7	\$ 99.94
Johnson Controls International	JCI	B-2-7	\$ 54.45
Montrose Environmental Group	MEG	C-1-9	\$ 31.25
Parker Hannifin	PH	B-1-7	\$ 510.36
Pentair	PNR	B-2-7	\$ 73.83
Rockwell	ROK	B-2-7	\$ 268.01
Trane Technologies	TT	B-2-7	\$ 276.78
Vontier	VNT	B-1-7	\$ 36.03

Source: BofA Global Research

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Price objective basis & risk**3M Company (MMM)**

We base our \$110 price objective on 11x P/E on our 2025 estimates. Our 11x target multiple is at a discount to Industrial peers trading at 22x on 2024 estimates. 11x is also at a discount to high quality consumer goods peers trading at 24x on 2024E. We believe valuation at a discount to peers is warranted given 3M's lower growth outlook, choppy execution, and PFAS liability risk.

Upside risks to our PO are 1) little headline risk/market reaction to PFAS liability, 2) limited PFAS legislative action taken by the federal government, and 3) better-than-expected operational execution.

Downside risks to our PO are 1) a need for greater investment could be a margin headwind, 2) slower-than-anticipated recovery of end markets, and 3) PFAS litigation risk.

Allegion (ALLE)

We base our \$95 price objective on a 11x EV/EBITDA of our 2025 estimates. Our 11x target multiple is in line with peers trading at 11x on 2024E.

We believe the an in-line multiple is warranted given it balances ALLE's above-peer margins and our concerns for ALLE's end markets.

Upside risks are: 1) North American residential downturn less severe than expected and 2) pricing holds up into '23. Downside risks are: 1) Greater-than-expected headwinds from raw material inflation and supply chain headwinds, 2) Lost market share to North American competitor, and 3) Emerging market slowdown could impact the company's growth, reliant on increased security demand from urbanization.

Carrier Global Corp. (CARR)

We base our \$55 price objective on 11x EV/EBITDA of our 2025 estimates. Our 11x target multiple is at a discount to peers, trading at 12x on 2024 estimates. We believe that the discount is warranted given the potential for destocking across res and non-res.

Upside risks to our price objective are: 1) continued solid execution in 2023, 2) non-residential markets take longer to crack than our thesis, and 3) price increases offset impact of destocking cycle.

Downside risks to our price objective are: 1) slower-than-expected macro recovery, 2) inability to execute on announced cost savings plan, and 3) lost market share to competitors.

Core & Main (CNM)

We base our \$28 price objective on an 8x EV/EBITDA multiple of our CY25 estimate. Our target multiple is below the peer average of 15x on CY24 estimates. We argue a below-peer multiple is warranted given CNM's higher financial leverage and slower near-term EBITDA growth.

Downside risks to our price objective are: 1) the ability to raise pricing in excess of cost inflation, 2) a downturn in new construction markets (approximately 45% of revenue), 3) risks around acquisition selection and integration, and 4) above-peer financial leverage may limit the company's ability to pursue its M&A strategy. Upside risks to our price objective are: 1) accretive M&A transactions, 2) better than expected growth in new construction, and 3) sustained period of premium pricing on manufacturing supply chain constraints.

Dover Corp (DOV)

We base our \$180 price objective on a 13x EV/EBITDA multiple of our 2025 estimates. Our target multiple is a discount to multi-industrial peers trading at 16x on 2024 estimates. We argue a valuation discount is fair given Dover's improved portfolio mix, capital allocation strategy, and margin trajectory, offset by slower near-term revenue growth.

Downside risks to our PO are 1) slowing US industrial production, 2) not achieving expected returns from organic investments or acquisitions, and 3) slower-than-expected margin improvement.

Eaton Corp PLC (ETN)

We base our \$275 price objective on a 20x EV/EBITDA multiple of our 2025 estimates. Our target multiple is at a premium to the 15x peer average on 2024 estimates. We argue a premium valuation is warranted due to broad exposure to key growth end markets, expected upside from cyclical operating leverage, strong margin performance, and Eaton's less cyclical portfolio mix.

Downside risks to our PO are 1) a slower-than-expected manufacturing capex growth, 2) a more active M&A is inherently risky as it relies on the availability of accretive synergistic targets and the company's ability to integrate, and 3) the trajectory of the recovery in automotive and aerospace end markets.

Emerson Electric Co (EMR)

We base our \$120 price objective on a 15x EV/EBITDA multiple of our CY25E EBITDA. Our target multiple is a premium to multi-industrial peers trading at 14x CY24 estimates. We argue that a premium is warranted, given above-peer margins and execution.

Downside risks to our PO are 1) deterioration in energy capex outlook or oil price correction 2) emerging market slowdown, which could impact the company's growth, and 3) acquisition integration risks.

Flowserve (FLS)

We base our \$44 price objective on a 10x EV/EBITDA multiple on our 2025 estimates. A 10x multiple puts the company at a discount to the 11x peer average multiple on 2024. We think the discount is warranted given below-peer margins.

