

First Bancorp Puerto Rico

Idiosyncratic opportunity at attractive valuation

Reiterate Rating: BUY | PO: 19.50 USD | Price: 16.20 USD

Results demonstrate underlying earnings momentum

Disbursement of federal aid in Puerto Rico beginning to bear fruit. (FBP funded a \$150mn public-private partnership loan in 4Q). Meanwhile, the reinvestment opportunity of securities cash flows represents a significant tailwind to NII. The two were likely responsible for the 140bp of stock price outperformance vs. KRX. FBP reported core 4Q23 EPS of \$0.47, better than our/cons. \$0.38/0.36 est. Relative to us, the beat was driven by lower credit costs and a lower tax rate, partially offset by lower fees (ex. gain on sale).

Shares trade at 8.3x our revised 2025e EPS, a ~17% discount to its 5-year pre-pandemic historical avg. With the outlook more favorable, and the economic backdrop in Puerto Rico more stable, this should help mitigate payment defaults and loan losses, in our view, and support shares to re-rate higher. Reiterate Buy rating.

Significant asset reinvestment opportunity

Mgmt. indicated during the earnings call that NIM is nearing an inflection point and should expand over the course of 2024. (Note, FBP is assuming ~4 rate cuts starting in Apr.). However, we believe the opportunity may be underappreciated by investors. Approx. \$1bn of securities cash flows expected to be reinvested into higher yielding assets in 2024. Although several mid-cap banks indicated having a similar opportunity so far this earnings season, we note FBP's cash flows represent a larger percentage of earning assets vs. peers (5% vs. 3% avg.). Assuming 100bp worth of rate cuts, we est. this opportunity could represent at least a ~10bp benefit to FY2024 NIM. (Benefit should carry over into 2025). This would be in addition to the benefit of deposits repricing lower. We forecast FY2024 avg. NIM of 4.33% (stable YoY, +10bp vs. 4Q23).

Revising 2024/25e higher, PO to \$19.50

We are raising our 2024/25e EPS by 2%/15% to \$1.56 (from \$1.53) and \$1.95 (from \$1.69), respectively, primarily due to a lower tax rate. The lower tax rate reflects the realization of tax credits on certain tax-advantaged projects in Puerto Rico that could last for several years. That said, our revised est. also reflect higher NII growth assumptions, particularly for 2025. As a result of our revised est, we are increasing our PO from \$18.50 to \$19.50.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.40	1.59	1.70	1.56	1.95
GAAP EPS	1.32	1.59	1.71	1.56	1.95
EPS Change (YoY)	232.9%	13.5%	7.1%	-8.0%	24.5%
Consensus EPS (Bloomberg)			1.59	1.55	1.77
DPS	0.31	0.46	0.56	0.62	0.68
Valuation (Dec)					
P/E	11.6x	10.2x	9.5x	10.4x	8.3x
GAAP P/E	12.3x	10.2x	9.5x	10.4x	8.3x
Dividend Yield	1.9%	2.8%	3.5%	3.8%	4.2%

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Timestamp: 24 January 2024 10:42PM EST

24 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	18.50	19.50
2023E Rev (m)	944.6	942.4
2024E Rev (m)	932.5	932.1
2025E Rev (m)	974.4	1,008.2
2023E EPS	1.60	1.70
2024E EPS	1.53	1.56
2025E EPS	1.69	1.95

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Stock Data

Price	16.20 USD
Price Objective	19.50 USD
Date Established	24-Jan-2024
Investment Opinion	B-1-7
52-Week Range	10.18 USD -17.15 USD
Mrkt Val / Shares Out (mn)	3,484 USD / 215.1
Free Float	97.6%
Average Daily Value	21.77 USD
BofA Ticker / Exchange	FBP / NYS
Bloomberg / Reuters	FBP US / FBP.N
ROE (2023E)	21.8%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Acronyms:

KRX: KBW Regional Banking Index

NII: net interest income

NIM: net interest margin

iQprofileSM First Bancorp Puerto Rico

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Interest Income	754	828	818	807	878
% change	21.3%	9.9%	-1.3%	-1.3%	8.8%
Net Fee Income	121	122	124	125	130
Securities Gains / (Losses)	0	0	0	0	0
Total Operating Income	875	951	942	932	1,008
Operating Expenses	(463)	(443)	(465)	(489)	(508)
% change	16.1%	-4.3%	5.1%	5.2%	3.8%
Provisions Expense	66	(28)	(61)	(92)	(91)
% change	-138.4%	NA	120.0%	51.0%	-0.7%
Operating Pre-Tax Income	478	480	416	351	409
Operating Net Income to Comm S/Hold.	295	305	301	254	298
GAAP Net Income	279	305	301	254	298

