

WEX Inc.

# Strong 4Q beat and 2024 guidance meets expectations

Reiterate Rating: BUY | PO: 267.00 USD | Price: 207.03 USD

## Higher take rates drive EPS beat

WEX reported a strong 4Q print highlighted by revenue and adj. EPS above consensus expectations and exceeding the high end of guidance. The strength was primarily due to higher take rates in both Mobility and Corporate Payments, offsetting softer revenues in Benefits. EPS also benefited from higher share buybacks. Initial 2024 guidance is in-line with consensus expectations and assumes a much lower average fuel price than in street models. As such, we view the guide positively. The guidance also considers modest GDP growth of 1.5% and interest rate cuts in-line with market projections. Overall, we view the print as positive and believe that business fundamentals remain solid. Reiterate Buy.

## '24 guide in-line with cons even with lower fuel prices

We view guidance as particularly strong given WEX expects lower fuel prices than the street and still plans to deliver revenue and EPS within expectations. For 2024, WEX expects revenue of \$2,700-\$2,740M and EPS of \$15.90-\$16.40 which frames consensus expectations at \$2,731M/\$16.20. Importantly, WEX assumes average domestic fuel prices of \$3.55 for the full year, materially below consensus at \$3.71. The company noted that the fuel price assumption represents a revs/EPS headwind of \$54M/\$0.81 compared to 2023. Additionally, a \$0.10 move in fuel prices now accounts for \$0.30 in full year EPS, up from \$0.20 prior. Notably, despite our concerns that credit could be weak, given the sharp increase in delinquencies at WEX Bank, '24 credit loss guidance of 13-18bps is below 2023 at 18bps. For 1Q, WEX is guiding to revs/EPS of \$650-\$660M/\$3.40-\$3.50 vs consensus at \$658/\$3.81.

## Solid quarter – adjusting estimates and PO

4Q revs/adj. EPS of \$663M/\$3.82 was above BofAe/cons at \$648M/\$3.66 and \$655M/\$3.73, respectively. Mobility and Corporate revenues drove most of the beat driven by higher processing and interchange rates. We note that Mobility beat even though fuel prices were \$0.11 below consensus forecasts. Benefits revenue missed in-part due to a lower number of average SaaS accounts. We adjust our 2024/2025 EPS estimates to \$16.24/\$18.40 from \$15.70/\$17.96 prior as we account for 4Q23 results and guidance. We tweak our price Objective from \$260 to \$267 based on an unchanged 14.5x multiple to '25e EPS.

See page three for detail on guidance, credit, and the variance table

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	13.55	14.81	16.24	18.40	20.86
GAAP EPS	13.68	14.91	16.24	18.40	20.86
EPS Change (YoY)	48.2%	9.3%	9.7%	13.3%	13.4%
Consensus EPS (Bloomberg)			16.23	18.54	20.77
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	15.3x	14.0x	12.7x	11.3x	9.9x
GAAP P/E	15.1x	13.9x	12.7x	11.3x	9.9x
EV / EBITDA*	10.3x	9.5x	8.7x	8.0x	7.3x
Free Cash Flow Yield*	6.4%	8.6%	5.3%	6.1%	8.2%

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

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Timestamp: 08 February 2024 04:22PM EST

08 February 2024

Equity

### Key Changes

(US\$)	Previous	Current
Price Obj.	260.00	267.00
2024E Rev (m)	2,729.3	2,715.4
2025E Rev (m)	2,951.1	2,911.8
2026E Rev (m)	3,163.6	3,105.3
2024E EPS	15.70	16.24
2025E EPS	17.96	18.40
2026E EPS	20.03	20.86

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### Stock Data

Price	207.03 USD
Price Objective	267.00 USD
Date Established	8-Feb-2024
Investment Opinion	B-1-9
52-Week Range	161.95 USD - 210.95 USD
Mrkt Val (mn) / Shares Out (mn)	8,848 USD / 42.7
Free Float	99.3%
Average Daily Value (mn)	63.87 USD
BofA Ticker / Exchange	WEX / NYS
Bloomberg / Reuters	WEX US / WEX.N
ROE (2024E)	23.4%
Net Dbt to Eqty (Dec-2023A)	158.9%
ESGMeter <sup>TM</sup>	Medium

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".

SaaS: Software as a Service

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# iQprofile<sup>SM</sup> WEX Inc.

