

## ZoomInfo

# 4Q23 results: Cruising down the road to a better place; Reiterate Buy, PO to \$28

Reiterate Rating: BUY | PO: 28.00 USD | Price: 16.02 USD

## Better execution, should continue to improve in 2024

Reiterate Buy, raise PO to \$28 (from \$25). Consistent with our [upgrade thesis](#) (published on 1/29), the 4Q results were good, and the initial 2024 rev growth guidance of +2-3% y/y versus the +3% Street should help dissipate concerns that revs could decline in 2024. The key takeaway is that the guide assumes NRR to continue being pressured (i.e., conservative), creating an attractive setup for rev growth reacceleration given positive demand / execution commentary. With 40% discount valuation to its horizontal software peers, strong uFCF generation (36% margin guide for 2024), and the potential for rev growth to reaccelerate, the risk/reward is attractive. Increase target multiple to 30.1x EV/CY24 FCF (from 27.3x) for improving execution. Update forecasts for results/guidance.

## Announces ZoomInfo Copilot – new monetization lever

New Copilot offering should drive sales org efficiency gains with: 1) AI-guided prospecting; 2) dynamic buying committees; 3) gen-AI powered outreach; 4) unified data; and 5) customized prospecting. Copilot should become GA mid-2024. It is currently being beta tested by “hundreds of customers,” suggesting high initial demand. While pricing and packaging are still being ironed out, we believe the new product has the potential to be an attractive installed-base monetization lever over time.

## Positives: Strong new logo execution

1) Closed the most new logos in company history in 4Q23 with sales cycles shortening and record close rates in December, suggesting improving execution and demand environment; 2) won back 550 customers in 2H23, the biggest win back period on record, suggesting the value prop continues to resonate; 3) RPO grew 9% q/q (4.2% y/y) to \$1,153bn, suggesting healthy larger deal activity; and 4) Enterprise ACV now represents 40%+ of the business, up 10pts over the last three years.

## Negatives: Some key metrics could further decline

1) Net-loss of 49 \$100K+ ACV customers, lowering the total to 1,820 (down 6% y/y), and this metric could continue to decline in upcoming quarters; 2) NRR of 87% (vs 104% in 2022) may continue to compress, though this is considered in the guidance; and 3) 1Q renewal cycles are more SMB weighted, which raises downsell/churn risks.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.88	1.01	0.99	0.99	1.05
GAAP EPS	0.15	0.26	0.40	0.36	0.37
EPS Change (YoY)	57.1%	14.8%	-2.0%	0%	6.1%
Consensus EPS (Bloomberg)			1.00	1.12	1.31
DPS	0	0	0	5.00	5.00
Valuation (Dec)					
P/E	18.2x	15.9x	16.2x	16.2x	15.3x
GAAP P/E	106.8x	61.6x	40.1x	44.5x	43.3x
Dividend Yield	0%	0%	0%	31.2%	31.2%
EV / EBITDA*	20.9x	18.8x	18.8x	17.9x	16.7x
Free Cash Flow Yield*	6.0%	6.3%	6.2%	6.5%	6.9%

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

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Timestamp: 12 February 2024 10:53PM EST

12 February 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	25.00	28.00
2024E Rev (m)	1,253.3	1,270.0
2025E Rev (m)	1,332.9	1,333.6
2026E Rev (m)	NA	1,400.4
2024E EPS	0.97	0.99
2025E EPS	1.04	0.99
2026E EPS	NA	1.05

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### Stock Data

Price	16.02 USD
Price Objective	28.00 USD
Date Established	12-Feb-2024
Investment Opinion	C-1-9
52-Week Range	12.36 USD - 30.16 USD
Mkt Val (mn) / Shares Out (mn)	6,472 USD / 404.0
Free Float	91.7%
Average Daily Value (mn)	118.15 USD
BofA Ticker / Exchange	ZI / NAS
Bloomberg / Reuters	ZI US / ZI.OQ
ROE (2024E)	17.4%
Net Dbt to Eqty (Dec-2023A)	33.2%
ESGMeter™	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"](#).

