Investment Strategy

From AI to EVs - 10 Themes for 2024 from Fundamental Analysts

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Investment Strategy
Global

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See Team Page for List of Analysts

1) Fading pricing power – staples, autos

Staples companies have faced weak volumes and resistance to price increases. Vehicle inventory has recovered, while high rates and lower residuals pressure affordability.

2) M&A pick-up likely in certain areas

A pick-up in M&A isn't necessarily positive for SMID-cap performance overall but tends to boost SMID healthcare. A change in the regulatory environment could mean more activity.

3) Certain areas of stimulus appear safe…

…regardless of the election outcome. Of the nearly $2T of stimulus included in programs including the CHIPS Act and IRA, Andrew Obin and team see risk to about 26% in case Republicans control Congress and the Presidency. 77% of stimulus remains unspent.

4) AI a key theme in tech and elsewhere

AI exposure is likely to impact certain software stocks in '24. A broader impact on efficiency and revenues will likely be seen in the next 3-5 years. Market concerns about sustainability of AI-related demand for Nvidia is overdone, in our view.

5) Prioritization of spending on defense, national security

Tensions in Ukraine and the Middle East should help maintain a focus on defense spend. Defense stocks have outperformed the S&P 80% of the time in election years.

6) EV penetration estimates fall, potential further downside

John Murphy and team have cut EV penetration estimates recently. Uptake from mass market barely rising. Politics could threaten EV incentives and regulations.

7) Rate cuts should impact asset flows, real estate

Aside from the macro impact, we could see record inflows into fixed income funds as rates are cut. Better liquidity should benefit realizations. Self-storage, towers and office are the REIT types with the most floating rate debt.

8) GLP-1 penetration to keep expanding

While only about 1% if the adult US population uses GLP-1s now, Geoff Meacham expects 5% to use these drugs by the end of the decade and 15% by 2035.

9) An increased focus from China on exports

Chinese companies seem even more focused on exports, as the China domestic economy slows. Here too there are political risks and export focus goes beyond US markets.

10) Freight costs no longer falling, Red Sea a factor

Spot truck rates rising off lows, BofA Truckload Demand Indicator has improved, Red Sea boosting container rates. Benefits from lower shipping costs largely in the past.

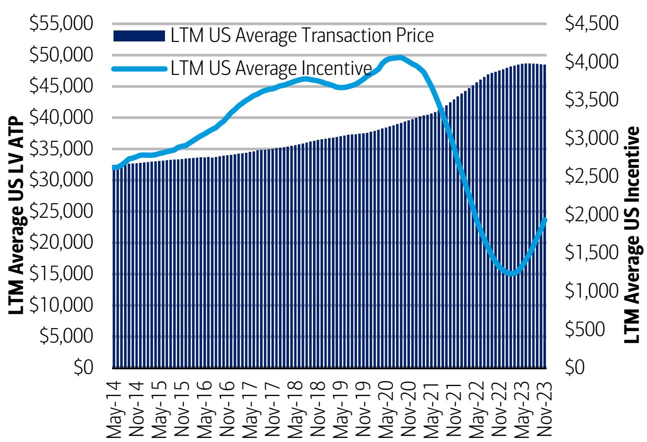
1) Fading pricing power – staples, autos

Food, beverage and HPC face tougher pricing environment, will turn to other measures
Over the last 3 years inflation-led price increases drove the majority of the organic sales growth for food, beverage and HPC according to Bryan Spillane. In 2024 mix and emerging markets should be a positive offset to sluggish volumes and lack of incremental pricing. Bryan sees a path for volume improvement in 2H24 for Packaged Food and Beverages as stimulus headwinds ease. Self Help: Slower sales growth could lead to an increase of "self-help" measures to boost returns. Restructuring/cost cutting has run its course as a result Bryan sees M&A (large and small) returning.

With normal inventories, high interest rates, vehicle pricing faces headwinds
Following strong price increases for both new and used vehicles caused by supply-demand imbalances, new vehicle pricing was largely flat in 2023 (albeit with rising incentives), while used vehicle pricing declined ~7% Y/Y. John Murphy points out that as inventories rise and mix degrades, the average transaction price for new vehicles is likely to optically decline in 2024 although John doesn't expect vehicle prices to be under pressure on a like for like basis. John expects used vehicle prices to be down roughly -2.5% in 2024. The implications are: slight pressure on dealers' earnings, residual values are lower which means that buyers of new vehicles have to put more cash upfront (affordability gets worse). This is partially an obstacle to new vehicle growth.

EV prices were under pressure in 2023 as Tesla aggressively cut MSRP of its product portfolio at the beginning of the year. That said, John doesn't see as many opportunities for price reductions in 2024, especially as Tesla has almost already reached traditional auto business margins for the auto segment after its many price cuts. Deflation of raw materials may provide leeway for minor price adjustments but John doesn't foresee major pricing revisions from raws. He does believe that the introduction of de-contented vehicles is realistic, similar to what Tesla and Lucid did in 2H23.

Exhibit 1: Industry average transaction price & average incentive
US average ATPs fall from record highs in November, Incentives climb



Source: Kelley Blue Book (ATPs do not include applied incentives), AutoData

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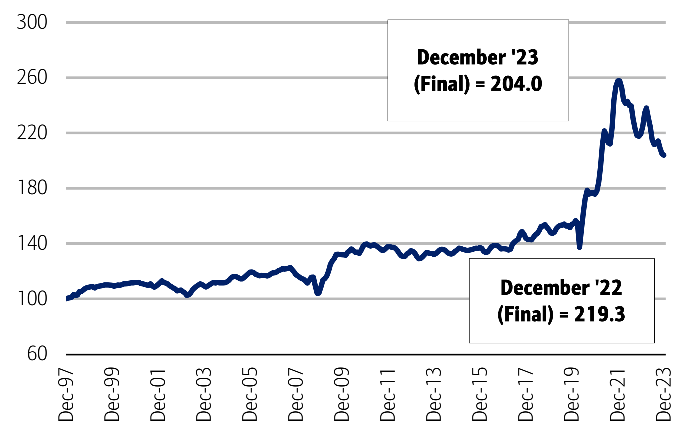
Exhibit 2: Manheim Used Vehicle Value Index
Manheim Used Vehicle Value Index was down 7.0% YoY in December 2023



Source: Manheim

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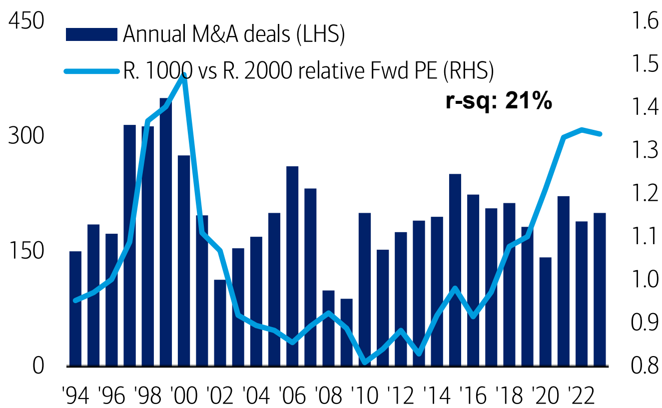
2) M&A pick-up likely in certain areas

US SMID Cap Equity strategist Jill Hall sees a mixed picture for M&A this year. Slowing economic growth typically suggests lower deal activity. Meanwhile, attractive relative valuations for small vs. large caps are supportive of a pick-up in activity. Jill's work suggests that it's not necessarily a positive for small cap performance when M&A picks up but higher deal activity is correlated with sector performance in several sectors, particularly Health Care.

Exhibit 3: Attractive valuations of small vs. large supports M&A
Rel. Fwd PE of Russell 1000/Russell 2000 vs # of annual US M&A deals, 1994-2023 YTD (as of 12/31/23)



Source: BofA US Equity & US Quant Strategy, FactSet

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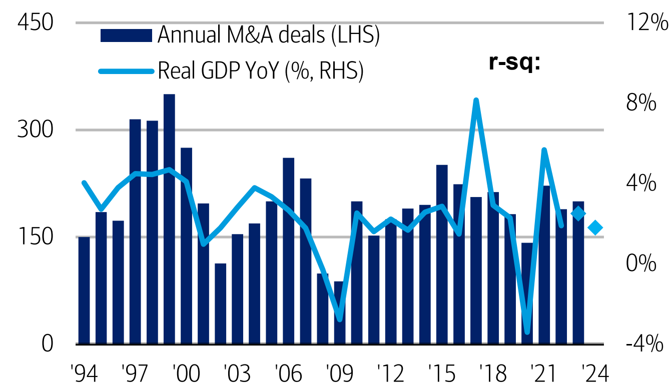
Exhibit 4: Slowing economic growth typically suggests lower deal activity
Real GDP growth (Y/Y) vs number of annual US M&A deals 1994-2023 (dots = BofA GDP forecasts for '23/'24)



Source: BofA US Equity & US Quant Strategy, FactSet, Mergerstat, BEA

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Exhibit 5: Health Care, Utilities, Staples, Materials, Tech tend to see better performance in active M&A years
Relative performance and hit rates of Russell 2000 sectors vs. the index in above-average (heavy) vs. below-average (light) M&A years by deal activity (1997-2021)

	Median Rel. Perf.		Hit Rate	
	Heavy M&A Years	Light M&A Years	Heavy M&A	Light M&A
Health Care	6%	1%	73%	60%
Tech	6%	3%	71%	58%
Cons. Disc.	-4%	3%	30%	69%
Staples	6%	6%	80%	69%
Energy	-26%	4%	25%	50%
Financials	-2%	2%	33%	65%
Industrials	6%	5%	60%	81%
Materials	7%	1%	63%	56%
Real Estate	0%	6%	43%	63%
Utilities	7%	-3%	80%	38%
Comm. Svcs.	-6%	-4%	45%	33%

Source: FactSet/Mergerstat, BofA US Equity & US Quant Strategy

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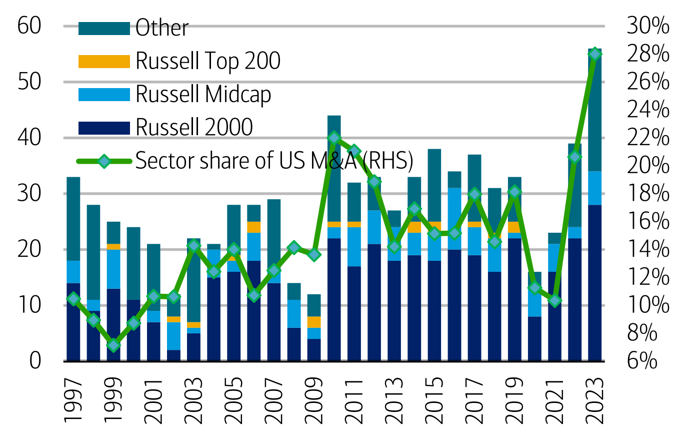
Exhibit 6: Health Care M&A at a record high...
Health Care M&A deal count (by Russell size index based on target's index membership at time of deal announcement) 1997-12/31/23



Source: FactSet, BofA US Equity & US Quant Strategy

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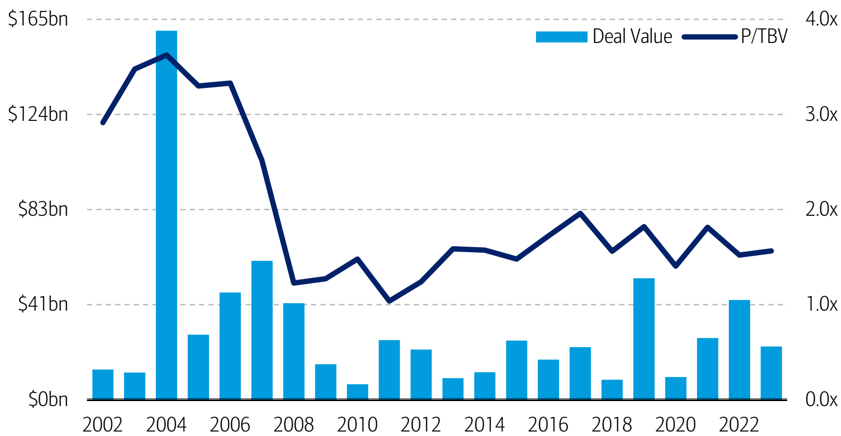
Lower rates and regulatory change could accelerate bank M&A

Ebrahim Poonawala suggests that lower rates and potential changes in the regulatory environment (depending on the outcome of US Presidential elections in November), could make for a more favorable M&A backdrop for banks. The search for lower cost deposits in a structurally higher rate backdrop, the industrial logic of having scale and rising regulatory burden on regional banks could all be potential drivers of deal-making.

Higher rates make for more difficult M&A because they mean an upfront capital hit due to MTM losses. Lower rates would offer some relief. Banks typically outperform in election years and with the election potentially heralding regulatory change, the same could be true again this year. That said, Ebrahim has not seen a strong positive correlation between the value of M&A deals and P/TBV for banks.

Exhibit 7: Bank M&A has failed to deliver alpha for investors over the last decade
Price to tangible book value (P/TBV) vs M&A value, 2002-2023



Source: BofA Global Research, S&P Financial, Bloomberg

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Staples will likely look to M&A, especially if it can boost growth

Bryan Spillane and Pete Galbo say managements' dialogue on M&A is up (most notably in Packaged Food) with a focus on assets that are accretive to growth and leverage recent capabilities investments. GIS, MKC, KHC, MDLZ, HSY, LW, JBS, KDP, CHD and KVUE are vocal about deals. Divestures have been contemplated at ULVR, KHC and KO (bottlers). Attractive standalone growth companies are BRBR, FRPT & ELF in their view.

Software M&A in 2024 likely to accelerate

Although valuations remained compressed in 2023, software M&A activity was lighter relative to 2022's, likely due to elevated interest rates. Strategic deal value fell to $48bn in 2023 from $137bn in 2022. 84% of 2023's deal value originated from only two deals. Alkesh Shah and team expect acquisitions among software leaders to accelerate, given opportunities to provide incremental cross- and up-sell technologies, as well as produce competitive advantages. However, our client conversations indicate a focus on companies that continue to prioritize efficiencies and cost cutting over those that shift to prioritizing M&A (and hiring) as rates likely begin to fall.

Biopharma M&A to continue as patent cliffs are addressed

Geoff Meacham points out that the resurgence of M&A in biotech demonstrates a more proactive stance toward filling patent cliffs. Among SMID caps, Geoff continues to expect volatility with a positive bias toward names that have commercial products/phase 3 pipelines over pure platform technologies. This is also likely the case when evaluating strategic attractiveness.

Looking at 2024, Geoff sees a growing interest in metabolic diseases and GLP-1 assets given the large market opportunity and orphan diseases given exclusion from IRA drug price negotiations. In particular, Geoff thinks NASH assets may be in vogue again, following a productive year which included advancement of two assets to regulatory review and two promising assets to pivotal studies.

Exhibit 8: Biotech acquisitions, by year and therapeutic category
Deals represented a broad range of therapeutic categories in 2023

Therapeutic Category	2018	2019	2020	2021	2022	2023
Cancer	10	7	6	9	11	7
CNS	1	6	2	4	3	7
Immune	2	3	5	4	5	6
Other	5	6	10	13	17	12
Rare	6	7	5	5	7	5

Source: BioPharma Dive; BofA Global Research; values represent deal count.

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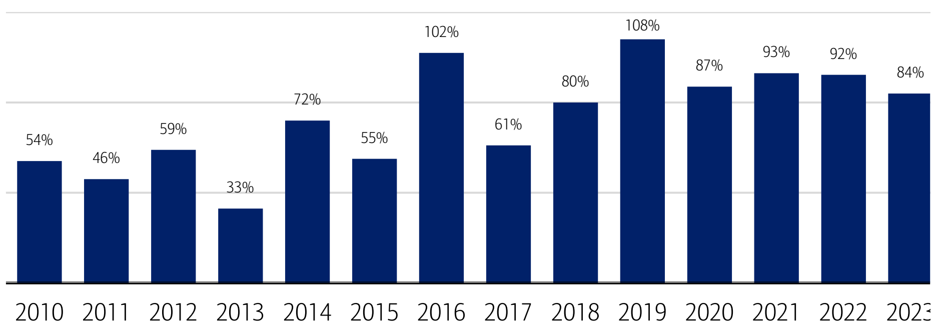
Biotech M&A momentum likely to continue in 2024

Following an uptick in deal activity in 2H22, Tazeen Ahmad continued to see strong momentum in Biotech throughout 2023 with a total of $133bn in transactions in 2023 compared to ~$67bn in 2022. She notes that while Pfizer's acquisition of Seagen (~$41bn) was a big driver, 2022 also saw large transactions (>$10bn) highlighting increased M&A activity throughout 2023. Tazeen saw strong momentum around the end of the year with several deals announced in the last few weeks and she expects M&A momentum will continue into 2024. The team thinks focus will remain on commercial or late-stage companies, while deal activity for earlier-stage companies will revolve around partnerships or licensing agreements.

Exhibit 9: SMid bio premiums continue to remain high
Scarcity of high-quality targets will likely keep premiums high



Source: BofA Global Research; Bloomberg; transaction size >$200mn

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In Tazeen's view, while they may not see 2019 levels of deal values anytime soon, appetite for bolt-on acquisitions among big pharma companies remains strong, particularly for commercial or late-stage targets. Tazeen highlights several key drivers of biotech deal activity including the following:

- **Blockbusters patent cliff**: Big pharma facing end of length of exclusivity (LOE) for multiple assets in the next five years. As such, they should continue to replenish portfolios through acquisitions.
- **Strong balance sheets:** Large pharma balance sheets have never been stronger, with a record amount of firepower. Senior executives from most large pharma have continued to highlight M&A as their top priority for capital allocation. We saw several high-profile acquisitions in 2023 aiming to acquire platform companies with blockbuster potential and Tazeen expects this trend to continue in 2024.
- **Reduced access to capital:** The macro backdrop forced several SMid-cap biotechs to implement belt tightening through cost cutting and portfolio

optimization throughout 2023. In our view, despite an easing macro backdrop heading into 2024, access to capital will likely remain challenging for early-stage companies and may increase desirability among SMid-caps to seek exits through sale.

- **Easing FTC:** While US Federal Trade Commission (FTC) was a significant headwind for M&A activity due to heavy scrutiny of high-profile transactions, Tazeen thinks that signs of easing FTC scrutiny for biopharma transactions in 2023 signaled a more open environment for large acquisitions. However, Tazeen notes this remains a concern and FTC challenges to M&A deals are still expected.

Challenges to increased deal activity include the following:

- **Scarcity of de-risked assets:** De-risked assets continue to dominate M&A with early-stage deals leaning toward partnerships. As such, scarcity of commercial and late-stage targets with blockbuster assets should continue to demand high buyout premiums for those that fit the criteria, potentially keeping would-be buyers on the sidelines.
- **Disconnect in valuation expectations:** Quality commercial or late-stage targets may continue to have high internal valuation expectations and may prefer to seek non-dilutive capital until de-risking or more favorable capital markets vs. exiting at lower valuations.

Overall, the team expects deal making in biotech to continue in 2024 and think that investors could benefit from holding high quality, commercial or late-stage companies.

Recent M&A in Oil and Gas Makes for Opportunity in Certain "Big Oil" Stocks

Doug Leggate believes that "Big Oil" offers some of the greatest risk adjusted value, led by XOM and CVX. For "beta" Doug continues to see the greatest absolute value across the US gas weighted E&Ps. With gas trading near sector breakeven, M&A could be hastened and this could reset the cost base or balance sheets for a handful of targeted gas weighted E&Ps. He retains Buy ratings on EQT, RRC, and CHK.

CHK is an example of a company that is transforming through M&A. It will be a pureplay Marcellus/Haynesville producer after completing its final sale of the Eagle Ford assets in Nov 2023. For 2024, Doug believes management is motivated to add scale through M&A.

