

Walmart Inc

Strong momentum should continue into F25; Reiterate Buy & raise PO to \$200

Reiterate Rating: BUY | PO: 200.00 USD | Price: 175.86 USD

Maintain F25E adj. EPS, see +3-4% US comps in F25

Post [WMT's strong F4Q \(see report\)](#), we maintain our F25E adj. EPS of \$7.00, in line with guidance for \$6.70-\$7.12 (pre-split). This reflects our outlook for 3-4% full-year sales and US comp growth, 4-6% op. income growth, higher interest expense and a higher tax rate. We expect sales growth to outpace op. income growth in F1H given expected SG&A pressure from the timing of tech investments (which should be more evenly spaced in F25 vs. F2H-weighted in F24) and the reverse to be true in F2H. In F1Q, we see \$1.53 adj. EPS (in line with the \$1.48-\$1.56 guide) and +4.5% net sales growth (incl. ~100bp benefit from Leap Day).

Grocery & general merch. share gains should continue

We expect grocery share gains and trade-down to continue to support WMT's store and online transactions as consumers manage [grocery inflation](#) (see report, +LSD% y/y but 25%+ vs. pre-COVID) and other macroeconomic headwinds. While we see continued softness in discretionary (incl. likely cont'd deflation), we see support for general merch. share gains (which made up two-thirds of share gains with higher-incomes in F4Q) to continue from initiatives incl. store remodels (928 planned in F25 incl. 650 in the US), online SKU expansion (incl. through 3P) and strong pickup/delivery execution.

See margin support from growing digital ad contributions

We see cont'd gross margin expansion in F25 as increasing contributions from higher-margin profit streams (incl. digital advertising, 3P marketplace and fulfillment services) help offset ongoing mix headwinds (as sales of higher-margin general merch. continue to lag grocery and health/wellness). WMT also continues to work towards 1P US ecommerce profitability by leveraging stores to fulfill and activate local delivery networks (with last mile store-to-home delivery costs -20% in F24 and ecom losses down -40%+).

Reiterate Buy on strong near- and long-term outlook

We reiterate our Buy on WMT and raise our PO to \$200 (from \$190) as we roll forward our 27x P/E to our F26E adj. EPS of \$7.50 (was 27x F25E). We see multiple expansion as digital advertising (which grew +28% to \$3.4bn in F24) and membership (which, combined, should make up ~20% of F25 op. profit) as well as 3P marketplace/fulfilment services and other ancillary businesses support improving long-term profitability, as do WMT's investments in wages, supply chain/automation and sales mix initiatives.

Estimates (Jan) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	6.28	6.64	7.00	7.50	8.00
GAAP EPS	4.28	5.74	7.00	7.50	8.00
EPS Change (YoY)	-2.6%	5.7%	5.4%	7.1%	6.7%
Consensus EPS (Bloomberg)			7.09	7.79	NA
DPS	2.24	2.27	2.33	2.38	2.44
Valuation (Jan)					
P/E	28.0x	26.5x	25.1x	23.4x	22.0x
GAAP P/E	41.1x	30.6x	25.1x	23.4x	22.0x
Dividend Yield	1.3%	1.3%	1.3%	1.4%	1.4%
EV / EBITDA*	16.9x	15.4x	14.7x	13.8x	13.1x
Free Cash Flow Yield*	2.5%	1.8%	1.8%	2.0%	2.2%

* For full definitions of *IQmethod*SM measures, see page 5.

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20 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	190.00	200.00
2025E Rev (m)	665,134.7	673,817.1
2026E Rev (m)	689,252.4	697,334.5
2027E Rev (m)	709,487.7	717,753.8
2027E EPS	8.04	8.00
2025E DPS	2.36	2.33

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Stock Data

Price	175.86 USD
Price Objective	200.00 USD
Date Established	20-Feb-2024
Investment Opinion	A-1-7
52-Week Range	136.09 USD - 181.35 USD
Mkt Val (mn) / Shares Out (mn)	566,621 USD / 3,222.0
Free Float	53.5%
Average Daily Value (mn)	1048.44 USD
BofA Ticker / Exchange	WMT / NYS
Bloomberg / Reuters	WMT US / WMT.N
ROE (2025E)	19.5%
Net Dbt to Eqty (Jan-2024A)	34.7%
ESGMeter TM	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".