Upside risks to our PO are: 1) Faster-than-expected recovery in oil & gas capital spending, and 2) Better than anticipated global industrial production growth. Downside risks: 1) a reduction in capital spending in the key end-markets, specifically oil & gas 2) Greater consolidation in the flow control market increases competition and reduces prices across the industry, and 3) weaker than anticipated global industrial production.

Fortive Corporation (FTV)

We base our \$85 price objective on a 16x EV/EBITDA multiple of our 2025 EBITDA estimate. Our target multiple is a discount to the 20x peer average on 2024 estimates. We argue a discount is warranted given below-peer margins and EPS growth.

Upside risks to our PO are: 1) stronger industrial demand, 2) better than expected pricing, 3) potential accretive acquisitions.

Downside risks to our PO are: 1) weaker-than-expected capex cycle, 2) acquisition integration risks, 3) continued weakness in China (approx. 12% of revenue).

General Electric Company (GE)

We base our \$145 price objective on a 14x EV/EBITDA multiple of our 2025 estimates. Our target multiple is in line with the 15x peer average on 2024 estimates which reflects below-peer margins.

Downside risks to our PO are 1) the pace of the recovery in Aerospace, 2) progress on Renewable's turnaround, and 3) transactional risks relating to pending spin-off of Vernova (Renewable Energy & Power).

Honeywell International Inc. (HON)

We base our \$250 price objective on 15x 2025E EV/EBITDA. Our target multiple is a premium to peers trading at 14x EV/EBITDA on 2024E. We argue a premium multiple is warranted given top quartile execution and end market exposure to aerospace and oil & gas.

Downside risks to our price objective are: 1) Acquisitions, specifically that Honeywell overpays for deals in the pursuit of diversifying and expanding into new, faster-growing adjacent markets, 2) Unforeseen future sales deceleration due to economic pressures (e.g., slowing global flying hours, oil price volatility and muted O&G capex outlook), and 3) execution around ongoing simplification efforts.

Illinois Tool Works (ITW)

We base our \$235 price objective on 16x 2025E EV/EBITDA. This compares to the peer average at 15x and high-quality compounders at 18x. We maintain a slight premium to the industrial group given above-average EBITDA margins.

Upside risks to our PO are 1) Auto production volumes revised upward, driving better near-term margin expansion and topline, 2) Welding price/cost and volumes better than expected, and 3) T&M&E recovers from cyclical downturn faster than forecasted. More margin expansion vs. our forecast would alleviate pressure on the multiple and drive positive earnings revisions. Downside risks are: 1) Auto volumes remain depressed, limiting near-term margin expansion, 2) investor sentiment pressured more than expected on lackluster earnings growth.

ITT Inc. (ITT)

Our \$135 price objective reflects 12x our 2025 estimates, in line with peers trading at 12x 2024E. We believe an in-line valuation is warranted given better EPS growth and margin expansion in '24, offset by decelerating organic growth.

Downside risks to our PO are: 1) ITT may overpay for deals in the pursuit of diversifying and expanding its product portfolio, 2) Lower than expected capex spending in the auto, oil & gas, power gen, and other key end markets, 3) Short-cycle and chemical pumps could slow, 4) above-peer exposure to European markets, and 5) declining backlog coverage may limit visibility.

John Bean Technologies (JBT)

We base our \$85 price objective on an 9x EV/EBITDA multiple of our 2025 estimates. Our 9x target multiple is below the peer average trading at 13x on 2024 estimates. We argue a discounted valuation is warranted given JBT's below-peer EBITDA margins and below-peer cash conversion.

Upside risks to our PO are: 1) better than expected execution on restructuring/facility consolidation, 2) lower input cost inflation, and 3) faster pace of accretive M&A.

Downside risks to our PO are: 1) valuation already implies future M&A, 2) ability to source accretive acquisitions, 3) execution risk in restructuring/facility consolidation, 4) input cost inflation, 5) rising low-cost competition, and 6) failure for AeroTech sale to complete.

Johnson Controls International PLC (JCI)

We base our \$60 price objective on 10x EV/EBITDA of our 2025 estimates. Our 10x target multiple is below the peer group average trading at 14x on 2024 estimates. We think the discount valuation is warranted given risk from slowdown in the non-residential cycle.

Downside risks to our price objective are 1) potential loss of market share to peer and building automation competitors, 2) execution risks, particularly on the cost takeout plan, and 3) risks from the aqueous film forming foam litigation.

Montrose Environmental Group, Inc. (MEG)

We base our \$40 price objective on 24x EV/EBITDA of our 2025 estimates. This is at a premium to the peer group average trading at 10x on 2024E. We believe the premium is warranted capital allocation and secular growth trends from US environmental regulations/infrastructure stimulus.

Downside risks to our PO are 1) greater-than-expected y/y declines in the CTEH business, 2) inability to source or integrate deals, and 3) poor execution tied to ERP rollout and initiation of European operations.

