

UPS

# Resets '24 to 0-1% parcel growth, sees 1H pressures; launches \$1b cost cuts; PO \$156

Reiterate Rating: NEUTRAL | PO: 156.00 USD | Price: 146.26 USD

## Sets back end weighted '24 outlook; productivity in focus

UPS set 2024 revenue and margin targets below our estimates, with a sizable back-end weighting to its earnings targets (41%/59% 1H/2H) in its base case, more than the 47%/53% average over the past decade. We lower our 2024 core EBIT 12% from prior, as UPS expects less than 1% volume growth in the U.S. small package market (excluding Amazon), and 2H market improvement in International and Supply Chain Solutions. UPS targets 2024 revenues of \$92-\$94.5 billion (we target \$93.4 bil), assuming market-rate growth at the low end and share gains at the high end, and consolidated margins between 10.0%-10.6% (we target 10.5%) as labor inflation adds outsized pressure in 1H24. To adjust to a moderated outlook, UPS targets \$1 billion of cost savings (\$0.89/sh) with the reduction of 12,000 jobs across full and part time management roles (14% of management workforce). CEO Tome noted the company will also explore strategic alternatives for Coyote, its truckload brokerage unit, to lower earnings cyclicality of this business. UPS exited 4Q23 with 60% of the volume it lost ahead of its Sept. Teamsters contract ratification, below its prior target to recoup all business by year end. It now targets a profitable share gain focus in recovering diverted volume via its Project Brown plan. In 2024, UPS sees a rational pricing backdrop; it expects to pass through 50% of its 5.9% general rate increase in 2024, down from 60% capture in 2023.

## Domestic/Supply Chain miss; LT tgts at March analyst day

UPS posted 4Q23 adj. EPS of \$2.47, down 32% year-year, below our \$2.49 target, but above the Street's \$2.44. Revenues were \$24.9 billion, down 8% year-year, \$556 million below our target. Adj. Operating income was \$2.79 billion, down 27% year-year, \$65 million below our target (\$0.06/sh miss on core). Supply Chain led the miss (\$0.07/sh below), followed by Domestic (\$0.04/sh below) on Ground and Forwarding yield and volume pressure. UPS plans to announce multi-year targets at its Mar. 26 Analyst Day.

## Maintain Neutral, PO to \$156

We maintain our Neutral on UPS' shares and lower our PO to \$156 (from \$164) on 18.5x our 2024e EPS (from 17x) on a more conservative earnings view. We lower our 2024 and 2025 EPS 13% and 8%, to \$8.40 and \$9.95, from \$9.65 and \$10.80, respectively.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	12.95	8.78	8.40	9.95	11.10
GAAP EPS	13.21	7.79	8.40	9.95	11.10
EPS Change (YoY)	6.8%	-32.2%	-4.3%	18.5%	11.6%
Consensus EPS (Bloomberg)			9.45	10.68	12.12
DPS	6.08	6.48	6.52	6.80	7.20
Valuation (Dec)					
P/E	11.3x	16.7x	17.4x	14.7x	13.2x
GAAP P/E	11.1x	18.8x	17.4x	14.7x	13.2x
Dividend Yield	4.2%	4.4%	4.5%	4.6%	4.9%
EV / EBITDA*	9.2x	12.1x	12.2x	10.7x	9.9x
Free Cash Flow Yield*	7.4%	4.0%	6.6%	7.2%	7.5%

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

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

12652911

Timestamp: 30 January 2024 03:21PM EST

30 January 2024

Equity

### Key Changes

(US\$)	Previous	Current
Price Obj.	164.00	156.00
2024E Rev (m)	94,712.0	93,390.0
2025E Rev (m)	100,525.1	99,117.2
2026E Rev (m)	NA	105,225.0
2024E EPS	9.65	8.40
2025E EPS	10.80	9.95
2026E EPS	NA	11.10
2024E DPS	6.80	6.52

**Ken Hoexter**  
Research Analyst  
BofAS  
+1 646 855 1498  
[ken.hoexter@bofa.com](mailto:ken.hoexter@bofa.com)

**Adam Roszkowski, CFA**  
Research Analyst  
BofAS  
+1 646 855 5498  
[adam.roszkowski@bofa.com](mailto:adam.roszkowski@bofa.com)

