BofA SECURITIES

Top 10 US Ideas Quarterly

Introducing the Top 10 US Ideas for Q1 2024

Strategy

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Equity
United States

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See Team Page for List of Analysts

8 Longs and 2 Shorts

We present our new list of 10 short-term stock recommendations among US stocks under coverage, based on our view that these stocks could have significant market and business-related catalysts in the quarter ahead. For 1Q24 our Top 10 Ideas include 8 Buys and 2 Underperforms across 10 industries. Our Buys are American Homes 4 Rent, Citigroup, Fidelity National Information Services, Humana, Intuitive Surgical, Lear Corp., Trex Company, and Union Pacific. Our Underperforms are Core & Main, and Tractor Supply.

How this list will be maintained and updated

We will publish this list at the beginning of each quarter. Ideas will generally remain on the list through the quarter unless coverage is dropped or the recommendation changes. Any security that is removed will not be replaced. If there are changes to the list during the quarter, we will publish the change in a research report. Securities are intended to stay on the list for one quarter, although some may be chosen for the next quarter's list. We will publish performance quarterly.

Exhibit 1: Top 10 US Ideas List – 1Q24
High-conviction, short-term stock recommendations for the quarter ahead

Company	Ticker	Analyst	Rating	Rec.	Price	PO	Mkt Cap (bn)
American Homes 4Rent	AMH	Spector, Jeffrey	B-1-7	BUY	$35.92	$44	$15,128.76
Citigroup	C	Poonawala, Ebrahim	B-1-7	BUY	$51.39	$60	$141,935.60
Fidelity Nat'l Info	FIS	Kupferberg, Jason	B-1-7	BUY	$60.31	$72	$30,275.91
Humana Inc	HUM	Fischbeck, Kevin	B-1-7	BUY	$451.82	$640	$64,928.66
Intuitive Surgical	ISRG	Steed,Travis	B-1-9	BUY	$337.06	$400	$96,077.94
Lear Corp.	LEA	Murphy,John	B-1-7	BUY	$141.78	$220	$8,143.48
Trex Company, Inc.	TREX	Jadrosich, Rafe	C-1-9	BUY	$83.46	$90	$8,796.38
Union Pacific	UNP	Hoexter,Ken	B-1-7	BUY	$245.01	$271	$144,735.94
Core & Main	CNM	Obin,Andrew	B-3-9	UNDERPERFORM	$39.82	$28	$7,164.79
Tractor Supply	TSCO	Haas,Jason	B-3-7	UNDERPERFORM	$212.08	$171	$24,228.39

Source: BofA Global Research, Bloomberg

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Refer to important disclosures on page 30 to 34. Analyst Certification on page 22. Price Objective Basis/Risk on page 20.
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American Homes 4 Rent (AMH)

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Buy, PO $44

1Q investment thesis

AMH owns the second largest single family REIT portfolio in the US. The single-family sector benefits from limited supply, the low availability of existing homes for sale and shifting demographics supporting single family renting. AMH stands out for its internally managed and owned development platform. AMH's 3Q earnings met our estimates and the company raised its guidance for 2023. At the end of 3Q, AMH had a 4% loss to lease (difference between market rent and in-place rent) and an over 3% earn-in (contribution to rental income for the following year from leases in existence at the end of the current year, assuming no further market rent growth), both of which set up AMH well for 2024. This gives us even more confidence that AMH is best positioned to outperform its residential peer set. Additional catalysts are a return to external acquisition growth as pricing adjusts and AMH's cost of capital improves.

Table 1: American homes 4 Rent key stock data
We highlight AMH as our 1Q24 top pick

Industry	REITs
Market Cap (mn)	$15,128.76
Price	$35.92
P/FFO (2024)	20.5x
% of sell-side rated Buy	45%
Short interest % of float	2.92%

Source: BofA Global Research estimates, Bloomberg

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Catalysts:

Favorable demographics: Demographic shifts support accelerating demand for single-family rental (SFR) over the next 5+ years. Millennials are past peak apartment renting age (32), and the demographic bulge is shifting towards SFR (average renter age of 39). We believe the suburban and spacious lifestyle that SFR offers is becoming more attractive to aging millennials.

Limited new supply and affordability of single-family homes: Economists estimate underbuilding of housing in the US between 3-7 million units since the financial crisis. We believe the majority of that is in the single-family sector. Mortgage rates and home price continue to remain elevated, which drives potential buyers to choose SFR as an alternative.

Upside from internal development: Unlike peer Invitation Homes (INVH), AMH has a in house development team that completements its internal growth and can bring new product online. AMH sees the development yield trending higher towards 6% (vs. low 5s acquisition cap rate) to start 2024. AMH has the ability to ramp up its development deliveries with a pipeline of 14,000+ lots at locked-in prices. We view this as a positive as the transaction market remains muted. Additionally, we think that the company can continue to sell legacy assets and re-invest in newer purpose-built SFR assets. Near term, that strategy should be accretive, and longer term, it should also improve margins across the platform at a lower capex yield.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
U.S. REITs: Year Ahead 2024: a year of price discovery & opportunity for best-in-class REITs	REITs Team	01 December 2023
U.S. REITs: U.S. REITs valuation comp sheet	REITs Team	26 December 2023

Upside risks: (1) Better-than-anticipated rent pricing power, (2) development yield of homes higher than expected and (3) slower expense growth (insurance, property tax, repair & maintenance and etc.).

Downside risks: (1) more competition from supply of multifamily units, (2) recession environment hurting demand, (3) inability to obtain financing for further external growth, and (4) development cost remaining elevated in an inflationary environment.

Company Description: American Homes 4 Rent (AMH) is a fully integrated and internally managed REIT which acquires, renovates, leases and operates single-family properties as rental properties. AMH owns over 59K single-family properties in selected submarkets in over 20 states.

Citigroup (C)

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Buy, PO $60

1Q investment thesis

We believe Citigroup (C) shares offer a compelling risk/reward given the potential for idiosyncratic EPS levers "self-help" that should lead to an improved ROTCE (return on tangible common equity) on the back of CEO Jane Fraser's actions to transform the franchise. In our view the gap between perceived vs. real risk should narrow as the Street gains better visibility into the core earnings trajectory, thereby driving a re-rating higher in the stock. We recently revised our 4Q23e EPS to $0.64 from $0.71 and FY24e to $6.20 from $6.49 to reflect mgmt's update.

Trading at 0.5x TBV (tangible book value) and 8.3x 2024 P/E vs. 11.4x mega-cap peer median, we believe that the valuation discount relative to peers and ROTCE potential sets-up for an attractive risk/reward.

Table 2: Citigroup key stock data
We highlight C as our 1Q24 top pick

Industry	Banks
Market Cap (mn)	$141,935.60
Price	$51.39
P/E (2024)	7.9x
% of sell-side rated Buy	38%
Short interest % of float	1.50%

Source: BofA Global Research estimates, Bloomberg

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Catalysts:

Self-help #1 Expense visibility (4Q23 earnings, Jan 12, 2024): Improved clarity on expense trajectory following efficiency actions initiated over the last few months should serve as positive catalyst for the stock and increase investor confidence that Citigroup can achieve a sub-60% efficiency ratio by 2026.

Self-help #2 Regulatory clarity should inform buyback outlook: Improving clarity on the proposed Basel end game rules (comment period ends Jan 15, 2024) and coming out of the annual stress test (Jun 2024) could firm-up expectations around share buybacks for 2H24/FY25 – with buybacks a key component of the bullish thesis on the stock given the potential for accelerated TBV growth.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Citigroup Inc.: Investor feedback: Been there, done that	Ebrahim H. Poonawala	19 December 2023
Citigroup Inc.: Execution risk should diminish: CEO meeting takeaways	Ebrahim H. Poonawala	14 December 2023
Citigroup Inc.: Jane Fraser's Citigroup	Ebrahim H. Poonawala	10 December 2023

Risks: 1) mgmt's inability to outline a clear path for achieving its strategic targets; 2) an economic downturn "hard landing" or a market shock that could drive higher credit losses or increase counterparty risk; 3) higher than expected costs tied to the regulatory consent orders, regulatory changes. Upside risks: 1) Faster pace of share buybacks; 2) better than expected operating leverage.

Company description: Citigroup (C) is a leading global diversified financial service company that provides consumers, corporations, governments a broad range of financial products and services. C offers services such as consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth management. Citi operates and does business in more than 160 countries/ jurisdictions in North America, Latin America, Asia, and Europe/Middle East and Africa (EMEA).

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Buy, PO $72

1Q investment thesis

FIS' business model should become cleaner in early 2024 with the sale of 55% of the Worldpay business, which has weighed on company growth and sentiment the past several years. We expect the "new FIS" to have significant recurring revenue, a simplified business model, and significant return of cash to shareholders in the form of both share buybacks ($3B+ in '24) and dividends (~35% payout ratio). Investor positioning is light, and shares trade at roughly 12x '24 P/E, based on estimated earnings power for RemainCo.

Table 3: FIS key stock data
We highlight FIS as our 1Q24 top pick

Industry	Financial Services
Market Cap (mn)	$30,275.91
Price	$60.31
P/E (2024)	8.9x
% of sell-side rated Buy	61%
Short interest % of float	1.7%

Source: BofA Global Research estimates, Bloomberg

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Catalysts:

Closing Worldpay transaction: In mid-2023, FIS announced a transaction to sell 55% of its Worldpay merchant acquiring/processing business to private equity. FIS will retain a 45% stake in Worldpay, which will be reported as minority interest in FIS' P&L and therefore will no longer have an impact on FIS' revenues or adj. EBITDA margins. The transaction is expected to close in 1Q24, and we believe this timetable is on track.