GA = generally available

NRR = net revenue retention

ACV = annual contract value

# iQprofile<sup>SM</sup> ZoomInfo

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	3.5%	3.9%	5.5%	5.3%	5.3%
Return on Equity	17.0%	18.8%	17.4%	15.7%	15.1%
Operating Margin	40.7%	40.2%	39.1%	39.1%	39.5%
Free Cash Flow	388	408	399	420	447

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.1x	1.1x	1.2x	1.3x	1.2x
Asset Replacement Ratio	0.3x	0.3x	0.9x	0.9x	0.9x
Tax Rate	67.8%	72.4%	29.6%	32.8%	33.4%
Net Debt-to-Equity Ratio	30.4%	33.2%	19.1%	7.1%	-3.5%
Interest Cover	9.4x	11.0x	13.5x	10.2x	10.9x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	1,100	1,240	1,270	1,334	1,400
% Change	46.3%	12.7%	2.4%	5.0%	5.0%
Gross Profit	980	1,117	1,143	1,200	1,260
% Change	47.4%	13.9%	2.4%	5.0%	5.0%
EBITDA	465	518	517	545	581
% Change	45.4%	11.3%	-0.2%	5.4%	6.7%
Net Interest & Other Income	(46)	112	(37)	(51)	(51)
<b>Net Income (Adjusted)</b>	<b>363</b>	<b>413</b>	<b>394</b>	<b>399</b>	<b>427</b>
<b>% Change</b>	<b>60.1%</b>	<b>13.6%</b>	<b>-4.7%</b>	<b>1.5%</b>	<b>7.0%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	62	107	159	145	150
Depreciation & Amortization	88	81	81	85	89
Change in Working Capital	(59)	(158)	(51)	(36)	(37)
Deferred Taxation Charge	123	277	0	0	0
Other Adjustments, Net	202	128	286	306	329
Capital Expenditure	(29)	(27)	(76)	(80)	(84)
<b>Free Cash Flow</b>	<b>388</b>	<b>408</b>	<b>399</b>	<b>420</b>	<b>447</b>
<b>% Change</b>	<b>40.7%</b>	<b>5.2%</b>	<b>-2.4%</b>	<b>5.4%</b>	<b>6.5%</b>
Share / Issue Repurchase	(12)	(17)	0	0	0
Cost of Dividends Paid	(12)	(400)	(153)	(153)	(153)
Change in Debt	(2)	(10)	(8)	(8)	(8)

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	546	530	767	1,026	1,313
Trade Receivables	223	272	311	304	318
Other Current Assets	63	63	118	103	113
Property, Plant & Equipment	52	65	141	221	305
Other Non-Current Assets	6,252	5,939	5,898	5,857	5,816
<b>Total Assets</b>	<b>7,136</b>	<b>6,868</b>	<b>7,236</b>	<b>7,511</b>	<b>7,864</b>
Short-Term Debt	0	6	6	6	6
Other Current Liabilities	573	632	733	732	775
Long-Term Debt	1,236	1,226	1,219	1,211	1,204
Other Non-Current Liabilities	2,988	2,794	2,794	2,795	2,795
<b>Total Liabilities</b>	<b>4,865</b>	<b>4,749</b>	<b>4,842</b>	<b>4,834</b>	<b>4,870</b>
<b>Total Equity</b>	<b>2,272</b>	<b>2,119</b>	<b>2,394</b>	<b>2,678</b>	<b>2,994</b>
<b>Total Equity &amp; Liabilities</b>	<b>7,136</b>	<b>6,868</b>	<b>7,236</b>	<b>7,511</b>	<b>7,864</b>

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

## Company Sector

Server & Enterprise Software

## Company Description

ZoomInfo was founded in 2007 by Henry Schuck and is headquartered in Vancouver, WA. ZoomInfo provides a go to market intelligence system, helping to identify contacts for sales and marketing people to target and provide business contact information. ZoomInfo is a dynamic contact database that continually updates its information using artificial intelligence/machine learning powered data engine, providing the most up to date and accurate information.