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Total Assets	20,785	18,634	18,910	18,447	19,186
Average Interest Earning Assets	19,587	19,315	18,907	18,624	19,342
Total Gross Customer Loans	11,096	11,565	12,193	12,679	13,226
% change	-6.2%	4.2%	5.4%	4.0%	4.3%
Total Customer Deposits	17,785	16,143	16,556	16,110	15,850
% change	16.1%	-9.2%	2.6%	-2.7%	-1.6%
Tangible Equity	2,033	1,266	1,446	1,655	1,937
Common Shareholders' Equity	2,102	1,326	1,498	1,701	1,979

Key Metrics (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Interest Margin	3.85%	4.29%	4.33%	4.33%	4.54%
Effective Tax Rate	37.8%	36.5%	27.8%	27.7%	27.2%
Loan / Deposit Ratio	62.4%	71.6%	73.6%	78.7%	83.4%
Tangible Common Equity / Assets	9.8%	6.8%	7.6%	9.0%	10.1%
ROA	1.5%	1.6%	1.6%	1.4%	1.6%
ROE	13.6%	19.3%	21.8%	15.9%	16.2%
RoTE	14.1%	18.5%	22.2%	16.4%	16.6%
Dividend Payout Ratio	22.2%	29.0%	33.0%	39.4%	34.8%
Efficiency Ratio (Cost / Income Ratio)	52.9%	46.6%	49.4%	52.5%	50.4%

Quality of Earnings (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Total Non-Interest Inc / Operating Inc	13.9%	12.9%	13.2%	13.4%	12.9%
NPLs plus Foreclosed Real Estate / Loans	1.0%	0.8%	0.7%	0.9%	0.9%
Loan Loss Reserves / NPLs	242.99%	289.61%	312.81%	236.02%	230.09%
Loan Loss Reserves / Total Loans	2.42%	2.25%	2.15%	2.14%	2.10%

Company Sector

Banks-US Regionals

Company Description

First BanCorp. is the parent corporation of FirstBank Puerto Rico, a commonwealth-chartered commercial bank with operations in Puerto Rico, the Virgin Islands and Florida, and of FirstBank Insurance Agency. First BanCorp. and FirstBank Puerto Rico operate within U.S. banking laws and regulations.

Investment Rationale

We expect strong capital return, a pick-up in revenue growth and potentially improving sentiment around Puerto Rico assets (on bankruptcy exit) to drive stock outperformance.

Stock Data

Average Daily Volume 1,358,743

Quarterly Earnings Estimates

	2022	2023
Q1	0.41A	0.39A
Q2	0.38A	0.37A
Q3	0.40A	0.46A
Q4	0.40A	0.47A

Exhibit 1: First BanCorp/Puerto Rico (FBP) variance table

New vs. old EPS estimates, assumptions (\$ in millions unless noted)