**Nathan Ho, CFA**  
Research Analyst  
BofAS  
+1 646 855 3599  
[nathan.m.ho@bofa.com](mailto:nathan.m.ho@bofa.com)

### Stock Data

Price	146.26 USD
Price Objective	156.00 USD
Date Established	30-Jan-2024
Investment Opinion	B-2-7
52-Week Range	133.68 USD - 197.80 USD
Mrkt Val (mn) / Shares Out (mn)	125,491 USD / 858.0
Free Float	100.0%
Average Daily Value (mn)	533.12 USD
BofA Ticker / Exchange	UPS / NYS
Bloomberg / Reuters	UPS US / UPS.N
ROE (2024E)	40.3%
Net Dbt to Eqty (Dec-2023A)	110.1%
ESGMeter <sup>TM</sup>	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>SM</sup> UPS

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	20.0%	14.2%	13.4%	15.2%	16.0%
Return on Equity	66.5%	40.7%	40.3%	43.2%	41.9%
Operating Margin	13.8%	10.9%	10.5%	11.6%	12.1%
Free Cash Flow	9,335	5,080	8,293	9,001	9,450

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.2x	1.4x	1.8x	1.6x	1.6x
Asset Replacement Ratio	1.5x	1.6x	1.5x	1.5x	1.6x
Tax Rate	22.0%	21.8%	23.5%	23.5%	23.5%
Net Debt-to-Equity Ratio	71.0%	110.1%	99.1%	86.2%	72.8%
Interest Cover	19.7x	12.6x	11.1x	12.5x	13.5x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	100,338	90,958	93,390	99,117	105,225
% Change	3.1%	-9.3%	2.7%	6.1%	6.2%
Gross Profit	91,805	83,355	85,540	91,140	97,180
% Change	0.9%	-9.2%	2.6%	6.5%	6.6%
EBITDA	16,965	13,011	12,877	14,656	15,927
% Change	5.4%	-23.3%	-1.0%	13.8%	8.7%
Net Interest & Other Income	670	(210)	(400)	(463)	(465)
<b>Net Income (Adjusted)</b>	<b>11,326</b>	<b>7,553</b>	<b>7,193</b>	<b>8,445</b>	<b>9,354</b>
<b>% Change</b>	<b>6.3%</b>	<b>-33.3%</b>	<b>-4.8%</b>	<b>17.4%</b>	<b>10.8%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	11,326	7,553	7,193	8,445	9,354
Depreciation & Amortization	3,112	3,138	3,074	3,154	3,234
Change in Working Capital	(414)	(514)	1,310	946	682
Deferred Taxation Charge	531	199	(80)	(80)	(80)
Other Adjustments, Net	(451)	(138)	1,340	1,340	1,340
Capital Expenditure	(4,769)	(5,158)	(4,544)	(4,804)	(5,079)
<b>Free Cash Flow</b>	<b>9,335</b>	<b>5,080</b>	<b>8,293</b>	<b>9,001</b>	<b>9,450</b>
<b>% Change</b>	<b>-13.7%</b>	<b>-45.6%</b>	<b>63.3%</b>	<b>8.5%</b>	<b>5.0%</b>
Share / Issue Repurchase	(3,238)	(2,002)	(2,000)	(3,000)	(3,000)
Cost of Dividends Paid	(5,158)	(5,420)	(5,569)	(5,759)	(6,051)
Change in Debt	(2,304)	2,272	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	5,602	3,206	4,043	4,399	4,911
Trade Receivables	12,583	11,342	11,002	10,758	11,260
Other Current Assets	4,032	4,865	5,006	5,016	5,026
Property, Plant & Equipment	34,719	36,945	40,289	43,893	47,772
Other Non-Current Assets	14,188	14,499	12,164	11,099	10,102
<b>Total Assets</b>	<b>71,124</b>	<b>70,857</b>	<b>72,505</b>	<b>75,164</b>	<b>79,071</b>
Short-Term Debt	2,341	3,348	3,353	3,358	3,363
Other Current Liabilities	15,799	14,328	14,896	15,194	15,976
Long-Term Debt	17,321	18,916	18,916	18,916	18,916
Other Non-Current Liabilities	15,860	16,951	16,951	16,951	16,951
<b>Total Liabilities</b>	<b>51,321</b>	<b>53,543</b>	<b>54,116</b>	<b>54,419</b>	<b>55,206</b>
<b>Total Equity</b>	<b>19,803</b>	<b>17,314</b>	<b>18,389</b>	<b>20,745</b>	<b>23,865</b>
<b>Total Equity &amp; Liabilities</b>	<b>71,124</b>	<b>70,857</b>	<b>72,505</b>	<b>75,164</b>	<b>79,071</b>