## Investment Rationale

We believe ZI has built an attractive sales enablement platform and has potential to take share in a large \$100bn TAM over the long-term. We believe the business has made the necessary strategic decisions to its growth and product strategy to drive reaccelerating revenue growth while generating meaningful free cash flow. This should result in the business displaying at least a Rule of 50 profile (HDS revenue growth plus 40%+ uFCF margins), which we believe is an attractive GARP stock profile.

## Stock Data

Average Daily Volume 7,374,978

## Quarterly Earnings Estimates

	2023	2024
Q1	0.24A	0.24E
Q2	0.26A	0.24E
Q3	0.26A	0.25E
Q4	0.26A	0.25E

## Key Metrics

### 4Q23 Performance

- Total revenue of \$316.4mn was above our/Street estimates of \$310.5/310.6mn by 1.9/1.9%
- Total \$100k+ ACV customers decreased by 49 to 1,820 (down 2.6% q/q), from 1,869 in 3Q23 and is the fourth straight quarter of sequential declining growth
- PF operating income of \$126.5mn (40.0% margin) was above our/Street \$122.9mn (39.6% margin)/\$123.1mn (39.6% margin).
- PF EPS of \$0.26 was above our/Street \$0.24/\$0.25
- uFCF of \$126.0mn was above our/Street \$111.8mn/\$120.9mn.

### FY24 Guidance

- Initial guidance for FY24 total revenue for \$1,260-1,280mn is above our \$1,253mn prior but in line with the \$1,272mn Street
- PF operating income guidance range of \$492-\$502mn is below our/Street \$503.9/510.1mn.
- PF EPS guidance of \$0.99-1.00 is above our \$0.97 and in line with the Street at \$0.99.
- uFCF guidance of \$445-465mn is comparable to our \$459.7mn but below consensus at \$476.0mn.

### Exhibit 1: Variance

Total revenue exceeded our estimates by 1.9%

4Q23A			
\$mn	BofA Est.	Actual	Variance
Total revenue	310.5	316.4	1.9%
y/y change %	2.9%	4.8%	197bps
Guidance	309-312		
Total Billings	298.4	355.2	19.0%
y/y change %	(12.4%)	4.3%	1669bps
PF Operating income	122.9	126.5	3.0%
PF operating margin	39.6%	40.0%	41bps
Guidance	122-124		
Adjusted EBITDA	124.5	131.7	5.8%
Adjusted EBITDA margin	40.1%	41.6%	151bps
PF EPS	\$0.24	\$0.26	5.5%
Guidance	\$0.24-0.25		
Cash From Operations	110.2	128.8	14.4%
OCF margin	35.5%	40.7%	521bps
Free cash flow	105.3	119.9	12.2%
FCF margin	33.9%	37.9%	399bps
Unlevered Free Cash Flow	111.8	126.0	11.3%
uFCF margin	36.0%	39.8%	383bps
Guidance			

Source: BofA Global Research estimates, company filings

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**Exhibit 2: Estimate revisions**

We forecast FY24 total revenue of \$1,270mn

\$mn	1Q24E			FY24E			FY25E			FY26E		
	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %
Total revenue	308.3	306.2	0.7%	1,270.0	1,253.3	1.3%	1,333.6	1,332.9	0.0%	1,400.4	N/A	N/A
y/y change %	2.5%	1.8%	1bps	2.4%	1.6%	86bps	5.0%	6.4%	(135bps)	5.0%	N/A	N/A
Guidance	307-310			1,260-1,280								
PF Operating income	116.4	119.4	(2.5%)	497.2	503.9	(1.3%)	521.0	536.8	(2.9%)	553.4	N/A	N/A
PF operating margin	37.8%	39.0%	(1bps)	39.1%	40.2%	(106bps)	39.1%	40.3%	(120bps)	39.5%	N/A	N/A
PF EPS	\$0.24	\$0.23	5.4%	\$0.99	\$0.97	1.2%	\$0.99	\$1.04	(4.7%)	\$1.05	N/A	N/A
Guidance	\$0.23-0.24			\$0.99-1.01								
Free cash flow	98.3	95.5	2.8%	398.6	399.7	(0.3%)	420.0	428.6	(2.0%)	447.1	N/A	N/A
FCF margin	31.9%	31.2%	1bps	31.4%	31.9%	(51bps)	31.5%	32.2%	(66bps)	31.9%	N/A	N/A
Unlevered Free Cash Flow	118.3	116.5	1.5%	455.6	459.7	(0.9%)	477.0	488.6	(2.4%)	504.1	N/A	N/A
uFCF margin	38.4%	38.0%	0bps	35.9%	36.7%	(81bps)	35.8%	36.7%	(89bps)	36.0%	N/A	N/A
Guidance				445-465						450.0	N/A	N/A