RemainCo guidance for 2024: We expect that shortly after the close of the Worldpay transaction, FIS will host its 4Q23 earnings call. The main focus of the call will be initial 2024 guidance for RemainCo, which will now include two reportable segments – Banking and Capital Markets. Once this guidance is out we believe more investors will be interested in the stock, with a clean set of numbers disclosed. We also believe RemainCo will gradually be comped against a different set of companies than FIS was previously. Stocks such as Jack Henry (JKHY), SS&C Technologies (SSNC), and Broadridge Financial (BR) which have an average forward P/E multiple of ~19x would, in our view, become better comps than Fiserv (FI) and Global Payments (GPN), based on the business model composition of FIS. If FIS' new management can then execute well against RemainCo guidance, we would expect some positive re-rating in shares, and we then believe FIS could host an Analyst Day in the May timeframe to discuss strategy and multi-year financial targets for RemainCo.

BofA Global Research Reports

Title	Primary Author	Date Published
Inching forward; maintain Buy	Jason Kupferberg	07 November 2023
Names new CFO and reaffirms '23 guidance	Jason Kupferberg	22 August2023
Better-than-expected 2Q print	Jason Kupferberg	02 August2023

Upside risks: Upside risks to our PO are: 1) increasing stability within the regional banking sector, 2) accelerated sales cycle among Banking clients, 3) slowdown in US bank and credit union consolidation.

Downside risks: 1) intense competition among core banking providers, 2) client base consolidation, 3) delayed sales cycle among Banking clients, 4) management execution.

Company Description: Headquartered in Jacksonville, Florida, FIS provides software, services and outsourcing of technology to a wide range of institutions in the financial services industry. FIS is a Fortune 500 company and is a member of the S&P500 Index. In 2022, FIS generated revenues of $14.53B, adjusted EBITDA margin of 42.7%, EPS of $6.65, and $2.9B in free cash flow.

Humana (HUM)

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Buy, PO $640

1Q investment thesis

We view HUM as the most dislocated name in our coverage. We see multiple ways for the company to get to $37 in EPS (see report) in 2025, despite market concerns that the ramp may be too steep. The reported M&A discussions between Cigna (CI) and HUM, have raised questions about whether HUM itself is concerned about its own growth outlook (or if CI walked away due to its own concerns), but given HUM is up 2.5x (and grown EPS at an 18% CAGR) since unsuccessfully agreeing to sell 8 years ago, it is difficult to argue that this management team only discusses a deal when its growth has peaked. We see HUM walking away from a deal as validation of the core growth story ahead of it, driven by continuing Medicare Advantage (MA) growth, a growing provider business, and enterprise margin expansion. Our $640 PO is based on 20.2x 2024E EPS.

Table 4: Humana key stock data
We highlight HUM as our 1Q24 top pick

Industry	Managed Care
Market cap (mn)	$64,928.66
Price	$451.82
P/E (2024)	14.4x
% of sell-side rated Buy	74%
Short interest % of float	1.13%

Source: Bloomberg, BofA Global Research

Table 4: Humana key stock data
We highlight HUM as our 1Q24 top pick

Industry	**Managed Care**

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Catalysts:

2024 MA enrollment data released (expected mid-January): The Centers for Medicare & Medicaid Services (CMS) will release the first official data point on MA growth in mid-January. HUM has said it expects to grow at or above the industry in 2024. While the data from CMS won't be complete (as seniors still have the ability to switch plans until 1/15), it will likely show how HUM is growing relative to peers and the industry broadly. We note that in the past, HUM has given an early look at enrollment in early January, so we could get additional information in the first half of January.

Q4 earnings results (estimated early February): To be fair, HUM has been unusually volatile since COVID began, which has led to lower confidence and multiples from investors. A large part was caused by COVID dynamics such as swings in reimbursement and utilization. Heading into 2024, HUM will have the ability to restore confidence if it can successfully grow at or above the market while showing some amount of margin improvement. HUM has already said it expects to grow 2024 EPS at the low end of its LT range (11%). With Q4 earnings, HUM will give formal 2024 guidance including Medicare Advantage enrollment expectations and more importantly, MLR (medical loss ratio) – the key debate. After UnitedHealth Group (UNH) and CVS Health (CVS) provided MLR guidance above expectations, we should expect a similar guide from HUM. In our view, the higher the MLR the better (as long as HUM grows EPS 11%), because it would make it easier for HUM to beat numbers "the right way" (on MLR rather than G&A) as the year goes on. Finally, we would expect HUM to reaffirm 2025 EPS guidance which should help improve visibility.

Preliminary 2025 MA rate notice (released by February 16): Heading into the 2024 rate notice last year, MCOs saw materially better than expected results as healthcare utilization rebounded back to normal more slowly than anticipated, which may have been a contributor to weak trend growth assumptions, which CMS built into rates. This time around, utilization is growing faster than expected, which could drive upwards trend revisions at CMS and lead to stronger rates for 2025. Additionally, for 2024, the surprise changes to the risk adjustment model was a major factor weighing on rates. Since that model is now being phased in over three years, it lowers the likelihood of additional reforms for 2025. Finally, 2025 MA benefits are released to seniors one month before the election. It would seem counter-intuitive for the Administration to cut MA rates, causing MA plans to cut benefits during an election year, making dramatic changes less likely. Overall, an increase in 2025 payments between 0-2% (our normal expectation for rates), and a clean proposal without any accompanying incremental regulation would likely serve as an all-clear signal for the group, dispelling fears that the environment has truly shifted.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Humana Inc: The unique opportunity to buy growth at 'value' multiples	Kevin Fischbeck	13 December 2023
Managed Care: Year Ahead: Happy New Year? 2024 about putting the past behind us – Own MCOs	Kevin Fischbeck	13 December 2023
Humana Inc: Focus: 7 reasons why the ramp to $37 isn't so steep	Kevin Fischbeck	02 November 2023

Upside risks: Upside risks to our PO are potential for share repurchase, better than expected MA rate, margin normalization, and the rebound in risk coding.

Downside risks: Downside risks are regular industry sensitivity points (cost trend, MA rates).

Company Description: HUM is one of the largest managed care organizations in the United States. The company has a focus on Medicare Advantage, but also participates in other government programs including TRICARE and Medicaid. The company also has an increasingly large healthcare services business to service its installed base of membership through pharmacy, home care and primary care.

Intuitive Surgical (ISRG)

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Buy, PO $400

1Q investment thesis

ISRG remains one of our top picks for 2024 with potential 2024 catalysts that could drive upside to 2025 estimates. ISRG is a pure play on the best growth market in medtech - soft tissue robotic surgery - and competition remains far behind. But ISRG is spending $800m/year in R&D to keep the bar moving higher. We think 2024 is the year when we could see more on ISRG's pipeline with a potential new system announcement. Even without a new system, ISRG has a multi-year path to grow EPS at a solid double-digit annual rate. However, a new system could be a significant catalyst to drive the stock higher as it would be the start of a new 3-5 year cycle for earnings upgrades. Our $400 PO is based on roughly 53x our 2025E EPS, a premium multiple given ISRG's TAM and long-term EPS growth but a multiple that's in line with ISRG's historical range. We think ISRG will continue to expand the TAM and ISRG's premium multiple can hold.

Table 5: Intuitive Surgical key stock data
We highlight ISRG as our 1Q24 top pick

Industry	Health Care Equipment & Services
Market cap (mn)	$96,077.94
Price	$337.06
EV/EBITDA (2024)	36.3x
% of sell-side rated Buy	59%
Short interest % of float	0.89%

Source: Bloomberg, BofA Global Research

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Catalysts

New robot could add $0.75+ to EPS: With investor expectations rising on a new ISRG system launch we looked back at the last four major launches to see how each one ramped (see note Intuitive Surgical: How a new robot could impact the model). ISRG said in Jan 2023 it did not expect a new multiport launch in 2023. However, we do not see ISRG saying the same thing about 2024 and instead reverting to historical norms of just providing updates as they come. What's next and when it comes is hard to call but our recent ISRG CEO call was insightful (Transcript Here). We estimate a potential new launch could add about $0.75 to ISRG's EPS in the first full year. The EPS upside is likely more in 2025 if we see a mid-2024 launch as it could take time to get through any initial launch period and gross margin will be an initial headwind as the launch scales, but we think the stock will trade more on 2025/2026E EPS than on 2024E EPS.

Still many positive drivers on 2024+ procedures: ISRG has been seeing better utilization growth in 2023 partly due to higher growth in benign indications (faster procedures/scheduled more closely together). This likely continues in 2024 as robotic surgery continues to move to standard of care at a faster rate. Bariatric surgery likely finds a bottom sometime in 2024 (likely at a good growth rate still). ISRG got approval for Appendectomy in May 2023 (a new 300k+ procedure category). Gallbladder disorders are a side effect of GLP-1s and ISRG has a sizable cholecystectomy (Gallbladder surgery) business. Ion is also an underappreciated long-term driver.