Key terms:

LT = long term

1P = first party

3P = third party

SKU = stock keeping unit

LSD = low single-digit

iQprofileSM Walmart Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	12.6%	13.6%	13.3%	13.1%	12.8%
Return on Equity	19.5%	20.6%	19.5%	18.3%	17.2%
Operating Margin	4.0%	4.2%	4.2%	4.4%	4.5%
Free Cash Flow	14,073	9,919	10,187	11,067	12,633

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	1.8x	1.7x	1.7x	1.7x	1.6x
Asset Replacement Ratio	1.5x	1.7x	1.8x	1.8x	1.7x
Tax Rate	24.7%	25.3%	25.5%	26.5%	26.5%
Net Debt-to-Equity Ratio	37.2%	34.7%	26.8%	19.6%	12.7%
Interest Cover	14.1x	13.4x	13.1x	14.1x	15.0x

Income Statement Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	611,289	648,125	673,817	697,335	717,754
% Change	6.7%	6.0%	4.0%	3.5%	2.9%
Gross Profit	147,568	157,983	165,618	171,578	177,534
% Change	2.7%	7.1%	4.8%	3.6%	3.5%
EBITDA	35,547	38,865	40,768	43,420	45,674
% Change	-3.2%	9.3%	4.9%	6.5%	5.2%
Net Interest & Other Income	(1,742)	(2,019)	(2,169)	(2,169)	(2,169)
Net Income (Adjusted)	17,158	17,949	18,844	20,114	21,396
% Change	-5.1%	4.6%	5.0%	6.7%	6.4%

Free Cash Flow Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	17,158	17,949	18,844	20,114	21,396
Depreciation & Amortization	10,945	11,853	12,323	12,753	13,126
Change in Working Capital	2,827	723	736	673	585
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	0	0	0	0	0
Capital Expenditure	(16,857)	(20,606)	(21,715)	(22,474)	(22,474)
Free Cash Flow	14,073	9,919	10,187	11,067	12,633
% Change	-11.3%	-29.5%	2.7%	8.6%	14.2%
Share / Issue Repurchase	(19,181)	(5,214)	0	0	0
Cost of Dividends Paid	(6,114)	(6,140)	(6,263)	(6,388)	(6,516)
Change in Debt	1,191	1,403	0	0	0

Balance Sheet Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	8,625	9,867	13,620	18,348	24,516
Trade Receivables	7,933	8,796	9,145	9,464	9,741
Other Current Assets	59,097	58,214	60,522	62,634	64,468
Property, Plant & Equipment	100,760	110,810	120,202	129,924	139,271
Other Non-Current Assets	53,227	51,039	51,089	51,139	51,189
Total Assets	229,642	238,726	254,577	271,509	289,185
Short-Term Debt	5,130	5,050	5,050	5,050	5,050
Other Current Liabilities	84,868	85,571	88,963	92,068	94,764
Long-Term Debt	34,649	36,132	36,132	36,132	36,132
Other Non-Current Liabilities	20,495	20,867	20,745	20,845	20,945
Total Liabilities	145,142	147,620	150,890	154,095	156,891
Total Equity	83,754	90,349	102,930	116,657	131,537
Total Equity & Liabilities	228,896	237,969	253,820	270,752	288,428

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Retailing-Broadline/General Merchandiser

Company Description

Walmart is the world's largest retailer, operating retail stores under the formats of Walmart Stores, Supercenters, Neighborhood Markets and Sam's Club locations in the United States as well as a growing ecommerce business (including Jet.com). Internationally Wal-Mart also operates locations in several countries, including Canada, China & Mexico.

Investment Rationale

We believe WMT's omni-channel transformation in the US will continue to gain momentum and support more sustainable and predictable positive same-store sales and traffic at US Supercenters and US ecommerce and GMV growth that should support P/E multiple expansion.

Stock Data

Average Daily Volume

5,961,763

Quarterly Earnings Estimates

	2024	2025
Q1	1.47A	1.53E
Q2	1.84A	1.90E
Q3	1.53A	1.64E
Q4	1.80A	1.92E

Exhibit 1: WMT quarterly earnings analysis (\$ millions, except per share data)