"Big Oil" CVX has reset its investment case due to the pending acquisition of Hess, providing long term free cashflow support and diluting single project concentration risk at Tengiz. Outsize dividend growth and material non cost asset sales are likely the next catalysts.

3) Stimulus and the Presidential election, certain areas appear safe

Spending from Federal stimulus programs is not due to peak until 2026. Absent a Republican sweep in the 2024 elections, tax credits in the Inflation Reduction Act offer an uncapped source of funds for decarbonization according to multi-industry analyst Andrew Obin.

What happens to stimulus if the Republicans win in '24?

Andrew Obin and team present a scenario analysis for federal stimulus if the Republicans achieve the Senate majority (in addition to their current House majority) and win the 2024 Presidential elections. They are not assessing a likelihood of such an event. The team looks at provisions from the Limit, Save, Grow Act (a Republican debt ceiling bill from '23), the Fiscal Responsibility Act of 2023 (the actual debt ceiling legislation), various US House appropriation bills, the US House Republican controlled Budget Committee's Reverse the Curse Resolution, and Project 2025 (a political framework of the Heritage Foundation, a leading conservative think tank). They assume that all the cuts to federal stimulus that were proposed across these documents were actually enacted to create a conservative scenario analysis. Of the $1,923bn designated from the CHIPS Act, ESSER, IIJA, and IRA, they find this amount has the potential to shrink by ~26% to $1,431bn. Andrew includes the estimated impact from IRA tax credits in the totals. Excluding the tax credits, the cuts would amount to 14%. At this point, the vast majority (77%) of the stimulus enacted since '20 remains unspent.

CHIPS Act enjoys strong bipartisan support

Andrew views the semiconductor sector as the single most important driver of the US manufacturing reshoring. CHIPS Act ($280bn total) spending is not targeted by any of the proposals.

Exhibit 10: Funding from the CHIPS Act that has been allocated
$238mn has been allocated so far

Awardee	Award Amount
Northeast Microelectronics Coalition (NEMC) Hub	$19.7mn
Silicon Crossroads Microelectronics Commons (SCMC) Hub	$32.9mn
California Defense Ready Electronics and Microdevices Superhub (California DREAMS) Hub	26.9mn
Commercial Leap Ahead for Wide Bandgap Semiconductors (CLAWS) Hub	$39.4mn
Southwest Advanced Prototyping (SWAP) Hub	$39.8mn
Midwest Microelectronics Consortium (MMEC) Hub	$24.3mn
Northeast Regional Defense Technology Hub (NORDTECH)	$40.0mn
California-Pacific-Northwest AI Hardware Hub (Northwest-AI Hub)	$15.3mn

Source: Department of Defense

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Exhibit 11: Mega grant program allocation of funds
~ $1.2bn has been allocated so far

Mega grant projects	
Brent Spence Bridge Corridor Project	$250mn
Final section of concrete casing for the new Hudson River Tunnel	$292mn
Roosevelt Boulevard Multimodal Project in Philadelphia	$78mn
I-10 Calcasieu River Bridge Replacement Project	$150mn
Alligator River Bridge in North Carolina	$110mn
Improvements to the I-10 Freight Corridor	$60mn
Watsonville-Cruz Multimodal Corridor Program	$30mn
Metra UP North Rebuild: Fullerton to Addison	$117mn
I-44 & US-75 Corridor Improvements Project	$85mn

Source: Department of Transportation

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ESSER

The Limit, Save, Grow Act aimed to retract the unobligated balances of funding made available from the American Rescue Plan (this is the legislation that funded ESSER III). This change would have only cut ~$800mn of the $122bn appropriated from ESSER III. In the enacted legislation, only $391mn was actually rescinded.

IIJA

The IIJA is mostly the focus of proposed cuts rather than actual funding cuts. Based on the Resolution from the US House Budget Committee, it seeks to eliminate $25bn from the IIJA. In Project 2025, it seeks to cut $102bn from the IIJA's total of $1.2tn. The focus of the cuts for the IIJA are reversing spending deemed as wasteful green initiatives rather than helping traditional roads and bridges. In addition, cuts to the IIJA seek to eliminate offices created to distribute IIJA funds.

IRA

The Limit, Save, Grow Act targeted $76.5bn in IRA funding (out of $400bn total) - however, the enacted debt ceiling bill only cut $1.4bn. In some of the published appropriations bills, it seeks to cut $22.4bn from the IRA. Three of the pieces of policy that targeted the IRA aimed to cut funding relating to the IRS. Additionally, the Limit, Save, Grow Act aimed to cut funds related to the High Efficiency Electric Homes Rebate and zero building energy code adoption. House appropriation bills seek to claw back unobligated IRA funds related to the EPA, energy, agriculture, and IRS. In the Limit, Save, Grow Act, it tried to cut or reduce the IRA's green tax provisions.

US manufacturing capex grew at a 2.9% CAGR over the last economic cycle (2008-2019), per the Bureau of Economic Analysis. Andrew and team forecast manufacturing capex to grow at a ~8% CAGR over 2019-25E. In 2022, manufacturing capex grew 10.6% y/y. Andrew estimates that stimulus-related spending drove ~1pt of this growth. they forecast 11% y/y growth in US manufacturing capex in both 2023E and 2024E. With stimulus-related spending outlays ramping in 2023 and 2024, Andrew expects the stimulus-driven contribution to increase to ~1.5pts in 2023E and 2024E. Currently, Andrew and team forecast stimulus spend to peak in '26. In the "Republican win" scenario assuming all the legislation gets passed in the first 100 days, '24 would be the peak for contribution from stimulus.

Concerns of IRA repeal to weigh on clean energy but certain areas less risky

Julien Dumoulin Smith suggests that 2024 will be a year of strong volatility and opportunity in clean energy. Investors, especially those not dedicated to the space, may be concerned about "IRA repeal" risk and that is likely to mute potential recovery, even though Julien expects that negative revisions will be less bad in '24 than in '23. However, in 2025, visibility should improve as there's post-election clarity and much of the momentum behind IRA should really trigger. Utility scale clean energy should gain continued momentum in '24 and see a further step forward in '25. Batteries will continue to see sizeable takeoff in '24+, the highest growth clean energy end market as capacity resources run scarce, benefitting Julien's Buy on FLNC. Valuations look attractive for the group as it offers superior EBITDA growth to industrials and many tech/semis stocks, but at a lower valuation.

Julien believes that developers are seeing economics "come back" for utility projects. Between cheaper panels, cost inputs and financing having inflected, Julien and team see reason for positive developments into the start of 2024. Julien believes the best play on utility scale exposure is with tracker companies, particularly Array (ARRY).

First Solar (FSLR) tends to get the most client attention around IRA repeal partly because of its size. But in Julien's view, FSLR has some of the least risk because even if the Presidential administration changes, Julien and team expect that the new administration will maintain programs meant to encourage US-produced solar cells and protect them from a flood of cheap Chinese alternatives.

Elections = EV uncertainty

2024 Elections have the potential to be extremely consequential for the Auto industry as the political parties have materially different views on the electrification of the industry. At a high level, John Murphy believes it is fair to summarize the opposing views by saying that the Democratic party is pushing for electrification while the Republican party has a more conservative approach towards it. John thinks that the outcome of this round of elections is particularly important because it could have a significant impact over the regulatory body, either already enacted or merely proposed, that governs the transition to EVs. Given the uncertain nature of elections John and team draft two scenarios where they present the potential developments: one in which the Democrat party takes control and the other in which the Republican party wins control. A third scenario could be a half victory from one of the two parties, which would result in a political impasse.

See (6) We've recently cut EV penetration estimates, further downside on politics) which is dedicated to EVs, for more on this topic.

4) AI a key theme, software, hardware, Internet and semis of particular focus

The Bull Case for US Equities

Savita Subramanian says the bull case for US equities will be driven by the idea that productivity and efficiency are likely to drive margin gains, margin stability, companies are now focused on improving efficiency and AI is part of this. In regards to the service sectors in the US economy, there are opportunities to replace more expensive people with AI, with tools, with tech, with automation. Savita thinks that's not necessarily bearish for jobs, because what we've seen with any technological advance is that folks re-train and this could actually improve labor efficiency, which hasn't improved in a very long time.
In Savita's view, the bull case for stocks is that we've been in an environment where it's been very easy to generate earnings from lower quality sources like buying back shares or moving plant property and equipment to other areas of the world that are cheaper. But today, Savita thinks that companies are actually focused on stickier improvements in their operating models, which we as investors are willing to pay a higher multiple for. We're willing to pay higher multiples for companies that show us sticky long-term improvements rather than just short-term, buy back driven, per share earnings growth or cheap financing costs, which are somewhat arbitrary. The idea that AI is not just about tech companies reaping money from everybody spending on the chips and the software, but it's also companies is getting leaner and more efficient and potentially having better margins going forward.

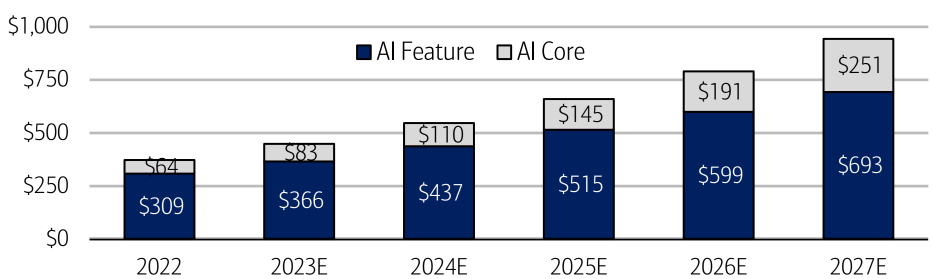
AI to drive some software stocks in '24, AI could cannibalize some spend

The US software team outlines six key '24 trends and two relate to AI. They see appetite for AI products and use cases that provide quantifiable operational efficiencies and new revenue streams. They also suggest that AI spending may cannibalize "nice-to-have" projects as IT spending remains constrained. Longer term, they believe that AI features will become an integral component for all software solutions.

Several of the team's top Buy-rated stocks will be driven partly by AI in '24. These include MSFT, CRM and GTLB.

As for broader implications from AI enabled software, the team believes that AI-driven efficiencies and incremental revenue may appear across sectors globally as soon as the next 3-5 years. Corporate AI implementation could boost S&P operating margins by 250bps, equivalent to ~$65B in cost savings over the next 5 years.

Exhibit 12: The AI software market is expected to grow to $944bn by 2027, +153% vs 2022
Global AI software revenues ($bn) from 2022-2027E



Source: BofA Global Research, IDC
AI Feature software includes software product offerings that were already developed and in production before AI features were embedded. AI Feature software would continue to function even if AI capabilities were removed. AI Core software includes software product offerings that were developed with AI features as the core component of functionality. AI Core software would not continue to function if AI capabilities were removed.

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Exhibit 13: Tech industry groups lead in AI investment
Past investment in AI as a percentage of revenue

Industry Group	AI Investment as % of Rev
Semis	6.2%
Tech Hardware & Equip	4.5%
Software	3.7%
Banks	2.5%
Food & Bev	2.5%
Pharma, Biotech & Life Sci	2.5%
Financial Svcs	2.5%
REITs	2.5%
Media & Ent	2.5%
Autos	2.4%
Insurance	2.4%
Health Care Equip & Svcs	2.4%
Commercial Svcs	2.4%
Cons. Discr. Dist. & Retail	2.3%
Capital Goods	2.1%
Household Products	2.0%
Energy	2.0%
Materials	1.7%
Telecom	1.4%
Cons. Services	1.4%
Cons. Staples Dist. & Retail	0.6%
Transportation	0.5%
Cons. Durables	0.5%
Real Estate	0.3%
Utilities	0.0%

Source: BofA Global Research
Green/red shading indicates the top/bottom 25% of industry groups by past investment as a percent of revenue. Results are based on survey responses.
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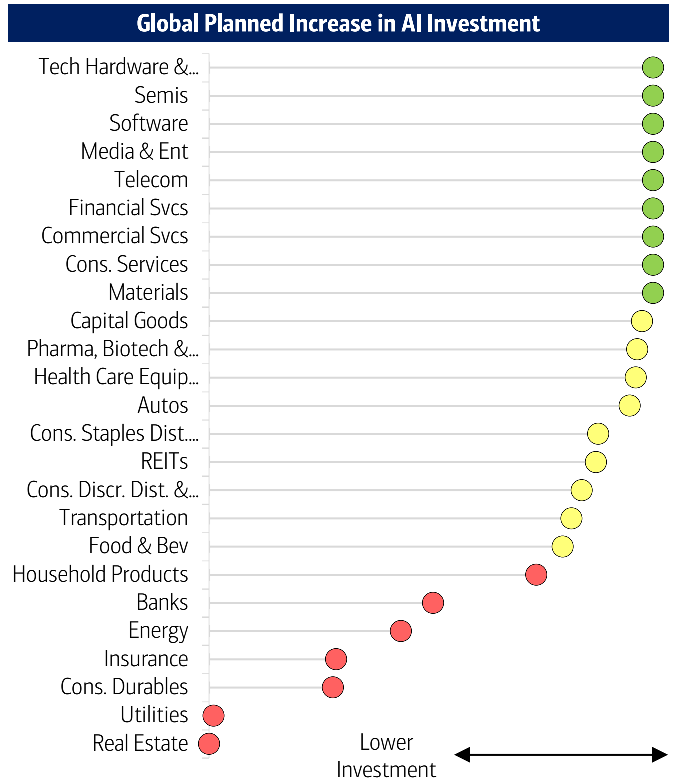
Exhibit 14: Tech industry groups also lead in future AI investment
Industry group intentions for future AI investment are skewed toward "higher"



Source: BofA Global Research
Green/red shading indicates the top/bottom 25% of industry groups by planned increase in AI investment. Results based on survey responses.
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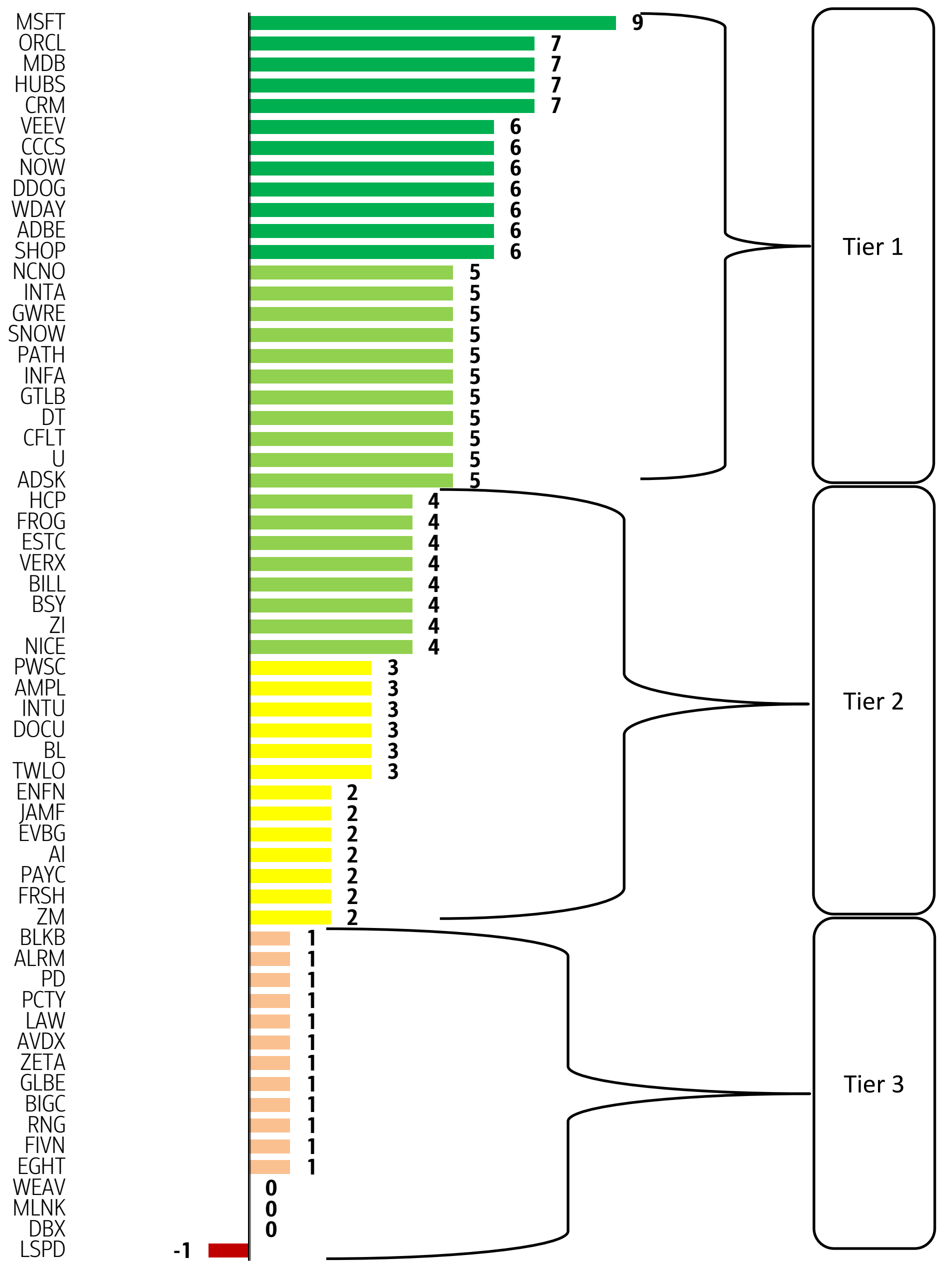
But while the market will remain focused on the possible impacts from AI over the longer term, and those expectations drove much of the Magnificent 7 rally in '23 according to the team, the software team doesn't expect the technology will drive revenue growth acceleration in '24 for the industry as a whole. Still, many of our covered companies with AI products in development or production should generate meaningful incremental revenue over the intermediate term, particularly companies with large proprietary data sets and robust sales channels.

Exhibit 15: MSFT & LSPD screen most & least favorably within our coverage universe
Leveraging our AI framework to produce scores and tiers for our coverage universe



Source: BofA Global Research
This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions. This screen is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. The screen was not created to act as a benchmark.

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Justin Post believes AI is the most important theme in his group in 2024

Justin Post lists the "growing role of Artificial Intelligence" as the most important sector theme in his Internet universe in 2024. This is because of the large investment in AI by companies in the sector and the potential to drive Internet large-cap outperformance over the next 5 years. Justin sees the biggest potential AI beneficiaries as Meta (huge investment, content and ad spend benefits), though Alphabet, Amazon and Uber all have a big opportunity. Justin expects new AI driven Learning Language Models from Amazon, Google and Meta in 2025.

Meta has significantly increased its investment in AI/ML to improve targeting and measurement following the loss of signal from Apple's ad tracking technology changes. This includes moving its data center infrastructure from CPUs to GPUs. For usage, Meta noted that in 2023, the company saw a 7% increase in time spent on Facebook and a 6% increase on Instagram as a result of recommendation improvements. For advertising Meta is seeing performance gains from ranking improvements as the company adopts larger and more advanced models, and is capturing more spend as advertisers adopt AI driving automation tools (Advantage+).

Google was early in identifying AI/ML as a key technology. Search has benefitted from growing advertiser adoption of Performance Max which brings together the best of Google's automation to help advertisers drive better results across all of Google's channels. Google has also deployed Tensor Processing Units, artificial intelligence and machine-learning software in its data centers to make its own services such as Search or AdWords more intelligent. With growing popularity of LLMs, Google continues to introduce new Gen-AI driven products to enhance the user experience and make Search more personalized. On the advertising side, AI driven Performance Max technology is automating ad campaigns and leading to more ad spend across Google properties.

Pinterest has grown its AI model size by 100x since 2022, which is helping to drive increases in search relevancy and ad conversion rates. Use includes AI based creative tools for image and ad creation tools for advertisers. User growth exceeded estimates in 1Q, aided by improving AI driven video rankings that are driving more Gen X usage.