Appendectomy approval could be a new growth driver: In May 2023 ISRG got a new FDA approval for robotic appendectomy on X and Xi (300k+ procedure opportunity). Historically, appendectomy has not been a big area for robotics given most are already done laparoscopically, its typically a very simple/quick procedure, and is emergent (so harder to schedule robot time). However, as we've seen with hernia and chole there's been a bigger push in these easier/ laparoscopic/ benign procedure categories as younger surgeons are standardizing on the robot. Appendectomy, just like hernia, is a quintessential procedure for a first-year surgical resident to learn. We see appendectomy following the same trajectory as hernia and Chole over time.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Intuitive Surgical: 2024 procedure guide coming up next	Travis Steed	20 December 2023
Intuitive Surgical: How a new robot could impact the model	Travis Steed	19 December 2023
Intuitive Surgical: It was a selling day – procedures beat by more than headline	Travis Steed	20 October 2023
Intuitive Surgical: CEO call transcript	Travis Steed	27 September 2023

Risks: China competition from local players driving price cuts; China anti-corruption campaign driving slower capital sales and potentially impacting procedures; gross margin compression from a new system launch, need for ISRG to invest more and see difficulty with operating margin expansion, or potential slowdown in hospital capital spending if a recession ends up coming.

Company Description: Intuitive Surgical is the soft tissue surgical robotics pioneer and market leader that first received FDA clearance more than 20 years ago. ISRG sells robotic systems and accompanying instruments that can be used in a broad range of surgical procedures. ISRG has a global installed base of over 8,000 robots.

Lear (LEA)

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BUY, PO $220

Investment thesis:

Lear is viewed as one of the best operators among seating suppliers, evidenced by its track record of growth above market, as well as above average margins and healthy cash flow. Additionally, we view Lear as a well-positioned supplier, due to its leverage to industry mega-trends of electrification and connectivity through its E-Systems segment. Operational excellence combined with expectations for value return in the form of capital distributions and future volume recovery drive our Buy rating.

Table 6: Lear key stock data

We highlight LEA as our 1Q24 top pick

Industry	Autos & Components
Market Cap (mn)	$8,143.48
Price	$141.78
P/E (2024)	7.9x
% of sell-side rated Buy	53%
Short interest % of float	4.8%

Source: BofA Global Research estimates, Bloomberg

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Catalysts:

Faster recovery than expected in global auto production volumes

Global production is recovering faster than expected in the US and Europe, while China is roughly in line with expectations. Improving production volume is key to delivering operating leverage as Lear can leverage its fixed costs on a larger base. Volume leverage showed up during 2023 on the Seating side of the business, which comprises 75% of total revenue, and partially in E-systems as well. We think that there is still room for margin expansion from volume leverage.

Continued execution and progress on margin expansion

Management is negotiating with customers to recover higher costs driven by inflation, which negatively affected margins over the last 3 years (170bps). While on the Seating side the negotiation process has already delivered results, it is still under way in E-Systems. Benefits from commercial negotiations, firstly noticeable in 3Q23, are expected to continue in 4Q23 and 2024. In Seating, there is still room for margin expansion stemming from commercial negotiations, which paired with operational improvement, has the potential to positively contribute 80-90bps to margins by 2027. In addition, the Thermal Comfort business (Seating), which reached breakeven in 2023, may contribute to earnings growth starting in 2024 and could add 30bps to margins by 2027. We see additional upside to margins from volume leverage since management expects North American production to grow at a 2% while we project a ~10% expansion YoY.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Automotive Industry: Weekly automotive pit stop	John Murphy, CFA	29 December 2023
Automotive Industry: Total recall 3Q:23 – Good results, but the electric slide & UAW/labor costs rise	John Murphy, CFA	28 November 2023

Risks: 1) a slower or further decline in US/global automotive volume growth, 2) disruption from the re-emergence in the Seating market of LEA's largest competitor (ADNT), 3) increased pricing pressure from OEM customers, 4) loss of business at key customers, 5) fierce competition in the automotive supply base, 6) a new rise in raw material costs, 7) execution risk of restructuring, operations, and acquisitions.

Company Description: Lear is a supplier of automotive seating and electrical systems. The company generates approximately 75% of its revenue from its seating business, with the remainder from electrical systems. On a geographic basis, LEA derives approximately 33% of its revenue from Europe, 43% from NA, and 24% from ROW. The company has made significant strides in its restructuring efforts since emerging from bankruptcy, and is the second largest seating supplier globally.

Trex Company, Inc. (TREX)

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Buy, PO $90

1Q investment thesis

We anticipate YoY revenue growth above Trex's long-term 11-13% target in 2024 given: 1) continued outperformance of composite decking relative to other building product categories due to the conversion from wood, 2) $60-80mm of revenue that will fall in 1H24 instead of 4Q23 due to an early buy timing shift, 3) distributors are entering 2024 more confident than last year following strong sell-out performance in 2023 despite a choppy macro environment, 4) Trex has a robust product launch schedule (strongest since 2019 in our view) including color and geographic expansion for Signature, 5) adjacent categories are gaining traction (including recently launched fasteners and entry level railing), and 6) we believe Trex (and Azek) are gaining share from smaller tertiary brands. In addition, 1Q24 consensus estimates are too low and model $0.67 of EPS vs. Visible Alpha estimates of $0.55 driven primarily by revenue upside. Our $90 PO is based on a target multiple of 25X EV/2024E EBITDA. We believe a higher target multiple is justified given the lower interest rate environment and outlook for above-trend growth in 2024.

Table 7: Trex Company key stock data
We highlight TREX as our 1Q24 top pick

Industry	Building Products
Market Cap (mm)	$8,796.38
Price	$83.46
P/E (2024)	36x
% of sell-side rated Buy	48%
Short interest % of float	6.86%

Source: BofA Global Research, Bloomberg
Data as of Deember21, 2023

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Catalysts:

CEO meetings highlight early-stage growth opportunities: We hosted TREX CEO Bryan Fairbanks for investor meetings on 12/19 and came away incrementally bullish for 1Q24. We believe that TREX's moat (brand and manufacturing capability/use of recycled materials) is wider today than any time in the company's history. We believe TREX is well positioned to drive conversion to composite decking through its consistent innovation and marketing. TREX is also a leader in the $3bn+ railing market, with room to improve market share through higher attachment rates to its decks. Longer term, TREX would also consider annual pricing to offset inflation.

Expect strong incremental margins in 2024: We expect incremental EBITDA margins in the high-30% range in 2024 driven by improving utilization (roughly 150bps of gross margin expansion for every $100mm of sales). We also expect a return to modest SG&A leverage in 2024 (20-30bps) following a significant step-up in marketing expense in 2023 (which will likely stay elevated).

Lower interest rates and accelerated growth means higher valuation: TREX's average relative forward EV/EBITDA vs/ peers increased 2.0X during the period of July 2019-February 2022, when Fed Fund rates fell from 225 bps to 25 bps. This compares to a previous six 6-month average of 1.7X to 1.8X during the Fed's latest hiking cycle. In December, FOMC announced they will hold the target federal funds rate and sent dovish signals that the committee is done hiking and engaging in conversations about what is necessary to transition to cuts. (See report: US Watch: FOMC quick reaction - A holiday gift: the dovish pivot arrives). We expect TREX to benefit from a lower interest rate environment.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Trex Company, Inc.: Deck the halls with double-digit growth; Raise estimates and PO	Rafe Jadrosich	20 December 2023
Homebuilders and Building Products: November pool spending and composite decking search trend update	Rafe Jadrosich	12 December 2023
Trex Company, Inc.: No dec(k)eleration in 3Q; Raise EPS	Rafe Jadrosich	30 October 2023

Price Objective Basis: Our $90 PO is based on a 25X 2024E EV/EBITDA multiple, which is slightly above TREX's trailing 5-year average (22X), given a favorable growth outlook and a lower rate backdrop. We believe EV/EBITDA is the most appropriate metric for valuing the building product companies.

Upside risks: Upside risks to our PO are: 1) an acceleration in residential repair & remodeling and outdoor living spending 2) a faster than expected conversion from wood decks to composite decks, 3) faster than expected share gains, 4) stronger than anticipated pricing, and 5) continued consumer preference towards enhancing the overall outdoor living space.

Downside risks: downside risks to our PO are: 1) a slowdown in residential repair & remodeling spending, 2) a slower than expected conversion from wood decks to composite decks. 3) market share loss, 4) a mix shift in consumer preferences away from outdoor living, 5) a slowing US economy and 6) rising interest rates.

Company Description: TREX is the largest manufacturer of residential composite decking and railing in the US and a leading manufacturer of commercial railing and staging systems. TREX products are sold through both distribution and retail channels are stocked at over 6,700 locations. Beginning in 2023, TREX will operate in one reportable segment, Residential. In 2022, the Residential segment generated 96% of total revenue while the Commercial segment generating the remaining 4%.

Union Pacific Corp (UNP)

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BUY, PO $271

1Q investment thesis

Union Pacific is undergoing a significant network overhaul as it ramps its service quality and consistency, allowing it to gain share, pull costs, and improve returns. After the company's appointment of precision-scheduled-railroading (PSR) guru Jim Vena as its

CEO mid-August, its operating metrics have moved meaningfully upwards, which preceded a similar trend in its carload growth. This is concurrent with a gradual repatriation of West Coast container trade as Port of Los Angeles & Long Beach volumes inflected to positive growth after 15 consecutive months of declines. Continued fluidity challenges at the Panama and Suez Canal will aid flows to the US West Coast. Given the improving backdrop, accelerating share gains driven by its improved service, and solid operating leverage in its best-in-class rail franchise, we see outsized earnings potential for Union Pacific. We reiterate our Buy rating on its shares and $271 PO on 23.5x our 2024e EPS.