Following F4Q24 earnings, we maintain our F25E adj. EPS of \$7.00

	WMT US	Sam's Club		Member- ship & Other	Total Revenues	COGS	SG&A, Occup.	Op. Inc.	Net Int. Exp./ other	Pretax Inc	Inc Tax		Net Inc. bef. Extra	Extra Gain (Loss)	Net Inc.	Op. EPS	Ex- Flipkart Adj. EPS	GAAP EPS	Shs. Out (MM)
Apr-Q1	\$96,904	\$19,621	\$23,763	\$1,281	\$141,569	\$106,847	\$29,404	\$5,318	\$454	\$4,864	\$1,213	(\$49)	\$3,602.4	(\$1,548.4)	\$2,054.0	\$1.30	\$1.45	\$0.74	2765
Jul-Q2	\$105,130	\$21,901	\$24,350	\$1,478	\$152,859	\$115,838	\$30,167	\$6,854	\$265	\$6,589	\$1,717	(\$25)	\$4,847.1	\$302.0	\$5,149.0	\$1.77	\$1.92	\$1.88	2745
Oct-Q3	\$104,775	\$21,399	\$25,295	\$1,344	\$152,813	\$115,613	\$31,180	\$6,020	\$493	\$5,527	\$1,448	(\$4)	\$4,075.3	(\$5,873.3)	(\$1,798.0)	\$1.50	\$1.65	(\$0.66)	2711
Jan-Q4	\$113,744	\$21,424	\$27,575	\$1,305	\$164,048	\$125,423	\$32,215	\$6,410	\$530	\$5,880	\$1,279	\$33	\$4,633.6	\$1,641.4	\$6,275.0	\$1.71	\$1.86	\$2.32	2707
F2023	\$420,553	\$84,345	\$100,983	\$5,408	\$611,289	\$463,721	\$122,966	\$24,602	\$1,742	\$22,860	\$5,656	(\$45)	\$17,158.4	(\$5,478.4)	\$11,680.0	\$6.28	\$6.88	\$4.28	2732
Apr-Q1	\$103,901	\$20,499	\$26,604	\$1,297	\$152,301	\$115,284	\$30,777	\$6,240	\$557	\$5,683	\$1,495	(\$223)	\$3,965.0	(\$2,292.0)	\$1,673.0	\$1.47	\$1.62	\$0.62	2704
Jul-Q2	\$110,854	\$21,830	\$27,596	\$1,352	\$161,632	\$121,850	\$32,466	\$7,316	\$373	\$6,943	\$1,809	(\$162)	\$4,971.8	\$2,919.2	\$7,891.0	\$1.84	\$1.99	\$2.92	2703
Oct-Q3	\$109,419	\$21,998	\$28,022	\$1,365	\$160,804	\$121,183	\$33,419	\$6,202	\$516	\$5,686	\$1,384	(\$163)	\$4,140.0	(\$3,687.0)	\$453.0	\$1.53	\$1.68	\$0.17	2703
Jan-Q4	\$117,643	\$21,852	\$32,419	\$1,474	\$173,388	\$131,825	\$34,309	\$7,254	\$573	\$6,681	\$1,624	(\$184)	\$4,872.8	\$621.2	\$5,494.0	\$1.80	\$1.95	\$2.03	2701
F2024	\$441,817	\$86,179	\$114,641	\$5,488	\$648,125	\$490,142	\$130,971	\$27,012	\$2,019	\$24,993	\$6,312	(\$732)	\$17,949.5	(\$2,438.5)	\$15,511.0	\$6.64	\$7.24	\$5.74	2703
Apr-Q1E	\$108,577	\$21,421	\$28,094	\$1,336	\$159,428	\$120,292	\$32,685	\$6,450	\$595	\$5,856	\$1,493	(\$223)	\$4,139.7	\$0.0	\$1,673.0	\$1.53	\$1.68	\$0.62	2698
Jul-Q2E	\$114,734	\$22,594	\$28,948	\$1,393	\$167,669	\$126,021	\$34,154	\$7,494	\$411	\$7,083	\$1,806	(\$162)	\$5,114.9	\$0.0	\$7,891.0	\$1.90	\$2.05	\$2.93	2695
Oct-Q3E	\$113,249	\$22,768	\$29,395	\$1,406	\$166,818	\$125,332	\$34,789	\$6,696	\$553	\$6,143	\$1,566	(\$163)	\$4,413.6	\$0.0	\$4,413.6	\$1.64	\$1.79	\$1.64	2692