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	12.1%	12.9%	11.2%	9.4%	8.3%
Return on Equity	34.7%	37.0%	23.4%	14.6%	11.1%
Operating Margin	39.8%	39.9%	41.2%	42.2%	43.6%
Free Cash Flow	567	764	472	541	724

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.1x	1.4x	0.9x	0.9x	1.1x
Asset Replacement Ratio	NA	NA	NA	NA	NA
Tax Rate	25.5%	24.9%	25.0%	25.0%	25.0%
Net Debt-to-Equity Ratio	128.1%	158.9%	24.2%	-15.3%	-34.7%
Interest Cover	7.2x	5.8x	5.0x	5.6x	6.2x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,351	2,548	2,715	2,912	3,105
% Change	27.0%	8.4%	6.6%	7.2%	6.6%
Gross Profit	1,526	1,679	1,846	2,007	2,157
% Change	21.0%	10.0%	9.9%	8.7%	7.5%
EBITDA	1,029	1,108	1,216	1,326	1,451
% Change	35.2%	7.7%	9.8%	9.0%	9.5%
Net Interest & Other Income	(113)	(85)	(200)	(198)	(198)
<b>Net Income (Adjusted)</b>	<b>605</b>	<b>641</b>	<b>689</b>	<b>772</b>	<b>866</b>
<b>% Change</b>	<b>46.1%</b>	<b>6.0%</b>	<b>7.4%</b>	<b>12.1%</b>	<b>12.2%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	611	646	689	772	866
Depreciation & Amortization	264	276	300	300	300
Change in Working Capital	(196)	(456)	(351)	(431)	(417)
Deferred Taxation Charge	(60)	8	35	35	35
Other Adjustments, Net	60	434	(29)	49	136
Capital Expenditure	(113)	(144)	(172)	(184)	(196)
<b>Free Cash Flow</b>	<b>567</b>	<b>764</b>	<b>472</b>	<b>541</b>	<b>724</b>
<b>% Change</b>	<b>780.3%</b>	<b>34.9%</b>	<b>-38.3%</b>	<b>14.6%</b>	<b>33.9%</b>
Share / Issue Repurchase	(14)	(2)	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	673	2,024	1,395	1,395	1,395

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	922	976	2,843	4,779	6,898
Trade Receivables	3,276	3,429	3,851	4,183	4,470
Other Current Assets	2,620	4,531	4,537	4,745	4,967
Property, Plant & Equipment	202	243	310	389	480
Other Non-Current Assets	4,510	4,704	4,704	4,704	4,704
<b>Total Assets</b>	<b>11,529</b>	<b>13,882</b>	<b>16,245</b>	<b>18,800</b>	<b>21,518</b>
Short-Term Debt	203	1,041	1,041	1,041	1,041
Other Current Liabilities	6,091	7,478	7,621	7,794	7,951
Long-Term Debt	2,832	2,828	2,788	2,748	2,708
Other Non-Current Liabilities	753	715	728	740	751
<b>Total Liabilities</b>	<b>9,880</b>	<b>12,062</b>	<b>12,178</b>	<b>12,323</b>	<b>12,450</b>
<b>Total Equity</b>	<b>1,650</b>	<b>1,821</b>	<b>4,067</b>	<b>6,477</b>	<b>9,068</b>
<b>Total Equity &amp; Liabilities</b>	<b>11,529</b>	<b>13,882</b>	<b>16,245</b>	<b>18,800</b>	<b>21,518</b>

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

## Company Sector

Computer Services

## Company Description

WEX Inc. is payments solution provider operating in three primary business segments. WEX's largest business, Fleet Solutions, provides payment processing services to small business, large fleets, government fleets and over-the-road carriers. Travel and Corporate Solutions offers payment capabilities to streamline corporate payments and reconciliation, and Health and Employers Benefits offers payment products and SaaS platforms targeting the healthcare/insurance market.

## Investment Rationale

We rate WEX a Buy. We believe that WEX has a robust and differentiated product set and a large addressable market, which sets the company up to deliver mid- to high-teens EPS growth over the medium term.

## Stock Data

Average Daily Volume 308,490

## Quarterly Earnings Estimates

	2023	2024
Q1	3.31A	3.45E
Q2	3.63A	4.02E
Q3	4.05A	4.37E
Q4	3.82A	4.41E

## More on 2024 guidance

In the Mobility segment, WEX expects revenue growth at the high end of its long-term guide of 4-8%, which is inclusive of a 2% headwind from lower fuel prices. The segment is expected to benefit from solid sales momentum, pricing actions in 2023, and contribution from Payzer, of which is approximately 2%. In Corporate Payments, the company is guiding towards high-single digit growth primarily due to a deceleration in travel volumes from current levels (+40% in 4Q23) and net interchange rates. It did note, it expects an improvement non-travel revenue growth and reiterated its long-term targets in the broader segment of 10-15%. In Benefits, it expects growth of 10-15% driven by a positive enrollment season. QTD, WEX has already purchased \$35M shares and is confident it will deliver its \$100M run rate cost savings target in 2024.