Table 8:Union Pacific key stock data
We highlight UNP as our 1Q24 top pick

Industry	Transportation (Railroads)
Market Cap (mn)	$144,735.94
Price	$245.01
P/E (2024)	21.4x
% of sell-side rated Buy	59%
Short interest % of float	1.24%

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

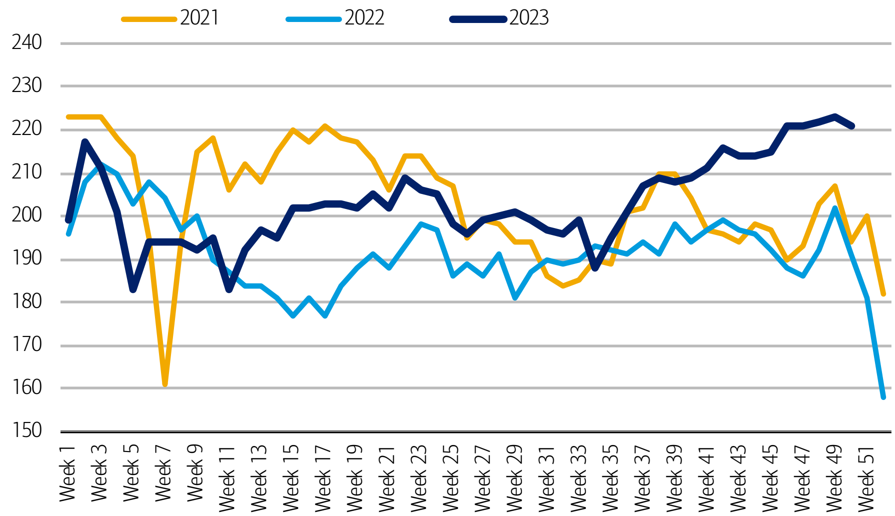
Catalysts:

Earnings (estimated Jan 25) to illustrate path to industry-best margins: Union Pacific believes it is capable of achieving industry-best margins in the long-run as it improves on its network efficiency and productivity. We expect it to expand upon its path to pull costs and increase returns at 4Q23 earnings (estimated to be on January 25), where it will likely give its 2024 targets. While the company will likely not provide explicit margin targets given an industry-wide de-prioritization on operating ratio, we estimate the company will achieve 59% operating ratio in 2024, a 320 bps improvement year-year, assuming 3% increase in carload volumes. We anticipate headcount to remain relatively flat and rising asset turns to result in lower costs as it parks more locomotives, which decreases its fleet maintenance needs, and reduces its reliance on purchased transportation. We believe the turnaround in volume and earnings growth will aid its cash generation, thus restoring its buyback program as well. We target $3.6 billion in share repurchases in 2024 after its temporary pause this year.

CEO Vena's service overhaul to lead continued share gain: Service consistency and quality is critical for shippers in allocating more cargo to carriers like Union Pacific, especially for fast-moving product categories such as Intermodal which accounts for 40% of total volumes. Since his appointment, CEO Jim Vena has executed well on overhauling Union Pacific's network efficiency as he reduced its operating inventory and de-layered the company's decision-making process. Service has made significant improvements thus far. Freight car velocity, or miles per railcar per day, an indicator on efficiency, has surpassed 220 the last few weeks, outpacing its highest level since May 2021. Switch and run-through dwell has remained in the range of 7-hours on average, its lowest level in 3 years. We believe Union Pacific's ability to hold service gain over the long-term should lead to increased share gain from highway and its rail peers.

Chart 1: Union Pacific Freight Car Velocity

Freight Car Velocity has topped 200 car miles/day since CEO Vena's appointment mid-August.



Source: BofA Global Research, and company reports.

BofA GLOBAL RESEARCH

Rising West Cost import flows supportive to growth: Port of Los Angeles loaded container import volumes are up 25% year-year in November, its second month of increases after 15 consecutive months of declines. Shippers have increasingly diverted freight towards to West Coast following port strikes at the Port of Vancouver and Prince Rupert. Rising congestion at the Panama Canal due to historically low water levels as well as disruptions in the Red Sea limiting transits across the Suez could further drive freight away from US East Coast and back to the West as fluidity across the Transpacific Lane remains intact. The repatriation of trade flows following the Port of LA/LB's new union agreement in June should be supportive to Union Pacific's Intermodal volumes in 2024. We target Intermodal carloads to grow 5% year-year next year.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Union Pacific: Vena driving rapid gains; Get on board this once in a generation upturn; PO to $271	Ken Hoexter	14 December 2023
Union Pacific: Meeting Takeaways: Vena aims to optimize network and make UNP rail industry best	Ken Hoexter	29 November 2023

Upside risks: Upside risks to our PO are: 1) Greater-than-expected ramp in Union Pacific's volume growth and service; 2) Higher than anticipated pricing gains as it renews its shipper contracts; 3) Stronger than expected industrial production and macro demand; 4) Larger than expected share gains from peer rail and highway; and 5) Faster-than-expected cost reductions leading to better-than-expected operating ratio improvement.

Downside risks: 1) More muted economic recovery; 2) Accelerating Coal volume declines and inventory build by leading power generators; 3) Worse than expected regulatory scrutiny on rail operating model; and 4) More aggressive competition from rail peers Canadian Pacific Kansas City Southern and Burlington Northern Santa Fe.

Company Description: Union Pacific (UNP) is the largest railroad in North America, covering approximately 33,000 route miles in 23 states across two-thirds of US (27,500 owned miles and 6,000 leased or trackage right miles), linking Pacific Coast and Gulf Coast ports with the Midwest, eastern United States gateways, and various north/south corridors to Mexican gateways. UNP has approximately 7,300 locomotives and 56,000 freight cars operating on its network. It also owns 26% of Mexico rail carrier Ferromex, which operates as its partner in cross-border service offerings.

Core & Main (CNM)

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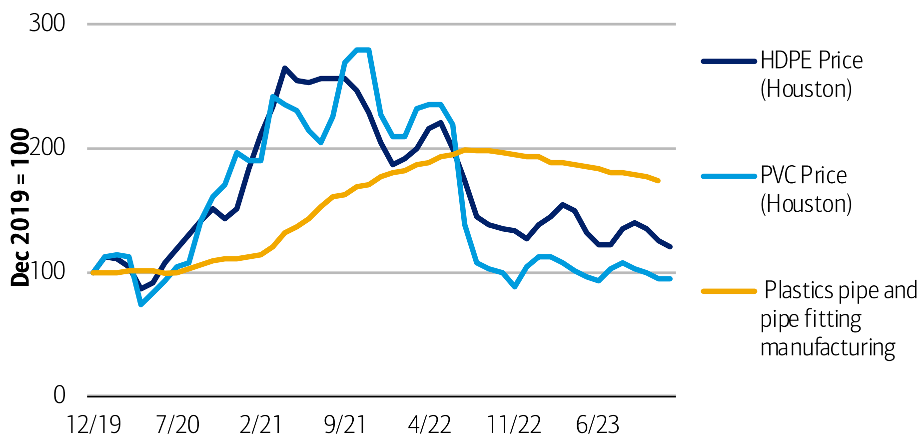
Underperform, PO $28

1Q investment thesis

Core & Main is the largest US distributor of waterworks products. Key categories include water, sewage, and storm drainage pipes (82% of revenue), fire protection pipes and sprinklers (10%), and water meters (8%). Distributors benefit from price inflation due to 1) the sell-through of lower cost inventory and 2) fixed cost leverage from higher revenue. Since mid-2021, pricing has increased by a cumulative 45%. Inflation over the last 2.5 years has driven record-high margins and earnings for Core & Main.

We expect Core & Main's realized pricing to turn down on a y/y basis in its January-ended 4QF23. According to November's US producer price indexes, iron & steel pipe prices were down 18% y/y and plastic pipes & fitting prices were down 10% y/y. Raw material costs for plastic pipes have largely returned to pre-COVID levels. This suggests that plastic pipe prices will continue to normalize in coming months.