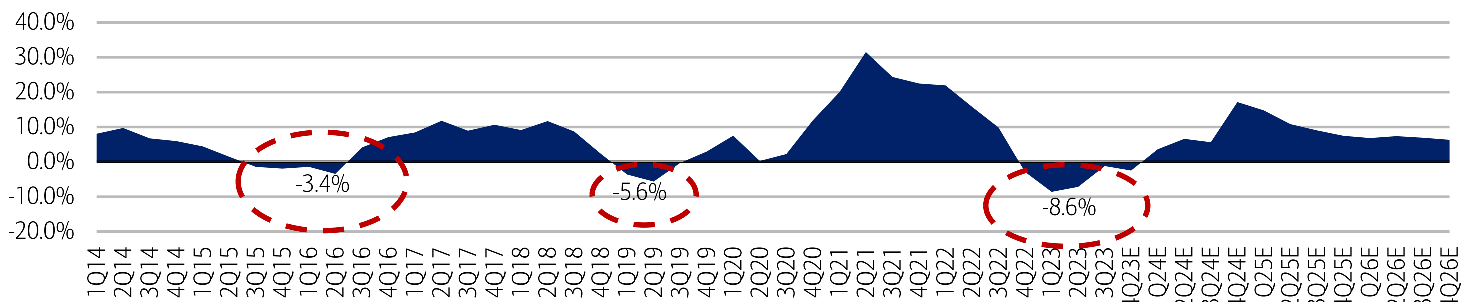
Nvidia P/E suggests market overly concerned about growth sustainability

Vivek Arya expects semiconductor growth of 15% and 14% in C24 and C25 respectively as the upcycle begins and the inventory correction comes to an end. Generative AI, autos, rising chip complexity and fab reshoring should help to drive this growth. Many are skeptical about the sustainability of genAI investments. Vivek believes it's early to predict a peak as these trends take decades to play out. NVDA remains his top pick. Vivek also likes AVGO for leadership in custom AI chips and the upcoming 51 Terabit Ethernet switch cycle and highlight MRVL for its leading electro-optics AI franchise. Vivek upgraded AMD to Buy from Neutral in December as Vivek now sees potential for 5-10% AI accelerator share capture in a growing market.

Accelerators are an emerging category within data center spending. These are graphics processors (GPU) or custom silicon (custom ASICs) tailored to support artificial intelligence related workloads and training/inference of large language models (LLMs). Vivek expects 2024 will see the size of the accelerator market at 3x that of server MPUs. Accelerator growth is expected to reach +70% Y/Y and Vivek expects a CAGR of 40% for accelerators between C23 and C27.

In addition to the aforementioned NVDA, AVGO and AMD, Vivek also highlights INTC and MRVL as benefitting from growth in the AI accelerator space.

Exhibit 16: Historical semiconductor sales (ex-memory) on a YoY basis
Within ex-memory semiconductors, we also believe we are at the start of the next upcycle, which could last through the middle of '26E



Source: BofA Global Research, SIA

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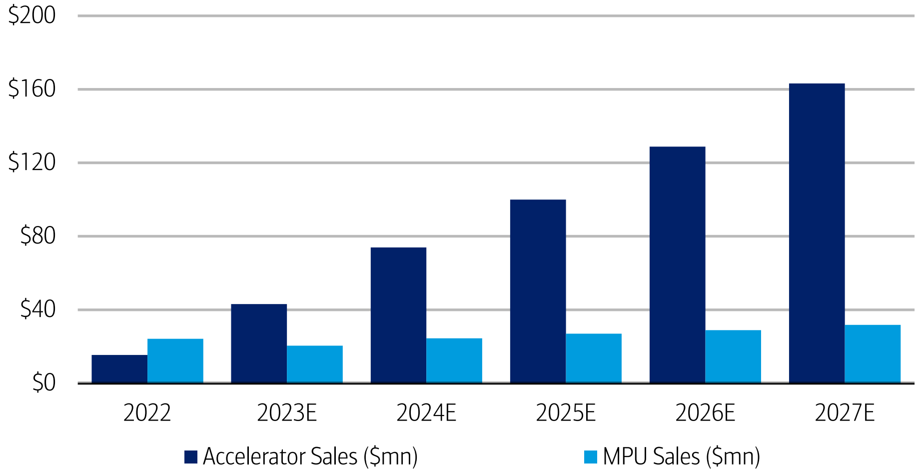
Exhibit 17: Server MPU vs. accelerator sales
The accelerator market will remain multiples of the server MPU market



Source: BofA Global Research,, Mercury, company reports

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AI an important driver of our recent Apple upgrade

Wamsi Mohan recently upgraded Apple Inc. to Buy. Wamsi believes that generative AI features which will be introduced in 2024/2025 will drive a hardware upgrade cycle, especially as a large part of the installed base is still on iPhone 11. Other reasons for Wamsi's upgrade include higher growth in services, the silicon roadmap and strong capital returns. iPhone unit sales declined in F23 but Wamsi expects 7% growth in both F24 and F25 thanks in part to these upgrades. Apple is investing in Generative AI, Wamsi and team model capex of $16B in F24 and revenue contribution from AI could be meaningful if Apple can charge a subscription for an AI product or service.

Rise of AI-related cyberattacks drives the need for AI-implemented cybersecurity

Artificial Intelligence proliferated across cybersecurity in 2023 which was a strong year for cybersecurity stocks as IT budgets remained robust despite tough macro conditions. Heading into 2024, Tal Liani and team remain positive on sector fundamentals, supported by growing enterprise cybersecurity budgets, platformization, and cloud transformation. AI creates both risks and opportunities for the cybersecurity industry. On one hand, there is a notable shortage of cybersecurity talent and AI can fill in many of the gaps left behind by companies unable to fill cybersecurity related positions. On the other hand, the pace of cyberattacks continues to accelerate, with the average number of days from compromise to exfiltration decreasing from 44 days to only 5 days in the last two years. The team expects malicious AI use-cases such as malware code creation and advanced phishing attempts to drive further growth in successful cyberattacks, especially for bad actors with limited malware experience.

In addition, valuation levels are fairly rich after the strong stock performances in 2023, the team maintains their Buy ratings on CrowdStrike and Zscaler, but favor the relative 2023 underperformers, namely Fortinet and CyberArk.

5) Prioritization of spending on defense and national security

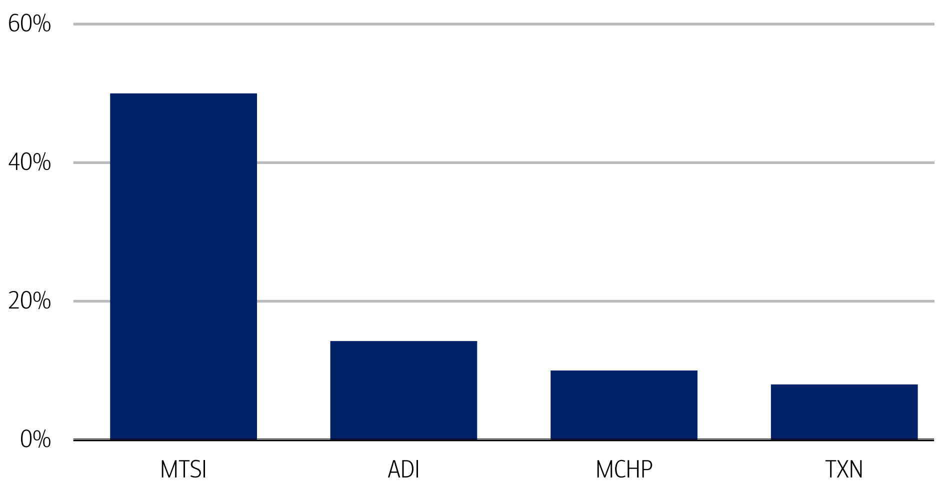
Most bi-partisan support for defense spending since the Cold War

Tensions in Ukraine and the Middle East should help maintain a focus on defense spend according to Ron Epstein and indeed, the FY24 National Defense Authorization Act calls for $866B in spend, an increase of low-mid single digit percentage, relative to FY23. Additionally, defense stocks have outperformed the S&P 500 in 80% of presidential election years since 1980. Ron Epstein points out that we are currently seeing the most bi-partisan support for strong defense spending since the late Cold War/Ronald Reagan era. That said, if the Fed were to cut rates in '24, we could see more of a risk-on market, leading to a rotation out of defensive names, including defense.

Ron Epstein's top defense picks are NOC, GD, DRS and BAH.

Defense spend is also an important driver for certain semiconductor stocks. Vivek Arya upgraded MTSI to Buy in December. About 50% of sales go into the industrial and defense end markets and while sales into industrial markets may be weak in 1Q on the inventory correction, multiple companies have highlighted resilience in aerospace and defense. Ron and team estimate that ~50% of MTSI's legacy industrial & defense business is from defense, well above analog/industrial peers, where A&D accounts for 10-15% of industrial sales.

Exhibit 18: Overview of A&D exposure as % of industrial
Defense accounts for ~50% of MTSI industrial sales



Source: BofA Global Research, company reports

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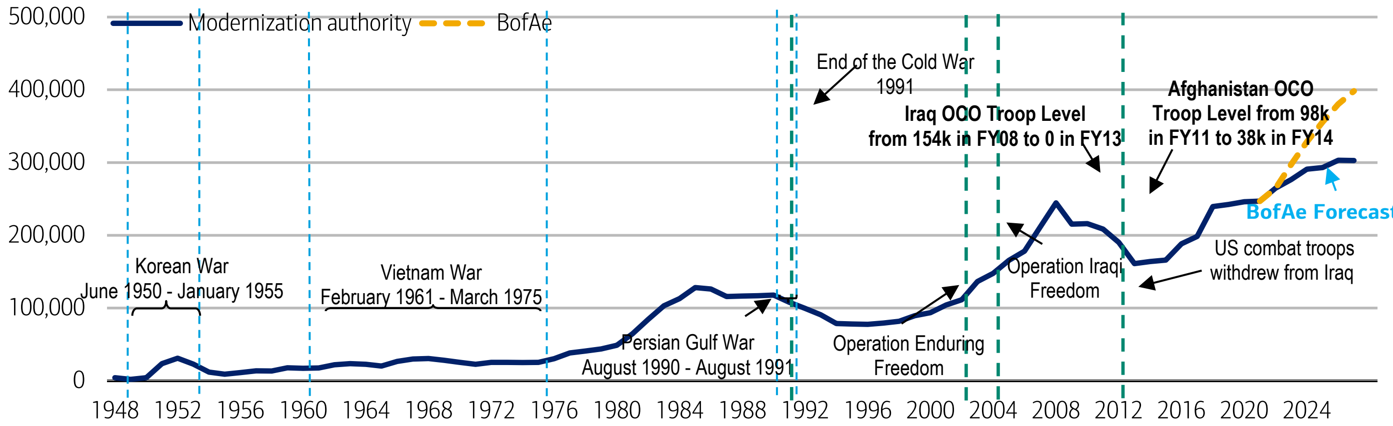
Exhibit 19: Defense Budget Authority (current $mn)
We project that the US defense budget could exceed $1tn by 2026



Source: BofA Global Research estimates, Department of Defense, Congressional Research Service, White House

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The U.S. CHIPS Act allocates $53bn in government funds for semiconductor R&D, manufacturing, and workforce development, with the aim of strengthening independence of U.S. chip supply. $39bn of these funds are directly for manufacturing, with $2bn allocated to legacy chips used in auto and defense applications. Importantly, the Act also provides a 25% investment tax credit (ITC) for capex used in the manufacturing of semiconductors and related equipment. This ITC has been referenced often by Texas Instruments (TXN) as they continue to build out several fabs in the U.S., at $6.5bn-$11bn each.

Defense hardware maker BAE Systems was announced in early December '23 as the first recipient of CHIPS funding. BAE was granted $35mn to fund the update of a microelectronics facility in New Hampshire, specializing in chip production for fighter aircraft. Ron and team see this as a clear sign that the first imperative of the CHIPS Act is shoring up the defensive position of the U.S. (TXN's A&D segment makes up 2-4% of sales), with leading edge chip makers likely the most popular candidates.

6) We've recently cut EV penetration estimates, further downside on politics

It's well understood at this point that EV demand growth, especially in the US and Europe, has slowed. John Murphy cut his EV penetration numbers to 10% for 2024 from 12%. In Europe, Horst anticipates a lower growth rate for BEV than the ACEA (European Automobile Manufacturers Association) has forecasted for 2024e (ACEA says 20% BEV passenger car penetration ratio in EU in 2024 vs BofAe 19%). European incentives have declined across the board other than in France. Horst thinks that mass market car makers are more at risk of being affected by a BEV price war in Europe (higher exposure to Chinese competition & CO2 targets are tougher to achieve). He identifies VW and RNO as the most at risk in 2024. These cuts led Joon-Ho Lee to reduce his estimates for battery demand growth by 2-4 percentage points over the next three years. Horst now looks for 32% Y/Y battery demand growth in 2024, below the 86% and 34% growth seen in 2022 and 2023 respectively. But while purchases from early adopters are slowing, Joon-Ho points out that Global tier-1 EV battery manufacturers are set to develop more price-competitive batteries (both non-NCM and LFP) well suited to entry-level models, helping to drive continued growth.

Overall, entering 2024 with softer demand prospects, John Murphy believes that EV-related capital investments could be delayed further as OEMs look to conserve cash and pace electrification initiatives to demand strength. John suggests there are fewer opportunities for price cuts in 2024. Tesla, the market leader, has already nearly reached traditional auto business margins for the automotive segment. On top of that, Tesla capital commitments are likely on the rise.

Commodity strategist Michael Widmer and team cut lithium price estimates in late January, citing a lack of production discipline but also slower EV penetration growth. For the first time since the team started covering lithium a few years back, EV penetration assumptions have been reduced. The team believes that announcements of lithium production cuts will be key to a price rebound. The issue for now is that Western producers keep pushing ahead on expectations that lithium demand will expand thanks to policies including the Inflation Reduction Act. Additionally, lithium is a strategic industry in China, limiting the appetite to reduce output there.

Exhibit 20: Lithium supply and demand balance

Surpluses are unreasonably high in 2023+

tonnes	2022	2023	2024E	2025E	2026E
Global production	657,337	900,867	1,253,901	1,713,959	1,998,516
YoY change	-2.5%	37.0%	39.2%	36.7%	16.6%
Global consumption	685,815	866,320	1,114,661	1,404,192	1,774,073
YoY change	48.4%	26.3%	28.7%	26.0%	26.3%
Balance	-28,478	34,547	139,240	309,767	224,443

Source: Company reports, Woodmac, Bloomberg, BofA Global Research estimates

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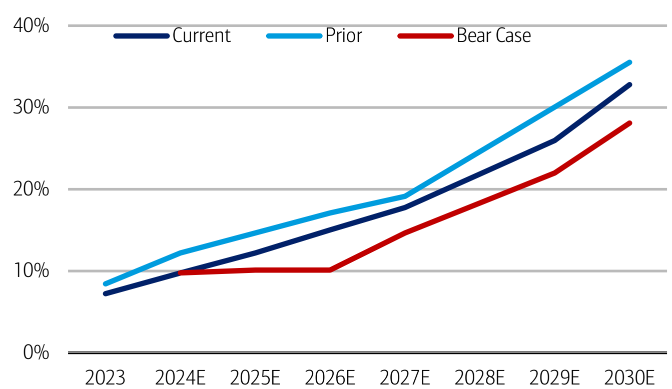
In the US, John Murphy believes that a Democrat victory would accelerate a transition to clean vehicles while a Republican win would delay the transition. John believes that Republicans will try to curtail government funding of consumer incentives for EVs, perhaps by making it more difficult to qualify for incentives. Republicans could also look to block the proposed new CAFE and EPA parameters that Democrats have pushed for. A Democratic win would likely mean a stronger stance toward electrification but Democrats could also look to apply more restrictive incentives, especially around allowing leases to avoid the stringent requirements to qualify for the EV credit. Democrats may seek a further tightening of CAFÉ and EPA standards, which would be punitive for lower efficiency manufacturers.

John believes EV adoption growth would dwindle with a Republican win. Incumbent automakers would be less incentivized to adopt alternative technologies and consumers would lose support to purchase these vehicles. In the short term, a Republican win would likely be favorable for incumbent OEMs.

It is true that more mass market vehicles are likely to come online with time but that's regardless of the Presidential administration. It is more likely that a Republican administration slows down the EV rollout given that higher penalties for ICE essentially go away. If the Republicans win, the IRA is threatened and in addition, the stricter regulatory framework on emissions and corporate average fuel economy is likely to be halted (this keeps ICE prices lower). Additionally, the phaseout of ICE vehicles in California (and other states) is likely to be revoked as well.

Exhibit 21: EV Penetration Rate Forecast: Current vs Prior vs Bear Case

Our new EV penetration estimates reflect lower market share gain for EVs



Source: Wards, BofA Global Research

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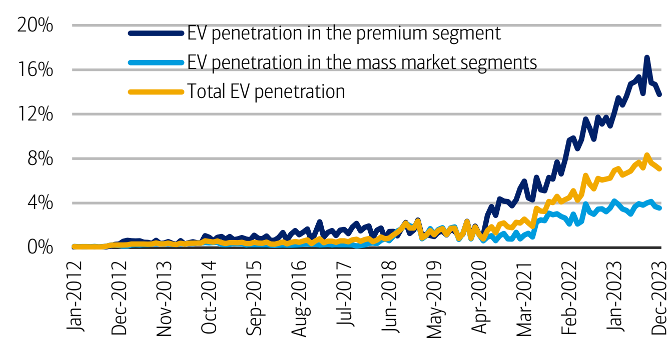
Exhibit 22: EV penetration rate for vehicles in different price points

Customers who bought premium* vehicles have been more receptive to the electrification trend, while the mass market has lagged



Source: Wards, BofA Global Research

*Break point defined at $50k price

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If EU politics continues to move to the right, CO2 regulation could be impacted. A CO2 policy review is due for 2026 and Horst believes that politicians will create loopholes for the ICE sales ban coming in 2035. Perhaps there will be an allowance for ICE cars to be driven by biofuels or synthetic fuels.

In the North American market, electric vehicles have shown strong growth for those segments priced above the industry average transaction price of $48,000. However, the picture is different when looking at the mass market segment. There are few EV models available that target the mass market. Out of 62 EV models currently sold in the US, John and team counted only 20 that have a starting MSRP below $45k (excluding incentives), many of which are very close to the threshold.