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

## Company Sector

Air Freight

## Company Description

UPS (UPS) provides logistics, freight (air sea ground rail) forwarding, international trade management and customs brokerage. It has roughly 481,000 employees (390,000 US), serves more than 220 countries and territories, it operates a fleet of 237 UPS aircraft, as well as a ground fleet of more than 110,000 delivery vehicles. More than 60% of volume is business-to-consumer, and it delivers more than 28 million packages per day globally.

## Investment Rationale

UPS, one of the 3 global integrators, provides access to the growth of e-commerce with a low single digit dividend yield. It historically trades in the mid- to upper teens PE (previously low 20s) given its mid-20s historical return on invested capital (ROIC) levels. It is focused on pricing, e-commerce, and Global sourcing. As UPS tends to be a concurrent economic indicator, and given its consumer exposure, we are Neutral given the near-term outlook.

## Stock Data

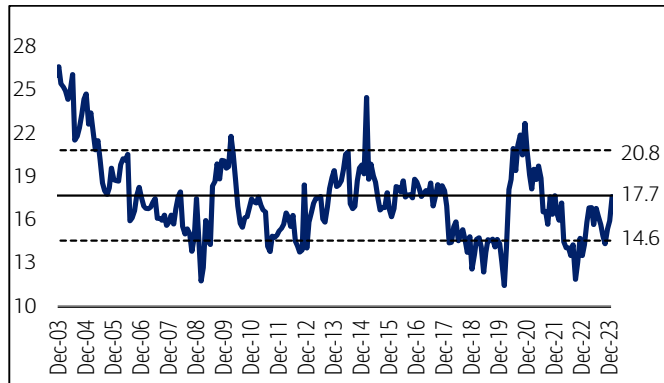
Average Daily Volume 3,645,010

## Quarterly Earnings Estimates

	2023	2024
Q1	2.20A	1.61E
Q2	2.54A	1.86E
Q3	1.57A	2.26E
Q4	2.47A	2.67E

**Exhibit 1: UPS Forward P/E**

Trading at 18x our 2024e EPS, at the midpoint of its 15x-21x range.



Source: BofA Global Research estimates and Bloomberg.

BofA GLOBAL RESEARCH

**Expects further margin deterioration in 2024**

UPS targets 2024 revenues of \$92.0-94.5 billion (we were \$94.7 billion, now \$93.4 billion) and operating margins of 10.0-10.6% (vs 10.9% in 2023; we were 11.7%, now 10.5%). It expects earnings to be back-half weighted in 2024, and as such, it plans to reduce headcount by 12,000 (with most completed in 1H, and 75% of the benefit, or \$1 billion net savings gained in 2024, and full \$1.3 bil run rate aiding 2025). It targets to sequentially improve margins through 2024 given the labor cost contract impact in 1H and easier comps in 2H. It sees 2H24 EBIT up 20-30% year-year vs 2023 (we target +30%) and for margins to be the lowest in 1Q24. It also targets 2024 CapEx of \$4.5 billion, down from \$5.2 billion in 2023 (we were \$5.6 billion, now \$4.5 billion), representing 5% of revenues.

