

## Dell Technologies Inc.

## Improving outlook for AI servers, AI enhanced PCs; PO to \$98

Reiterate Rating: BUY | PO: 98.00 USD | Price: 81.39 USD

## Several trends can prove to be a tailwind to rev, EPS

Dell reports F4Q24 after market close on Thur Feb 29<sup>th</sup>. Nvidia (ticker: NVDA) recently reported strong data center revenues and spoke of strong AI related demand which should sustain for years. For DELL we see continued momentum in the server business and expect orders continued to grow in F4Q. Last quarter, management had reported a tripling of the pipeline for AI servers. Given its focus on enterprise vs hyperscale, Dell should see strong demand as companies start fine tuning trained AI models and then ramp inferencing with those models. While overall PC market recovery is slower than we had originally anticipated, DELL should benefit in C2H24 from launch of AI enabled PCs. We will look for color on the earnings call on the relative contribution to revenues and margins from AI driven workloads. Management has increased its focus on capital returns (targets 80%+ return of FCF to shareholders). Reiterate Buy on higher capital returns, AI tailwinds, and improving FCF benefiting from negative cash conversion cycle as PC revenue continues to grow.

## We are inline/slightly above Street for F4Q24 and F1Q25

For F4Q (Jan Qtr), we model DELL revs of \$22.2bn (-11% y/y, 0% q/q) in-line with Street at \$22.15bn, and versus guidance of \$22bn at the midpoint (range \$21.5-\$22.5bn). We model ISG revenue to decline 10% y/y (+5% q/q) to \$8.94bn, in-line with Street at \$9.0bn, in-line with guidance of mid-single digit growth q/q, driven by sequential growth in traditional Servers and seasonal growth in Storage. We expect CSG revenue to decline 11% y/y (-3% q/q) to \$11.9bn, in-line with Street and guidance of low-single digit q/q decline. Our EPS ests for F4Q24/F1Q25 are \$1.73/\$1.47 vs. Street at \$1.72/\$1.42.

## Our thoughts on F25

We see DELL benefiting in C2H24 from IT spending recovery with large Corporate and Enterprise customers, especially in the U.S. We model revs growing 5% y/y in F25. We model F25 OM for ISG and CSG at 12.6%/6.5%, versus 12.0%/7.4%, respectively, in F24.

## Adjusting estimates; PO moves to \$98 (from \$82)

Our PO moves to \$98 (from \$82) on 12x our C25E EPS of \$7.85 (prior 11x C24E EPS). We roll-over to C25 based valuation and use a slightly higher multiple on higher growth from AI servers, recovery in PCs (including AI PCs) and more focus on capital returns.

Estimates (Jan) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	6.22	7.61	6.66	7.20	7.85
GAAP EPS	6.25	3.24	3.88	4.90	5.73
EPS Change (YoY)	27.2%	22.3%	-12.5%	8.1%	9.0%
Consensus EPS (Bloomberg)			6.66	7.09	7.72
DPS	0	1.32	1.48	1.63	1.79
Valuation (Jan)					
P/E	13.1x	10.7x	12.2x	11.3x	10.4x
GAAP P/E	13.0x	25.1x	21.0x	16.6x	14.2x
Dividend Yield	0%	1.6%	1.8%	2.0%	2.2%
EV / EBITDA*	10.1x	9.1x	9.3x	7.4x	7.0x
Free Cash Flow Yield*	12.4%	0.9%	7.6%	8.4%	9.2%

\* For full definitions of *IQmethod™* measures, see page 6.