Exhibit 23: Possible effect on EV new entrants and incumbents of a Democrat victory

A Democrat administration is likely to take a stronger stance towards electrification given the proposed legislation. This would be beneficial to EV new entrants

Democrats	BofA's Expectations	EV New Entrants	Incumbents
IRA	Although the IRA has been one of the key acts of the Biden administration, demand for an adjustment to the bill rose across the political spectrum, including in the democrat party. We think there is room for a more restrictive application of the law, especially around the rule allowing commercial vehicles (and thereby leases) to avoid the stringent requirements required to qualify for the credit.	Uncertain	Uncertain
CAFE	Democrats may seek a further tightening of CAFE and EPA standards, which would be particularly punitive for lower fuel efficiency and polluting vehicle manufacturers.	Positive	Negative
EPA		Positive	Negative
Advanced Clean Cars II	We wouldn't expect any change from current trajectory but possibly a wider adoption beyond CA, at least in those states led by a Democrat majority.	Positive	Negative
Tariffs	We believe that both political parties agree on stronger import duties.	Positive	Positive

Source: BofA Global Research estimates

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Exhibit 24: Possible effect on EV new entrants and incumbents of a Republican victory

A Republican administration is likely to take a more prudent approach towards electrification and, given the latest commentary, most of the key proposed legislation may get dismissed, which would be beneficial to incumbents at least in the short term

Republicans	BofA's Expectations	EV New Entrants	Incumbents
IRA	It appears likely that Republicans will try to curtail the government funding of consumer incentives, but the procedure to do so is a unclear. A less extreme approach could call for a more restrictive set of requirements related to accessibility of incentives.	Negative	Negative
CAFE	We would expect a republican administration is likely to block the proposed new CAFE and EPA parameters that Democrats have been pushing for.	No Change	Positive
EPA		No Change	Positive
Advanced Clean Cars II	On the Californian Advanced Clean Cars II, we expect political turmoil. In 2019, the Trump administration revoked California's waiver on emissions, which set up a precedent that it may repeat during a Republican administration. In this case, regulation of emissions at the federal level would be governed by current EPA standards.	Negative	Positive
Tariffs	We believe that both political parties agree on stronger import duties.	Positive	Positive

Source: BofA Global Research estimates

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7) Rate cuts should impact asset flows, implications for asset managers, real estate

Could see record inflows into fixed income products as rates are cut

Craig Siegenthaler expects significant AuM shifts with both institutional and retail investors extending duration as short rates get cut. This could trigger record inflows into fixed income (vs. outflows in money market) with 60-70% of the bond inflows into passive/ETF strategies. Craig views this as phase 2 of the credit reallocation theme (phase 1 in 2022-23 was large inflows into short duration products = private credit, money market). Craig believes there are underappreciated second-derivative plays in businesses that benefit from bond AuM growth (TW & ICE). Fed rate cuts will also stimulate financial market liquidity and help reaccelerate private markets investing/realizations.

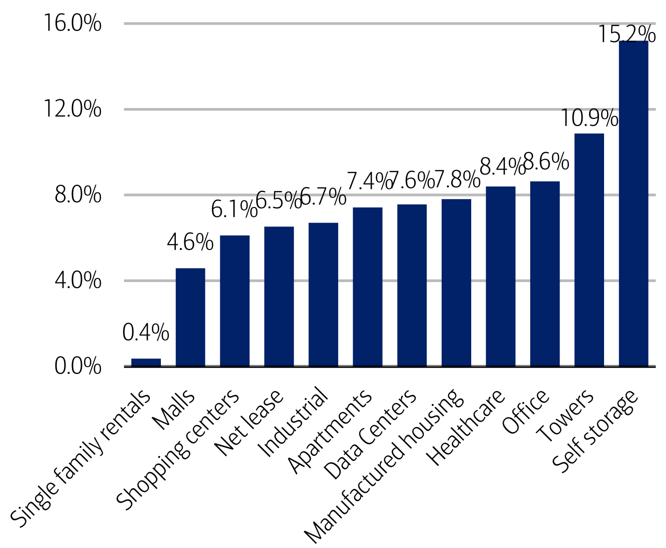
REITs would get some relief from cuts given floating rate debt

Jeff Spector and the REIT team looked at prior periods when the Fed has paused or cut rates to see how REITs performed relative to the S&P 500. Looking back to 2005, performance is mixed and Jeff believes the outcome is dependent on the rationale behind the Fed's decision to cut or pause rates. In a soft landing where the Fed can cut rates (BofA Global Research Economics base case for 2024), Jeff believes that REITs could outperform but other industries may benefit as well in this scenario.

REITs do have exposure to floating rate debt, so rate cuts may alleviate higher interest expense, especially later in the year. Self-storage is the REIT group with the highest percentage of floating rate debt while single family rentals have the least. Maturities in '24 and '25 are also a factor and a faster decline in rates may offer greater relief to those groups with more near-term maturities but there's not huge disparity in N-T maturities, especially for the groups that have the most maturities in the next two years.

Exhibit 25: Unhedged Floating-Rate Debt

Single family rentals operate with the least floating-rate debt



Source: Company filings and BofA Global Research
Note: Data as of 3Q23 inclusive of activity post quarter

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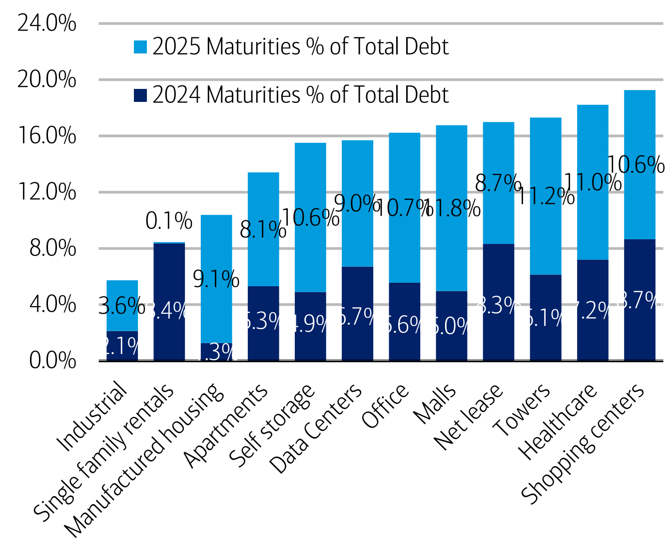
Exhibit 26: '24/25 Maturities % of Total Debt

Industrial has the lowest debt maturities for 2024/25



Source: Company filings, BofA Global Research
Note: Data as of 3Q23 inclusive of activity post quarter

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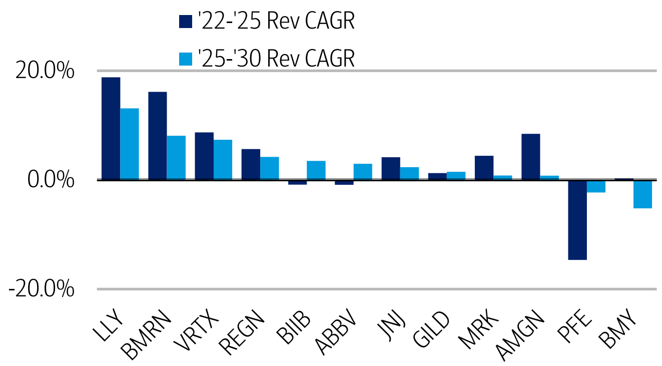
8) GLP-1 penetration to rapidly expand

In large cap Biopharma, the sector continues to diverge into the 'haves' and the 'have-nots' based primarily on the strength of new product cycles. Geoff Meacham anticipates conversations around GLP-1s to continue unabated, with a heavy focus on Lilly's Mounjaro/ Zepbound launch trends as well as competitive/ non-incretin readouts. Nevertheless, Lilly is well-positioned to weather competitive threats with its breadth of portfolio, making it the team's top pick.

Exhibit 27: Large cap Biopharma Revenue growth
LLY leads the pack on revenue growth through the end of the decade.



Source: BofA Global Research, Visible Alpha

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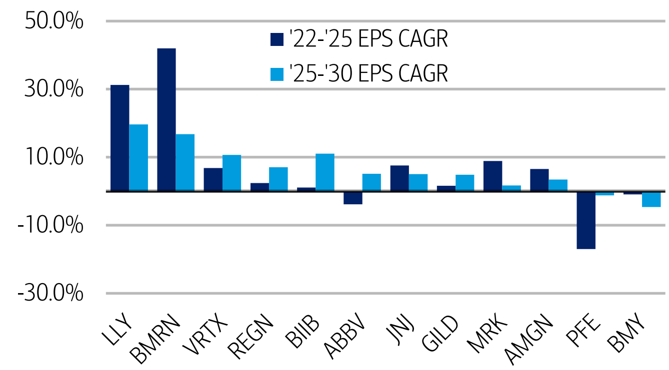
Exhibit 28: Large cap Biopharma EPS growth
LLY leads the pack on revenue growth through the end of the decade



Source: BofA Global Research, Visible Alpha

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Medicare Coverage for Obesity Drugs

With the continued growth in utilization and development of GLP-1drugs, there continues to be significant attention on when/if Congress or CMS will revise Medicare policy to cover these drugs. Legislation that would allow for Medicare coverage of these drugs has been introduced in Congress over the last several years. Under current law, Medicare is prohibited from covering drugs if used solely for weight loss, (GLP-1 agonists are covered for the treatment of diabetes but not for the treatment of obesity.)

While there is bipartisan support for legislation to allow Medicare to cover these drugs, the Treat and Reduce Obesity Act (TROA) has not moved forward due to the potentially large cost to the government of providing coverage for these drugs in Medicare.

In October, the Congressional Budget Office (CBO) issued a request for additional research on the potential costs and savings related to Anti-Obesity Medications (AOMs). CBO highlighted recent trends in utilization of AOMs, noting, net U.S. sales of semaglutide (including Ozempic, Rybelsus, and Wegovy) in the second quarter of 2023 were $3.4 billion. Net sales of all GLP-1 agonists, which include other drugs known to reduce obesity, totaled $5.9 billion during that same period. CBO expects that the providing coverage for AOMs would result in significant net cost increases to the Medicare program over the next 10 years. CBO also stated that it expects semaglutide will be selected for drug price negotiation by HHS in the next few years, which would lower its price. CBO is still trying to better understand how increased use of AOMs by people with obesity (and who are not diabetic) could improve their health, and therefore reduce the utilization of healthcare services and lower federal spending for other types of health care over time. CBO stated that it would like to see new research on factors affecting their use, such as take-up rates, patients' adherence to drugs currently on the market, and expectations about the prices and effectiveness of AOMs that are being developed, and the near- and long-term clinical impacts of AOMs (including health benefits or complications associated with them) and their effects on patients' use of, and spending on, other medical services would also be of particular interest.

However, until CBO develops an estimate of the overall costs and benefits of providing Medicare coverage for AOMs, the legislation will be difficult to move through Congress.

Label expansion could provide additional leg of growth for GLP-1s
While we wait for AOM access + reimbursement to expand the traditional way (see above), Lilly and Novo have a backdoor reimbursement strategy for both Zepbound and Wegovy, respectively, that could provide the assets next leg of growth. Indeed, the Venn diagram of overlapping diseases is quite robust, including cardiovascular disease (CV), CKD, OSA, osteoarthritis, Alzheimer's disease, Heart failure with preserved ejection fraction (HFpEF) and eye disease to name a few, which overall have relatively straightforward reimbursement pathways. So, Geoff and team think it makes a lot of sense that Lilly and Novo are targeting these indications, as if Zepbound and Wegovy receive approval, patients would have another way to access AOMs for obesity.

To demonstrate the importance of this strategy, Geoff highlights Novo's SELECT trial with Wegovy, which was arguably the biggest catalyst in the space in 2023. We've received in-depth results for Novo's Wegovy SELECT trial at the American Heart Association conference this past fall, which Geoff thought was best case scenario from a cost effectiveness perspective as on the primary composite endpoint, the risk of CV death, myocardial infarction (MI), or stroke, was reduced by 20% (Hazard ratio (HR): 0.80; p<0.001). Notably, there was early separation of the curves before weight lost occurred, supporting the in-direct effects of GLP-1 agonists likely due to improvements in blood pressure. As highlighted above, these results further add to the cost-effectiveness discussion to increase access + reimbursement, adding to the burden of proof of the benefits of AOMs.

In terms of upcoming catalysts, Geoff and team highlight that Lilly reported positive NASH data recently and we should receive phase 3 results for Sleep Apnea in 2Q24 + HFpEF in mid-2024, which we expect to keep investors engaged looking to 2025 when we should receive pivotal results for Lilly's next-generation assets oral orforglipron and triple-G retatrutide. For Novo, we should receive detailed phase 3 FLOW CKD data in early 2024 (recall Novo discontinued the trial due to efficacy) and phase 3 results in peripheral arterial disease (PAD) in mid-2024 + phase 3 results in eye disease in 2H24. Overall, we expect these catalysts to not only keep the GLP-1 momentum alive, but also provide additional upside to the Street's forecasts and therefore potentially provide GLP-1's next leg of growth.

Supply constraints remain a challenge, but Lilly and Novo are making progress
Unsurprisingly, supply constraints-along with access + reimbursement- remains one of the top discussion themes in relation to AOMs. While we know Lilly and Novo are investing heavily to increase supply both in the near- and long-term, we still don't know the cadence of how quickly manufacturing from these facilities will come online, which creates a challenging backdrop for investors, in our view. Moreover, while Novo’s recent acquisition of Catalent suggests the pace of investment has accelerated (though this may face regulatory scrutiny), current demand still far outstrips supply and we don't expect any changes in the immediate near-term.

Obesity is becoming a crowded area with new entrants
While obesity and Type 2 diabetes currently remains a duopoly with Lilly and Novo, there has been a slew of new entrants given investor interest in the space + the unprecedented total addressable market (TAM). That said, there has been a multitude of mixed results this year with Pfizer's two assets and some smaller players (e.g., Structure therapeutics and Altimmune) that underscore the clinical challenges of the space. Regardless, we expect the number of entrants to continue to swell beyond the >15 companies currently, especially we see progress on access + reimbursement. While there are many new entrants, most are in early stages of development.

Food/Beverages: Consumption at risk across multiple occasions
Americans consume, on average, ~1.3bn calories per day (3.8k calories/capita per the UN's FAO). Assuming uptake rates on anti-obesity medications of 25-50mm people by 2030 at 15-20% caloric reduction, total calorie consumption could face a 1-3%

headwind across food and beverage by the end of the decade. In Bryan Spillane's view: 1) Packaged Food stocks have borne the brunt of GLP-1 negative investor sentiment relative to Beverages (both alcoholic/non-alcoholic). 2a) intermittent eating occasions (e.g., snacking) could potentially face a more pronounced headwinds vs meal occasions (lunch/dinner), 2b) in that context at home consumption is likely more at risk than away from home (you'll still go out to eat). 3) Are diet/wellness products helped or hurt in this scenario? One could argue diet friendly frozen meals/protein shakes potentially get cut out altogether as the need for elimination diets and reduced calorie products are minimized. 4) Beverages could be broadly impacted by wider consumer adoption of GLP-1. In our view, Alcohol consumption appears most at risk if consumers consume less and potentially experience reduced impulse to drink. Non-Alcohol beverage consumption pressure more likely tied to the overall reduction in calories/consumption. Stocks we're watching: HSY, PEP, MDLZ, BRBR, CAG, STZ, TAP, UTZ, CPB, K, SJM, KO, KDP, BF/B, NESN.

9) China's export focus accelerating in certain areas, especially e-commerce, EVs

Slower GDP growth within China and lower share of US imports have yielded to a new export push from some Chinese companies. Temu and SHEIN are prominent examples in the e-commerce vertical. Even after rapid growth, experts suggest that Temu may look to at least double global gross merchandise value in 2024.

Stellar growth at Temu, Shein slowing

Temu launched in the US in September 2022, two years after Shein came to US prominence during the Covid-fueled ecommerce boom. By sourcing products directly from manufacturers worldwide, companies like Temu and Shein are able to lower costs and keep prices low.

Temu sales are already the equivalent of about 11% of Target levels according to the Bloomberg Second Measure data. And Temu sales are already more than 2x Shein sales despite Shein's longer history in the US. Shein was boosted by the step-up in ecommerce demand in the early Covid period, but data suggests much slower growth since mid-2021. Temu may also be taking some share from Shein as they do target similar audiences and Temu does offer apparel. The sustainability of Temu growth is certainly a question, especially as aggressive advertising is helping to drive it. But even though the longer-term appetite for losses and big ad spend at Temu is uncertain, shorter-term, Justin Post does expect Temu to grow ad spend in 2024.

An increased focus on exports does face some political realities, however. One is that there's a possibility that additional tariffs could be placed on Chinese goods. Indeed, former President Donald Trump has discussed the possibility of higher tariffs on Chinese goods or even across the board tariffs on imports in case he wins the Presidency in November. Lorraine Hutchinson has addressed these recent tariff proposals and mentions that China now accounts for just 20% of US apparel imports from 39% in 2010. And looking specifically at our coverage, Lorraine estimates that her companies import less than 10% from China. If tariffs are focused just on China, the impact will be relatively small. Lorraine estimates a 10% China tariff to be a 25bp headwind to gross margins. A 25% tariff would be >60bp headwind. Consumer appetite for price increases is small so companies would have to bear much of the cost of higher tariffs.

Temu recent developments

China Internet analyst Joyce Ju recently hosted two calls with eCommerce industry experts David (independent consultant of China eCommerce industry) and Mr Jiale Wang discussing China's cross-border eCommerce sector and Temu's development trends, growth outlook and strategies. David shares his estimate of US$16-17b total GMV (gross merchandise value) generated by Temu in 2023. This is consistent with Mr. Wang's US$16b Temu GMV estimate. David also indicates that Europe has surpassed US to become the largest sales contributor of Temu, accounting for 40-50% of GMV in 4Q23. While US GMV fell to less than 40% of total, from over 90% in 1Q23. Temu's AOV (average order value) has risen to US$30-35 after deducting the coupons. David also sees Temu unit economics gradually improving during the year, with loss margin narrowed to -20-30% in 2H. The improvement was primarily contributed by the rising AOV and product mark-ups, despite some quarterly turbulence in fulfillment costs, for instance, sequential increase in 4Q23.

2024 Temu growth outlook and new strategic initiatives

David indicates that Temu's GMV target for 2024 is US$60b, while Mr. Wang suggests a more conservative target of US$30-40b. Despite a gap between sales target estimates, both experts expect Temu to continue robust expansion this year, laying out strategic initiatives include: 1) expand its global presence on top of the existing 48 countries and regions, with a focus of full coverage in Middle East, Latin America, and Southeast Asia; 2) introduce ocean freight shipping and overseas warehousing to reduce shipping costs (eg. Japan and Korea which accounted for 5% of orders in the past month) and expand product categories (e.g. heavy items to go through warehouses in Mexico); 3) launch a new semi-consignment model, which is expected to tap into broader supply/merchant base, reduce fulfillment capacity constraint and costs, and diversify product offerings and delivery time options; 4) continue aggressive S&M investments to acquire users in the new markets and improve consumer mindshare, repurchase rate and AOV in the more mature markets, such as Super Bowl ads in US.

US risks and the impact of potential Trump Tariffs

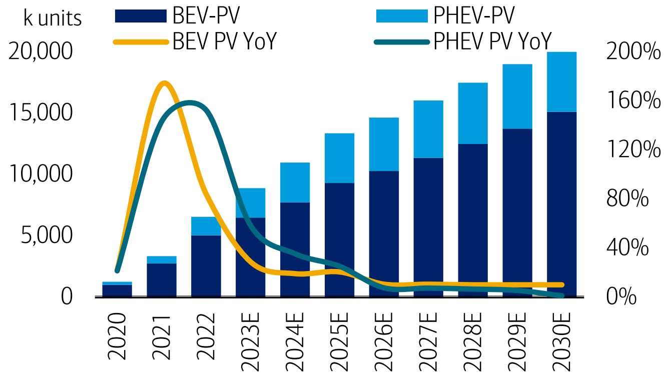
David pointed out that there was a big strategic pivot of Temu to diversify country exposure since mid-2023 on a rise of regulatory concerns on China ecommerce platforms in US. As of end-2023, US sales contribution has lowered to 50% below as a result of Temu.'s aggressive geographic expansion and controlled budgets allocated to US. Key topics could potentially trigger changes in overseas countries' trade policies include fair trade, data security and ESG etc. Regarding the most discussed risks of changes in US De Minimis exemption and potential Trump Tariffs, David sees relatively low chance of official implementation and expects higher AOV and repurchase rate to offset most incremental costs due to tariffs. While Mr. Wang highlights a higher risk but believes the impact would only be disruptive in the first couple months, then turning less significant as platforms and merchants have prepared back-up solutions such as moving fulfillment centers and part of supply-chains to Vietnam/Mexico to reroute and reexport products.