**Domestic volumes at low-end of its 4Q view**

Domestic revenues were \$16.9 billion, down 7% year-year and \$640 million below our target as both volumes and package yields (revenue/package) missed our expectations. Domestic Average Daily Volumes were down 7% year-year, near the low end of its 4Q range of -3% and -8% (and below our -6%) as multi-sourced shippers stalled freight repatriation over the peak season. Domestic Revenue/Package was flat, below our +2% target driven by lower-than-expected Ground yields (down 1% vs our +2% target) as lower peak and fuel surcharges offset base pricing gains. Adj Domestic Operating Income was \$1.6 billion, \$43 million below our target. Adj Domestic Margins were 9.3%, a 350 bps deterioration year-year, and 10 bps better than our target, yet near the low-end of UPS' low-double digit to high single-digit 4Q view given muted volumes.

**International pressured by softness in Europe**

International Revenues were \$4.6 billion, down 7% year-year, yet \$33 million above our target, as strong pricing more than offset lower than anticipated volumes. International Average Daily Volumes were down 8% year-year, below our -4% target as softness in Europe dragged on demand. (UPS noted 94% of its decline in International Export was due to Europe). Alternatively, International Revenue/Package outpaced our targets, +3% year-year vs our -3% target. Adj. International Operating Income was \$899 million, down 18% year-year, yet \$53 million above our target, for an Adj. Operating Margin of 19.5%, 250 bps lower year-year, yet 100 bps above our target. Costs came in lower than expected as UPS closed excess capacity and lowered block hours 9.4%.

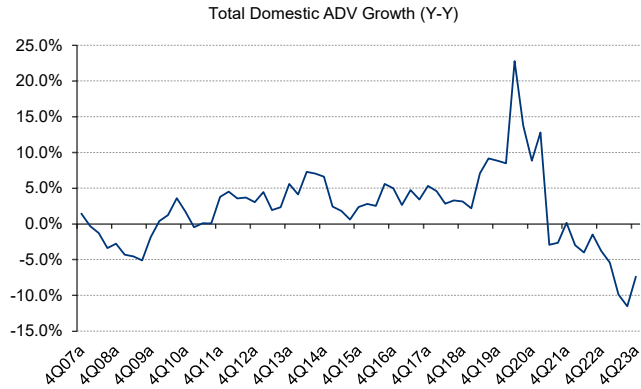
**Forwarding continues to be challenged by excess supply**

Supply Chain Solutions Revenues were \$3.4 billion, down 11% year-year and \$51 million above our target. UPS' Truck Brokerage segment Coyote Logistics accounted for 48% of the 4Q23 decline as cyclical pressures from the weak truck market weighed on growth. Supply Chain Solutions Adj. Operating Income was \$319 million, down 21% year-year and \$76 million below our target as Forwarding spreads remain challenged by

excess Ocean and Air supply. Adj. Supply Chain Solutions Operating Margin was 9.4% a 110 bps deterioration year-year and 240 bps below our target.

#### Exhibit 2: UPS Domestic Volume Growth

Total Domestic volumes were down 7.4% y-y, below our -5.7% target.

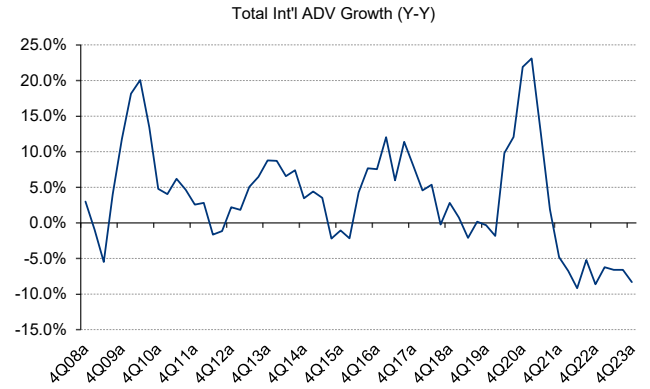


Source: BofA Global Research estimates and company reports.

BofA GLOBAL RESEARCH

#### Exhibit 3: UPS International Volume Growth

International volumes were down 8.3% y-y, below our -3.5% target.