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Timestamp: 22 February 2024 06:23PM EST

22 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	82.00	98.00
2024E Rev (m)	88,343.4	88,344.6
2025E Rev (m)	92,636.7	92,631.6
2026E Rev (m)	95,421.7	95,341.2

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## Stock Data

Price	81.39 USD
Price Objective	98.00 USD
Date Established	22-Feb-2024
Investment Opinion	B-1-7
52-Week Range	35.96 USD - 86.90 USD
Mkt Val (mn) / Shares Out (mn)	60,798 USD / 747.0
Free Float	89.1%
Average Daily Value (mn)	301.27 USD
BofA Ticker / Exchange	DELL / NYS
Bloomberg / Reuters	DELL US / DELLN
ROE (2024E)	NA
Net Dbt to Eqty (Jan-2023A)	NA
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".

AI: Artificial Intelligence, OM: Operating Margins, ISG: Infrastructure Solutions Group, CSG: Client Solutions Group

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# iQprofile<sup>SM</sup> Dell Technologies Inc.

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	10.8%	16.1%	14.5%	14.3%	13.8%
Return on Equity	152.8%	NM	NM	NM	164.1%
Operating Margin	7.7%	8.4%	8.5%	8.6%	8.6%
Free Cash Flow	7,511	562	4,605	5,097	5,616

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.1x	0.6x	1.5x	1.6x	1.6x
Asset Replacement Ratio	0.6x	1.0x	0.7x	0.6x	0.5x
Tax Rate	18.8%	20.1%	19.5%	24.0%	24.0%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	314.1%
Interest Cover	4.9x	7.1x	5.5x	8.7x	9.5x

## Income Statement Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	101,228	102,301	88,345	92,632	95,341
% Change	16.7%	1.1%	-13.6%	4.9%	2.9%
Gross Profit	22,684	23,427	21,164	22,143	22,671
% Change	6.8%	3.3%	-9.7%	4.6%	2.4%
EBITDA	9,660	10,779	10,592	13,242	13,911
% Change	11.7%	11.6%	-1.7%	25.0%	5.0%
Net Interest & Other Income	(1,724)	(1,465)	(1,429)	(1,324)	(1,314)
<b>Net Income (Adjusted)</b>	<b>4,923</b>	<b>5,735</b>	<b>4,906</b>	<b>5,082</b>	<b>5,265</b>
<b>% Change</b>	<b>31.5%</b>	<b>16.5%</b>	<b>-14.5%</b>	<b>3.6%</b>	<b>3.6%</b>

## Free Cash Flow Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	11,768	9,594	8,928	10,131	10,760
Depreciation & Amortization	4,551	3,156	3,706	5,243	5,681
Change in Working Capital	1,922	(3,188)	(1,293)	(1,640)	(1,890)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(7,934)	(5,997)	(4,003)	(5,705)	(5,918)
Capital Expenditure	(2,796)	(3,003)	(2,733)	(2,931)	(3,017)
<b>Free Cash Flow</b>	<b>7,511</b>	<b>562</b>	<b>4,605</b>	<b>5,097</b>	<b>5,616</b>
<b>% Change</b>	<b>-19.5%</b>	<b>-92.5%</b>	<b>719.5%</b>	<b>10.7%</b>	<b>10.2%</b>
Share / Issue Repurchase	(1,504)	(3,276)	(2,178)	(2,800)	(2,400)
Cost of Dividends Paid	(2,240)	(964)	(1,081)	(1,149)	(1,202)
Change in Debt	(6,298)	2,654	(3,641)	(1,000)	(1,000)

## Balance Sheet Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	9,477	8,607	6,110	6,258	7,272
Trade Receivables	12,912	12,482	9,883	10,927	11,351
Other Current Assets	22,568	21,262	20,456	22,177	23,747
Property, Plant & Equipment	5,415	6,209	6,419	6,968	7,530
Other Non-Current Assets	42,287	41,051	40,055	40,055	40,055
<b>Total Assets</b>	<b>92,659</b>	<b>89,611</b>	<b>82,923</b>	<b>86,384</b>	<b>89,956</b>
Short-Term Debt	5,823	6,573	6,961	6,961	6,961
Other Current Liabilities	50,320	45,081	41,599	42,711	42,819
Long-Term Debt	21,131	23,015	18,877	17,877	16,877
Other Non-Current Liabilities	16,965	17,967	17,481	17,690	18,025
<b>Total Liabilities</b>	<b>94,239</b>	<b>92,636</b>	<b>84,918</b>	<b>85,239</b>	<b>84,682</b>
<b>Total Equity</b>	<b>(1,580)</b>	<b>(3,025)</b>	<b>(1,995)</b>	<b>1,145</b>	<b>5,274</b>
<b>Total Equity &amp; Liabilities</b>	<b>92,659</b>	<b>89,611</b>	<b>82,923</b>	<b>86,384</b>	<b>89,956</b>

