

Woodside Energy Group

Lowering 2024 Brent crude from \$90/bbl to \$80/bbl, WDS-STO merger in focus

Reiterate Rating: BUY | PO: 34.00 AUD | Price: 30.88 AUD

Lowering 2024 Brent forecast from \$90/bbl to \$80/bbl

Our BofA Commodity research team has lowered its 2024 Brent oil price forecast from \$90/bbl to \$80/bbl on rising non-OPEC supply and non-cohesion amongst OPEC+. Upside risks to crude prices remain on geopolitical tensions from Russia, the Middle East, Venezuela, and other regions. Further, should OPEC+ loadings start to decline on the back of the Nov23 commitments, Brent will likely gain support and rally above US\$80/bbl, further boosted by geopolitics. However, if oil loadings increase on a fracturing OPEC+, prices could be on a downward path below \$70/bbl. For more detail, please refer to [Global Energy Weekly: Can \(geo\)politics Trump fundamentals?](#)

Woodside: Reiterate Buy, PO trimmed 4% to \$34.00/sh

We reiterate our Buy on Woodside yet trim our PO to \$34.00/sh (previously \$35.50/sh) reflecting our lower Brent crude oil price forecast for 2024 and higher decommissioning spend of \$1.3bn to FY25E. Revenue and EBITDA are reduced by 11% and 15% in 2024E respectively to reflect 11% lower oil price forecasts. We expect 35% of WDS' sales volumes to come from crude oil and condensate whilst 75% of LNG sales are oil price linked in 2024E. We are attracted to WDS' low cost and diversified asset portfolio and strong balance sheet. Potentially acquiring Santos for value (i.e. <\$8.00/sh) could be a positive catalyst. WDS will release its 4Q23 update on 24th Jan.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
Net Profit b/f Abnormals	1,620	5,080	3,403	2,815	2,927
EPS	1.67	3.33	1.78	1.47	1.53
EPS Change (YoY)	254.8%	99.9%	-46.6%	-17.3%	4.0%
Dividend / Share	1.35	3.17	1.42	1.18	1.22
Free Cash Flow / Share	1.43	3.72	0.366	0.901	2.17
Valuation (Dec)					
P/E	13.47x	6.28x	11.83x	14.01x	13.48x
Dividend Yield	5.99%	15.14%	6.76%	5.71%	5.93%
EV / EBITDA*	6.82x	3.57x	5.30x	5.10x	4.58x
Free Cash Flow Yield*	3.54%	14.48%	1.78%	4.39%	10.59%

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

11 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	A\$35.50	A\$34.00
2023E EPS	1.72	1.78
2024E EPS	1.85	1.47
2025E EPS	1.42	1.53
2023E EBITDA (m)	9,889.8	9,687.7
2024E EBITDA (m)	11,509.1	9,746.7
2025E EBITDA (m)	10,814.6	10,491.0

James Redfern >>
Research Analyst
Merrill Lynch (Australia)
+61 2 9226 5746
james.redfern@bofa.com

Cameron Taylor >>
Research Analyst
Merrill Lynch (Australia)
+61 2 9226 5043
cameronjohn.taylor@bofa.com

Matt Chalmers, CFA >>
Research Analyst
Merrill Lynch (Australia)
+61 2 9226 5634
matt.chalmers2@bofa.com

Chen Jiang >>
Research Analyst
Merrill Lynch (Australia)
+61 2 9226 5771
chen_jiang@bofa.com

Meredith Schwarz >>
Research Analyst
Merrill Lynch (Australia)
+61 3 9659 2067
meredith.schwarz@bofa.com

Jonathan Mannes >>
Research Analyst
Merrill Lynch (Australia)
+61 2 9226 5785
jonathan.mannes@bofa.com

Stock Data

Price	30.88 AUD
Price Objective	34.00 AUD
Date Established	10-Jan-2024
Investment Opinion	B-1-7
52-Week Range	28.76 AUD-39.03 AUD
Mrkt Val / Shares Out (mn)	39,191 USD / 1,898.7
Market Value (mn)	58,633 AUD
Average Daily Value (mn)	135.94 USD
Free Float	100.0%
BofA Ticker / Exchange	WOPEF / ASX
Bloomberg / Reuters	WDS AU / WDS.AX
ROE (2023E)	9.4%
Net Dbt to Eqty (Dec-2022A)	W -2.9%

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Refer to "Other Important Disclosures" for information on certain BofA Securities entities that take responsibility for the information herein in particular jurisdictions.