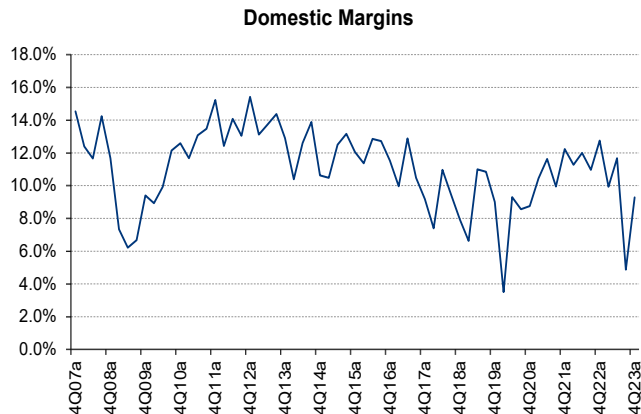


Source: BofA Global Research estimates and company reports.

BofA GLOBAL RESEARCH

#### Exhibit 4: UPS Domestic Margins

Adj. Domestic Operating Margins were 9.3%, 10 bps above our target.

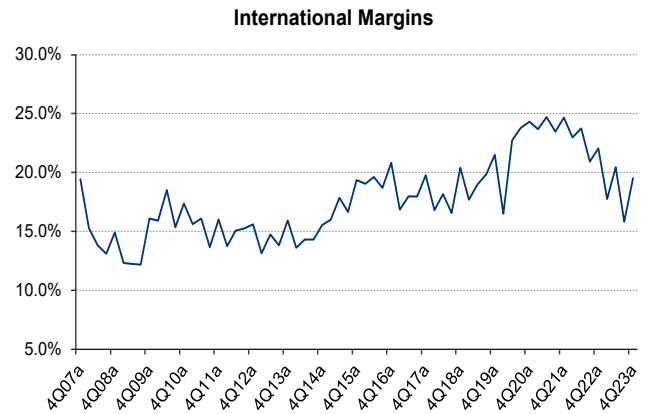


Source: BofA Global Research estimates and company reports.

BofA GLOBAL RESEARCH

#### Exhibit 5: UPS International Margins

Adj. International Operating Margins were 19.5%, 100 bps above our target.



Source: BofA Global Research estimates and company reports.

BofA GLOBAL RESEARCH

## Price objective basis & risk

### UPS (UPS)

Our \$156 price objective is based on a 18.5x multiple on our 2024 EPS estimate, near the middle of its 20-year one-standard-deviation 15x-23x historical range, as it focuses on margin improvement ("laser focus"), to counter consumer volumes coming under increasing pressure, and as volumes are expected to remain negative in the near term. UPS continues to see pricing potential as the industry sustains pricing focus and it targets a shift in focus on margins with its Better and Bolder focus (from Better, Not Bigger) after settling in post its labor contract renewal.

Risks to our estimates and PO are weaker-than-expected domestic or global economic performance, and external impacts to global trade (such as protectionism, trade wars, or tariffs), weather impacts, higher-than-expected fuel prices, increased ground delivery and price competition, disruptions with its employee-union relationships, and external disruptions to its cargo facilities or aircraft. Continued pressure on margins from growth of e-commerce vol given its lower delivery density. Upside risks to our PO are stronger-than-expected pricing growth, a faster-than-expected rebound in freight volumes, and margin improvements from accelerated cost reductions.

## Analyst Certification

I, Ken Hoexter, 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 - Transportation Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Canadian Pacific Kansas City Ltd	CP	CP US	Ken Hoexter
	CSX Corporation	CSX	CSX US	Ken Hoexter
	FedEx Corp.	FDX	FDX US	Ken Hoexter
	J.B. Hunt Transport Services	JBHT	JBHT US	Ken Hoexter
	Kirby Corp	KEX	KEX US	Ken Hoexter
	Knight-Swift Transportation Holdings Inc	KNX	KNX US	Ken Hoexter
	Norfolk Southern	NSC	NSC US	Ken Hoexter
	Old Dominion Freight Line	ODFL	ODFL US	Ken Hoexter
	RXO, Inc.	RXO	RXO US	Ken Hoexter
	Saia Inc.	SAIA	SAIA US	Ken Hoexter
	Teekay Tankers Limited	TNK	TNK US	Ken Hoexter
	Union Pacific	UNP	UNP US	Ken Hoexter
	Wabtec Corp.	WAB	WAB US	Ken Hoexter
	XPO, Inc.	XPO	XPO US	Ken Hoexter
<b>NEUTRAL</b>				
	Canadian National	CNI	CNI US	Ken Hoexter
	Schneider National	SNDR	SNDR US	Ken Hoexter
	Scorpio Tankers Inc.	STNG	STNG US	Ken Hoexter
	TFI International	TFII	TFII US	Ken Hoexter
	TFI International	YTFII	TFII CN	Ken Hoexter
	UPS	UPS	UPS US	Ken Hoexter
<b>UNDERPERFORM</b>				
	ArcBest Corporation	ARCB	ARCB US	Ken Hoexter
	C.H. Robinson	CHRW	CHRW US	Ken Hoexter
	The Greenbrier Companies	GBX	GBX US	Ken Hoexter
	Werner Enterprises	WERN	WERN US	Ken Hoexter
	World Kinect	WKC	WKC US	Ken Hoexter