Chinese EV exports growing faster than domestic sales

Ming Hsun Lee and the Greater China Auto team lists exports of EVs and batteries as among the key industry themes in 2024. They expect China auto brands to fare well in Russia, Thailand and Brazil this year. They point to overcapacity in batteries in the China market and how companies are exploring overseas opportunities for battery factories. Indeed, passenger EVs (PEV) grew 3.4% in China in 2023 while PV exports grew faster at around 60%. The team expects 18% growth in total vehicle exports in 2024 (passenger and commercial) with NEV export growth of 32%. In terms of export volumes, Russia, Mexico, Australia, Saudi Arabia and the United Kingdom were the biggest markets for Chinese exports.

Exhibit 29: China EV sales breakdown by powertrain

PHEV volume sales growth > BEV's growth from late 2021



Source: CPCA, CAAM, BofA Global Research estimates

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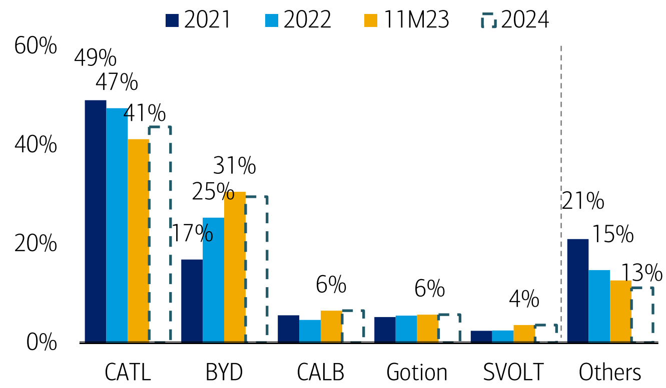
Exhibit 30: China EV battery market share by top 5 suppliers, 2021-24E

Market consolidation could continue into 2024, and small suppliers could be squeezed out



Source: RealLi, BofA Global Research estimates

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Tariffs of 27.5% on Chinese cars have played a large role in keeping Chinese EVs out of the US according to John Murphy. Facing a lower 9% tariff in Europe, Chinese EVs have made inroads there. But the EU is investigating China's EV subsidies and a change could have implications for US companies selling EVs into Europe, namely Tesla. And cheap Chinese exports could give the country a toehold in many parts of the world outside of the US and Europe, limiting international opportunities for US automakers and preventing US automakers from building the scale to be globally competitive in EVs if US EV subsidies are scaled back.

10) Freight Costs no Longer Falling, Red Sea One Factor

Spot truck rates ex-fuel, an early indicator on contract freight rates, have increased to around $1.46/mile, moving further above its 12-week trough band of $1.20/mi-$1.25/mi, which it held between August to October, yet rates remain below avg carrier cost of operations (~$1.50/mi). Given the improving backdrop, Ken Hoexter sees early cycle carriers as beneficiaries into an impending upturn. The current Freight Recession has persisted for 20+ months from April 2022, outlasting past downcycles' (2012, 2015 2019) average duration of 15-18 months, due to strong carrier balance sheets and a shift in consumer preference from goods to services. Hoexter and team believe that in the event of an earlier than expected cycle inflection, aided by eventual retail restocking and carrier attrition, leading Truckload-related carriers could see accelerating operating leverage as pricing inflects. The team is constructive on multimodal carriers.

Ken's proprietary bi-weekly BofA Truckload Demand Indicator for shippers' 0- to 3-month freight demand outlook sits at 50.5, it's been over 50 for each of the last four surveys and for 7 of the last 12. This positive stretch follows a period at-or below-50 for 21 of the prior 25 issues (since February 2023). The Indicator remains below the 54.2 average in the '12, '15, '19 Freight Recession periods, highlighting a still soft backdrop, but a notable improvement from its 2023 trough (42.6). The truck capacity indicator, which gauges shippers' views of available truck capacity, decreased to 59.2, its lowest in 11 surveys as capacity continues to tighten.

Chart 31: BofA Truckload Demand Diffusion Indicator
0–3 months demand time series; Demand Indicator at 50.5

Source: BofA Global Research

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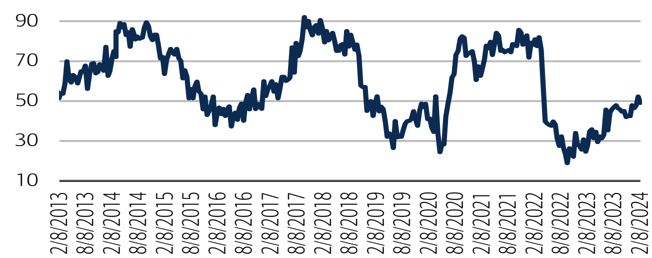
Chart 32: Shippers' view of rates over next three months
Rate Indicator at 49.0, -6% sequentially



Source: BofA Global Research.

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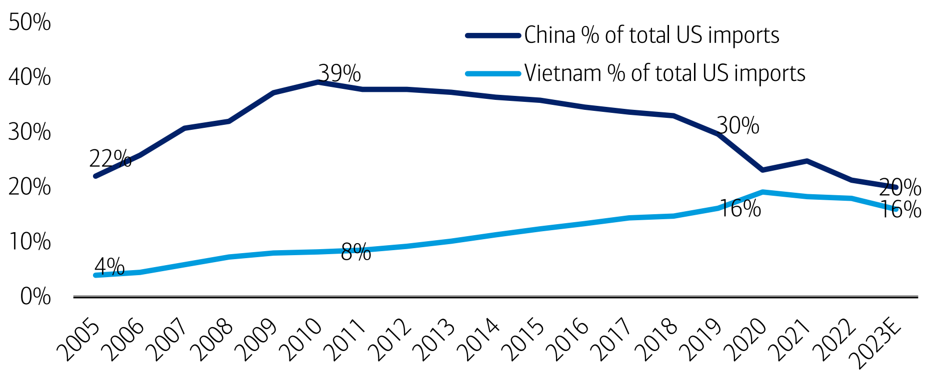
Higher rates translate to some inflationary pressures

Ocean shipping costs from China to Europe have increased over 300% since 12/3 while rates from China to the US East and West Coasts have increased ~100%. This is primarily because of disruptions in the Red Sea. The bigger increase in rates to Europe means a greater potential that Europe inflation is boosted by these higher freight costs but much will depend on whether merchants are able to pass along these increases to customers or whether they take the margin impact themselves. Muneeba Kayani recently raised numbers for freight forwarders, putting us 2% above consensus. The Global Transport and Shipping research team forecasts 1Q24 China Containerized Freight Index (CCFI) rates to be 50% above 4Q23 levels and then to decline sequentially until 4Q24 as the disruption eases, the mini-peak in demand ahead of Chinese New Year passes and new vessels are added to the global container shipping fleet. Low water levels in the Panama Canal have added to disruptions.

Lorraine Hutchinson says ships have diverted away from the Suez Canal in response to worsening attacks in the Red Sea. 30% of all containers go through the Suez canal (8% of that to US East Coast) and our Transport Research team estimates that the move to avoid it and go around Cape Good Hope adds 1-2 weeks or 30% to retailers' shipping timeframe. Lorraine Hutchinson says retailers' significant 2023 gross margin recapture could be at risk from supply chain disruption, but expects the magnitude to be much smaller than what retailers saw in 2021-22 during the pandemic. Retailers recognized 200-500 basis points of gross margin pressure on elevated freight rates and increased modal mix to air in late 2021 through 2022 as the global supply chain slowed down due to Covid. 2023 was a year of outsized margin expansion as rates returned to pre-Covid levels in ocean and improved domestically. This issue threatens margins entering 2024, albeit to a lesser extent than the long and widespread issues of the past. Contract rates also lag spot rates by 8-9 months as retailers typically re-negotiate rates once a year. This negotiation period usually occurs in the Spring and one-year rates take hold over the summer; the spot rate this summer will be a key driver of margins for retailers but we estimate less than 50bp of gross margin pressure.

Retailers spent hundreds of basis points of gross margin on elevated freight rates and increased modal mix to air in late 2021 through 2022 as the global supply chain slowed down due to Covid. 2023 was a year of outsized margin expansion as rates returned to pre-Covid levels in ocean and improved domestically. This issue threatens margins entering 2024, albeit to a lesser extent than the long and widespread issues of the past.

Exhibit 33: Apparel supply chain has been shifting out of China to Vietnam over the last two decades. The shift briefly paused amid supply chain disruption in 2021, but continued on post. As of 2023, there is only a 4% difference between % exported between the two countries
% of US imports from China and from Vietnam over the last two decades (2005-2023E*)



Source: Office of Textiles and Apparel (OTEXA), BofA Global Research estimates
*2023E includes first 11months of actualized data for 2023

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Exhibit 34: Companies mentioned
Companies mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AMD	AMD US	Advanced Micro	US$ 171.54	C-1-9
GOOG	GOOG US	Alphabet C	US$ 146.37	B-1-9
AMZN	AMZN US	Amazon.com	US$ 168.64	B-1-9
AAPL	AAPL US	Apple Inc.	US$ 185.04	B-1-7
ARRY	ARRY US	Array Technologies	US$ 14.41	C-1-9
BRBR	BRBR US	BellRing Brands	US$ 58.42	B-1-9
BAH	BAH US	Booz Allen Hamilton	US$ 144.4	B-1-7
AVGO	AVGO US	Broadcom	US$ 1251.65	B-1-7
CPB	CPB US	Campbell Soup	US$ 41.73	B-3-7
CHK	CHK US	Chesapeake	US$ 76.43	B-1-7
CVX	CVX US	Chevron	US$ 150.6	B-1-7
CHD	CHD US	Church & Dwight	US$ 97.88	B-2-7
KO	KO US	Coca Cola	US$ 59.35	A-1-7
CAG	CAG US	Conagra	US$ 27.29	B-2-7
STZ	STZ US	Constellation	US$ 244.58	B-1-7
CRWD	CRWD US	CrowdStrike	US$ 322.44	C-1-9
CYBR	CYBR US	CyberArk Software	US$ 263.9	C-1-9
ELF	ELF US	e.l.f. Beauty	US$ 167.86	C-1-9
LLY	LLY US	Eli Lilly	US$ 742.97	B-1-7
EQT	EQT US	EQT Corp.	US$ 34.1	C-1-7
XOM	XOM US	ExxonMobil	US$ 101.34	B-1-7
FSLR	FSLR US	First Solar	US$ 152.34	C-1-9
FLNC	FLNC US	Fluence Energy	US$ 20.67	C-1-9
FTNT	FTNT US	Fortinet	US$ 69.4	B-1-9
FRPT	FRPT US	Freshpet, Inc.	US$ 87.53	C-1-9
GD	GD US	General Dynamics	US$ 267.22	B-1-7
GIS	GIS US	General Mills	US$ 62.93	A-2-7
GTLB	GTLB US	GitLab	US$ 72.63	C-1-9
HSY	HSY US	Hershey	US$ 194.84	A-2-7
HES	HES US	Hess	US$ 142.99	-6-
INTC	INTC US	Intel	US$ 43.16	B-2-8
ICE	ICE US	Intercontinental	US$ 134.41	B-1-7
SJM	SJM US	JM Smucker Company	US$ 127.62	A-2-7
K	K US	Kellanova	US$ 54.21	A-2-7
KVUE	KVUE US	Kenvue	US$ 19.25	C-1-7
KDP	KDP US	Keurig Dr Pepper	US$ 30.92	A-1-7
KHC	KHC US	Kraft Heinz	US$ 36.13	B-1-7
LW	LW US	Lamb Weston Holdings	US$ 103.6	B-1-7
DRS	DRS US	Leonardo DRS	US$ 19.67	B-1-9
LCID	LCID US	Lucid Group	US$ 3.32	C-2-9
MRVL	MRVL US	Marvell	US$ 68.13	C-1-7
MKC	MKC US	McCormick	US$ 65.35	B-1-7
META	META US	Meta Platforms	US$ 460.12	C-1-7
MSFT	MSFT US	Microsoft	US$ 406.32	B-1-7
TAP	TAP US	Molson Coors	US$ 61.29	B-2-7
MDLZ	MDLZ US	Mondelez Int	US$ 71.98	A-1-7
NOC	NOC US	Northrop Grumman	US$ 446.17	B-1-7
NVDA	NVDA US	NVIDIA	US$ 721.28	C-1-7
PEP	PEP US	PepsiCo	US$ 168.88	A-1-7
PFE	PFE US	Pfizer	US$ 26.97	B-2-7
PINS	PINS US	Pinterest	US$ 35.71	C-1-9
RRC	RRC US	Range	US$ 28.47	C-1-7
CRM	CRM US	Salesforce.com	US$ 281.15	B-1-9
TSLA	TSLA US	Tesla	US$ 184.02	C-2-9
TXN	TXN US	Texas Instr.	US$ 156.85	B-2-7
TW	TW US	Tradeweb	US$ 101.49	B-1-7
UTZ	UTZ US	Utz Brands	US$ 18.42	B-2-7
ZS	ZS US	Zscaler	US$ 242.8	C-1-9

Source: BofA Global Research

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Price objective basis & risk

Advanced Micro Devices, Inc (AMD)

Our $195 PO is based on 38x our 2025E non-GAAP EPS, which is towards the middle of AMD's historical 17x-64x range, justified by AI upside offset by slowdown in cyclical embedded/console markets.

Downside risks: 1) M&A integration risks, 2) Strong competition from larger names, 3) Lumpy nature of consumer and enterprise spending that could create delays in acceptance and success of new products, 4) High reliance on one outsourced manufacturing partner, 5) Maturity of current game console cycle.

Alphabet (GOOG)

Our price objective of $173/$173 is based on 21x 2025E core Google GAAP EPS plus cash. Alphabet has traded at an average multiple of 22x GAAP P/E over the last ten years and we think our multiple is reasonable vs history given expectations for double-digit revenue growth, Cloud margin expansion, and opportunity to capitalize on strong AI assets.

Risks for the stock are 1) loss of search traffic to AI tools from competitors, 2) LLM integration in search may take longer than expected or negatively impact search revenues, 3) revenue pressure from compliance with the EU Digital Markets Act (DMA), 4) adverse judge ruling on the ongoing Department of Justice (DOJ) search distribution trial, 5) potential for increasing Capex and lower FCF-given AI focus.

Amazon.com (AMZN)

Our PO of $204 is based on our SOTP analysis that values the 1P retail business at 1.1x 2025E Revenue (including subscription/Prime membership fees), 3P retail business at 2.6x 2025E Revenue, AWS at 8.0x 2025 Sales, and the advertising business at 5.0x 2025 Sales. For 2025E, our 8.0x AWS multiple is relatively below our SaaS comps at 8.9x, our 1.1x GMV multiple is a slight discount to our retail comps at 1.2x, and our 5.0x advertising multiple is a slight discount to our digital advertising comps at 5.2x. We think some conglomerate discount is warranted with elevated regulatory/antitrust risk, but long-term we believe that in-line to discount multiples are warranted given growth rates in-excess of peers.
Our PO of $204 for Amazon implies 3.0x P/Sales, a multiple toward the high end of Amazon's historical range of 1.0-3.5x. With improving margins long-term, we expect the revenue multiple should trend upward over time.

Downside risks to our price objective are increasing competition from offline and local retailers, AWS client cost optimization impact on revenues and margins, and regulatory pressure on the 3P marketplace. The stock has been subject to heavy volatility in the past, based on margin trends, and this volatility could increase due to economic uncertainty.

Apple Inc. (AAPL)

Our PO of $225 is based on approximately 32x our C24E EPS. Our target multiple compares to the 5-year historical range of 16-34x (median 27x). We believe a multiple at the higher end of the historical range is justified given a large cash balance and opportunity to diversify into new end markets, increasing mix and diversity of services.

Downside risks are: a) weaker iPhone 15 cycle on consumer spending risk, b) weaker near-term services trajectory where App Store & Licensing can decelerate, c) gross profit dollars declining y/y next few quarters, d) iPads/Macs reverting to pre-COVID levels, and e) stronger dollar. Other risks are potential trade conflicts, tariffs, longer iPhone replacement cycles, commoditization in the smartphone market, intensifying competition in the tablet market, ability to manage beat and raise expectations for EPS estimates, and requirement to maintain pace of product innovation.

Upside risks are: a) stronger sales of Pro iPhone models which can help average selling price and help the mix of the business, b) est. revisions can be lower vs. peers, c) potential new products (AR/VR), and services (advertising). Other upside risks are stronger than expected iPhone cycle, gross margin upside from better mix of higher end iPhones, tailwinds from lower memory costs, and a faster than expected recovery in emerging markets.

Array Technologies (ARRY)

Our $21/share PO is based on a 50/50 weighted DCF and EV/EBITDA multiple methodology. We also add NPV of tax credits. Our DCF valuation is $16.00/sh, and our EV/EBITDA valuation is $19.50/sh. NPV of tax credits are $3.00/sh.

EV/EBITDA approach:
- Based on the average of comps at 11x/9.5x 2024E / 2025E EBITDA. We use an average given ongoing uncertainties in the utility scale solar market which we expect to be reflected in valuation alongside a more normalized business outlook in 2024.

DCF approach:
- We derive FCFF and net off stock comp and contribution to margins from Inflation Reduction Act Credits which are valued separately
- FCFF discounted a 12% cost of capital given risk associated with the execution of the growth strategy but noting ARRY is financed with lower cost debt
- Terminal multiple of 12.0x akin to where ARRY has traded on an average 2 year forward basis.

NPV of tax credits:
- We add in the discounted value of tax credit upside also at 12% through full phase down in 2032

Upside risks to our PO are (1) a stronger-than-anticipated outlook for solar projects in the US, (2) higher cost deflation on key inputs, including steel and freight, and accretion to margins (3) policy clarity in the US, which would give more long-term certainty for ARRY's buyers

Downside risks to our PO are (1) a slower recovery in US solar projects, (2) lack of execution on margin advancement and cost-cutting initiatives, and (3) an increasingly inflationary backdrop on supply chain

BellRing Brands Inc (BRBR)

Our $65 PO is based on 34x our CY25 EPS estimate, which is ahead of its peer group. In our view, this is justified as BellRing is poised for future growth given its strength in consumer interest illustrated by its optimistic scanner data which is supported by continued volume growth from production scale up, promotional activity and planned ramp in marketing spend.

Upside risks are: 1) larger and more efficient production scale up with improvements in shipping abilities and load-n to e-commerce channels, driving volume strength for BRBR, 2) stronger return on advertising and promotions also driving volume strength, 3) continued declines in protein costs.

Downside risks are: 1) slower ramp from its third party supplier to dampen volume growth, 2) weaker than expected positive consumer reaction to ramp up in marketing and promotional activities, 3) protein costs accelerating.

Booz Allen Hamilton (BAH)

Our PO of $160 is based on a 1.3x relative EV/EBITDA multiple to the BofA multiple for the defense primes on CY25 estimates. This equals a 17x EV/EBITDA multiple on CY25e. We think a relative multiple at the higher end of the historical range (0.9-1.4x) fairly represents the AI opportunity, strong organic growth opportunities, and a return to a more shareholder friendly capital deployment strategy.

Risks to the upside are a better-than-anticipated upturn in the federal budget, faster-than-expected normalization from post-COVID environment, inexpensive and well-integrated M&A activity and unexpected capital return to shareholders in the form of buybacks or special dividends.

Risks to the downside are cuts to the DoD budget vs. anticipated, which could negatively impact our estimates. Should BAH run into any problems with integrating M&A, containing its costs or a heightened competitive environment there could be downside risk to our estimates. Further disruption from COVID effects also a risk.

Broadcom Inc (AVGO)
Our $1250 price objective for Broadcom is based on 22x CY25E P/E, the upper end of its 8x-23x historical range, though justified given double-digit EPS growth and best-in-semis profitability, FCF generation, and returns.

Downside risks to our price objective are 1) semiconductor cycle risks, including sensitivity to US/China trade relations, 2) high exposure to Apple and Google with potential design out risks, 3) competitive risks in networking, smartphone, storage, enterprise software markets, 4) frequent acquirer of assets, which increases financial and integration risks, and 5) recent strategy towards moving into non-core software businesses creates execution risks.