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

## Company Sector

IT Hardware

## Company Description

Dell operates two primary business units: Infrastructure Solutions Group (ISG, provides servers, storage, hyper converged infrastructure, and networking), and Client Solutions Group (CSG, provides desktops, notebooks, workstations and displays). It also reports revenues derived from the external VMware commercial partnership under 'Other' revenues.

## Investment Rationale

Our Buy rating is based on broad product portfolio, growth faster than the market, continuing share gains, and opportunity to grow margins over the next several years on higher mix of storage and mix shift to premium configurations in PCs and servers, which offset risks including a slowing global economy, high financial leverage which limits buybacks, and limited shareholder voting rights.

## Stock Data

Average Daily Volume 3,701,594

## Quarterly Earnings Estimates

	2023	2024
Q1	1.84A	1.31A
Q2	1.68A	1.74A
Q3	2.30A	1.88A
Q4	1.80A	1.73E

## Abbreviations

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n-t: near-term

PC: Personal Computer

AI: Artificial Intelligence

ISG: Infrastructure Solution Group

CSG: Client Solution Group



# Model

## Exhibit 1: DELL Income Statement

Our F24 revenue/EPS are \$88.3bn/\$6.66

	F2024E				F2025E								
(\$ Millions Except Per Share Data)	4/23	7/23	10/23	01/24E	4/24E	7/24E	10/24E	01/25E	F2022	F2023	F2024E	F2025E	F2026E
<b>Income Statement</b>													
Revenue	20,922	22,934	22,251	22,238	21,882	22,850	23,313	24,587	101,228	102,301	88,345	92,632	95,341
Cost of Goods Sold	15,758	17,398	16,975	17,050	16,509	17,391	17,824	18,765	78,544	78,874	67,181	70,489	72,670
non-GAAP Gross Profit	5,164	5,536	5,276	5,188	5,374	5,458	5,489	5,821	22,684	23,427	21,164	22,143	22,671
Non-GAAP Operating Expense	3,566	3,559	3,312	3,218	3,648	3,491	3,398	3,607	14,899	14,790	13,655	14,143	14,441