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Refer to important disclosures on page 8 to 10. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

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Timestamp: 10 January 2024 09:37AM EST

iQprofileSM Woodside Energy Group

Key Income Statement Data (Dec)

(US\$ Millions)

	2021A	2022A	2023E	2024E	2025E
Sales	6,778	16,615	14,191	13,984	14,741
Associates & Other Revenue	184	202	189	186	186
Operating Expenses	(2,840)	(5,583)	(4,692)	(4,423)	(4,437)
EBITDA	4,122	11,234	9,688	9,747	10,491
Depreciation & Amortization	(1,687)	(2,948)	(4,191)	(4,748)	(5,410)
EBIT	2,435	8,286	5,496	4,999	5,081
Net Interest & Other income	(203)	(12)	16	(56)	11
Pretax Income	2,232	8,274	5,512	4,943	5,092
Tax (expense) / Benefit	(1,254)	(2,599)	(2,097)	(1,983)	(2,028)
Outside Equity interest in Npat	642	(595)	(12)	(144)	(137)
Preference dividends	NA	NA	NA	NA	NA
Net Profit b/f Abnormals	1,620	5,080	3,403	2,815	2,927
Non-Recurring Items	363	1,268	(156)	0	0
Net Income (Reported)	1,983	6,348	3,247	2,815	2,927

Key Cash Flow Statement Data

EBITDA	4,122	11,234	9,688	9,747	10,491
Change in Working Capital	(212)	(900)	(358)	(814)	(459)
Other C'flow Items before int & tax	6	19	6	0	0
Net Interest Paid	11	108	291	301	460
Tax Paid	(271)	(1,218)	(3,018)	(1,483)	(1,528)
Other C'flow from Operations	136	(432)	(136)	(857)	(950)
Cash Flow from Operations	3,792	8,811	6,472	6,894	8,015
Capital Expenditure (PP&E)	(2,406)	(3,136)	(5,774)	(5,172)	(3,864)
(Acquisition) / Disposal of Investments	(544)	(343)	0	0	0
Other C'flow from Investing	9	1,214	(172)	530	(350)
Cash Flow from Investing	(2,941)	(2,265)	(5,946)	(4,642)	(4,214)
Shares Issue / (Repurchase)	0	(144)	0	0	0
Dividend paid	(289)	(2,558)	(3,944)	(2,252)	(2,342)
Other C'flow from Financing	(1,135)	(662)	517	2,328	2,000
Cash Flow from Financing	(1,424)	(3,364)	(3,427)	76	(342)
Free Cash Flow	1,386	5,675	699	1,722	4,151
Net Debt	2,405	(1,063)	2,613	2,614	1,154

Key Balance Sheet Data

Cash Equivalents	3,025	6,201	3,276	5,603	9,063
Receivables & Inventories	1,275	3,112	2,667	2,759	2,843
Property, Plant & Equipment	215	265	258	258	258
Intangibles	0	0	0	0	0
Other assets	21,959	49,743	51,331	51,225	50,029
Total Assets	26,474	59,321	57,532	59,846	62,193
Payables	639	2,130	2,000	2,179	2,203
Provisions	3,510	10,271	8,307	7,407	7,007
Short term debt & Long term debt	5,430	5,138	5,889	8,217	10,217
Other Liabilities	2,666	4,655	4,276	4,276	4,276
Total Liabilities	12,245	22,194	20,472	22,079	23,703
Total Equity	14,229	37,127	37,059	37,767	38,489

iQmethodSM - Bus Performance*

Return on Capital Employed	5.2%	15.0%	6.8%	5.9%	5.9%
Return on Equity	12.7%	20.4%	9.4%	7.7%	7.9%
Operating Margin	35.9%	49.9%	38.7%	35.7%	34.5%
EBITDA Margin	59.2%	66.8%	67.4%	68.8%	70.3%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	2.3x	1.7x	1.9x	2.4x	2.7x
Dividend Payout Ratio	80.7%	95.2%	80.0%	80.0%	80.0%
Tax Rate (Reported)	56.2%	31.4%	38.0%	40.1%	39.8%
Net Debt-to-Equity Ratio	16.9%	-2.9%	7.1%	6.9%	3.0%
Interest Cover	10.6x	49.6x	19.4x	14.0x	11.3x

Key Metrics

Franking	100%	100%	100%	100%	100%
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* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Oil & Gas Producers

Company Description

Woodside is Australia's largest oil & gas company with annual production of c.200 mmboe and is also a top 10 global E&P and supplier of LNG. Woodside's asset portfolio mainly comprises large, low cost, long life LNG assets in Australia and high margin oil production in the US Gulf of Mexico.