Chart 2: Prices for raw materials and plastic pipes, 2019-23
Prices for raw materials (PVC, HDPE) have fallen more than plastic pipe prices



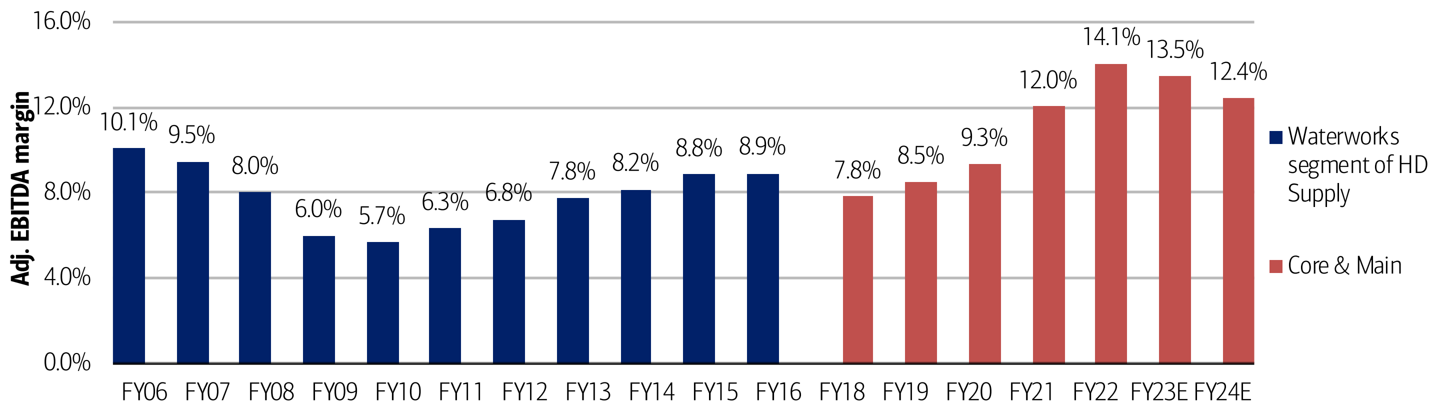
Source: Bureau of Labor Statistics, Bloomberg, BofA Global Research
Note: PVC = Polyvinyl chloride, HDPE = High Density Polyethylene

BofA GLOBAL RESEARCH

Falling prices are a headwind for a distributor. Gross margins are dragged by the sell-through of higher cost inventory. Operating margins are dragged by fixed cost deleveraging, even if unit volumes are flat. These trends were apparent in Core & Main's October-ended 3QF23. While pricing was flat y/y, gross margins declined 50bp y/y and SG&A (as a % of revenue) increased 40bp y/y. Adjusted EPS declined 3% y/y as a result.

Prior to its August 2017 acquisition by Clayton, Dubilier & Rice Core & Main operated as the Waterworks segment of publicly traded HD Supply. The chart below shows the long-term adjusted EBITDA margin of the business. We argue inflation-related benefits drove a meaningful portion of the margin expansion since FY20. As pipe prices normalize, we forecast EBITDA margins to decline by 90bp to 12.4% in FY24. Our forecast is well below consensus of 13.2% for FY24.

Chart 3: Adjusted EBITDA margin for Core & Main and predecessor segment
The company has a long-term average EBITDA margin of approximately 9%



Source: Company filings, BofA Global Research
Note: Core & Main operated as the Waterworks segment of HD Supply from its formation until the August 2017 sale to Clayton, Dubilier & Rice.

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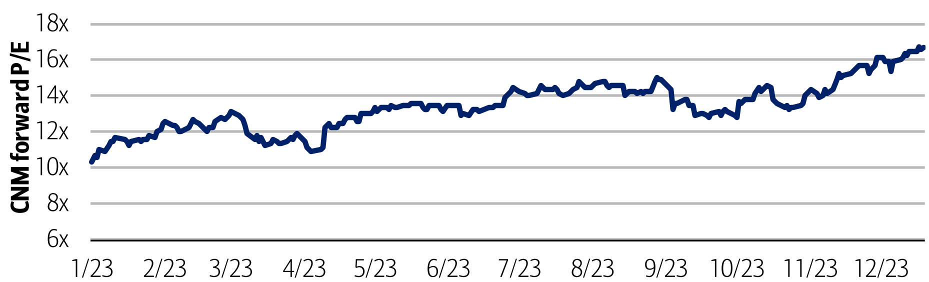
In 2023-to-date, CNM shares benefited from multiple expansion. The company's forward P/E rose to 17x currently from 10x at the beginning of the year. Downward estimate revisions could drive multiple compression, in our view.

Chart 4: CNM forward P/E
Forward P/E multiple has expanded by 7 turns year-to-date



Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Table 9: Core & Main key stock data
We see downside risks to CNM shares in 1Q24

Industry	Multi-industry
Market Cap (mn)	$7,164.79
Price	$39.82
P/E (2024)	18.2x
% of sell-side rated Sell	8%
Short interest % of float	7.13%

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Catalysts:

Pipe manufactures earnings: Advanced Drainage Systems (WMS; not covered), Westlake Corp. (WLK; rated Underperform by BofA Chemicals analyst Stephen Byrne), and Otter Tail (OTTR; not covered) are three of the largest US manufacturers of plastic pipe. We expect pricing commentary to be muted. We note that several manufacturers have added capacity.

Exhibit 2: Announced capacity additions of US plastic pipe manufacturers
Additional capacity being added in 2024-25

Company	Announcement date	Capacity	Cost ($mn)	Status
IPEX	10/5/2023	200,000 sq. ft.	200	Operational
IPEX	6/20/2022	28 production lines	N/A	Operational in early 2024
W. L. Plastics	6/2/2023	140,000 sq. ft.	40	Operational mid-2024
Prinsco	10/31/2023	73,000 sq. ft.	N/A	Operational mid-2024
Charlotte Pipe & Foundry	5/10/2023	134,000 sq. ft.	80	Operational in early 2025
Advanced Drainage Systems	11/2/2023	N/A	N/A	Under construction
Westlake Pipe	11/16/2023	N/A	134	Construction starting in 1Q24

Source: Company press releases, BofA Global Research

BofA GLOBAL RESEARCH

Initial FY24 guidance: On last quarter's earnings call, management provided a framework for FY24 that includes flat-to-up volumes and "further margin normalization." We assume 3% y/y organic volume growth is offset by 3% y/y decline in pricing. Our FY24E revenue forecast of $6.9bn is 3% below current consensus of $7.1bn. Our FY24E adjusted EBITDA forecast of $853mn is 8% below current consensus of $931mn, reflecting gross margin declines and SG&A de-leveraging.

Additional secondary offerings: Former private equity owner Clayton, Dubilier & Rice continues to own 25% of the combined voting power (through a combination of Class A and Class B stock), or approximately 51mn shares. During 2023, there have been five secondary offerings: 5mn shares in April, 14mn shares in June, 18mn shares in September, 21.85mn shares in November, and 15mn shares in December. Further secondary offerings could put downward pressure on the stock, in our view.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
M&A helps to offset soft end markets in 3QF23	Andrew Obin	5 December 2023
FY28 targets the focus of investor day	Andrew Obin	4 October 2023
Non-resi weakness overshadows margin upside in 2QF23	Andrew Obin	7 September 2023

Upside risks: 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.

Downside risks: 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.

Company Description: Core & Main is a US distributor of water infrastructure & fire protection products with approximately 320 branches. The company generated over $6.6bn in revenue in FY22. Key end markets include municipalities (39% of revenue), non-residential construction (39%), and single-family residential (22%).

Tractor Supply (TSCO)

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Underperform, PO $171

Investment thesis: We recently downgraded Tractor Supply (TSCO) to Underperform from Neutral as we see headwinds to demand and pricing that will pressure both earnings and investor sentiment.

We downgraded TSCO on concerns of 1) a post-pandemic reversion in the farm and ranch industry, 2) a deflationary commodity cycle which will put pressure on comps, 3) new accounting policies which reduce earnings clarity, in our view, and 4) declining herd/flock sizes and pet adoption rates.

Our 12-month price objective of $171 is based on a multiple of 18x our 2024E EPS which is just below the midpoint of the company's historical range (10x-30x). Although the company is well positioned in the farm & ranch store industry, we're concerned that soft discretionary demand and deflation will suppress earnings growth in the near-term.

Table 10: Table 1: Tractor Supply key stock data

We recently downgraded Tractor Supply to Underperform from Neutral

Industry	Hardlines
Market Cap (mn)	$24,228.39
Price	$212.08
P/E (2024)	22.7x
% of sell-side rated Sell	3%
Short interest % of float	11.5%

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Catalysts:

Exposure to deflation puts pressure on comps: TSCO's comps have a strong correlation with commodity prices (corn, soy, and chicken). These prices flipped negative earlier this year which implies a headwind to TSCO's comps starting in 1Q24. Mgmt. expects the inflation component of the comp will fade to low-single digits in 4Q23, and we expect it will flip to a headwind by 1Q24.

Corn and soy prices experienced deflation in 2013 and inflation flipped from a 1% tailwind to a 1% headwind. We are concerned that this upcoming deflationary cycle will create a more negative impact on TSCO. Its customers are under more economic pressure, and mgmt. has consistently called out weak performance of big-ticket and other discretionary categories over the past four quarters.

SG&A will likely deleverage as comps turn negative: As comps go negative, we believe that TSCO will see meaningful SG&A deleverage. The company has been investing heavily back into the business, largely through its Project Fusion and Side Lot store remodels which have contributed to capex growing from $217mn in 2019 to $800-850mn in 2023. TSCO also invested heavily in wages through the pandemic (raised hourly wages by >$3/hr) which would be difficult to cut as comps decline. Year-to-date, total operating expenses are up 77% vs. 2019 which is in-line with sales growth vs. 2019.

Decelerating pet adoption rates: Pet adoption trends have been consistently decelerating this year. Petfinder web traffic shows that pet adoption peaked in the middle of 2020 and experienced a sharp decline in 2021. COVID and the ability to work from home drove pet adoptions, but now that more people are going back to work, pet adoption will likely normalize to pre-pandemic levels. Petco and Chewy both reported results recently. Chewy commented that its discretionary category mix is now down roughly 15% vs. 2021. Petco added more value products as consumers are increasingly discerning in their spending and are trading down.