non-GAAP R&D	612	625	614	489	580	591	594	614	2,271	2,478	2,340	2,379	2,431
non-GAAP SG&A	2,954	2,934	2,698	2,729	3,068	2,900	2,803	2,993	12,628	12,312	11,315	11,764	12,010
non-GAAP Operating Income (pre-SBC)	1,598	1,977	1,964	1,969	1,726	1,968	2,091	2,215	7,785	8,637	7,508	7,999	8,230
Total Interest and Other Income/(Expense)	(352)	(366)	(322)	(389)	(339)	(329)	(329)	(329)	(1,724)	(1,465)	(1,429)	(1,324)	(1,314)
Pretax Income	1,246	1,611	1,642	1,581	1,387	1,639	1,763	1,886	6,061	7,172	6,080	6,675	6,916
Provision for Income Taxes (Credit)	283	328	253	319	333	393	423	453	1,137	1,443	1,183	1,602	1,660
Net Income (Pre Adjustments)	963	1,283	1,389	1,261	1,054	1,246	1,340	1,433	4,924	5,729	4,896	5,073	5,256
Adjustments (net of tax)	174	178	192	199	170	177	181	209	1,967	743	742	737	759
Net Income (Post adjustments)	789	1,105	1,197	1,063	885	1,068	1,159	1,224	2,957	4,986	4,154	4,336	4,497
Minority Interest/Adjustments	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	1	(6)	(10)	(9)	(9)
non gaap NI Attributable to Dell Tech-diluted	966	1,285	1,391	1,264	1,057	1,248	1,342	1,436	4,923	5,735	4,906	5,082	5,265
Basic EPS (Post Stock-based Comp. Expense)	1.09	1.52	1.66	1.39	1.15	1.39	1.51	1.60	3.87	6.79	5.66	5.66	5.87
Basic EPS (Pre Stock-based Comp. Expense)	1.33	1.77	1.92	1.65	1.38	1.63	1.75	1.87	6.46	7.81	6.67	6.62	6.86
Diluted EPS (Post Stock-based Comp. Expense)	\$1.07	\$1.50	\$1.62	\$1.46	\$1.23	\$1.51	\$1.66	\$1.77	\$3.74	\$6.62	\$5.64	\$6.14	\$6.70
<b>Diluted EPS (Pre Stock-based Comp. Expense)</b>	<b>\$1.31</b>	<b>\$1.74</b>	<b>\$1.88</b>	<b>\$1.73</b>	<b>\$1.47</b>	<b>\$1.76</b>	<b>\$1.91</b>	<b>\$2.08</b>	<b>\$6.22</b>	<b>\$7.61</b>	<b>\$6.66</b>	<b>\$7.20</b>	<b>\$7.85</b>
Diluted Shares	737	738	740	731	721	711	701	691	792	753	737	706	671
<b>Income Statement (Cont'd)</b>													
<b>% of Revenues</b>													
Gross Profit	24.7%	24.1%	23.7%	23.3%	24.6%	23.9%	23.5%	23.7%	22.4%	22.9%	24.0%	23.9%	23.8%
Opex	17.0%	15.5%	14.9%	14.5%	16.7%	15.3%	14.6%	14.7%	14.7%	14.5%	15.5%	15.3%	15.1%