Investment Rationale

We rate Woodside as a Buy with the shares below our risked NAV and offering an attractive dividend yield. Woodside benefits from a diversified portfolio of assets comprising LNG focused operations in Australia and deepwater oil assets in the US Gulf of Mexico, low operating costs, a strong balance sheet and attractive growth projects including Scarborough/Pluto Train 2 and Trion.

Stock Data

Price to Book Value

1.1x

Brent lowered from \$90 to \$80 for 2024

Our BofA Commodity Research team has cut its 2024 Brent crude oil price forecast by 11% from an average \$90/bbl to \$80/bbl on rising non-OPEC supply and non-cohesion amongst OPEC+. Our team expects Brent to average \$96/bbl in 4Q23. However, our future years remain unchanged at \$80/bbl for 2025 and \$70/bbl from 2026 (long term).

Upside risks to crude prices remain on geopolitical tensions from Russia, the Middle East, Venezuela, and other regions. Further, should OPEC+ loadings start to decline on the back of the Nov23 commitments, Brent will likely gain support and rally above US\$80/bbl, further boosted by geopolitics. But if loadings increase on a fracturing OPEC+, prices could be on a downward path below US\$70/bbl.

Exhibit 1: Revised Brent oil price forecasts (US\$/bbl)
We lower our 2024E Brent crude oil price forecast by 11% from \$90/bbl to \$80/bbl.

	1Q23	2Q23	3Q23	4Q23	1Q24F	2Q24F	3Q24F	4Q24F
Current	82	78	86	86	78	80	82	80
Previous	82	78	86	96	94	92	88	86
% change	0%	0%	0%	-10%	-17%	-13%	-7%	-7%

Source: BofA Global Research estimates

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Woodside (Buy, \$34.00/share PO)

We reiterate our Buy on Woodside yet trim our PO to \$34.00/sh (previously \$35.50/sh) reflecting our lower Brent crude oil price forecast for 2024 and an increase in decommissioning spend. We expect \$1.3bn of spend to FY25E for decommissioning activities at assets including Stybarrow, Enfield and NWS.

Revenue and EBITDA are reduced by 11% and 15% in 2024E respectively to reflect 11% lower oil price forecasts. We expect 35% of WDS' sales volumes to come from crude oil and condensate whilst 75% of LNG sales are oil price linked in 2024E.

Exhibit 4: Estimate changes

Revenue and EBITDA are reduced by 11% and 15% in 2024E respectively to reflect 11% lower oil price forecasts.

		2023E			2024E			2025E		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	\$m	14,396	14,191	-1%	15,794	13,984	-11%	15,070	14,741	-2%
Underlying EBITDA	\$m	9,890	9,688	-2%	11,509	9,747	-15%	10,815	10,491	-3%
Underlying EBIT	\$m	5,698	5,496	-4%	6,761	4,999	-26%	5,405	5,081	-6%
NPAT (underlying)	\$m	3,294	3,403	3%	3,539	2,815	-20%	2,716	2,927	8%
EPS (underlying)	¢	172	178	3%	185	147	-20%	142	153	8%
DPS	¢	138	142	3%	148	118	-20%	114	122	8%

Source: BofA Global Research estimates

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Investment thesis

We reiterate our Buy on WDS with the shares trading on 0.9x P/NAV and offering 17% potential return including a 5.7% dividend yield in 2024. We are attracted to WDS' low cost and high-quality assets comprised of LNG operations in Australia and deepwater oil assets in the US Gulf of Mexico. WDS maintains a strong balance sheet and is well placed to fund its significant growth capex. We also expect WDS to sustain its sector leading 80% NPAT payout going forward.