## Credit remains solid; WEX Bank DQ was a technical issue

Credit performance outperformed expectations in 4Q and the outlook was also positive. Provision for losses were \$12M below BofAe/cons at \$17M/\$23M. The company noted that it has used AI technology to improve fraud detection which has helped improve loss rates. Additionally, it is seeing the results of its credit policy changes it had made a year ago. While this has resulted in lower late fee revenue, the improvement in detection and overall losses has been a net positive to company margins.

## Technical glitch and unfortunate timing caused WEX Bank DQs issue

Earlier this week we had flagged that delinquencies (DQs) rose sharply in WEX Bank's regulatory filings (See: [WEX Bank filing sparks some credit concern headed into 4Q print - 05 February 2024](#)). We understand that this was caused by a technical glitch. Essentially WEX has certain customers it bills / settles with daily. Due to a technical glitch there was a 1-day delay in the billing settling process. However, the delay occurred over the holiday weekend and at quarter-end. As regulatory filings are based on billings cycles (though labeled 30-89 days) the delay resulted in customers with 1-day billing being considered delinquent, and the 12/31 timing, resulted in WEX being required to report these balances as delinquent on its call report. However, the issue was quickly resolved.

### Exhibit 1: Mobility and Corporate Payments strength drove the beat

Variance table

	4Q22	3Q23	4Q23A	4Q23E	Var (\$/shr)	q/q	y/y	Consensus
Mobility Revenue	367.2	350.1	350.1	334.6	\$0.28	0.0%	-4.7%	341.7
y/y growth	19.7%	-7.4%	-4.7%	-8.9%				-7.0%
Corporate Payments Revenue	110.7	135.2	135.0	125.4	\$0.17	-0.1%	22.0%	132.5
y/y growth	35.8%	18.6%	22.0%	13.3%				19.7%
Benefits Revenue	140.7	166.1	178.2	188.4	(\$0.18)	7.3%	26.6%	181.1
y/y growth	28.9%	33.9%	26.6%	33.9%				28.7%
Total Revenue	618.6	651.4	663.3	648.4	\$0.26	1.8%	7.2%	655.1
y/y growth	24.3%	5.7%	7.2%	4.8%				5.9%
Processing costs (GAAP)	142.7	156.4	169.9	156.9	(\$0.23)	8.6%	19.1%	153.7
Service fees (GAAP)	18.0	18.5	18.6	19.4	\$0.01	0.5%	3.5%	19.1
Provision for credit losses (GAAP)	58.0	9.4	12.3	17.4	\$0.09	30.9%	-78.8%	23.4
Operating interest (GAAP)	7.2	25.3	26.6	23.7	(\$0.05)	5.1%	269.7%	23.8
Depreciation and amortization (GAAP)	26.0	25.5	28.5	25.5	(\$0.05)	11.8%	9.7%	26.5
Total cost of services (GAAP)	251.8	235.1	255.9	243.0	(\$0.23)	8.8%	1.6%	246.7
y/y growth	30.7%	-6.7%	1.6%	-3.5%				
G&A (GAAP)	95.3	116.6	116.3	119.1	\$0.05	-0.3%	22.1%	109.7
Sales and Marketing (GAAP)	76.6	82.8	86.2	88.1	\$0.03	4.1%	12.6%	83.8
Depreciation and amortization (GAAP)	39.8	42.0	46.4	42.0	(\$0.08)	10.5%	16.5%	43.2
Adjustments to Operating Income	82.8	97.3	104.0	93.2	\$0.19	6.9%	25.6%	
Operating income (Adjusted)	237.9	272.2	262.5	249.5	\$0.23	-3.6%	10.3%	257.8
y/y growth	28.7%	12.9%	10.3%	4.9%				8.3%
Adj Operating Margin	38.5%	41.8%	39.6%	38.5%		-2.2%	1.1%	39.4%