R&D	2.9%	2.7%	2.8%	2.2%	2.7%	2.6%	2.5%	2.5%	2.2%	2.4%	2.6%	2.6%	2.5%
SG&A	14.1%	12.8%	12.1%	12.3%	14.0%	12.7%	12.0%	12.2%	12.5%	12.0%	12.8%	12.7%	12.6%
EBIT (Pre-options)	7.6%	8.6%	8.8%	8.9%	7.9%	8.6%	9.0%	9.0%	7.7%	8.4%	8.5%	8.6%	8.6%
Stock Based Compensation Expense	1.1%	1.0%	1.0%	1.1%	1.0%	1.0%	1.0%	1.1%	0.8%	0.9%	1.0%	1.0%	1.0%
EBIT (Post-options)	6.6%	7.6%	7.8%	7.7%	6.9%	7.6%	8.0%	7.9%	6.9%	7.5%	7.5%	7.6%	7.6%
Pretax Income	6.0%	7.0%	7.4%	7.1%	6.3%	7.2%	7.6%	7.7%	6.0%	7.0%	6.9%	7.2%	7.3%
Tax Rate	22.7%	20.4%	15.4%	20.2%	24.0%	24.0%	24.0%	24.0%	18.8%	20.1%	19.5%	24.0%	24.0%
Net Income (Operating)	3.8%	4.8%	5.4%	4.8%	4.0%	4.7%	5.0%	5.0%	2.9%	4.9%	4.7%	4.7%	4.7%
Net Income (Operating, options adjusted)	4.6%	5.6%	6.2%	5.7%	4.8%	5.5%	5.7%	5.8%	4.9%	5.6%	5.5%	5.5%	5.5%
<b>% Growth Rates</b>													
Revenues (Y/Y)	(20%)	(13%)	(10%)	(11%)	5%	(0%)	5%	11%	17%	1%	(14%)	5%	3%
Organic Growth (Y/Y)	(20%)	(13%)	(10%)	(11%)	5%	(0%)	5%	11%	17%	1%	(14%)	5%	3%
Opex (Y/Y)	(6%)	(4%)	(5%)	(15%)	2%	(2%)	3%	12%	4%	(1%)	(8%)	4%	2%
R&D (Y/Y)	1%	11%	2%	(30%)	(5%)	(6%)	(3%)	25%	(0%)	9%	(6%)	2%	2%
SG&A (Y/Y)	(8%)	(6%)	(6%)	(12%)	4%	(1%)	4%	10%	5%	(3%)	(8%)	4%	2%
Op. Income (Y/Y)	(25%)	1%	(17%)	(9%)	8%	(0%)	6%	12%	12%	11%	(13%)	7%	3%
Pretax Income (Y/Y)	(30%)	2%	(19%)	(12%)	11%	2%	7%	19%	31%	18%	(15%)	10%	4%
Net Income (pre-SBC) (Y/Y)	(33%)	1%	(19%)	(5%)	9%	(3%)	(4%)	14%	31%	16%	(15%)	4%	4%
Op. EPS (Y/Y)	(33%)	5%	(20%)	(7%)	14%	0%	2%	22%	153%	77%	(15%)	9%	9%
Op. EPS Option adj (Y/Y)	(29%)	4%	(18%)	(4%)	12%	1%	2%	20%	27%	22%	(13%)	8%	9%
Diluted Shares (Y/Y)	(6%)	(2%)	(0%)	(1%)	(2%)	(4%)	(5%)	(5%)	3%	(5%)	(2%)	(4%)	(5%)
<b>Revenues (Q/Q)</b>													
Opex (Q/Q)	(6%)	(0%)	(7%)	(3%)	13%	(4%)	(3%)	6%					
R&D (Q/Q)	(13%)	2%	(2%)	(20%)	19%	2%	1%	3%					
SG&A (Q/Q)	(5%)	(1%)	(8%)	1%	12%	(5%)	(3%)	7%					
Op. Income (Q/Q)	(26%)	24%	(1%)	0%	(12%)	14%	6%	6%					
Diluted Shares (Q/Q)	0%	0%	0%	(1%)	(1%)	(1%)	(1%)	(1%)					