Production overview for 2024

We forecast 2024E production of 199MMboe (vs. consensus 196MMboe). We expect Sangomar to commence production mid-year following the successful sail away of the Léopold Sédar Senghor FPSO in December 2023. We also expect a step change in 2024 from Ngujima-Yin following the dry-dock in 2023 and the Mad Dog and Shenzi following the ramp up of phase 2 Argos and Shenzi North subsea tie-back.

Key issues / catalysts

- Potential risk of delays in obtaining approval for the four remaining Environmental Plans for the Scarborough gas project. With the Floating Production Unit at 50% complete, we note the importance of securing timely approvals for the four EPs to avoid a delay to targeted first gas from Scarborough in 2026.
- Potential further sell-down of the Scarborough LNG project. WDS have a 90% share in the 8Mtpa LNG project following selling a 10% stake to LNG Japan for \$880m.
- Woodside and Santos announced they were in talks on a possible merger. We believe there could be potential merger synergies of \$250m pa. Potentially acquiring Santos for value (i.e. <\$8.00/sh) could be a positive catalyst.
- Successful ramp up of the Sangomar project in Senegal by mid-2024. We forecast 6.9MMboe of production from Sangomar for 2H 2024E.

Exhibit 5: Valuation summary

Our sum of the parts DCF assumes a 9.5% WACC and US\$70/bbl Brent crude oil long term

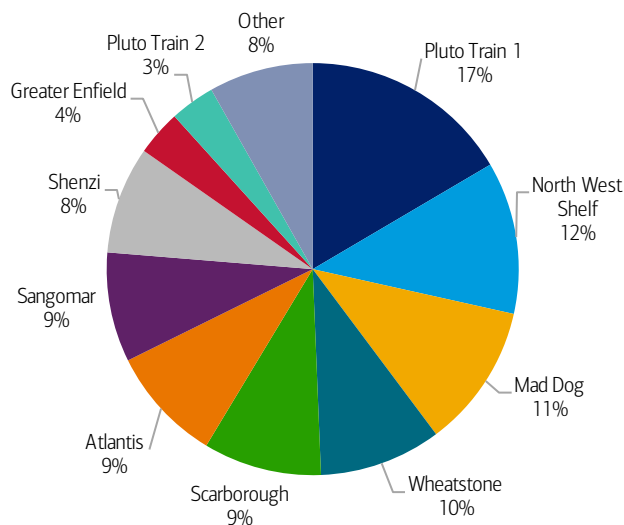
	WDS Interest %	Unrisked NAV A\$m	Risk Factor %	Risked NAV A\$m	Unrisked NAV A\$/sh	Risked NAV A\$/sh
Producing Assets						
Pluto Train 1	90.0%	11,113	100%	11,113	5.82	5.82
North West Shelf	33.4%	8,085	100%	8,085	4.23	4.23
Wheatstone	13.0%	6,658	100%	6,658	3.48	3.48
Mad Dog	23.9%	7,774	100%	7,774	4.07	4.07
Bass Strait	50.0%	2,067	100%	2,067	1.08	1.08
Atlantis	44.0%	6,181	100%	6,181	3.23	3.23
Shenzi	72.0%	5,775	100%	5,775	3.02	3.02
Greater Enfield	60.0%	2,443	100%	2,443	1.28	1.28
Macedon/Pyrenees	71.4%	927	100%	927	0.49	0.49
Trinidad/Tobago	45%/68.5%	971	100%	971	0.51	0.51
Producing NAV		51,995		51,995	27.21	27.21
Development projects (post-FID)						
Sangomar (Senegal)	82.0%	6,241	95%	5,929	3.27	3.10
Scarborough	90.0%	7,697	85%	6,543	4.03	3.42
Pluto Train 2	51.0%	2,920	85%	2,482	1.53	1.30
Trion	60.0%	1,567	75%	1,175	0.82	0.62
Development NAV		18,425		16,128	9.64	8.44
Total Asset valuation		70,420		68,124	36.9	35.65
Less corporate costs				(6,946)	(3.64)	(3.64)
Merger synergies				2,465	1.29	1.29
Total enterprise value		70,420		63,643	34.5	33.31
Franking Credits				5,771	3.04	3.04
Gross debt				9,346	4.89	4.89
Cash				5,040	2.64	2.64
Net Debt (30 June 2023)				4,306	2.25	2.25
Equity Value (A\$m)				65,107	35.30	34.10