Campbell Soup Company (CPB)
Our $44 PO is based on 14x our CY25E EPS, which is a discount to peers. This is a discount to peers as CPB faces tougher growth prospects relative to the group and faces integration risk on the pending SOVO acquisition.

Upside risks to our PO: 1) better-than-expected trends in the soup category, 2) stronger performance for CPB at retailers, leading to share gains in soup, 3) improved execution and performance in snacks, and 4) increased cost savings above targets.

Downside risks to our PO: 1) worse-than-expected trends in the soup category, 2) inability to capture synergies, growth opportunities in snacks, 3) intensified private label penetration in key categories, and 4) increased net inflation driven by higher costs.

Chesapeake Energy (CHK)
Our price objective of $120/sh assumes $75 Brent and $70 WTI long-term. We assume long-term HH natural gas of $4.00. We apply a long-term (post-tax) weighted average cost of capital (WACC) of 7.2%, which is based on the BofA Strategy team's assumed risk premium and a five-year monthly beta.

Downside risks to our price objective are: E&P companies, in general, are subject to commodity price volatility, commensurate slowdowns in development drilling, and potential investor apathy. Company-specific downside risks to our price objective are: (1) Potential M&A as the company does consider potential acquisitions, (2) potential regional bottleneck, and (3) a production mix heavily weighted towards natural gas, making it more susceptible if commodity prices were to decline.

Upside risks to our PO 1) higher potential long-term gas and 2) the debottlenecking of US gas as LNG infrastructure is built along the Gulf Coast.

Chevron Corp. (CVX)
Our price objective of $196/sh assumes $75 Brent and $70 WTI long-term. We assume long-term HH natural gas of $4.00. We apply a long-term (post-tax) weighted average cost of capital (WACC) of 7.7%, which is based on the BofA Strategy team's assumed risk premium and a five-year monthly beta.

The risks to our price objective are: (1) commodity price volatility, (2) operational execution particularly on new projects, and (3) inability to capture the price environment due to cost pressures (opex, capex and taxation), unseen integration issues with the recently announced acquisition. Upside risks to our price objective are higher oil prices and lower cap ex spending.

Church & Dwight (CHD)
Our $100 PO for CHD shares is based on a CY25e P/E ratio of 26x, a premium to the company's 10-year average P/E multiple of 24x. We believe this multiple appropriately balances organic sales growth, partially offset by investment spending to aid distribution and volume growth.

Upside risks to our price objective are: 1) greater capture of premium and value sales supported by investment spend, 2) little or no market share gains by private label exposure (only 5 of CHD's 18 categories), 3) e-commerce as a percent of sales continues to grow, helping to diversify distribution outlets, 4) strong free cash flow conversion, enabling CHD to return capital to shareholders or pursue M&A.

Downside risks to our price objective are: 1) a weakening consumer environment leading to lower volume demand elasticities, 2) increased cost inflation and limited pricing power near-term, 3) supply chain issues leading to lower fill rates and an inability to change mix/packaging sizes, 4) retailer inventory reductions amid a shift in demand to lower cost products, 5) a pullback in marketing spend leading to market share declines.

Conagra Brands, Inc. (CAG)
Our $30 price objective is based on 11x our CY25 EPS estimate, which is below center-store peers given elevated leverage relative to the peer group and higher portfolio elasticity compared to its center store peers. This is offset by gross margin expansion as pricing more than offsets cost inflation.

Upside risks: 1) inflation tapering quicker than expected, helping margin strength moving forward, 2) share gains in its respective categories and 3) service level improvement to pre pandemic levels.

Downside risks: 1) a high interest rate environment persisting longer than expected, 2) inflation to persist longer than anticipated, 3) more price elasticities and trade down to private label as consumers continue to tackle an inflationary environment.

Constellation Brands (STZ)
Our $290 price objective is based on 19.8x our CY25e EPS that excludes Canopy. At 19.8x we value shares of STZ at the upper end of its valuation range over the past five years given our outlook for strong sales and earnings growth and expectation for more consistent capital allocation going forward.

Upside risks to our PO: 1) Modelo's beer brands continue to grow above current trends. 2) Corona's new products resonate with consumers and drives sales growth. 3) Investment behind certain wine & spirit brands accelerates sales growth and operating margins.

Downside risks to our PO: 1) Hard seltzers cannibalize growth from STZ's beer portfolio. 2) STZ's investment in Canopy takes longer than anticipated to be accretive to EPS than we forecast. 3) Remaining wine & spirits business does not achieve investors' expectations.

CrowdStrike Holdings Inc. (CRWD)
Our PO of $365 is based on roughly 17x our CY25E EV/Sales. We choose EV/Sales as our target valuation metric due to CrowdStrike's early growth stage and investment period

making the profitability level still in early stages. We believe the valuation is warranted due to CrowdStrike's higher growth profile and potential to take meaningful share in new markets that would increase TAM and potentially accelerate growth. The positives of CrowdStrike's high growth and long-term opportunities are somewhat offset by lower margins and expected growth deceleration.

Downside risks to our PO are 1) investor sentiment and sensitivity to the premium valuation levels, 2) a lower take-rate of new offerings, 3) potential slowdown in new customer adoption and expansion deals, 4) risk of security breaches, and 5) an increase in competition from incumbent vendors and newer next-generation players.

CyberArk (CYBR)

Our PO of $300 is based on roughly 12x 2025E EV/Sales. This is near the middle of SaaS security peers at 10-18x. CyberArk's transition to SaaS is gaining additional momentum, which should support the multiple.

Upside risks to our price objective are difficulties in sizing the market given its newness and low market awareness, stronger conversion of qualified customers that are currently in the pipeline, and higher average deal sizes from rising license attach rates.

Downside risks are FX risk exposure (40% international exposure), difficulties sizing the market, and competition from large, well-established operators.

e.l.f. Beauty (ELF)

Our PO of $200 is based on a DCF analysis and implies a 32.5x CY25e EV/EBITDA multiple. Our DCF is predicated on a WACC of 9.9% and terminal growth rate of 4%. This is a premium to publicly traded beauty and HPC peers given stronger volume growth, price/mix gains, and market share momentum. We believe this multiple is warranted as the company is still in a high growth phase and continues to diversify its portfolio and customer base.

Downside risks to our price objective are: 1) changing consumer preferences, particularly among younger consumers, 2) difficulty diversifying sales into older demographic groups, 3) operational and geopolitical risk from third-party manufacturing in China. ELF uses several third party suppliers and manufacturers in China to source and manufacture nearly all of its products. Any disruption to their relationships may be detrimental to the company's sales.

Eli Lilly and Company (LLY)

Our $800 price objective is based on a probability-adjusted net present value (NPV) analysis of franchise verticals including Endocrinology ($569/share), Oncology ($122/share), Cardiovascular ($4/share), Neuroscience ($13/share), Immunology ($41/share), other pharmaceutical products and early pipeline assets ($69/share), as well as approximately -$17/share in net cash. We use a WACC ranging from 5% for approved products to 9% for pipeline products, depending on the stage of development. We apply terminal values ranging from -12% (cardiology) to 1% (endocrinology) based on projected sales decline following loss of exclusivity within each business vertical.

Risks to our price objective are 1) better-than-expected launches of competing products, 2) emerging clinical data for pipeline assets that does not confirm prior observations, 3) failure to effectively commercialize approved products, 4) potential drug pricing system restructuring in the US.

EQT Corporation (EQT)

Our $52 PO assumes ex growth discounted cash flow value, which assumes $75 Brent and $70 West Texas Intermediate (WTI) long term. We also assume long-term Henry Hub natural gas as $4.00. We apply a long-term (post-tax) weighted average cost of capital (WACC) of 7.3%, which is based on the BofA strategy team's assumed risk premium and a five-year monthly beta.

Potential upside risks: 1) The possibility of tied to higher natural gas realizations long-term, 2) further execution on lower costs and 3) improved local price realizations if MVP comes on-line.

Potential downside risks: 1) the possibility of a future severance tax in Pennsylvania, 2) the possibility that service costs could at some point widen, 3) weak natural gas prices.

ExxonMobil Corp. (XOM)
Our price objective of $140/sh assumes $75 Brent and $70 WTI long-term. We assume long-term HH natural gas of $4.00. We apply a long-term (post-tax) weighted average cost of capital (WACC) of 7.4%, which is based on the BofA strategy team's assumed risk premium and a five-year monthly beta.

The risks to our price objective are (1) the oil and gas price and margin environment, (2) significant delays to the new upstream projects critical to its growth targets, and (3) inability to capture the price environment due to cost pressures (opex, capex, and taxation). Upside risks to our price objective are higher oil & gas prices.

First Solar, Inc. (FSLR)
Our price objective is $179/share, based on an EV/EBITDA method. We apply a 3.1x multiple from a group of Chinese and other international solar comp group/module peers, and add a 0.5x premium for FSLR's lower risk to protectionist trade policies. We value FSLR's core EBITDA at a lower than historical multiple given significant pressure to 2027+ pricing from Chinese oversupply. We also add net cash balance and $84/share net present value to account for production tax credits stipulated in Inflation Reduction Act.

Downside risks: 1) worse/declining price environment, 2) declining margins or worse-than-expected cost structure, 3) unfavorable trade policy dynamics, 5) worse Chinese/global demand environment, 6) worse execution on systems business, and 7) technology fails to live up to expectations 8) FSLR capture of production tax credits fall short of expectations

Fluence Energy (FLNC)
Our $28/sh PO is based on an equal-weighted Discounted Cash Flow (DCF), EV/Sales multiple and EV/EBITDA multiple methodology. Our DCF valuation is $26/sh, our EV/Sales valuation is $36/sh, and our EV/EBITDA valuation is $22/sh.

DCF approach:
- We derive FCFE by removing the contribution from stock-based compensation to FCF from 2024 through 2030
- FCFE discounted by 15.75% cost of equity (in-line with the peers in the space)
- We apply a terminal multiple of 12.0x

EV/EBITDA
-We value FLNC at $22/sh on blended 13.1x and 12.2x EV/EBITDA multiple based on '25 and '26 EBITDA, respectively
-We use a comp group comprising of utility scale/EV storage peers but emphasize integrator peers

EV/Sales
-We value FLNC at $36/sh on blended 1.5x and 1.2x EV/Sales multiple based on '25 and '26 Sales, respectively
-We use a comp group comprising of utility scale/EV storage peers but emphasize integrator peers

Downside risks: (1) The margin expansion plan progresses even more slowly than forecasted, (2) increasing competition leads to market share erosion, (3) reputational risks associated with conclusion of investigation of an ongoing fire safety incident.

Fortinet (FTNT)
Our $87 PO is based on roughly 27x 2025E EV/FCF. Our multiple is slightly below the hardware peer group average multiple of 25-35x and a discount to software peers as well. We believe the slightly below multiple to the hardware peer group is appropriate at this stage given the current business environment despite some recent share gains, shift to more recurring software, and expansion into adjacent security markets. New market tailwinds, such as software defined wide area networking (SD-WAN) should drive further market share gains.

Upside risks to our price objective are growth of non-FortiGate products, which could support high growth and acceleration from current levels and could result in more SaaS-like multiples and drive up the valuation.

Downside risks to our price objective are 1) product convergence leading to a shrinking market with larger competitors, 2) exposure to public spending and EMEA, 3) reputation risk if major threats missed and 4) early ordering that occurred during CY21/CY22 creates tough comps heading in CY23

Freshpet, Inc. (FRPT)
Our $100 PO is based on our DCF model and reflects a target CY25e EV/EBITDA multiple of 33.5x (prior 42x off CY24e), now off of a CY25e basis, up 3.5x from our prior target in terms of CY25e EBITDA. In our view, the higher multiple is driven by the lower rate environment and its impact on discount rates and continues to reflect sequentially improving margins and better visibility into cost controls and fixed cost leverage which, alongside consistent double-digit topline growth, provides better visibility into upside vs 2027 targets. This multiple now sits above General Mills' Blue Buffalo deal transaction. We believe this premium is warranted given above-average growth and the lower EBITDA base, helped by clarity around what had been a previously murkier near-term profit outlook. Our DCF model uses a WACC of 7.9% and a terminal growth rate of 3.5%.

Upside risks to our PO are: faster-than-expected distribution gains at retailers, faster-than-expected consumer adoption of products, and higher-than-expected efficiencies from new capacity coming online.

Downside risks to our PO are: capacity coming online takes longer than expected, which could constrain sales targets, inflation and supply costs are higher than expected, competition impedes FRPT household penetration.

General Dynamics (GD)
We derive our PO of $315 using a two-stage discounted cash flow (DCF) analysis, which assumes a 9.1% discount rate, 5.0% 2029-2033 growth rate, and 2.6% long-term growth rate. In our view, GD's defense program exposure to land and sea priorities, coupled with Gulfstream could provide near-term and medium-term organic growth. Additionally, the company's strong balance sheet and solid cash generation could sustain dividend growth and share repurchases.

Downside risks to our PO are 1) a downturn could occur in business jets, due to an exogenous factor, 2) given that business jets are priced in dollars, an unexpected devaluation in the dollar could significantly impact order activity, 3) poor execution on defense programs could adversely impact margins, 4) defense budget cuts could limit growth in the medium and long term.

General Mills (GIS)

Our price objective of $68 is based on 15.0x our CY25E EPS. This is in-line to the center store peer group average which we think balances the near-term volume pressures with the positive medium term growth prospects across key geographies and categories.

Upside risks to our PO are lower volume elasticity, better retention rates of household gains related to COVID-19 that will benefit center of the store categories in North America, better-than-expected price elasticities as GIS announces additional actions, as well as upside to market share gains for Blue Buffalo.

Downside risks to our PO are consumers trading down to private label, higher-than-expected commodity cost inflation, stalled momentum in pet food, and weaker-than-expected sales in international/emerging markets.

GitLab Inc. (GTLB)

Our $74 PO is based on an EV/revenue multiple of 15.5x to our FY25E (C24E) revenue estimate. The multiple implies an EV/revenue/growth multiple of 0.58x, which is above infrastructure peers at 7.4x/0.57x. We believe the premium multiple to peers is warranted given its faster growth, NRR in the high 120s, and upside potential.

Risks to our PO: 1) valuation risk, 2) competition, 3) deteriorating NRR, 4) extended timeline to profitability, 5) execution, and 6) enterprise software spend can be cyclical.

Intel (INTC)

Our $50 price objective is based on 26x our 2025E pf-EPS ex-stock comp expense, in the middle of compute peers (15x-40x), which we view as appropriate given manufacturing uncertainties and risks of new foundry strategy.

Upside risks to our price objective are 1) clarity or breakthrough on yields for 7nm process technology, 2) new products allowing Intel to limit share loss, 3) improving product mix which can drive upside to gross margins, 4) manufacturing slip up at key foundry competitors.

Downside risks to our price objective are 1) weaker-than-expected trends in a mature PC market, which is largest revenue generator for Intel, 2) further delays in 7nm process technology and roadmap, 3) accelerated share loss to AMD, 4) more competition in profitable data center market.

Intercontinental Exchange (ICE)

Our primary valuation metric for US Exchanges is price to long-term earnings (2026E). We focus on long-term EPS because we prefer to normalize for any near-term factors, and it also provides credit for an additional two years of growth. We apply a 20x multiple on our 2026E EPS to derive our $152 PO. Our multiple is equal to ICE's historical average and a small premium to peers in light of ICE's superior growth prospects. We look for ICE's valuation to re-rate higher from current levels as mortgage origination volumes bottom. Additionally, ICE's accelerating earnings growth and improve earnings quality support a higher valuation.

Risks are: (1) elevated financial leverage, (2) subdued listings activity, (3) contrarian capital allocation decisions (eBay, BKI).

JM Smucker Company (SJM)

Our $138 price objective is based on 13x our CY25 EPS estimate. The valuation multiple is at a discount to overall packaged food peer group average but in line with center store packaged food peers which we believe is warranted as SJM executes against its FY24 plans on an underlying basis, offset by execution risk around proposed Hostess acquisition.

Upside risks to our PO: faster than expected sales growth and greater share gains, specifically in Uncrustables, Coffee, and Pet, lower than expected commodity cost inflation, clean balance sheet allowing for capital return (tuck-in M&A or share repurchases).

Downside risks to our PO: weakness in sales growth, slowing pet food category growth, increased elasticity in roast & ground coffee, integration risk from proposed Hostess deal.

Kellanova (K)

Our price objective of $60 is based on 16x our CY25 EPS estimate. This is a premium to center store packaged food peers and a discount to pure play snacking companies. In our view this is appropriate given its sales mix is 60% snacks.

Upside risks are: 1) Snacks portfolio growth accelerates given the more focused portfolio and strategy 2) Margins expand ahead of expectations on over delivery of productivity and sales leverage and 3)

Downside risks are: 1) Non-snacks drags growth more than expected 2) Investor sentiment weakens on the growth prospects for snacking 3) greater than expected trade down to private label in developed markets, and 4) inflation to taper slower than expected and pressuring margins.

Kenvue Inc. (KVUE)

Our price objective of $24 for Kenvue (KVUE) shares is based on a CY25e EV/EBITDA multiple of 13x. This is a discount to the average of publicly traded household and personal care peers. In our view, this multiple is warranted as we see execution risk ahead as a standalone entity, while the company has best-in-class assets and we expect to see steady growth in sales and margin expansion over time.

Downside risks to our price objective are: 1) separation risk as KVUE has no history of operating as a standalone publicly traded company, 2) brand reputation risk and related litigation, 3) challenges associated with distribution and volume recovery, 4) geographic exposure with 50% of sales outside of North America.

Keurig Dr Pepper (KDP)

Our $38 PO is based on a 18.6x P/E ratio, now off of our FY25 EPS (prior multiple was 19x off FY24 or 18x off FY25) estimate which represents an even multiple with non-alcoholic beverage peers. Our PO now factors in the lower rate environment and still reflects KDP's attractive portfolio that we believe is well equipped to grow sales and earnings, particularly with the addition of the C4 energy drink brand. Potential upside risks to our PO are: 1) Additional synergies. 2) Less volatility in the coffee business. 3) Increased adoption of Keurig brewers/pods. 4) Attractive M&A candidate. Potential downside risks to our PO are: 1) Industry shifts away from single serve coffee, which could lead to slower than anticipated de-leveraging. 2) Weak consumer spending around the holiday season will negatively impact sales of the Keurig brewers.

Kraft Heinz Company (KHC)

Our $42 price objective is based on 13.5x P/E multiple on our CY25 EPS estimate. KHC's current valuation is un-demanding with ability to meet/exceed earnings estimates greater than center-store peers, in our view. KHC's self-help initiatives and more conservative approach set up shares to outperform peers simply by executing.

Upside risks are 1) continued improvement in market share trends and services levels, 2) topline strength driving organic sales growth led by pricing actions and better than expected elasticities, 3) and pricing strength protecting margins could be supported by quicker than expected tapering in inflation.

Downside risks are 1) high inflation to persist longer than expected which pressures margins, 2) if elasticities worsen while pricing simultaneously tapers off organic sales growth could be sandbagged, 3) greater trade down to private label.

Lamb Weston Holdings Inc (LW)

Our $138 PO is based on a 19.5x P/E multiple on our CY25 EPS estimate. This is a premium to the packaged food index at 17x. We believe a premium is warranted as LW is poised to approach pre-COVID levels with upside potential to improving demand trends and margin potential in FY24.

Potential upside risks: demand rebounds faster than expected, overall category growth remains above 2-3% allowing for tight industry supply to continue in the medium to long term. Tight industry supply allows for further price increase across both global and foodservice customers. Potato costs and cooking oils moderate.

Downside risks: 1) higher-than-expected potato costs for CY23, 2) inability to push through additional pricing to cover inflation and restore margins, 3) influx of new industry capacity, 4) slowdown in on-premise activity if the consumer has less spending power.