Mixed Industrial indicators and worsening rig count trend: TSCO serves a rural customer base whose financial health is highly linked to the US industrial economy. Over the past few years, high inflation has generally helped these industries, many of which are commodity-driven including oil & gas, agriculture, and metals & mining. Of the key indicators we track, we've seen a worsening trend in rig count which decreased 16.5% YoY in 3Q23 and US Manufacturers New Orders which increased 4.4% YoY in 3Q23 but has decelerated from a peak of +34.1% in 1Q22. ISM is sequentially improving from a low of -19.7% in 1Q23 to -6.1% in 3Q23 but still remains in negative territory.

BofA Global Research Reports

Title: Tractor Supply	Primary Author	Date Published
Tractor Supply Company: Fewer backyard chickens, more back-to-office; downgrade to Underperform 15 December 2023	Jason Haas	15 December 2023
Tractor Supply Company: 3Q Recap: Tractor hits a rut, but long-term growth potential remains unchanged 26 October 2023	Jason Haas	26 October 2023
Tractor Supply Company: 3Q Preview: Deflation headwinds on the horizon 16 October 2023	Jason Haas	16 October 2023

Upside risks: 1) significant economic improvement in TSCO's core rural markets, 2) stronger comp growth resulting in an improved operating margin outlook, 3) an acceleration of the company's store growth/side lot initiative above its current outlook, 4) price and gross margin inflation in TSCO's core product categories.

Downside risks: 1) commodity deflation weighing on comps, 2) margin pressure from lower revenue and other cost pressures, 3) a slow-down in demand for discretionary rural lifestyle products, and 4) increased competition from mass merchants and online retailers in TSCO's core categories.

Company description: Tractor Supply (TSCO) is the largest domestic operator of retail farm and ranch stores, with annual revenues over $15 billion. The company currently operates over 2,000 Tractor Supply stores, with a longer-term build-out to potentially 2,700+ Tractor Supply stores. It also has over 190 Petsense stores in its portfolio.

Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AMH	AMH US	American Homes 4Rent	US$ 35.96	B-1-7
C	C US	Citigroup	US$ 51.44	B-1-7
CNM	CNM US	Core & Main	US$ 40.41	B-3-9
FIS	FIS US	Fidelity Nat'l Info	US$ 60.07	B-1-7
HUM	HUM US	Humana Inc	US$ 457.81	B-1-7
ISRG	ISRG US	Intuitive Surgical	US$ 337.36	B-1-9
LEA	LEA US	Lear Corp.	US$ 141.21	B-1-7
TSCO	TSCO US	Tractor Supply	US$ 215.03	B-3-7
TREX	TREX US	Trex Company, Inc.	US$ 82.79	C-1-9
UNP	UNP US	Union Pacific	US$ 245.62	B-1-7

Source: BofA Global Research

Price objective basis & risk

American Homes 4 Rent (AMH)

Our $44 PO for AMH trades at a 10% premium to our forward NAV estimate. We now apply a 5.0% cap rate to our forward stabilized NOI estimate. We derive current cap rates from Zillow based on median home prices and rents per MSA. Upside and downside risks to our PO are: inability to obtain financing for further acquisitions, acquisition pace of homes faster/slower than expected, home price appreciation faster/slower than expected (impacting the number of homes that can be acquired), transaction cap rates in its markets are higher/lower than what we're applying in the NAV, and stabilized NOI generated from its homes is higher/lower than expected.

Citigroup Inc. (C)

Our $60 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 8.2x/0.7x multiples respectively, vs. large-cap peers (9.5x/1.4x) due to the bank's lower return metrics and risks to EPS defensibility.

Downside risks to our PO are execution risk tied to mgmt's franchise transformation efforts, an economic downturn or a macro-economic shock, increased costs tied to the regulatory consent orders, regulatory changes. Faster pace of share buybacks, better than expected operating leverage.

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.

Fidelity National Information Services (FIS)

We apply a 11x multiple to our 2024 non-GAAP EPS estimate, which is a 40% discount to the S&P500, given FIS' slower organic growth profile and incremental sentiment headwinds (i.e. Banking), to calculate our 12-month price objective of $72. Risks are: 1) FIS' legacy client base continues to gradually shrink, 2) macro deterioration (particularly in UK/EUR), 3) delayed sales cycle among Banking clients.

Humana Inc (HUM)

Our $640 PO is based on 20.2x our 2024 EPS estimate, a premium to its 5-year average of 17.1x justified by the strong growth trajectory we expect for HUM's core business, Medicare Advantage.

Upside risks are potential for share repurchase and several non-healthcare catalysts, margin normalization, and the rebound in risk coding.

Downside risks are regular industry sensitivity points (cost trend, MA rates), as well as unknowns from a new administration.

Intuitive Surgical (ISRG)

Our $400 PO is based on roughly 53x our 2025E EPS. We think the premium multiple relative to average large cap peers is justified given ISRG's expected mid-teens top-line growth over the next several years, nearly 3x that of the medtech market, and ISRG is well ahead vs competition in one of the most significant growth markets in medtech (soft tissue robotics). ISRG pipeline also justifies our multiple as ISRG is spending over $500m a year in R&D and it's a matter of time before the fruits of these investments show up in estimates.

Downside risks are 1) lower surgical volumes due to covid, 2) slowdown in hospital capital spending, 3) other competitive entrants and 4) supply chain headwinds.

Lear Corp. (LEA)

Our $220 price objective on LEA shares is based on an EV/EBITDA multiple of roughly 7.0x on our 2024 estimates. This multiple is a slight premium to the company's historical average since we believe adjustment to a lower volume environment and the company's vertical integration will bolster already strong cash flow that is being returned to shareholders through dividends and growing share buybacks.

Downside risks: 1) a slower or further decline in US/global automotive volume growth, 2) disruption from the re-emergence in the Seating market of LEA's largest competitor (ADNT), 3) increased pricing pressure from OEM customers, 4) loss of business at key customers, 5) fierce competition in the automotive supply base, 6) a new rise in raw material costs, 7) execution risk of restructuring, operations, and acquisitions.

Upside risks: 1) faster recovery than expected in global auto production volumes, 2) continued execution and progress on margin expansion, 3) shareholder-friendly actions including accretive M&A and share repurchases support earnings and the stock.

Tractor Supply Company (TSCO)

Our 12-month price objective of $171 is based on a multiple of 18x our 2024E EPS which is just below the midpoint of the company's historical range (10x-30x). Although the company is well positioned in the farm & ranch store industry, we're concerned that soft discretionary demand and deflation will suppress earnings growth in the near-term.

Upside risks are: 1) significant economic improvement in TSCO's core rural markets, 2) stronger comp growth resulting in an improved operating margin outlook, 3) an acceleration of the company's store growth/side lot initiative above its current outlook, 4) price and gross margin inflation in TSCO's core product categories.

Downside risks are: 1) commodity deflation weighing on comps, 2) margin pressure from lower revenue and other cost pressures, 3) a slow-down in demand for discretionary rural lifestyle products, and 4) increased competition from mass merchants and online retailers in TSCO's core categories.

Trex Company, Inc. (TREX)

Our $90 PO is based on a 25X 2024E EV/EBITDA multiple, which is slightly above TREX's trailing 5-year average (22X), given a favorable growth outlook and a lower rate backdrop. We believe EV/EBITDA is the most appropriate metric for valuing the building product companies.

Upside risks to our PO: 1) an acceleration in residential repair & remodeling and outdoor living spending, 2) a faster than expected conversion from wood decks to composite decks, 3) faster than expected share gains, 4) stronger than anticipated pricing, and 5) continued consumer preference towards enhancing the overall outdoor living space.

Downside risks to our PO: 1) a slowdown in residential repair & remodeling spending, 2) a slower than expected conversion from wood decks to composite decks, 3) market share loss, 4) a mix shift in consumer preferences away from outdoor living, 5) a slowing US economy and 6) rising interest rates.

Union Pacific (UNP)
Our $271 price objective is based on a 23.5x multiple on our 2024 EPS estimate, as we are above the top of its 14x-20x historical range given the rapidly improving service gains under new CEO Jim Vena. We believe 2024 earnings will rebound from 2023's trough, particularly aided by the operational and cultural turnaround launched by Mr. Vena. The company should significantly improve its earnings outlook, drive improved cash flow, and return to buybacks in 2024. We target leverage to remain between 2.8x-3.0x, and look for it to re-engage in top-line growth, drive improved returns and cash flow.

Risks to our price objective are a more muted economic recovery, accelerating coal volume declines, muted winter weather leading utilities to build coal inventories, increased pricing competition neutralizing the benefits from the pricing currently enjoyed by the rail industry, higher than expected fuel prices, employee/union strikes, inability to exercise pricing power due to regulatory changes or legal challenges from customers, disruptive rail re-regulation that limits the company's ability to earn proper returns on its investments or mandates open access with unfavorable terms, risk from the Canadian Pacific (CP)-Kansas City Southern (KSU) merger absorbing Mexico vols, or harsh weather that disrupts operations beyond normal. Additionally, aggressive moves by in-region peer BNSF to take share, or if UNP's service metrics cannot improve, it could see sustained higher costs.