Jan-Q4E	\$121,761	\$22,617	\$34,008	\$1,518	\$179,903	\$136,554	\$35,544	\$7,805	\$611	\$7,195	\$1,835	(\$184)	\$5,175.9	\$0.0	\$5,175.9	\$1.92	\$2.07	\$1.92	2689
F2025E	\$458,320	\$89,400	\$120,445	\$5,653	\$673,817	\$508,199	\$137,173	\$28,446	\$2,169	\$26,276	\$6,701	(\$732)	\$18,844.1	\$0.0	\$18,844.1	\$7.00	\$7.60	\$7.00	2694
F2026E	\$472,069	\$92,976	\$126,467	\$5,822	\$697,335	\$525,757	\$140,910	\$30,667	\$2,169	\$28,498	\$7,552	(\$832)	\$20,114.3	\$0.0	\$20,114.3	\$7.50	\$8.10	\$7.50	2684
Percentage Change										Margin Analysis									
	U.S. E-com	U.S. Comps	U.S. 2-yr comp	Sam's Comps	Walmart US Rev	Sam's Club Rev	Int'l	Member -ship & Other	Total Rev.	SG&A	Op. Inc.	Op. EPS		Gross Margin	Exp. Ratio	Op. %	Tax Rate	Pre- Tax%	Net %
Apr-Q1	1.0%	3.0%	9.0%	10.2%	4.0%	17.5%	(13.0%)	11.3%	2.4%	4.5%	(23.0%)	(23.1%)		23.8%	21.0%	3.8%	24.9%	3.4%	2.5%
Jul-Q2	12.0%	6.5%	11.7%	9.5%	7.1%	17.5%	5.7%	25.6%	8.4%	5.8%	(6.8%)	(0.6%)		23.5%	19.9%	4.5%	26.1%	4.3%	3.2%
Oct-Q3	16.0%	8.2%	17.4%	10.0%	8.5%	12.8%	7.1%	2.0%	8.7%	4.9%	3.9%	3.4%		23.7%	20.6%	3.9%	26.2%	3.6%	2.7%
Jan-Q4	17.0%	8.3%	13.9%	12.2%	8.0%	11.3%	2.1%	(3.0%)	7.3%	2.7%	6.9%	11.8%		22.9%	19.8%	3.9%	21.8%	3.6%	2.8%
F2023	12.2%	6.6%	13.0%	10.5%	6.9%	14.7%	0.0%	8.3%	6.7%	4.5%	(5.6%)	(2.6%)		23.5%	20.3%	4.0%	24.7%	3.7%	2.8%
Apr-Q1	27.0%	7.4%	10.4%	7.0%	7.2%	4.5%	12.0%	1.2%	7.6%	4.7%	17.3%	13.1%		23.7%	20.4%	4.1%	26.3%	3.7%	2.6%
Jul-Q2	24.0%	6.4%	12.9%	5.5%	5.4%	(0.3%)	13.3%	(8.5%)	5.7%	7.6%	6.7%	4.0%		24.0%	20.3%	4.5%	26.1%	4.3%	3.1%
Oct-Q3	24.0%	4.9%	13.1%	3.8%	4.4%	2.8%	10.8%	1.6%	5.2%	7.2%	3.0%	2.0%		24.0%	21.0%	3.9%	24.3%	3.5%	2.6%
Jan-Q4	17.0%	4.0%	12.3%	3.1%	3.4%	2.0%	17.6%	13.0%	5.7%	6.5%	13.2%	5.3%		23.3%	20.0%	4.2%	24.3%	3.9%	2.8%
F2024	22.6%	5.6%	12.2%	4.8%	5.1%	2.2%	13.5%	1.5%	6.0%	6.5%	9.8%	5.7%		23.7%	20.4%	4.2%	25.3%	3.9%	2.8%
Apr-Q1E	10.0%	3.5%	11.9%	3.5%	4.5%	4.5%	5.6%	3.0%	4.7%	6.2%	3.4%	4.1%		23.9%	20.7%	4.0%	25.5%	3.7%	2.6%
Jul-Q2E	10.0%	3.5%	9.9%	3.5%	3.5%	3.5%	4.9%	3.0%	3.7%	5.2%	2.4%	3.3%		24.2%	20.5%	4.5%	25.5%	4.2%	3.1%
Oct-Q3E	10.0%	3.5%	8.4%	3.5%	3.5%	3.5%	4.9%	3.0%	3.7%	4.1%	8.0%	7.2%		24.2%	21.0%	4.0%	25.5%	3.7%	2.6%
Jan-Q4E	10.0%	3.5%	7.5%	3.5%	3.5%	3.5%	4.9%	3.0%	3.8%	3.6%	7.6%	6.7%		23.5%	19.9%	4.3%	25.5%	4.0%	2.9%
F2025E	10.0%	3.5%	9.4%	3.5%	3.7%	3.7%	5.1%	3.0%	4.0%	4.7%	5.3%	5.4%		23.9%	20.5%	4.2%	25.5%	3.9%	2.8%
F2026E	8.0%	3.0%	6.7%	3.0%	3.0%	4.0%	5.0%	3.0%	3.5%	2.7%	7.8%	7.1%		24.0%	20.4%	4.4%	26.5%	4.1%	2.9%