**Source:** BofA Global Research estimates, company filings

BofA GLOBAL RESEARCH

## Price objective basis & risk

### ZoomInfo (ZI)

Our \$28 PO is based on a EV/CY24E free cash flow multiple of 30.1x, which is a discount to its horizontal software peers at 38.4x. We think the discount is warranted for better execution and revenue growth reacceleration potential, balanced against recent soft results. Our \$28 PO implies a EV/CY24E revenue multiple of 9.4x, which is a premium to its horizontal software peers at 7.8x.

Downside risks are: macroeconomic downturn, ability to capture share in broader CRM market, upmarket execution, high competition, potential regulatory risks.

## Analyst Certification

I, Koji Ikeda, 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 - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>	8x8	EGHT	EGHT US	Michael J. Funk
	Adobe	ADBE	ADBE US	Brad Sills
	Alarm.com	ALRM	ALRM US	Michael J. Funk
	Amplitude, Inc.	AMPL	AMPL US	Koji Ikeda, CFA
	BILL	BILL	BILL US	Brad Sills
	CCC Intelligent Solutions	CCCS	CCCS US	Michael J. Funk
	Dropbox	DBX	DBX US	Michael J. Funk
	Dynatrace	DT	DT US	Koji Ikeda, CFA
	Elastic NV	ESTC	ESTC US	Koji Ikeda, CFA
	GitLab Inc.	GTLB	GTLB US	Koji Ikeda, CFA
	Global-e Online Ltd.	GLBE	GLBE US	Koji Ikeda, CFA
	HubSpot	HUBS	HUBS US	Brad Sills
	Informatica Inc.	INFA	INFA US	Koji Ikeda, CFA
	Intapp Inc.	INTA	INTA US	Koji Ikeda, CFA
	Intuit	INTU	INTU US	Brad Sills
	JFrog Ltd	FROG	FROG US	Koji Ikeda, CFA
	MeridianLink, Inc.	MLNK	MLNK US	Koji Ikeda, CFA
	Microsoft Corporation	MSFT	MSFT US	Brad Sills
	MongoDB Inc	MDB	MDB US	Brad Sills
	nCino, Inc.	NCNO	NCNO US	Adam Bergere
	NICE Ltd.	NICE	NICE US	Michael J. Funk
	NICE Ltd.	NCSYF	NICE IT	Michael J. Funk
	PagerDuty	PD	PD US	Koji Ikeda, CFA
	PowerSchool Holdings, Inc.	PWSC	PWSC US	Koji Ikeda, CFA
	RingCentral	RNG	RNG US	Michael J. Funk
	Salesforce.com	CRM	CRM US	Brad Sills
	ServiceNow	NOW	NOW US	Brad Sills
	UiPath	PATH	PATH US	Brad Sills
	Unity	U	U US	Michael J. Funk
	Weave	WEAV	WEAV US	Michael J. Funk
	Workday Inc.	WDAY	WDAY US	Brad Sills
	Zeta Global	ZETA	ZETA US	Koji Ikeda, CFA
	ZoomInfo	ZI	ZI US	Koji Ikeda, CFA
<b>NEUTRAL</b>	Autodesk	ADSK	ADSK US	Michael J. Funk
	Bentley Systems	BSY	BSY US	Michael J. Funk
	BigCommerce Holdings, Inc.	BIGC	BIGC US	Koji Ikeda, CFA
	Coveo	YCVO	CVO CN	Koji Ikeda, CFA
	Datadog Inc	DDOG	DDOG US	Koji Ikeda, CFA
	DocuSign	DOCU	DOCU US	Brad Sills