Leonardo DRS, Inc. (DRS)

We derive our $22 PO based on a sum-of-the-parts EV/EBITDA multiple of 13x on the Advanced Sensing and Computing (ASC) 2024e earnings and 17x on the Integrated Mission Systems (IMS) segment. We view an EV/EBITDA multiple as the best way to value the equity as it accounts for the margin expansion expected from newly priced Columbia-class shipsets.

The SOTP valuation implies a 15x multiple, or 1.2x relative multiple to the S&P 500 on 2024 estimates and a 1.0x multiple to the defense primes. A multiple above the broader market and in line with SMID cap defense peers alludes to the company's high growth profile and exposure to long term programs with strongly predictable schedules and funding.

Downside risks to our PO are continued supply chain challenges pertaining to microelectronics, lumpiness of Columbia-class revenues, poor execution on fixed-price programs, continued fixed-price contract awards, poor award activity in the international market, potentially diminished funding for land systems in which DRS supports, and volatility from potential parent company secondary offering.

Upside risks to our PO are even higher-than-expected growth in defense spending, accelerated margin ramp on the Columbia-class program, more cost-plus contract awards, continued strength in the international market, continued funding for land systems, and the gradual reduction in Leonardo SpA's ownership stake.

Lucid Group (LCID)

Our price objective of $7 is based on 6x EV/Sales on our 2025 estimates, which implies roughly 0.5x EV/Sales and 3x EV/EBITDA on pro-forma capital-induced 2030 estimates. Our valuation framework for LCID is relatively consistent with TSLA and includes the following steps: 1) What the current stock price affords to LCID in incremental plants/units. 2) What the incremental units translates into in incremental revenue/profits. 3) What the incremental revenue/profits translates into in terms of multiples on theoretical pro-forma 2030 metrics.

Downside risks: 1) inability to continue to raise low cost capital to fund business ventures, 2) inability to convert refundable reservations into contracted orders, unit sales, and revenue, 3) greenfield/clean-sheet approach to EV manufacturing introduces risk of successful execution, 4) direct-to-consumer sales and service model may create challenges for business to scale, 5) inability to reach sustainable positive EBITDA/FCF.

Upside risks: 1) significant and better than expected customer traction for introduced/unveiled products, 2) successful execution of go-to-market strategy via direct-to-consumer sales and service model, 3) better than expected progress on start and ramp of production with clean-sheet manufacturing approach, 4) breakthrough in advanced battery technology to drive ICE/EV parity, 5) incremental government/regulatory support/stimulus for EV market.

Marvell Technology Group Ltd. (MRVL)

Our $80 PO is based on a 32x FY26E/CY25E pf-EPS, which is well-supported by the 20%-30%+ longer-term compounded annual EPS growth potential, and within the normal 1x-2x range for high growth semi peers.

Downside risks: 1) Integration risks in recent deals, 2) Financial risks related to going to net debt from net cash position, and in achieving expected cost synergies in a timely manner, and 3) Cyclical industry risks including potential slowdown in legacy hard disk drive, infrastructure spending, and storage assets, 4) Competitive risks against larger well resourced rivals.

McCormick & Co. (MKC)

Our $82 PO for MKC shares is based on a CY2025e P/E multiple of 27x, within its five-year historical valuation range of 19x-42x and in-line with average of 29.5x. In our view, MKC deserves to trade in-line to its 5 year average multiple given continued China recovery, initiatives to improve Americas Consumer volumes and improved cost outlook and margin trajectory.

Downside risks to our price objective are 1) slower-than-expected category growth, 2) a loss of a major customer, 3) increased competitive activity and expanding price gaps from private label, 4) strengthening of the US dollar, 5) lower-than-expected cost savings/debt paydown, 6) disruption from implementation of the company's new Enterprise Resource Planning (ERP) system.

Upside risks to our price objective: 1) faster-than-expected category growth, 2) rational competitive activity from private label, 3) lack of rotation from growth/momentum stocks to value stocks, 4) a weaker US dollar positively impacting reported international results, 5) greater-than-expected cost savings through its Comprehensive Continuous Improvement (CCI) program.

Meta Platforms Inc (META)

Our $510 price objective is based on 21x 2025E GAAP EPS, plus net cash. On a total company basis, including Metaverse investments, our valuation is largely in line with S&P 500 (over the past five years Meta has had a 2pt average premium to S&P). We think accelerating revenue growth and conservative expense management can lead to 3-year EPS growth above the S&P 500.

Downside risks are decline in user activity from competition, privacy or date issues impact revenue generation, potential for Street to assign a negative value to Metaverse (Reality Labs) given significant investments, and new regulations that impact monetization.

Microsoft Corporation (MSFT)

Our PO of $480 is based on an EV/FCF multiple of 43x our C25E free cash flow estimate. The growth-adjusted multiple of 1.8x trades at a premium to the large cap GARP group, which we view as warranted given our view of Microsoft as a leading AI play in software.

Downside risks to our price objective: 1) Microsoft could see some near term gross margin pressure as the Azure business grows as a percentage of overall revenue. While Microsoft's on premise offerings offer a high margin profile, growth in these lines of business is decelerating. 2) Enterprise application spending has proven to be highly cyclical, given the more discretionary nature of applications projects. During an economic slowdown, when firms are faced with shrinking IT budgets, projects involving application upgrades, migrations or new installations are often deferred. This could present a higher degree of risk for a bookings deceleration for Microsoft and other application vendors, in the event of an economic slowdown.

Molson Coors Beverage Company (TAP)
Our PO of $72 is based on a 11.8x multiple of our FY25 EPS estimate. At 11.8x, we value TAP shares below its 10-year average forward price to earnings multiple and a discount to brewer peers. We believe this reflects near term share gains, underlying improvement operations balanced against questions about the sustainability of sales growth and market share over time.

Upside risks to our PO: 1) Beer trends in the US pick up. 2) Stronger price realization. 3) Initiatives related to the revitalization plan have a meaningful impact on sales growth.

Downside risks to our PO: 1) Continued lackluster trends in the US and Canada. 2) Revitalization plan is unable to put the business in a better position for the future. 3) Consumer preference for other types of alcohol products (hard seltzers, wine & spirits) grows.

Mondelez International (MDLZ)
Our $82 price objective is based on 22x our CY25 EPS estimate. In our view, a premium multiple is warranted due to 1) portfolio strength given its low exposure to private label vs its peers, categories with elasticities that have held up well in an inflationary environment (snacking) and fast growing geographies, and high market share in their categories, 2) room for revenue acceleration beyond category growth, and 3) good cash flow generation.

Upside risks: 1) incremental pricing actions continue to support topline growth and cover inflationary headwinds, 2) the dollar strength tapering off to reduce the FX impact on topline and margins, and 3) inflation to decelerate at a faster pace than expected.

Downside risks: 1) the dollar continues to show strength for an extended period which could continue to hurt topline, 2) hedging roll-offs to impact margin expansion, 3) higher elasticities as consumer wallets continue to be pressure in an inflationary environment, and 4) rates taper off at a slower rate causing elevated interest expense for a longer period than expected.

Northrop Grumman (NOC)
We derive our PO of $615 based on a DCF analysis that reflects a 5% Y/Y growth rate for 2025-2030e, a 2.7% long term growth rate and a 7.7% discount rate. The US Defense Budget Authorization has grown at a 1.8% CAGR in constant dollars since post World War II. Considering the most profitable production phase of the B-21 Raider program starts in about ten years and the GBSD will enter production at the end of this decade, we expect NOC's next terminal growth rate could exceed the historical growth rate of US defense spending.

Downside risks to our PO are that execution risk on defense programs could result in cost overruns and margin contractions, and unexpected cancellations to programs in both commercial and military could materially impact NOC.

NVIDIA Corporation (NVDA)
Our $800 PO is based on 31x CY25E PE ex cash, within NVDA's historical 26x-69x forward year PE range, justified given stronger growth opportunities ahead as gaming cycle troughs and data center demand potentially faces strong, long-term demand dynamics.

Downside risks to our price objective are: 1) weakness in consumer driven gaming market, 2) Competition with major public firms, internal cloud projects and other private companies in accelerated computing markets, 3) Larger than expected impact from restrictions on compute shipments to China, or additional restrictions placed on activity in the region, 4) Lumpy and unpredictable sales in new enterprise, data center, and autos markets, 5) Potential for decelerating capital returns.

PepsiCo (PEP)

Our $210 PO is based on an unchanged 24x CY25 EPS target multiple estimate, which is a premium to non-alcoholic beverage peers and is justified based on our view that PEP is positioned to deliver against its long-term algorithm and returning cash to shareholders via dividends & share repurchases.

Upside risks to our PO: 1) Low to moderate FX headwinds. 2) Rebase initiatives put the business in a better position for growth. 3) Improving volume/price/mix in soft drinks.

Downside risks to our PO: 1) FX becomes a larger headwind than expected. 2) Frito Lay North America experiences a major decline in volumes due to pricing.

Pfizer (PFE)

Our $35/share for Pfizer is based on a 50/50 blended average of our discounted cash flow (DCF) analysis and P/E multiple based on the large cap global therapeutics group. For our DCF, we use a weighted-average cost of capital (WACC) of 7% and 1% terminal growth for an intrinsic value of $47/share. Our P/E analysis assumes a 10x multiple of our 2025 EPS estimate, which yields a $24 intrinsic value.

Downside risks: 1) sales downside, 2) inability for pipeline to overcome patent loss of exclusivities (LOEs) after 2025, 3) M&A transactions that are perceived to be value destructive.

Pinterest (PINS)

Our $42 price objective is based on 6.0x 2024E EV/Revenue, within Pinterest's historical EV/Revenue valuation range and below its 8x 10-year average. Our valuation reflects a premium to peer group multiples given early stage of monetization and 30%+ margin opportunity.

Risks to our PO are: 1) US user growth below peers, 2) seemingly high ad loads, could limit 3rd party partner benefits, 3) heavy competition for both general usage and shopping activity, 4) high cost of AI infrastructure, and 5) multiple compression given high SBC expense.

Range Resources Corp (RRC)

Our $42 PO is based on ex growth discounted cash flow value, which assumes long-term $4.00 HH / $70 WTI/ $75 Brent. We apply a long-term (post tax) WACC of approximately 7.3%, which is based on the BofA strategy team's assumed risk premium and a 5-year monthly beta.

Downside risks to our price objective are (1) the oil and gas price and margin environment, (2) significant delays to the new upstream projects critical to its production targets, and (3) inability to capture the price environment due to cost pressures (opex, capex, and taxation). Upside risks to our price objective are (1) higher gas prices, (2) potential asset sales that improve leverage outlook, and (3) further cost reductions

Salesforce.com (CRM)

Our PO of $300 is based on an EV/FCF multiple of 22x our C25 FCF estimate, representing a growth adjusted multiple of 0.7x. This is a discount to the large cap software group at 1.3x, which we believe is justified for margin expansion.

Downside risks are: 1) Competition from point solutions and platform vendors presents the risk of slowing share gains/share losses if the company fails to continue delivering ongoing roadmap of new features/new modules, 2) Salesforce's history of acquisitions could present a higher degree of execution risk given the need to continuously integrate the technologies and the installed bases of offerings of technology that are not organically built, and 3) enterprise application spending has proven to be highly cyclical, given the more discretionary nature of applications projects - during an economic slowdown, projects involving application upgrades, migrations or new installations are often deferred which could present a higher degree of risk for a bookings deceleration.

Tesla Motors (TSLA)

Our price objective of $280 is based on 8.5x EV/Sales and 50x EV/EBITDA on our 2024 estimates, which implies roughly 3x EV/Sales and 22x EV/EBITDA on pro-forma capital-induced 2025 estimates. Our valuation framework for TSLA includes the following steps: 1) What the current stock price affords to TSLA in incremental plants/units. 2) What the incremental units translates into in incremental revenue/profits. 3) What the incremental revenue/profits translates into in terms of multiples on theoretical pro-forma 2025 metrics.

Downside risks: 1) inability to continue raising low-cost capital to fund business ventures, 2) inability to generate positive earnings/FCF, 3) slower ramp in electric vehicle demand, 4) setbacks or lack of advancements in battery technology, 5) fierce competition from incumbent OEMs, 6) inability to execute efficiently with higher volume, 7) low gasoline prices, and 8) loss of management.

Upside risks: 1) better execution and cost containment, 2) a sharp/sustained rise in gasoline prices, 3) a breakthrough in advanced battery technology, 4) increase in federal or state incentives, 5) short covering.

Texas Instruments Inc. (TXN)

Our $175 PO is based on 41x CY25E EV/FCF. At high-end of its historical 15x-42x range, which we believe is warranted based on TXN's best-in-class FCF generation and returns, and based on incremental cash flow from US CHIPS Act grants.

Risks to our price objective: 1) Macro/cyclical risks given high exposure to automotive, industrial, and telco capex markets, also makes TXN susceptible to any potential global trade tensions/tariffs, 2) Increasing capex intensity and higher depreciation burden could be a headwind to gross margins, 3) Increased R&D spending pressure to maintain an edge versus the competition, 4) Inventory cycles and potential double ordering by customers that can often create mismatches between real supply and demand, 5) exposure to several mature markets such as PC and other consumer.

The Coca Cola Company (KO)

Our $68 PO is based on a target CY25e P/E multiple of 22x. Our target multiple implies an 8% premium to non-alcoholic beverage peers, warranted in our view by balanced and resilient organic sales growth supported by their scale and incidence pricing model which has proven to be a tested topline growth lever.

Upside risks to our PO: 1) Strong growth in developed and emerging markets. 2) Weaker US dollar vs. other currencies. 3) Improvement in free cash flow conversion.

Downside risks to our PO: 1) Volatility in developed and emerging markets. 2) EPS headwinds from a stronger dollar. 3) Consumer concerns about sugar and calories.

The Hershey Company (HSY)

Our $210 price objective is based on 21x our CY25 EPS estimate. This is justified, in our view, as HSY has a range of dynamics coming into play in FY24 including potential for gross margin pressure and some topline weakness driven by timing and increased demand elasticity, offset by its cost savings initiative, innovation pipeline coming on-line and low private label exposure compared to its peer set..

Upside risks to our PO are 1) innovation pipeline to drive market share gains in a low private label exposure environment, 2) faster moderation of inflation, particularly in cocoa/sugar 3) elasticities coming in better than expected.

Downside risks to our PO are 1) elevated inflation taking longer than expected to taper off, particularly if cocoa/sugar prices are sticky, 2) competitors taking market share from HSY, 3) negative surprises on packaging, logistics, or special ingredient costs that aren't traditionally hedged by HSY, 4) weaker volume lift from innovation pipeline.

Tradeweb Markets Inc. (TW)
Our price objective (PO) for Tradeweb is derived from a price to earnings valuation method. We apply a 30x multiple on our 2026E EPS to derive our $111 PO. Our multiple is supported by TW's recent valuation range and assumes TW maintains a premium to the US exchanges due to higher visibility into its long-term growth trajectory combined with its defensive qualities.

Risks are (1) competitive pressures intensifying (MKTX, Bloomberg, ICE, Trumid), (2) a high mix of transactional revenues, (3) secular pressure to trading commissions (although TW's commissions are still a low % of bid-ask), and (4) a high valuation relative to slower-growth peers.

Utz Brands (UTZ)
Our $19 PO is based on our 15.5x CY25 EV/EBITDA estimate. At this multiple, we value shares of UTZ at a premium to "platform companies" and companies that compete in the salty snack category given what we believe is an embedded take-out premium.

Upside risks are 1) better pricing to cover inflation than anticipated, 2) faster category/brand growth vs peers and market share gains, 3) better-than-modeled cost synergies from M&A, 4) deflationary cost basket

Downside risks are 1) bigger-than-expected volume hit from price increases, 2) regional brands do not translate nationally, 3) cost synergies do not achieve targets, 4) leverage above peers, 5) inflation continues to accelerate.

Zscaler (ZS)
Our PO of $265 is based on roughly 13x CY25E EV/Sales. The multiple is a premium versus high-growth software peers (7-10x), which we justify by the higher growth profile. We believe a premium is warranted due to Zscaler's higher growth profile and potential to take meaningful share in new markets that would increase the TAM and potentially accelerate growth.

Upside risks to our PO are 1) faster-than-expected adoption of Zscaler's new products, such as Zscaler Private Access, 2) higher ASP uplift due to adoption of high-end offerings like the Cloud Next-generation firewall and Cloud Sandbox, and 3) a more significant shift to cloud-based security across enterprises of all sizes.

Downside risks to our PO are 1) a lower take-rate of new offerings, 2) material slowdown in new customer adoption and expansion deals, 3) risk of network outages or security breaches, and 4) an increase in competition from incumbent vendors and newer start-ups.

Analyst Certification

We, Anna Lizzul, Brad Sills, Bryan D. Spillane, Craig Siegenthaler, CFA, Doug Leggate, Geoff Meacham, John H. Abbott, John Murphy, CFA, Julien Dumoulin-Smith, Justin Post, Koji Ikeda, CFA, Mariana Perez Mora, Peter T. Galbo, CFA, Ronald J. Epstein, Tal Liani, Vivek Arya and Wamsi Mohan, 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.

Special Disclosures

BofA Securities is currently acting as financial advisor to Intel Corp in connection with its sale of a minority stake in IMS Nanofabrication GmbH to Taiwan Semiconductor Manufacturing Co Ltd, which was announced on September 12, 2023.

BofA Securities is currently acting as Financial Advisor to Pioneer Natural Resources Co in connection with its proposed sale to Exxon Mobil Corp, which was announced on October 11, 2023. The proposed transaction is subject to approval by shareholders of Pioneer Natural Resources Co.This research report is not intended to provide voting advice, serve as an endorsement of the proposed transaction, or result in the procurement, withholding or revocation of a proxy.

BofA Securities is currently acting as financial advisor to Southwestern Energy Company in connection with its proposed merger with Chesapeake Energy Corporation, which was announced on January 11, 2024. The proposed transaction is subject to approval by shareholders of Southwestern Energy Company and Chesapeake Energy Corporation.This research report is not intended to provide voting advice, serve as an endorsement of the proposed transaction, or result in the procurement, withholding or revocation of a proxy.