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH



Price objective basis & risk

Walmart Inc (WMT)

Our \$200 price objective is based on 27x our F26E adj. EPS of \$7.50, which is above WMT's average 2-year forward P/E multiple of roughly 21x but in line with a high of 27x over the past 5 years. Our multiple reflects an outlook for positive US comps (with positive traffic), omni-channel momentum, and healthy free cash generation. This P/E is more in line with other high-performing retailers but still a discount to other global ecommerce retailers.

Downside risks to our PO are the impacts of FX, pharmacy headwinds, slowing food inflation or deflation, Walmart's longer-term ability to continue gaining incremental market share given its large size, a weakening global retailing environment, competitive pressures at Sam's Clubs and/or Walmart International.

Analyst Certification

I, Robert F. Ohmes, CFA, 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 - Broadlines, Hardlines, Food Retailers & Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Academy Sports + Outdoors	ASO	ASO US	Robert F. Ohmes, CFA
	BJ's Wholesale Club Holdings	BJ	BJ US	Robert F. Ohmes, CFA
	Costco Wholesale Corporation	COST	COST US	Robert F. Ohmes, CFA
	Fox Factory Holding Corp	FOXF	FOXF US	Alexander Perry
	Grocery Outlet Holding Corp.	GO	GO US	Robert F. Ohmes, CFA
	Harley-Davidson	HOG	HOG US	Alexander Perry
	Life Time	LTH	LTH US	Alexander Perry
	Planet Fitness, Inc.	PLNT	PLNT US	Alexander Perry
	Sysco Corporation	SY	SY US	Kendall Toscano
	Target Corp.	TGT	TGT US	Robert F. Ohmes, CFA
	The Kroger Co.	KR	KR US	Robert F. Ohmes, CFA
	Topgolf Callaway Brands Corp	MODG	MODG US	Alexander Perry
	Walmart Inc	WMT	WMT US	Robert F. Ohmes, CFA
NEUTRAL				
	Dick's Sporting Goods	DKS	DKS US	Robert F. Ohmes, CFA
	Xponential Fitness	XPOF	XPOF US	Alexander Perry
	YETI Holdings, Inc.	YETI	YETI US	Robert F. Ohmes, CFA
UNDERPERFORM				
	Canada Goose Holdings Inc	YGOOS	GOOS CN	Alexander Perry
	Canada Goose Holdings Inc	GOOS	GOOS US	Alexander Perry
	Columbia Sportswear	COLM	COLM US	Alexander Perry
	Dollar General Corporation	DG	DG US	Robert F. Ohmes, CFA
	Dollar Tree, Inc.	DLTR	DLTR US	Robert F. Ohmes, CFA
	Hibbett Sports, Inc.	HIBB	HIBB US	Alexander Perry
	National Vision	EYE	EYE US	Robert F. Ohmes, CFA
	Sprouts Farmers Market, Inc.	SFM	SFM US	Robert F. Ohmes, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

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

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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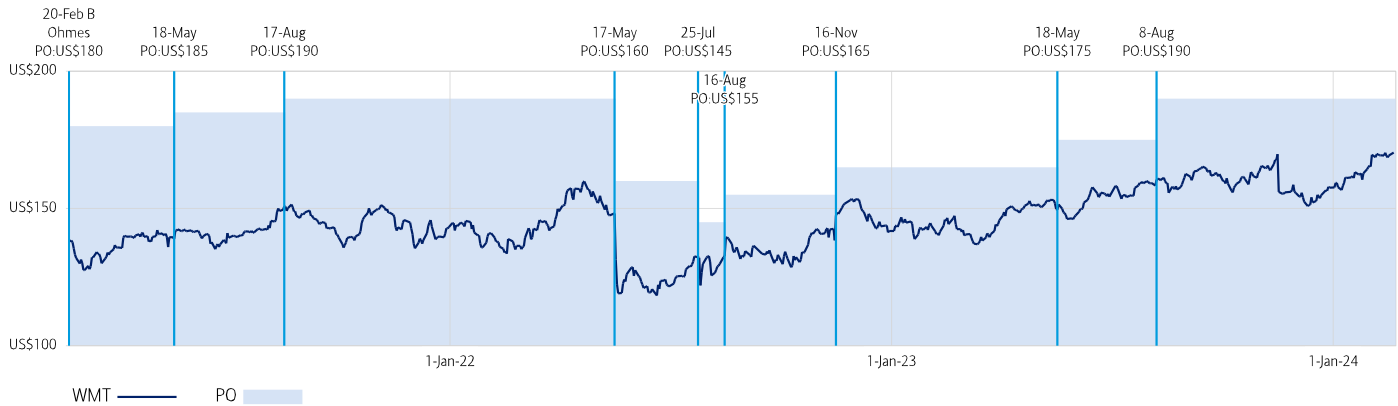
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Walmart (WMT) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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: 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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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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