**Exhibit 1: Mobility and Corporate Payments strength drove the beat**

Variance table

	4Q22	3Q23	4Q23A	4Q23E	Var (\$/shr)	q/q	y/y	Consensus
Financing interest expense (GAAP)	(34.8)	(41.6)	(51.8)	(42.6)	(\$0.16)	24.5%	49.0%	(43.5)
Debt issuance cost amortization	4.7	74.4	5.5	4.8	(\$0.01)	-92.6%	18.1%	
Income before income taxes	206.4	234.9	215.7	211.7	\$0.07	-8.2%	4.5%	221.4
y/y growth	31.6%	11.1%	4.5%	2.6%				
Income taxes	53.6	58.1	51.9	52.9	\$0.02	-10.7%	-3.1%	61.2
Net income	152.8	176.8	163.8	158.8	\$0.12	-7.4%	7.2%	161.0
y/y growth	30.4%	12.1%	7.2%	3.9%				
Less: Net income (loss) from non-controlling interest	0.0	0.0	0.0	0.0				
Net income attributable to shareholders	152.8	176.8	163.9	158.8		-7.3%	7.3%	161.3
y/y growth	30.9%	12.1%	7.3%	3.9%				5.5%
EPS (Adjusted)	\$3.44	\$4.05	\$3.82	\$3.66	\$0.16	-5.7%	11.1%	\$3.73
y/y growth	32.1%	14.8%	11.1%	6.5%				8.5%
Shares outstanding	44.0	43.4	42.8	43.3				43.2
Tax Rate	26.0%	24.7%	24.1%	25.0%				
<b>Key Items</b>								
<u>Mobility</u>								
Average price of fuel	\$4.34	\$3.97	\$3.76	\$3.72		-5.3%	-13.4%	\$3.87
Payment processing gallons of fuel (000s)	3,610.2	3,687.2	3,578.6	3,574.1		-2.9%	-0.9%	3,590.1
Payment processing \$ of fuel (000s)	15,936.6	14,945.1	13,814.3	13,574.3		-7.6%	-13.3%	13,875.6
Net Payment Processing Rate	1.11%	1.18%	1.26%	1.18%		6.8%	13.5%	1.21%
<u>Corporate Payments</u>								
Purchase volume	17,085.1	27,860.0	22,800.8	24,210.1		-18.2%	33.5%	23,414.1
Net Interchange Rate (%)	0.58%	0.42%	0.52%	0.44%		25.1%	-9.8%	0.49%
Payment Processing Revenue	98.5	115.8	117.4	105.9		1.4%	19.1%	114.3
<u>Benefits</u>								
Purchase volume	1,374.4	1,501.3	1,510.0	1,539.3		0.6%	9.9%	1,532.7
Average number of SaaS accounts	18.549	19.900	19.900	20.960		0.0%	7.3%	20.4

Source: BofA Global Research estimates, Visible Alpha, company reports

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## Price objective basis & risk

### WEX Inc. (WEX)

We calculate our price objective of \$267 based on 14.5x our 2025 non-GAAP EPS estimate. Our PE multiple is a 20% discount to the S&P, which we view as warranted given fuel exposure and potential for business cyclicity slightly offset by WEX's strong fundamentals and favorable long-term trends.

Downside risks to our price objective are 1) weakening macro environment reduces demand for trucking/fuel, 2) increased competition, 3) large fluctuations in fuel prices/foreign exchanges rates, 4) travel volumes remain muted.