Parker Hannifin Corporation (PH)

We base our \$600 price objective on a 16x EV/EBITDA multiple applied to our CY25E estimate. Our 16x target multiple is in line with the 16x multi-industrial peer average on 2024E and 16x Aerospace Suppliers peer average on 2024E. Parker has historically traded at a discount, but we believe it should start to close the gap with high quality peers AME and ITW.

Downside risks are: 1) industrial short-cycle destocking worse than expected, 2) Meggitt integration, and 3) the ability to offset material inflation through pricing. Upside risks are: 1) Aerospace recovery has more upside given more exposure from Meggitt, and 2) Multiple expansion as the company closes the performance gap.

Pentair plc (PNR)

We base our \$76 price objective on a 13x EV/EBITDA multiple of our 2025 estimates. This is slightly below the peer group trading at 14x on 2024 estimates. We think the below-peer valuation is fair given above average EBITDA margins offset by more cyclical topline.

Upside risks are: 1) better-than-expected revenue growth in pools, 2) success on incremental productivity actions. Downside risks are: 1) Reinvestment in most profitable (Pool) segment, 2) execution risk on sourcing & consolidation activities.

Rockwell (ROK)

We base our \$280 price objective on a 15x EV/EBITDA multiple of our CY25 estimate. Our target multiple is in line with the 15x peer average on 2024E. We offset execution concerns with ROK's position in the US automation market.

Upside risks are 1) supply chain improvement, 2) potentially accretive acquisitions.

Downside risks are 1) delays in global capex, 2) execution risks, 3) supply-chain constraints, and 4) greater competition.

Trane Technologies PLC (TT)

We base our \$282 price objective on 17x 2025E EV/EBITDA. Our 17x target multiple is above the peer group average trading at 13x on 2024 estimates. We believe the premium is warranted given above-average performance.

Downside risks are 1) slower-than-expected macro recovery, 2) lower-than-expected productivity improvement and cost synergies, 3) loss of market share to competitors. Upside risks are 1) continued solid execution in 2024, 2) non-residential markets take longer to crack than our thesis, and 3) price increases offset impact of destocking cycle.

Vontier (VNT)

We base our \$40 price objective on 9.5x our 2025E EBITDA estimate. This is a discount to the peer average of 14x on 2024 estimates to reflect above-peer leverage.

Downside risks to our price objective are 1) greater-than-expected decline in US fuel dispenser revenue, 2) acquisition timing, selection, and integration risks, 3) greater adoption of electric vehicles hurting demand for retail fueling infrastructure.

Analyst Certification

I, Andrew Obin, 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.

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BofA Securities is currently acting as a financial advisor to General Electric Co in connection with its proposed plan to form three public companies focused on Aviation, Healthcare, and Energy, which was announced on November 9, 2021.

BofA Securities is currently acting as Financial Advisor to Carrier Global Corp in relation to the sale of its commercial refrigeration business to Haier Smart Home Co Ltd., which was announced on December 13, 2023.

US - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	API Group	APG	APG US	Andrew Obin
	AspenTech	AZPN	AZPN US	Andrew Obin
	Atmus Filtration	ATMU	ATMU US	Andrew Obin
	Dover Corp	DOV	DOV US	Andrew Obin
	Eaton Corp PLC	ETN	ETN US	Andrew Obin
	Emerson Electric Co	EMR	EMR US	Andrew Obin
	Flowserve	FLS	FLS US	Andrew Obin
	General Electric Company	GE	GE US	Andrew Obin
	Honeywell International Inc.	HON	HON US	Andrew Obin
	ITT Inc.	ITT	ITT US	Andrew Obin
	Montrose Environmental Group, Inc.	MEG	MEG US	Andrew Obin
	Parker Hannifin Corporation	PH	PH US	Andrew Obin
	PTC Inc.	PTC	PTC US	Andrew Obin
	Rush	RUSHA	RUSHA US	Andrew Obin
	Vertiv	VRT	VRT US	Andrew Obin
	Vontier	VNT	VNT US	Andrew Obin
NEUTRAL				
	3M Company	MMM	MMM US	Andrew Obin
	AMETEK Inc	AME	AME US	Andrew Obin
	Fortive Corporation	FTV	FTV US	Andrew Obin
	Johnson Controls International PLC	JCI	JCI US	Andrew Obin
	Pentair plc	PNR	PNR US	Andrew Obin
	Rockwell	ROK	ROK US	Andrew Obin
	Trane Technologies PLC	TT	TT US	Andrew Obin
UNDERPERFORM				
	Allegion	ALLE	ALLE US	Andrew Obin
	Carrier Global Corp.	CARR	CARR US	Andrew Obin
	Core & Main	CNM	CNM US	Andrew Obin
	Illinois Tool Works	ITW	ITW US	Andrew Obin
	John Bean Technologies	JBT	JBT US	Andrew Obin
	Keysight	KEYS	KEYS US	David Ridley-Lane, CFA

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Important Disclosures

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	14	53.85%	Buy	10	71.43%
Hold	6	23.08%	Hold	3	50.00%
Sell	6	23.08%	Sell	1	16.67%

Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

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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