Source: Company reports, BofA Global Research estimates



## Price objective basis & risk

### Dell Technologies Inc. (DELL)

Our PO of \$98 is based on approximately 12x our C25 EPS estimate of \$7.85. Our target multiple compares to median 5x of historical range 3x-8x for Dell since it returned to the public markets in 2019. Dell went private in 2013 and prior to that the company had a very different structure. As such, we do not believe earlier historical trading multiples are meaningful. In our opinion, a multiple higher than the historical range is warranted given improved storage portfolio, lower financial leverage and it balances opportunities to invest in core areas of growth, with ongoing weak macro and component shortages.

Downside risks: faster-than-expected slowdown in the global economy, which could prove to be a headwind to revenue growth, faster-than-expected strengthening of the U.S. dollar, trade war with China, and higher-than-expected tariffs, Dell not being able to source needed processors from Intel, new sales teams not being able to ramp as expected, and unexpected share loss to competitors.

Upside risks: faster-than-expected revenue growth and market share gain, faster mix shift to storage and premium PC and server configurations, which can drive upside to margins, faster-than-expected ramp of new sales teams, and component shortages normalizing more quickly than expected, which can drive upside to cash flow.

## Analyst Certification

I, Wamsi Mohan, 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 - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Amphenol	APH	APH US	Wamsi Mohan
	Apple Inc.	AAPL	AAPL US	Wamsi Mohan
	Corning Inc.	GLW	GLW US	Wamsi Mohan
	Dell Technologies Inc.	DELL	DELL US	Wamsi Mohan
	Flex Ltd.	FLEX	FLEX US	Ruplu Bhattacharya
	HP Inc.	HPQ	HPQ US	Wamsi Mohan
	International Business Machines Corp.	IBM	IBM US	Wamsi Mohan
	Jabil Inc.	JBL	JBL US	Ruplu Bhattacharya
	Nutanix Inc	NTNX	NTNX US	Wamsi Mohan
	Roku, Inc.	ROKU	ROKU US	Ruplu Bhattacharya
	Seagate Technology	STX	STX US	Wamsi Mohan
	TD Synnex Corp	SNX	SNX US	Ruplu Bhattacharya
	TE Connectivity Ltd.	TEL	TEL US	Wamsi Mohan
	Western Digital Corporation	WDC	WDC US	Wamsi Mohan
<b>NEUTRAL</b>				
	Arrow Electronics Inc.	ARW	ARW US	Ruplu Bhattacharya
	Avnet Inc.	AVT	AVT US	Ruplu Bhattacharya
	CDW Corp	CDW	CDW US	Ruplu Bhattacharya
	Concentrix Corporation	CNXC	CNXC US	Ruplu Bhattacharya
	Hewlett-Packard Enterprise	HPE	HPE US	Wamsi Mohan
	Pure Storage	PSTG	PSTG US	Wamsi Mohan
	Sensata Technologies Holdings Plc	ST	ST US	Wamsi Mohan
	Teradata Corporation	TDC	TDC US	Wamsi Mohan
<b>UNDERPERFORM</b>				
	DigitalOcean	DOCN	DOCN US	Wamsi Mohan
	NetApp Inc.	NTAP	NTAP US	Wamsi Mohan
	Sanmina Corporation	SANM	SANM US	Ruplu Bhattacharya
	Vishay Intertechnology, Inc.	VSH	VSH US	Ruplu Bhattacharya



## US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>RSTR</b>	Super Micro Computer Inc.	SMCI	SMCI US	Ruplu Bhattacharya

**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**

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$   
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  
 $\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$   
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

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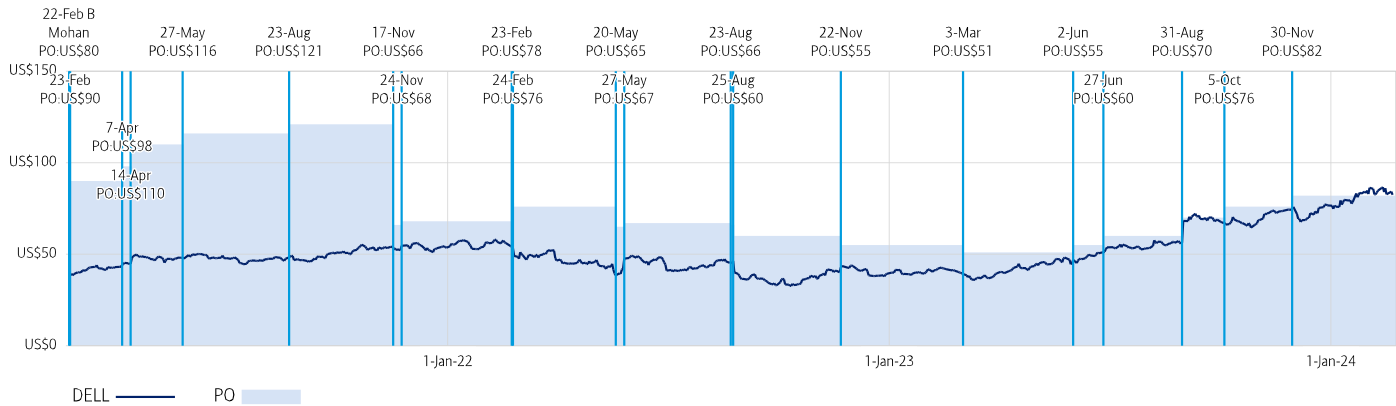
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### Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

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

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

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

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

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

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