## Analyst Certification

I, Mihir Bhatia, 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 - Payments, Processors, Specialty Finance and IT services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Accenture Plc	ACN	ACN US	Jason Kupferberg
	American Express Company	AXP	AXP US	Mihir Bhatia
	Block Inc	SQ	SQ US	Jason Kupferberg
	Capital One Financial	COF	COF US	Mihir Bhatia
	Discover Financial	DFS	DFS US	Mihir Bhatia
	Enact Holdings	ACT	ACT US	Mihir Bhatia
	Essent Group	ESNT	ESNT US	Mihir Bhatia
	Fidelity National Information Services	FIS	FIS US	Jason Kupferberg
	Fiserv Inc	FI	FI US	Jason Kupferberg
	FleetCor Technologies Inc.	FLT	FLT US	Mihir Bhatia
	Flywire	FLYW	FLYW US	Jason Kupferberg
	Global Payments Inc	GPN	GPN US	Jason Kupferberg
	Jack Henry & Associates	JKHY	JKHY US	Jason Kupferberg
	Mastercard Inc	MA	MA US	Jason Kupferberg
	MGIC Investment Corp.	MTG	MTG US	Mihir Bhatia
	NMI Holdings	NMIH	NMIH US	Mihir Bhatia
	Nuvei	NVEI	NVEI US	Jason Kupferberg
	Nuvei	YNVEI	NVEI CN	Jason Kupferberg
	OneMain Holdings, Inc.	OMF	OMF US	Mihir Bhatia
	Shift4 Payments, Inc	FOUR	FOUR US	Jason Kupferberg
	Telus International	TIXT	TIXT US	Cassie Chan
	Telus International	YTIXT	TIXT CN	Cassie Chan
	Visa Inc.	V	V US	Jason Kupferberg
	WEX Inc.	WEX	WEX US	Mihir Bhatia
<b>NEUTRAL</b>				
	ADP	ADP	ADP US	Jason Kupferberg
	Affirm Holdings	AFRM	AFRM US	Jason Kupferberg
	Bread Financial Holdings Inc	BFH	BFH US	Mihir Bhatia
	DLocal	DLO	DLO US	Jason Kupferberg
	Globant SA	GLOB	GLOB US	Jason Kupferberg
	Marqeta	MQ	MQ US	Cassie Chan
	PayPal Holdings Inc	PYPL	PYPL US	Jason Kupferberg
	SoFi Technologies Inc	SOFI	SOFI US	Mihir Bhatia
	Synchrony Financial	SYF	SYF US	Mihir Bhatia
	Thoughtworks	TWKS	TWKS US	Jason Kupferberg
	Toast	TOST	TOST US	Jason Kupferberg
	TTEC Holdings	TTEC	TTEC US	Cassie Chan
<b>UNDERPERFORM</b>				
	CGI Inc.	GIB	GIB US	Jason Kupferberg
	CGI Inc.	YGIBA	GIB/A CN	Jason Kupferberg



**US - Payments, Processors, Specialty Finance and IT services Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Cognizant Technology Solutions	CTSH	CTSH US	Jason Kupferberg
	Coinbase	COIN	COIN US	Jason Kupferberg
	DXC Technology	DXC	DXC US	Jason Kupferberg
	EPAM Systems	EPAM	EPAM US	Jason Kupferberg
	Paychex	PAYX	PAYX US	Jason Kupferberg
	Radian Group Inc	RDN	RDN US	Mihir Bhatia
	Rocket Companies, Inc.	RKT	RKT US	Mihir Bhatia
	TaskUs	TASK	TASK US	Cassie Chan
	Western Union	WU	WU US	Jason Kupferberg

**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**

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

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**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**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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.

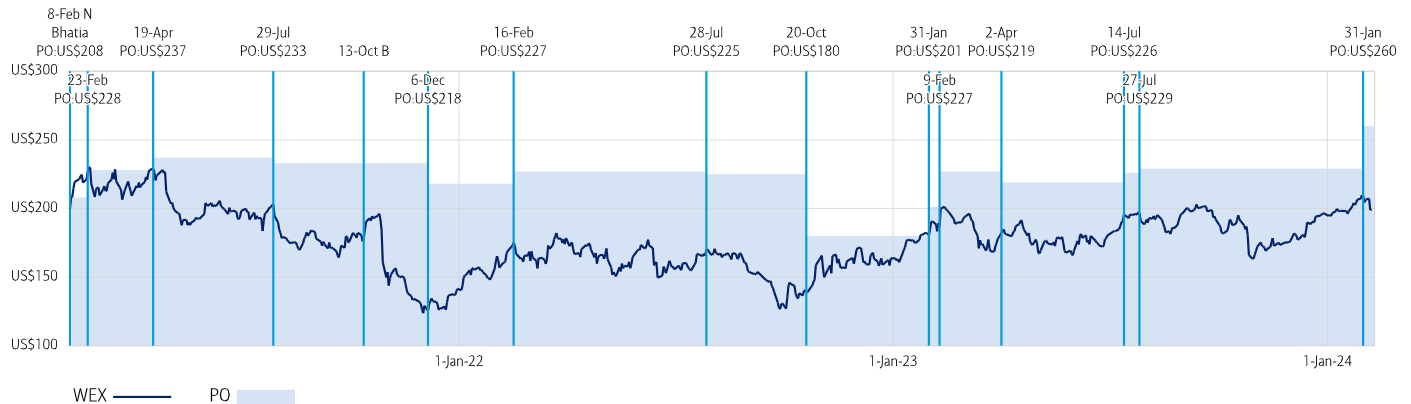
iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

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# Disclosures

## Important Disclosures

### WEX Inc. (WEX) 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: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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

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

<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.

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