KEY FORECAST VARIABLES:	3Q23	Actual 4Q23	Estimate 4Q23E	Variance	New 2024E	Old 2024E	Variance	New 2025E	Old 2025E	Variance
EOP Loans	11,960	12,193	12,070	1.02%	12,679	12,225	3.72%	13,226	12,526	5.58%
Average Loans	11,783	12,005	12,006	-0.01%	12,448	12,135	2.58%	12,945	12,367	4.68%
Average Earning Assets	19,109	18,840	18,929	-0.47%	18,624	19,014	-2.05%	19,342	19,251	0.48%
Net Interest Margin (%)	4.24	4.23	4.21	2bp	4.33	4.22	12bp	4.54	4.35	19bp
Net Interest Income (FTE)	204.4	201.0	200.8	0.08%	807.1	801.5	0.70%	877.9	837.9	4.78%
Loan Loss Provision	4.4	18.8	22.9	-18.00%	92.0	71.0	29.58%	91.4	86.7	5.38%
Noninterest Revenues	30.3	30.6	33.0	-7.12%	125.0	131.0	-4.60%	130.3	136.5	-4.60%
Securities Transactions	0.0	0.0	0.0	NA	0.0	0.0	NA	0.0	0.0	NA
Tot. Revenue	235	232	234	-0.93%	932	932	-0.04%	1,008	974	3.46%
Total Expenses	116.6	120.3	120.3	-0.02%	489.3	488.5	0.18%	508.1	500.2	1.59%
Pre-Tax Income (FTE)	113.7	92.4	90.5	2.18%	350.8	373.0	-5.96%	408.6	387.5	5.45%
FTE Tax Rate (%)	24.7	8.0	24.7	-17pp	24.0	30.0	-6pp	24.0	30.0	-6pp
Net Income	82.0	81.1	64.6	25.61%	253.6	248.0	2.27%	297.6	258.1	15.28%
Available For Common	82.0	81.1	64.6	17mn	253.6	248.0	6mn	297.6	258.1	39mn
Op. EARNINGS PER SHARE (F.D.)	\$0.46	\$0.47	\$0.38	26%	\$1.56	\$1.53	2%	\$1.95	\$1.69	15%
GAAP EPS (F.D.)	\$0.46	\$0.46	\$0.35	32%	\$1.56	\$1.53	2%	\$1.95	\$1.69	15%
Book Value Per Share	\$7.47	\$8.85	\$7.82	\$1.02	\$10.81	\$9.68	\$1.13	\$13.32	\$11.86	\$1.46
Tangible Book Value Per Share	\$7.16	\$8.54	\$7.52	\$1.02	\$10.52	\$9.39	\$1.13	\$13.03	\$11.57	\$1.46
Dividends Per Share	\$0.14	\$0.14	\$0.14	\$0.00	\$0.62	\$0.62	\$0.00	\$0.68	\$0.68	\$0.00
Average Fully-Diluted Shares	177.0	171.4	171.3	0mn	162.4	162.3	0mn	153.0	152.8	0mn
CAPITAL RATIOS:										
EOP Common Equity/Assets (%)	7.01	7.92	7.21	71bp	9.22	8.23	99bp	10.32	9.37	95bp
Tang. Common Equity/Assets (%)	6.74	7.67	6.94	72bp	8.99	8.00	99bp	10.12	9.16	96bp
Tangible Common Equity/RWA (%)	9.87	11.23	10.17	106bp	13.18	11.72	146bp	14.83	13.43	140bp
Tier 1 Common/RWA (%)	16.35	16.10	16.24	-14bp	17.19	15.72	146bp	16.75	15.39	136bp
Tier 1/RWA (%)	16.35	17.13	16.24	88bp	17.19	15.72	146bp	16.75	15.39	136bp
PROFITABILITY RATIOS:										
Return On Assets (%)	1.72	1.72	1.39	33bp	1.36	1.35	1bp	1.58	1.38	20bp
Return On Common Equity (%)	24.10	22.98	19.50	347bp	15.93	17.54	-162bp	16.17	15.73	44bp
Return On Tangible Common Equity (%)	25.11	23.88	20.32	356bp	15.33	16.81	-148bp	15.36	15.02	34bp
BALANCE SHEET ITEMS:										
EOP Total Deposits	16,435	16,556	16,412	0.88%	16,110	16,204	-0.58%	15,850	15,981	-0.82%
AVG Total Deposits	16,627	16,496	16,423	0.44%	16,343	16,406	-0.39%	15,980	16,093	-0.70%
EOP Total Assets	18,595	18,910	18,366	2.96%	18,447	18,488	-0.22%	19,186	18,794	2.09%
EOP Equity	1,303	1,498	1,324	13.15%	1,701	1,521	11.81%	1,979	1,760	12.44%
EOP Preferred Equity	0	0	0	NA	0	0	NA	0	0	NA
EOP Common Equity	1,303	1,498	1,324	13.15%	1,701	1,521	11.81%	1,979	1,760	12.44%
EOP Tangible Common Equity	1,249	1,446	1,272	13.68%	1,655	1,475	12.17%	1,937	1,718	12.74%
CREDIT QUALITY INDICATORS:										
Net Charge-Offs	14	21	17	22.74%	83	68	22.74%	85	85	0.00%
% Average Loans	0.47	0.69	0.56	13bp	0.67	0.56	11bp	0.66	0.69	-3bp
Nonperforming Assets	130	126	135	-6.83%	160	174	-7.97%	168	182	-7.97%
% EOP Loans + OREO	0.70	0.66	0.73	-7bp	1.26	1.42	-16bp	1.26	1.45	-19bp
Loan Loss Reserve	264	262	270	-2.90%	271	273	-0.81%	277	275	0.89%
% EOP Loans	2.21	2.15	2.24	-9bp	2.14	2.23	-10bp	2.10	2.19	-10bp
% Nonperforming Loans	282.96	312.81	278.31	3450bp	236.02	205.57	3045bp	230.09	197.02	3307bp

Source: BofA Global Research estimates, company filings

BofA GLOBAL RESEARCH



Price objective basis & risk

First Bancorp Puerto Rico (FBP)

Our \$19.50 PO is based on applying a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13x/1.8x multiples respectively, in-line/above the bank's 5 year pre-pandemic median of 13.9x/0.8x due to a higher return profile.

Downside risks to our price objective are a worse-than-expected restructuring of PR government debt and a deterioration in the Puerto Rican economy that could hurt the ongoing credit and earnings recovery at FBP. Upside risks to our price objective are a much stronger economic improvement in Puerto Rico, deployment of excess capital into share purchase agreement and a better-than-expected improvement in asset quality trends at FBP.

Analyst Certification

I, Brandon Berman, 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.

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
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	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	TS LX	TS LX 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
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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
	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	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	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
	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
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
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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

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

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The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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%

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%

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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

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