Analyst Certification

We, Anthony Cassamassino, Andrew Obin, Ebrahim H. Poonawala, Jason Haas, CFA, Jason Kupferberg, Jeffrey Spector, John Murphy, CFA, Ken Hoexter, Kevin Fischbeck, CFA, Rafe Jadrosich and Travis Steed, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Automotives Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Adient Plc	ADNT	ADNT US	John Murphy, CFA
	Aptiv PLC	APTV	APTV US	John Murphy, CFA
	Asbury Auto	ABG	ABG US	John Murphy, CFA
	AutoNation, Inc.	AN	AN US	John Murphy, CFA
	BorgWarner	BWA	BWA US	John Murphy, CFA
	Ferrari	RACE	RACE US	John Murphy, CFA
	Ferrari NV	XJHKF	RACE IM	John Murphy, CFA
	Ford Motor	F	F US	John Murphy, CFA
	General Motors Company	GM	GM US	John Murphy, CFA
	Group 1 Auto	GPI	GPI US	John Murphy, CFA
	Lear Corp.	LEA	LEA US	John Murphy, CFA
	Lithia Motors A	LAD	LAD US	John Murphy, CFA
	Magna Intl	MGA	MGA US	John Murphy, CFA
	Magna Intl	YMG	MG CN	John Murphy, CFA
	Penske Auto Group	PAG	PAG US	John Murphy, CFA
	Rivian Automotive	RIVN	RIVN US	John Murphy, CFA
	Visteon	VC	VC US	John P. Babcock
NEUTRAL				
	Gentex	GNTX	GNTX US	John Murphy, CFA
	Lucid Group	LCID	LCID US	John Murphy, CFA
	Luminar Technologies	LAZR	LAZR US	John P. Babcock
	Mobileye	MBLY	MBLY US	John Murphy, CFA
	Tesla Motors	TSLA	TSLA US	John Murphy, CFA
UNDERPERFORM				
	American Axle	AXL	AXL US	John Murphy, CFA
	America's Car-Mart, Inc.	CRMT	CRMT US	John Murphy, CFA
	CarMax, Inc.	KMX	KMX US	John Murphy, CFA
	OPENLANE	KAR	KAR US	John Murphy, CFA
	Sonic Automotive	SAH	SAH US	John Murphy, CFA
RVW				
	Fisker	FSR	FSR US	John P. Babcock

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
NEUTRAL				
	3M Company	MMM	MMM US	Andrew Obin
	AMETEK Inc	AME	AME US	Andrew Obin
	Fortive Corporation	FTV	FTV US	Andrew Obin
	Illinois Tool Works	ITW	ITW US	Andrew Obin
	Johnson Controls International PLC	JCI	JCI US	Andrew Obin
	Rockwell	ROK	ROK US	Andrew Obin
	Trane Technologies PLC	TT	TT US	Andrew Obin

US - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Vontier	VNT	VNT US	Andrew Obin
UNDERPERFORM				
	Allegion	ALLE	ALLE US	Andrew Obin
	Ansys, Inc.	ANSS	ANSS US	Andrew Obin
	Carrier Global Corp.	CARR	CARR US	Andrew Obin
	Core & Main	CNM	CNM US	Andrew Obin
	John Bean Technologies	JBT	JBT US	Andrew Obin
	Keysight	KEYS	KEYS US	David Ridley-Lane, CFA
	Pentair plc	PNR	PNR US	Andrew Obin

US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agree Realty Corp	ADC	ADC US	Joshua Dennerlein
	Alexandria Real Estate Equities	ARE	ARE US	Joshua Dennerlein
	American Homes 4 Rent	AMH	AMH US	Jeffrey Spector
	Americold Realty Trust	COLD	COLD US	Joshua Dennerlein
	AvalonBay Communities Inc	AVB	AVB US	Joshua Dennerlein
	Boston Properties	BXP	BXP US	Jeffrey Spector
	Brixmor Property Group	BRX	BRX US	Jeffrey Spector
	COPT Defense Properties	CDP	CDP US	Camille Bonnel
	Cousins Properties Inc.	CUZ	CUZ US	Camille Bonnel
	EastGroup Properties	EGP	EGP US	Jeffrey Spector
	Empire State Realty Trust	ESRT	ESRT US	Camille Bonnel
	Equity Residential	EQR	EQR US	Jeffrey Spector
	Essential Properties	EPRT	EPRT US	Joshua Dennerlein
	Federal Realty	FRT	FRT US	Jeffrey Spector
	Invitation Homes Inc	INVH	INVH US	Joshua Dennerlein
	Kimco Realty	KIM	KIM US	Jeffrey Spector
	Kite Realty Group	KRG	KRG US	Jeffrey Spector
	OMEGA Healthcare	OHI	OHI US	Joshua Dennerlein
	Phillips Edison & Company	PECO	PECO US	Jeffrey Spector
	Prologis, Inc.	PLD	PLD US	Camille Bonnel
	Public Storage, Inc.	PSA	PSA US	Jeffrey Spector
	Regency	REG	REG US	Jeffrey Spector
	Rexford Industrial Realty	REXR	REXR US	Camille Bonnel
	Sabra Health Care	SBRA	SBRA US	Joshua Dennerlein
	Simon Property	SPG	SPG US	Jeffrey Spector
	Welltower	WELL	WELL US	Joshua Dennerlein
NEUTRAL				
	Acadia Realty Trust	AKR	AKR US	Jeffrey Spector
	CubeSmart	CUBE	CUBE US	Jeffrey Spector
	EPR Properties	EPR	EPR US	Joshua Dennerlein
	Equity LifeStyle Properties	ELS	ELS US	Jeffrey Spector
	Essex Property Trust, Inc.	ESS	ESS US	Joshua Dennerlein
	Extra Space Storage, Inc.	EXR	EXR US	Jeffrey Spector
	Getty Realty Corp.	GTY	GTY US	Joshua Dennerlein
	Highwoods Properties	HIW	HIW US	Camille Bonnel
	InvenTrust Properties	IVT	IVT US	Jeffrey Spector
	Kilroy Realty Corporation	KRC	KRC US	Camille Bonnel
	Macerich	MAC	MAC US	Jeffrey Spector
	Realty Income	O	O US	Jeffrey Spector
	Retail Opportunity Investments Corp.	ROIC	ROIC US	Jeffrey Spector
	SL Green Realty	SLG	SLG US	Camille Bonnel
	Sun Communities	SUI	SUI US	Joshua Dennerlein
	UDR, Inc.	UDR	UDR US	Joshua Dennerlein
	Ventas, Inc.	VTR	VTR US	Jeffrey Spector
	Veris Residential Inc	VRE	VRE US	Joshua Dennerlein
	Vornado Realty	VNO	VNO US	Camille Bonnel

US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	American Assets Trust	AAT	AAT US	Camille Bonnel
	Armada Hoffler Properties	AHH	AHH US	Camille Bonnel
	Camden Property Trust	CPT	CPT US	Joshua Dennerlein
	Douglas Emmett	DEI	DEI US	Camille Bonnel
	Healthpeak Properties, Inc.	PEAK	PEAK US	Joshua Dennerlein
	Hudson Pacific Properties, Inc.	HPP	HPP US	Camille Bonnel
	Kennedy Wilson	KW	KW US	Joshua Dennerlein
	LXP Industrial Trust	LXP	LXP US	Camille Bonnel
	Medical Properties Trust, Inc.	MPW	MPW US	Joshua Dennerlein
	Mid-America Apartment Communities, Inc.	MAA	MAA US	Joshua Dennerlein
	National Storage Affiliates Trust	NSA	NSA US	Jeffrey Spector
	NetSTREIT	NTST	NTST US	Joshua Dennerlein
	NNN REIT Inc	NNN	NNN US	Joshua Dennerlein
	Paramount Group	PGRE	PGRE US	Camille Bonnel
	Peakstone Realty Trust	PKST	PKST US	Joshua Dennerlein
	STAG Industrial	STAG	STAG US	Camille Bonnel
	Tanger Factory	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein
RSTR				
	Spirit Realty Capital	SRC	SRC US	Joshua Dennerlein

US - Transportation Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	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
	Union Pacific	UNP	UNP US	Ken Hoexter
	XPO, Inc.	XPO	XPO US	Ken Hoexter
NEUTRAL				
	Canadian National	CNI	CNI US	Ken Hoexter
	Schneider National	SNDR	SNDR US	Ken Hoexter
	Scorpio Tankers Inc.	STNG	STNG US	Ken Hoexter
	Teekay Tankers Limited	TNK	TNK US	Ken Hoexter
	TFI International	TFII	TFII US	Ken Hoexter
	TFI International	YTFII	TFII CN	Ken Hoexter
	UPS	UPS	UPS US	Ken Hoexter
	Wabtec Corp.	WAB	WAB US	Ken Hoexter
UNDERPERFORM				
	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