## 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  
 $\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$   
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)  
 $\text{Shareholders' Equity} / \text{Current Basic Shares}$   
Current Share Price  
 $\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$   
Sales

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

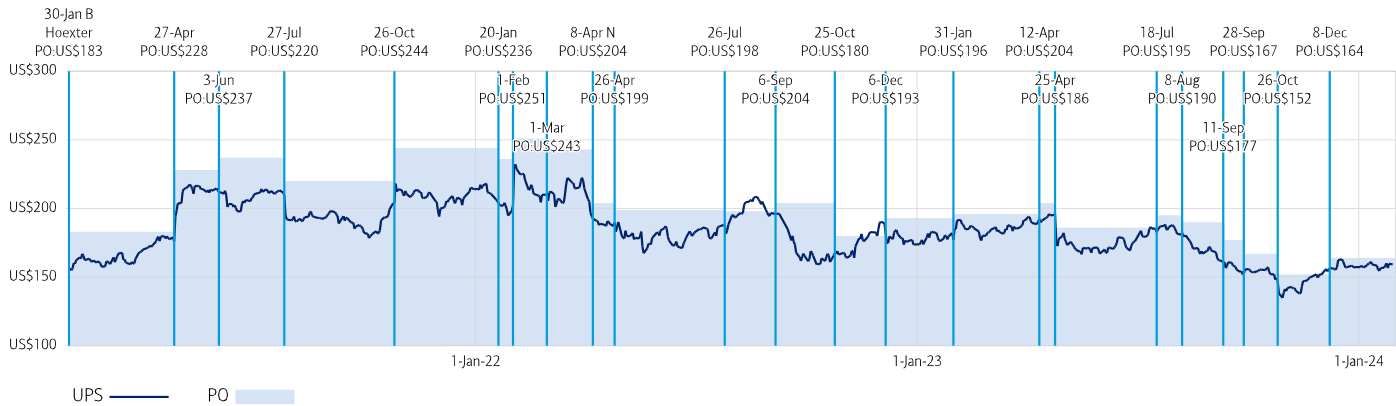
iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

iQprofile<sup>SM</sup>, iQmethod<sup>SM</sup> are service marks of Bank of America Corporation. iQdatabase<sup>®</sup> is a registered service mark of Bank of America Corporation.

# Disclosures

## Important Disclosures

### United Parcel (UPS) 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: Transport/Infrastructure Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	67	50.38%	Buy	44	65.67%
Hold	31	23.31%	Hold	13	41.94%
Sell	35	26.32%	Sell	17	48.57%

### 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.

**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%
Underperform	N/A	≥ 20%

<sup>R2</sup> 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.

**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.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: United Parcel.

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: United Parcel.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: United Parcel.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: United Parcel.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: United Parcel.

BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: United Parcel.

BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: United Parcel.

BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the





ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: United Parcel.

BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: United Parcel.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: United Parcel.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

## Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

**"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.**

### Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at [www.bofamli.com/BofASEdisclaimer](http://www.bofamli.com/BofASEdisclaimer); BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

### General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects



may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofA or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

#### **BofA ESGMeter Methodology:**

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BofA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

#### **Copyright and General Information:**

Copyright 2024 Bank of America Corporation. All rights reserved. iQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website.

Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.