Source: BofA Global Research estimates

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Exhibit 4: NAV breakdown by key asset (2023)

Pluto and the NWS projects are WDS' largest assets by value

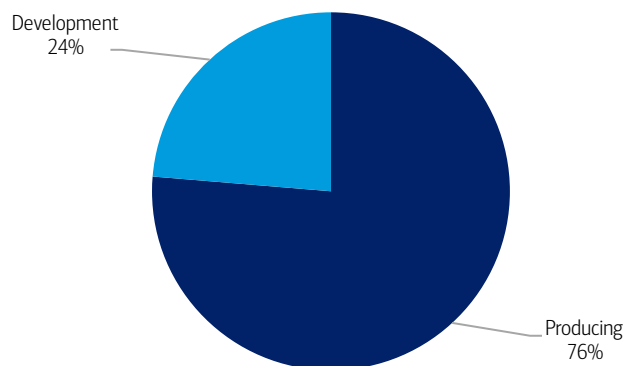


Source: BofA Global Research estimates

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Exhibit 5: NAV breakdown by producing vs development (2023)

76% of WDS' valuation relates to producing assets



Source: BofA Global Research estimates

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Price objective basis & risk

Woodside Energy Group (WOPEF)

Our \$34.0/sh price objective is based on our riskd NAV, which is a sum of the parts DCF valuation. Our DCF methodology assumes \$70/bbl Brent crude long term, AUD/USD of 0.72 and a 9.5% WACC (RfR 5%, ERP 5% and Beta of 1.0). As DCF is based on life of field cash flows including abandonment costs and there is no terminal value.

Upside risks to our PO: higher than forecast oil and LNG prices, lower than forecast capex and opex and progress in sanctioning its growth projects.

Downside risks to our PO: lower than forecast oil and LNG prices, lower than expected production due to unplanned outages, higher operating costs and cost overruns or delays at its growth projects.

Analyst Certification

I, James Redfern, 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.

APR - Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ampol Ltd	CTXAF	ALD AU	David Errington
	COSL	CHOLF	2883 HK	Yiming Wang
	Formosa Plastics	FSAPF	1301 TT	Joon-Ho Lee
	GS Holdings	GSHDF	078930 KS	Joon-Ho Lee
	Hanwha Solutions Corp.	HNWFF	009830 KS	Joon-Ho Lee
	Indorama Ventures Public Company Limited	INDMF	IVL TB	Komsun Suksumrun
	Karoon Energy	KRNGF	KAR AU	James Redfern
	Kunlun Energy - H	KUNUF	135 HK	Yiming Wang
	LG Chem	LGCLF	051910 KS	Joon-Ho Lee
	LG Energy Solution	XQIEF	373220 KS	Joon-Ho Lee
	Oil and Natural Gas Corporation Limited	XOFOF	ONGC IN	Bharat Subramanian
	Oil India Limited	XLCRF	OINL IN	Bharat Subramanian
	People & Technology	XDFYF	137400 KS	Joon-Ho Lee
	PetroChina	PCCYF	857 HK	Matty Zhao
	Petrochina Co Ltd-A	XPCLF	601857 CH	Matty Zhao
	POSCO Future M	XTAMF	003670 KS	Joon-Ho Lee
	PTT Exploration	PTXLF	PTTEP TB	Komsun Suksumrun
	PTT Global Chemical PLC	XPGOF	PTTGC TB	Komsun Suksumrun
	PTT pcl	PTTPF	PTT TB	Komsun Suksumrun
	Reliance Inds	XRFLF	RELIANCE IN	Sachin Salgaonkar
	Santos Ltd	STOSF	STO AU	James Redfern
	Sinopec	SNPMF	386 HK	Matty Zhao
	Sinopec -A	SNPAF	600028 CH	Matty Zhao
	Sinopec Engineering	SENGF	2386 HK	Yiming Wang
	SK IE Technology	XKWRF	361610 KS	Joon-Ho Lee
	SK Innovation	SKOVF	096770 KS	Joon-Ho Lee
	SKC	XSXOF	011790 KS	Joon-Ho Lee
	S-Oil	SOOCF	010950 KS	Joon-Ho Lee
	Star Petroleum Refining	XSJSF	SPRC TB	Komsun Suksumrun
	Thai Oil - L	TOIJF	TOP TB	Komsun Suksumrun
	Viva Energy	XVWWF	VEA AU	David Errington