US - Retail Hardline Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Arhaus, Inc	ARHS	ARHS US	Jason Haas, CFA
	Boot Barn	BOOT	BOOT US	Jason Haas, CFA
	Driven Brands	DRVN	DRVN US	Jason Haas, CFA
	Five Below Inc.	FIVE	FIVE US	Jason Haas, CFA
	Floor and Decor Holdings, Inc.	FND	FND US	Elizabeth L Suzuki
	Genuine Parts	GPC	GPC US	Jason Haas, CFA
	Leslie's	LESL	LESL US	Elizabeth L Suzuki
	Lowe's Companies, Inc.	LOW	LOW US	Elizabeth L Suzuki
	Mattel	MAT	MAT US	Jason Haas, CFA
	Mister Car Wash	MCW	MCW US	Jason Haas, CFA
	Ollie's	OLLI	OLLI US	Jason Haas, CFA
	O'Reilly Automotive, Inc.	ORLY	ORLY US	Jason Haas, CFA
	Petco	WOOF	WOOF US	Jason Haas, CFA
	PROG Holdings Inc	PRG	PRG US	Jason Haas, CFA
	Rollins Inc.	ROL	ROL US	Jason Haas, CFA
	Tempur Sealy International Inc.	TPX	TPX US	Jason Haas, CFA
	The Home Depot, Inc.	HD	HD US	Elizabeth L Suzuki
	Upbound Group Inc.	UPBD	UPBD US	Jason Haas, CFA
NEUTRAL				
	AutoZone Inc.	AZO	AZO US	Jason Haas, CFA
	Hasbro	HAS	HAS US	Jason Haas, CFA
	Sonos, Inc.	SONO	SONO US	Jason Haas, CFA
	Williams-Sonoma	WSM	WSM US	Jason Haas, CFA
UNDERPERFORM				
	Advance Auto Parts, Inc.	AAP	AAP US	Jason Haas, CFA
	Best Buy Co., Inc.	BBY	BBY US	Elizabeth L Suzuki
	Snap-on	SNA	SNA US	Elizabeth L Suzuki
	Tractor Supply Company	TSCO	TSCO US	Jason Haas, CFA
	Whirlpool	WHR	WHR US	Jason Haas, CFA

US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Acadia Healthcare	ACHC	ACHC US	Kevin Fischbeck, CFA
	Addus HomeCare	ADUS	ADUS US	Joanna Gajuk
	Agilon Health	AGL	AGL US	Adam Ron
	Chemed Corporation	CHE	CHE US	Joanna Gajuk
	Elevance Health Inc	ELV	ELV US	Kevin Fischbeck, CFA
	Encompass Health	EHC	EHC US	Kevin Fischbeck, CFA
	HCA	HCA	HCA US	Kevin Fischbeck, CFA
	Humana Inc	HUM	HUM US	Kevin Fischbeck, CFA
	Option Care Health	OPCH	OPCH US	Joanna Gajuk
	Oscar Health	OSCR	OSCR US	Adam Ron
	Privia Health	PRVA	PRVA US	Adam Ron
	Select Medical Corp.	SEM	SEM US	Kevin Fischbeck, CFA
	Service Corp.	SCI	SCI US	Joanna Gajuk
	Surgery Partners, Inc	SGRY	SGRY US	Kevin Fischbeck, CFA
	Tenet Healthcare	THC	THC US	Kevin Fischbeck, CFA
	The Cigna Group	CI	CI US	Kevin Fischbeck, CFA
	UnitedHealth Group	UNH	UNH US	Kevin Fischbeck, CFA
	Universal Health Services	UHS	UHS US	Kevin Fischbeck, CFA
	US Physical Therapy	USPH	USPH US	Joanna Gajuk
NEUTRAL				
	Alignment Healthcare	ALHC	ALHC US	Adam Ron
	AMN Healthcare	AMN	AMN US	Kevin Fischbeck, CFA
	Apollo Medical	AMEH	AMEH US	Adam Ron
	Brookdale	BKD	BKD US	Joanna Gajuk
	Centene Corporation	CNC	CNC US	Kevin Fischbeck, CFA
	Molina Healthcare, Inc.	MOH	MOH US	Kevin Fischbeck, CFA

US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	AdaptHealth Corp.	AHCO	AHCO US	Joanna Gajuk
	Agiliti Health Inc	AGTI	AGTI US	Kevin Fischbeck, CFA
	Cross Country Healthcare	CCRN	CCRN US	Kevin Fischbeck, CFA
	DaVita Inc	DVA	DVA US	Kevin Fischbeck, CFA
	Enhabit Home Health & Hospice	EHAB	EHAB US	Joanna Gajuk
	Pediatrix Medical Group, Inc.	MD	MD US	Kevin Fischbeck, CFA

US - Medical Technology & Devices Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Abbott Laboratories	ABT	ABT US	Travis Steed
	Axonics	AXNX	AXNX US	Travis Steed
	Bausch & Lomb	BLCO	BLCO US	Craig Bijou
	Becton Dickinson	BDX	BDX US	Travis Steed
	Boston Scientific	BSX	BSX US	Travis Steed
	Dexcom	DXCM	DXCM US	Travis Steed
	Inari Medical	NARI	NARI US	Travis Steed
	Inspire Medical	INSP	INSP US	Travis Steed
	Insulet	PODD	PODD US	Travis Steed
	Intuitive Surgical	ISRG	ISRG US	Travis Steed
	Medtronic	MDT	MDT US	Travis Steed
	Paragon 28	FNA	FNA US	Craig Bijou
	Procept BioRobotics Corporation	PRCT	PRCT US	Craig Bijou
	RxSight	RXST	RXST US	Craig Bijou
	Shockwave Medical	SWAV	SWAV US	Travis Steed
	Si-Bone	SIBN	SIBN US	Craig Bijou
	Stryker	SYK	SYK US	Travis Steed
	The Cooper Companies	COO	COO US	Craig Bijou
NEUTRAL				
	Baxter International Inc	BAX	BAX US	Travis Steed
	Conmed	CNMD	CNMD US	Travis Steed
	Edwards Lifesciences	EW	EW US	Travis Steed
	GE HealthCare	GEHC	GEHC US	Craig Bijou
	Integer Holdings Corporation	ITGR	ITGR US	Craig Bijou
	Teleflex Incorporated	TFX	TFX US	Craig Bijou
	Zimmer Biomet	ZBH	ZBH US	Travis Steed
UNDERPERFORM				
	Embecta	EMBC	EMBC US	Travis Steed
	Globus Medical	GMED	GMED US	Craig Bijou
	Integra Lifesciences	IART	IART US	Craig Bijou
	Nevro	NVRO	NVRO US	Travis Steed
	Outset Medical	OM	OM US	Travis Steed
	Silk Road Medical	SILK	SILK US	Travis Steed
	Tandem Diabetes Care	TNDM	TNDM US	Travis Steed

US - Homebuilders and Building Products Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Armstrong World Industries, Inc.	AWI	AWI US	Rafe Jadrosich
	D.R. Horton, Inc.	DHI	DHI US	Rafe Jadrosich
	Latham Group, Inc.	SWIM	SWIM US	Shaun Calnan, CFA
	NVR, Inc.	NVR	NVR US	Rafe Jadrosich
	Owens Corning	OC	OC US	Rafe Jadrosich
	PulteGroup Inc.	PHM	PHM US	Rafe Jadrosich
	The AZEK Company Inc.	AZEK	AZEK US	Rafe Jadrosich
	Toll Brothers, Inc.	TOL	TOL US	Rafe Jadrosich

US - Homebuilders and Building Products Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	TopBuild Corp	BLD	BLD US	Rafe Jadrosich
	Trex Company, Inc.	TREX	TREX US	Rafe Jadrosich
NEUTRAL				
	Builders FirstSource Inc	BLDR	BLDR US	Rafe Jadrosich
	Dream Finders Homes, Inc.	DFH	DFH US	Rafe Jadrosich
	KB Home	KBH	KBH US	Rafe Jadrosich
	Lennar Corporation	LEN	LEN US	Rafe Jadrosich
UNDERPERFORM				
	Fortune Brands Innovations Inc	FBIN	FBIN US	Rafe Jadrosich
	Hayward Holdings, Inc.	HAYW	HAYW US	Rafe Jadrosich
	Masco Corp	MAS	MAS US	Rafe Jadrosich
	Mohawk Industries	MHK	MHK US	Rafe Jadrosich
	Patrick Industries, Inc.	PATK	PATK US	Rafe Jadrosich
	Pool Corporation	POOL	POOL US	Shaun Calnan, CFA

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSLX	TSLX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Ebrahim H. Poonawala
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
UNDERPERFORM				
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Ebrahim H. Poonawala

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	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
NEUTRAL				
	Affirm Holdings	AFRM	AFRM US	Jason Kupferberg
	Bread Financial Holdings Inc	BFH	BFH US	Mihir Bhatia

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	DLocal	DLO	DLO US	Jason Kupferberg
	Globant SA	GLOB	GLOB US	Jason Kupferberg
	Marqeta	MQ	MQ US	Jason Kupferberg
	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
UNDERPERFORM				
	ADP	ADP	ADP US	Jason Kupferberg
	CGI Inc.	GIB	GIB US	Jason Kupferberg
	CGI Inc.	YGIBA	GIB/A CN	Jason Kupferberg
	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
RSTR				
	EngageSmart	ESMT	ESMT US	Jason Kupferberg

Disclosures

Important Disclosures

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

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	39	44.83%	Buy	22	56.41%
Hold	18	20.69%	Hold	11	61.11%
Sell	30	34.48%	Sell	8	26.67%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

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: REITs (Real Estate Investment Trusts) Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	40	46.51%	Buy	33	82.50%
Hold	27	31.40%	Hold	21	77.78%
Sell	19	22.09%	Sell	16	84.21%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	96	57.83%	Buy	39	40.63%
Hold	32	19.28%	Hold	12	37.50%
Sell	38	22.89%	Sell	18	47.37%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	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: Transport/Infrastructure Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	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 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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