**US - Enterprise Software Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Freshworks, Inc.	FRSH	FRSH US	Adam Bergere
	HashiCorp	HCP	HCP US	Brad Sills
	Jamf	JAMF	JAMF US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	LSPD	LSPD US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	YLSPD	LSPD CN	Koji Ikeda, CFA
	Oracle Corporation	ORCL	ORCL US	Brad Sills
	Paycom	PAYC	PAYC US	Adam Bergere
	Paylocity	PCTY	PCTY US	Adam Bergere
	Shopify, Inc.	SHOP	SHOP US	Brad Sills
	Snowflake	SNOW	SNOW US	Brad Sills
	Veeva Systems, Inc.	VEEV	VEEV US	Brad Sills
	Zoom Video Communications	ZM	ZM US	Michael J. Funk

**UNDERPERFORM**

	AvidXchange, Inc.	AVDX	AVDX US	Brad Sills
	Blackbaud, Inc.	BLKB	BLKB US	Koji Ikeda, CFA
	BlackLine, Inc.	BL	BL US	Koji Ikeda, CFA
	C3.ai	AI	AI US	Brad Sills
	Confluent	CFLT	CFLT US	Brad Sills
	CS Disco, Inc.	LAW	LAW US	Koji Ikeda, CFA
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
	Vertex, Inc.	VERX	VERX US	Brad Sills

**RSTR**

	Splunk	SPLK	SPLK US	Brad Sills
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**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

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

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

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

Other LT Liabilities

Enterprise Value

**Denominator**

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

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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

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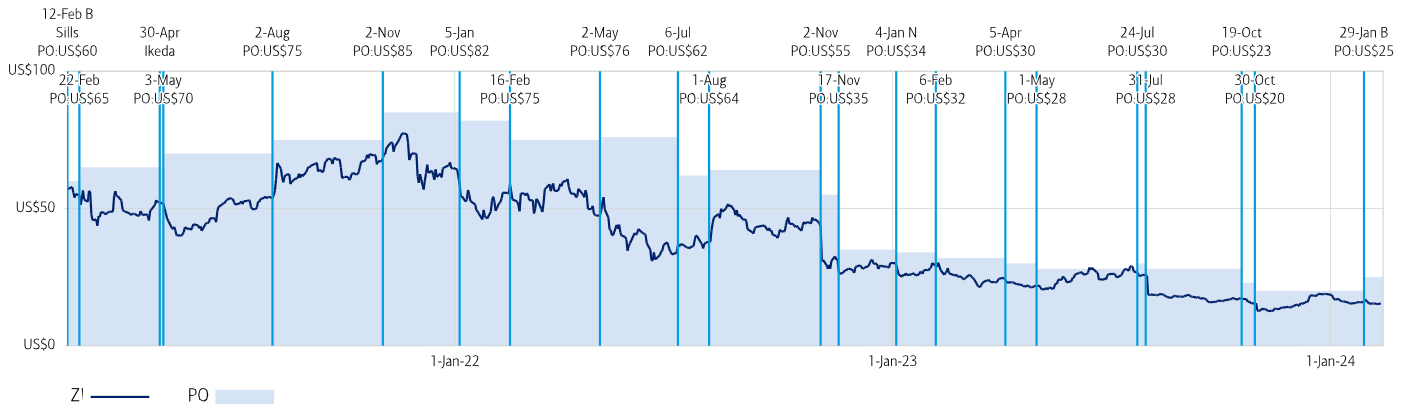
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# Disclosures

## Important Disclosures

### ZoomInfo (ZI) Price Chart



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

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

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

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

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

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

**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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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