APR - Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Wanhua Chemical	YWNHF	600309 CH	Yiming Wang
	Woodside Energy Group	WOPEF	WDS AU	James Redfern
NEUTRAL				
	Beach Energy Limited	BEPTF	BPT AU	James Redfern
	Envicool	XPTIF	002837 CH	Cheng Gao
	Formosa Chemicals & Fibre	XFUMF	1326 TT	Joon-Ho Lee
	Indian Oil Corporation Limited	IOCOF	IOCL IN	Bharat Subramanian
	Kumho Petrochemical	KKMHF	011780 KS	Joon-Ho Lee
	L&F	XLNTF	066970 KS	Joon-Ho Lee
	Nan Ya Plastics	NNYPF	1303 TT	Joon-Ho Lee
	PTT Oil and Retail Business	XNINF	ORT TB	Komsun Suksumrun
	Solus Advanced Materials	XSOAF	336370 KS	Joon-Ho Lee
UNDERPERFORM				
	Bharat Petroleum Corporation Limited	XBPCF	BPCL IN	Bharat Subramanian
	COSL	XCNRF	601808 CH	Yiming Wang
	Ecopro BM	XKURF	247540 KS	Joon-Ho Lee
	Formosa Petrochemical	FPTCF	6505 TT	Joon-Ho Lee
	Hindustan Petroleum Corporation Limited	XHTPF	HPCL IN	Bharat Subramanian
	IRPC	IRPSF	IRPC TB	Komsun Suksumrun
	Lotte Chemical Corporation	XLCCF	011170 KS	Joon-Ho Lee
	Petronas Chemicals	PECGF	PCHEM MK	Joon-Ho Lee
	Pylon Tech	XPTDF	688063 CH	Cheng Gao
	Sinopec Shanghai Petrochemical Co	SPTJF	338 HK	Yiming Wang
	Sinopec Shanghai Petrochemical Co	SINFF	600688 CH	Yiming Wang

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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

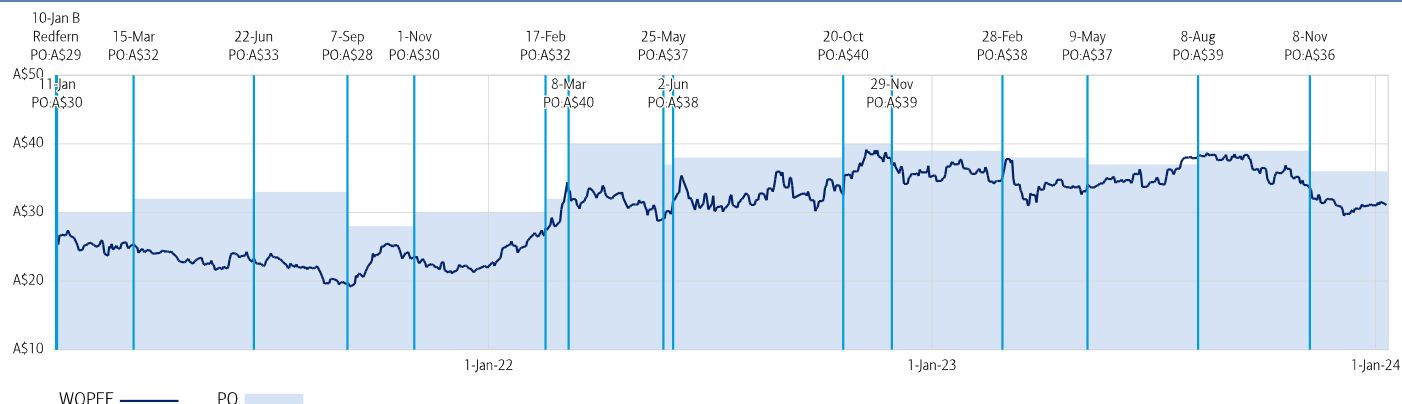
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Disclosures

Important Disclosures

Woodside Energy (WOPEF) Price Chart



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: Energy Group (as of 31 Dec 2023)

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

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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