US - Aerospace and Defense Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AerCap Holdings N.V.	AER	AER US	Ronald J. Epstein
	Air Lease Corporation	AL	AL US	Ronald J. Epstein
	Booz Allen Hamilton	BAH	BAH US	Mariana Perez Mora
	BWX Technologies, Inc.	BWXT	BWXT US	Ronald J. Epstein
	CACI International	CACI	CACI US	Mariana Perez Mora
	Cadre Holdings Inc	CDRE	CDRE US	Ronald J. Epstein
	Crane Co.	CR	CR US	Ronald J. Epstein
	Embraer	ERJ	ERJ US	Ronald J. Epstein
	General Dynamics	GD	GD US	Ronald J. Epstein
	HEICO Corporation	HEI	HEI US	Ronald J. Epstein
	Howmet Aerospace Inc.	HWM	HWM US	Ronald J. Epstein
	KBR	KBR	KBR US	Mariana Perez Mora
	Leidos Holdings	LDOS	LDOS US	Mariana Perez Mora
	Leonardo DRS, Inc.	DRS	DRS US	Ronald J. Epstein
	Northrop Grumman	NOC	NOC US	Ronald J. Epstein
	Palantir Technologies	PLTR	PLTR US	Mariana Perez Mora
	Parsons Corporation	PSN	PSN US	Mariana Perez Mora
	RBC Bearings Inc	RBC	RBC US	Ronald J. Epstein
	Rocket Lab	RKLB	RKLB US	Ronald J. Epstein
	Teledyne Technologies Inc	TDY	TDY US	Ronald J. Epstein
	TransDigm Group Inc.	TDG	TDG US	Ronald J. Epstein
	Triumph Group	TGI	TGI US	Ronald J. Epstein
NEUTRAL				
	Albany International	AIN	AIN US	Ronald J. Epstein
	Boeing	BA	BA US	Ronald J. Epstein
	Garmin	GRMN	GRMN US	Ronald J. Epstein
	Hexcel Corporation	HXL	HXL US	Ronald J. Epstein
	L3Harris	LHX	LHX US	Ronald J. Epstein
	Lockheed Martin	LMT	LMT US	Ronald J. Epstein
	RTX Corp	RTX	RTX US	Ronald J. Epstein
	Textron	TXT	TXT US	Ronald J. Epstein
UNDERPERFORM				
	Bombardier	BDRBF	BDRBF US	Ronald J. Epstein
	Bombardier Inc.	YBBD B	BBD/B CN	Ronald J. Epstein
	CAE Inc.	YCAE	CAE CN	Ronald J. Epstein
	CAE Inc.	CAE	CAE US	Ronald J. Epstein
	Huntington Ingalls Industries	HII	HII US	Ronald J. Epstein
	Mercury Systems	MRCY	MRCY US	Ronald J. Epstein
	Spirit AeroSys-A	SPR	SPR US	Ronald J. Epstein

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	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

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
NEUTRAL				
	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
	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

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

US - Automotives Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	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
	Mobileye	MBLY	MBLY 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

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Julien Dumoulin-Smith
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Energy Group	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Vistra Corp	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Paul Zimbardo
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Paul Zimbardo
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Julien Dumoulin-Smith
UNDERPERFORM				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
UNDERPERFORM				
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

US - Brokers, Asset Managers, & Exchanges Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AllianceBernstein	AB	AB US	Craig Siegenthaler, CFA
	Ameriprise Financial	AMP	AMP US	Craig Siegenthaler, CFA
	Ares Management Corp	ARES	ARES US	Craig Siegenthaler, CFA
	BlackRock, Inc.	BLK	BLK US	Craig Siegenthaler, CFA
	Blackstone	BX	BX US	Craig Siegenthaler, CFA
	Blue Owl Capital	OWL	OWL US	Craig Siegenthaler, CFA
	Cboe Global Markets	CBOE	CBOE US	Craig Siegenthaler, CFA
	Interactive Brokers	IBKR	IBKR US	Craig Siegenthaler, CFA
	Intercontinental Exchange	ICE	ICE US	Craig Siegenthaler, CFA
	KKR & Co. Inc.	KKR	KKR US	Craig Siegenthaler, CFA

US - Brokers, Asset Managers, & Exchanges Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Raymond James Financial	RJF	RJF US	Mark McLaughlin, CFA
	TPG Inc	TPG	TPG US	Craig Siegenthaler, CFA
	Tradeweb Markets Inc.	TW	TW US	Craig Siegenthaler, CFA
	Victory Capital Holdings, Inc.	VCTR	VCTR US	Craig Siegenthaler, CFA
	Virtu Financial	VIRT	VIRT US	Craig Siegenthaler, CFA
NEUTRAL				
	Affiliated Managers Group	AMG	AMG US	Craig Siegenthaler, CFA
	Apollo Global Management	APO	APO US	Craig Siegenthaler, CFA
	Brookfield Asset Management	BAM	BAM US	Craig Siegenthaler, CFA
	CME Group Inc	CME	CME US	Craig Siegenthaler, CFA
	Invesco	IVZ	IVZ US	Craig Siegenthaler, CFA
	Janus Henderson Group	JHG	JHG US	Craig Siegenthaler, CFA
	LPL Financial Holdings	LPLA	LPLA US	Craig Siegenthaler, CFA
	Patria	PAX	PAX US	Craig Siegenthaler, CFA
UNDERPERFORM				
	Charles Schwab Corp.	SCHW	SCHW US	Craig Siegenthaler, CFA
	Franklin Resources	BEN	BEN US	Craig Siegenthaler, CFA
	Nasdaq	NDAQ	NDAQ US	Craig Siegenthaler, CFA
	Robinhood Markets	HOOD	HOOD US	Craig Siegenthaler, CFA
	T. Rowe Price	TROW	TROW US	Craig Siegenthaler, CFA
	The Carlyle Group	CG	CG US	Craig Siegenthaler, CFA

US - Telecom and Data Networking Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Akamai	AKAM	AKAM US	Madeline Brooks
	Amdocs	DOX	DOX US	Tal Liani
	Arista Networks	ANET	ANET US	Tal Liani
	Check Point Software Technologies	CHKP	CHKP US	Tal Liani
	Ciena	CIEN	CIEN US	Tal Liani
	CrowdStrike Holdings Inc.	CRWD	CRWD US	Tal Liani
	CyberArk	CYBR	CYBR US	Tal Liani
	Fastly	FSLY	FSLY US	Madeline Brooks
	Fortinet	FTNT	FTNT US	Tal Liani
	Gen Digital, Inc.	GEN	GEN US	Jonathan Eisenson
	InterDigital, Inc.	IDCC	IDCC US	Tal Liani
	Motorola Solutions	MSI	MSI US	Tomer Zilberman
	Qualcomm	QCOM	QCOM US	Tal Liani
	SentinelOne, Inc.	S	S US	Tal Liani
	Zscaler	ZS	ZS US	Tal Liani
NEUTRAL				
	Cellebrite	CLBT	CLBT US	Tal Liani
	Cisco Systems	CSCO	CSCO US	Tal Liani
	Palo Alto Networks	PANW	PANW US	Tal Liani
UNDERPERFORM				
	Cloudflare	NET	NET US	Madeline Brooks
	CommScope	COMM	COMM US	Tal Liani
	F5 Inc	FFIV	FFIV US	Tal Liani
	Okta Inc	OKTA	OKTA US	Madeline Brooks
	SecureWorks	SCWX	SCWX US	Tal Liani

US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	APA Corporation	APA	APA US	Doug Leggate
	Canadian Natural Resources	YCNQ	CNQ CN	Doug Leggate

US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Canadian Natural Resources	CNQ	CNQ US	Doug Leggate
	Chesapeake Energy	CHK	CHK US	Doug Leggate
	Chevron Corp.	CVX	CVX US	Doug Leggate
	ConocoPhillips	COP	COP US	Doug Leggate
	Coterra Energy Inc	CTRA	CTRA US	Doug Leggate
	EQT Corporation	EQT	EQT US	John H. Abbott
	ExxonMobil Corp.	XOM	XOM US	Doug Leggate
	Granite Ridge Resources, Inc	GRNT	GRNT US	John H. Abbott
	Imperial Oil	IMO	IMO US	Doug Leggate
	Imperial Oil	YIMO	IMO CN	Doug Leggate
	Kimbell Royalty Partners	KRP	KRP US	John H. Abbott
	Occidental Petroleum Corp.	OXY	OXY US	Doug Leggate
	Ovintiv Inc	YOVV	OVV CN	Doug Leggate
	Ovintiv Inc	OVV	OVV US	Doug Leggate
	Range Resources Corp	RRC	RRC US	Doug Leggate
	Suncor	YSU	SU CN	Doug Leggate
	Suncor	SU	SU US	Doug Leggate
NEUTRAL				
	California Resources Corporation	CRC	CRC US	Kalei Akamine
	CNX Resources	CNX	CNX US	John H. Abbott
	Delek US Holdings, Inc.	DK	DK US	Doug Leggate
	Devon Energy Corp.	DVN	DVN US	Doug Leggate
	Diamondback Energy Inc.	FANG	FANG US	Doug Leggate
	EOG Resources	EOG	EOG US	Doug Leggate
	Gulfport Energy Corporation	GPOR	GPOR US	Doug Leggate
	HF Sinclair Corporation	DINO	DINO US	Doug Leggate
	Marathon Petroleum Company	MPC	MPC US	Doug Leggate
	PBF Energy	PBF	PBF US	Doug Leggate
	Permian Resources Corporation	PR	PR US	Doug Leggate
	Phillips 66	PSX	PSX US	Doug Leggate
	Valero Energy Corp.	VLO	VLO US	Doug Leggate
UNDERPERFORM				
	Chord Energy Corporation	CHRD	CHRD US	John H. Abbott
	Crescent Energy Company	CRGY	CRGY US	John H. Abbott
	Marathon Oil Corp.	MRO	MRO US	Doug Leggate
	National Fuel Gas Company	NFG	NFG US	John H. Abbott
	Northern Oil and Gas	NOG	NOG US	John H. Abbott
	Vital Energy Inc	VTLE	VTLE US	John H. Abbott
RSTR				
	Pioneer Natural Resources	PXD	PXD US	Doug Leggate

US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	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
NEUTRAL				
	Arrow Electronics Inc.	ARW	ARW US	Ruplu Bhattacharya

US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
UNDERPERFORM				
	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
	Vizio	VZIO	VZIO US	Wamsi Mohan

US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Vivek Arya
	KLA Corporation	KLAC	KLAC US	Vivek Arya
	Lam Research Corp.	LRCX	LRCX US	Vivek Arya
	M/A-Com	MTSI	MTSI US	Vivek Arya
	Marvell Technology Group Ltd.	MRVL	MRVL US	Vivek Arya
	Microchip	MCHP	MCHP US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	Nova	NVMI	NVMI US	Vivek Arya
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
NEUTRAL				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Allegro MicroSystems	ALGM	ALGM US	Blake Friedman
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	Coherent Corp	COHR	COHR US	Vivek Arya
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Lattice Semiconductor	LSCC	LSCC US	Blake Friedman
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
UNDERPERFORM				
	Ambarella	AMBA	AMBA US	Vivek Arya
	Credo Technology	CRDO	CRDO US	Vivek Arya
	Lumentum Holdings	LITE	LITE US	Vivek Arya
	Qorvo Inc.	QRVO	QRVO US	Vivek Arya
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya
	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya

US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	BellRing Brands Inc	BRBR	BRBR US	Bryan D. Spillane

US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Coca-Cola Europacific Partners plc	CCEP	CCEP US	Bryan D. Spillane
	Colgate-Palmolive Company	CL	CL US	Bryan D. Spillane
	Constellation Brands	STZ	STZ US	Bryan D. Spillane
	Coty Inc.	COTY	COTY US	Anna Lizzul
	e.l.f. Beauty	ELF	ELF US	Anna Lizzul
	Freshpet, Inc.	FRPT	FRPT US	Bryan D. Spillane
	Kenvue Inc.	KVUE	KVUE US	Anna Lizzul
	Keurig Dr Pepper	KDP	KDP US	Bryan D. Spillane
	Kraft Heinz Company	KHC	KHC US	Bryan D. Spillane
	Lamb Weston Holdings Inc	LW	LW US	Peter T. Galbo, CFA
	McCormick & Co.	MKC	MKC US	Peter T. Galbo, CFA
	Mondelez International	MDLZ	MDLZ US	Bryan D. Spillane
	Monster Beverage Corporation	MNST	MNST US	Peter T. Galbo, CFA
	PepsiCo	PEP	PEP US	Bryan D. Spillane
	Philip Morris International	PM	PM US	Lisa K. Lewandowski
	Pilgrim's Pride Corp.	PPC	PPC US	Peter T. Galbo, CFA
	The Coca Cola Company	KO	KO US	Bryan D. Spillane
	The Procter & Gamble Company	PG	PG US	Bryan D. Spillane
NEUTRAL				
	Altria Group	MO	MO US	Lisa K. Lewandowski
	Celsius Holdings Inc	CELH	CELH US	Jonathan Keypour
	Church & Dwight	CHD	CHD US	Anna Lizzul
	Clorox	CLX	CLX US	Anna Lizzul
	Conagra Brands, Inc.	CAG	CAG US	Peter T. Galbo, CFA
	Estee Lauder Companies Inc.	EL	EL US	Bryan D. Spillane
	General Mills	GIS	GIS US	Bryan D. Spillane
	JM Smucker Company	SJM	SJM US	Peter T. Galbo, CFA
	Kellanova	K	K US	Peter T. Galbo, CFA
	Molson Coors Beverage Company	TAP	TAP US	Bryan D. Spillane
	The Hershey Company	HSY	HSY US	Bryan D. Spillane
	Tyson Foods, Inc.	TSN	TSN US	Peter T. Galbo, CFA
	Utz Brands	UTZ	UTZ US	Peter T. Galbo, CFA
	WK Kellogg Co	KLG	KLG US	Peter T. Galbo, CFA
UNDERPERFORM				
	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEED	WEED CN	Lisa K. Lewandowski
	Canopy Growth	CGC	CGC US	Lisa K. Lewandowski
	Cronos Group	YCRON	CRON CN	Lisa K. Lewandowski
	Cronos Group	CRON	CRON US	Lisa K. Lewandowski
	Dole plc	DOLE	DOLE US	Bryan D. Spillane
	Herbalife Nutrition Ltd	HLF	HLF US	Anna Lizzul
	Hormel Foods Corp.	HRL	HRL US	Peter T. Galbo, CFA
	Kimberly-Clark	KMB	KMB US	Anna Lizzul
	The Duckhorn Portfolio, Inc.	NAPA	NAPA US	Peter T. Galbo, CFA
RSTR				
	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	89bio, Inc	ETNB	ETNB US	Geoff Meacham
	Acumen Pharma	ABOS	ABOS US	Geoff Meacham
	Agios Pharmaceuticals	AGIO	AGIO US	Greg Harrison, CFA
	Amylyx Pharmaceuticals	AMLX	AMLX US	Geoff Meacham
	BioMarin	BMRN	BMRN US	Geoff Meacham
	BridgeBio Pharma	BBIO	BBIO US	Greg Harrison, CFA
	Caribou	CRBU	CRBU US	Geoff Meacham
	CRISPR Therapeutics	CRSP	CRSP US	Geoff Meacham
	Eli Lilly and Company	LLY	LLY US	Geoff Meacham

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmed Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Geoff Meacham
	Keros	KROS	KROS US	Greg Harrison, CFA
	Kiniksa Pharmaceuticals, Ltd.	KNSA	KNSA US	Geoff Meacham
	Krystal Biotech	KRYS	KRYS US	Alec W. Stranahan
	Kura Oncology	KURA	KURA US	Jason Zemansky
	Liquidia Corporation	LQDA	LQDA US	Greg Harrison, CFA
	Lyell Immunopharma	LYEL	LYEL US	Geoff Meacham
	MeiraGTx	MGTX	MGTX US	Alec W. Stranahan
	Merck & Co.	MRK	MRK US	Geoff Meacham
	Mineralys Therapeutics	MLYS	MLYS US	Greg Harrison, CFA
	Neumora Therapeutics	NMRA	NMRA US	Geoff Meacham
	Rani Therapeutics	RANI	RANI US	Geoff Meacham
	Regenxbio, Inc.	RGNX	RGNX US	Alec W. Stranahan
	Revolution Medicines	RVMD	RVMD US	Alec W. Stranahan
	Rocket Pharmaceuticals, Inc.	RCKT	RCKT US	Greg Harrison, CFA
	Royalty Pharma	RPRX	RPRX US	Geoff Meacham
	Sana Biotechnology	SANA	SANA US	Geoff Meacham
	SpringWorks	SWTX	SWTX US	Alec W. Stranahan
	Syndax Pharmaceuticals	SNDX	SNDX US	Jason Zemansky
	Travere Therapeutics Inc	TVTX	TVTX US	Greg Harrison, CFA
	Turnstone Biologics	TSBX	TSBX US	Geoff Meacham
	Vertex Pharmaceuticals Inc.	VRTX	VRTX US	Geoff Meacham
	Werewolf Therapeutics	HOWL	HOWL US	Jason Zemansky
	Xencor	XNCR	XNCR US	Alec W. Stranahan
NEUTRAL				
	AbbVie	ABBV	ABBV US	Geoff Meacham
	Alector, Inc	ALEC	ALEC US	Greg Harrison, CFA
	Amgen Inc.	AMGN	AMGN US	Geoff Meacham
	Arcus Biosciences	RCUS	RCUS US	Jason Zemansky
	Beam Therapeutics	BEAM	BEAM US	Greg Harrison, CFA
	Biogen Inc.	BIIB	BIIB US	Geoff Meacham
	Bristol-Myers Squibb	BMY	BMY US	Geoff Meacham
	Cytokinetics, Incorporated	CYTK	CYTK US	Jason Zemansky
	Editas Medicine	EDIT	EDIT US	Greg Harrison, CFA
	Erasca	ERAS	ERAS US	Alec W. Stranahan
	Esperion	ESPR	ESPR US	Jason Zemansky
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	IGM Biosciences	IGMS	IGMS US	Greg Harrison, CFA
	Johnson & Johnson	JNJ	JNJ US	Geoff Meacham
	Kymera Therapeutics	KYMR	KYMR US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Recursion Pharmaceuticals, Inc.	RXRX	RXRX US	Alec W. Stranahan
	Tyra Biosciences	TYRA	TYRA US	Greg Harrison, CFA
	Vir	VIR	VIR US	Geoff Meacham
	Y-mAbs Therapeutics, Inc	YMAB	YMAB US	Alec W. Stranahan
UNDERPERFORM				
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky
	CureVac	CVAC	CVAC US	Geoff Meacham
	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	LianBio	LIAN	LIAN US	Geoff Meacham
	Novavax	NVAX	NVAX US	Alec W. Stranahan
	Regeneron Pharmaceuticals Inc.	REGN	REGN US	Geoff Meacham
	Reneo Pharmaceuticals	RPHM	RPHM US	Jason Zemansky
	TG Therapeutics	TGTX	TGTX US	Alec W. Stranahan
	United Therapeutics Corporation	UTHR	UTHR US	Greg Harrison, CFA
RSTR				
	BioXcel Therapeutics	BTAI	BTAI US	Greg Harrison, CFA
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Aerospace/Defense Electronics Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	31	62.00%	Buy	23	74.19%
Hold	11	22.00%	Hold	9	81.82%
Sell	8	16.00%	Sell	6	75.00%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	8	47.06%	Buy	8	100.00%
Hold	5	29.41%	Hold	3	60.00%
Sell	4	23.53%	Sell	1	25.00%

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: Beverages - Alcoholic Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	22	61.11%	Buy	15	68.18%
Hold	6	16.67%	Hold	4	66.67%
Sell	8	22.22%	Sell	2	25.00%

Equity Investment Rating Distribution: Beverages - Soft Drinks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	11	78.57%	Buy	6	54.55%
Hold	0	0.00%	Hold	0	0.00%
Sell	3	21.43%	Sell	1	33.33%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	32	50.00%	Buy	16	50.00%
Hold	19	29.69%	Hold	8	42.11%
Sell	13	20.31%	Sell	7	53.85%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

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: Food Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	33	49.25%	Buy	16	48.48%
Hold	17	25.37%	Hold	10	58.82%
Sell	17	25.37%	Sell	8	47.06%

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: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

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: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

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.

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%

[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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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Intl, Northrop Grumman, NVIDIA, PepsiCo, Pfizer, Pinterest, Range Resources, Salesforce.com, Tesla Motors, Texas Instrument, Tradeweb Markets Inc, Utz Brands.
The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Advanced Micro, Alphabet, Amazon.com, Apple Inc., Booz Allen, Broadcom Inc, Campbell Soup, Chesapeake Energy, Chevron Corporation, Church & Dwight, Coca Cola, Conagra Foods, Constellation, CrowdStrike, CyberArk Software, e.l.f. Beauty, Eli Lilly, EQT Corp, Exxon Mobil Corp, First Solar Inc., Fluence Energy, Fortinet, Freshpet, Inc., General Dynamics, Genl Mills, GitLab Inc., Hershey Foods, Intel, Intercontinental, J.M Smucker Co, Kellogg Co, Kenvue, Keurig Dr. Pepper, Kraft Heinz Co., Lamb Weston Holdings, Leonardo DRS, Inc., Lucid Group, Marvell Tech, McCormick & Co., Meta Platforms, Microsoft Corp, Molson Coors, Mondelez Intl, Northrop Grumman, NVIDIA, PepsiCo, Pfizer, Pinterest, Range Resources, Salesforce.com, Tesla Motors, Texas Instrument, Tradeweb Markets Inc, Utz Brands.
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