

Envista

Headwinds should ease over time

Reiterate Rating: BUY | PO: 27.00 USD | Price: 24.24 USD

Margin execution will be a key focus through FY24

Envista's FY24 guide is likely to spur questions around the forward outlook on margins, but a portion of these headwinds should fully dissipate over time. The FY24 guide was broadly in-line with ST/BofA expectations on revenue growth, but the EBITDA margin guide of 16-17% was meaningfully below expectations. Importantly, Envista is dealing with multiple temporary challenges, including a cybersecurity issue impacting distribution in NA (important for high margin equipment sales) and a weak macroeconomic environment dampening demand for higher-end procedures, two headwinds that should improve over time. Meanwhile, Spark growth continued to shine at >50%, and margins should continue to improve sequentially in the near future. NVST's focus on driving implant growth in NA should also help on the margin front. While there are some concerns on the 2024 margin trajectory, we continue to view the composition of the overall portfolio conducive to MSD growth in a normalized macro. We reiterate our Buy rating and reduce our PO to \$27 (from \$29) on a 11.5x CY24E EV/EBITDA (unchanged).

Reducing our forward outlook, more acutely on margins

Following results, we are reducing our FY24E revenue estimates from \$2,635.9MM to \$2,624.8MM. We are also reducing our FY24E EBITDA estimates from \$494.7MM to \$434.8MM. Our estimates come down to reflect pressure on margins per the FY24 guide and incrementally lower confidence in the margin ramp through FY26. With this note, we also introduce our FY24 quarterly and FY27 annual estimates.

Key themes: Macro, Margins, and CFO

We look for updates on end-market demand for base consumables along with signs of dental office volumes and purchasing trends, which could indicate performance ahead of the FY24 outlook. We also look to monitor the distributor channel and execution in NA ortho and equipment markets. Further, given a strong balance sheet with a recent infusion from the convertible offering, we look for any movement on potential M&A as the Envista portfolio should provide a chassis to bolt-on additional capabilities. Lastly, news on filling the vacant CFO seat could be incremental.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.94	1.53	1.47	1.63	1.81
GAAP EPS	1.62	2.31	1.13	1.29	1.47
EPS Change (YoY)	7.8%	-21.1%	-3.9%	10.9%	11.0%
Consensus EPS (Bloomberg)			1.64	1.86	2.16
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	12.5x	15.8x	16.5x	14.9x	13.4x
GAAP P/E	15.0x	10.5x	21.5x	18.8x	16.5x
EV / EBITDA*	9.2x	10.3x	10.9x	10.2x	9.4x
Free Cash Flow Yield*	2.6%	5.2%	7.3%	8.1%	9.2%

* For full definitions of *IQmethod*SM measures, see page 11.

08 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	29.00	27.00
2024E EPS	1.70	1.47
2025E EPS	1.90	1.63
2026E EPS	NA	1.81
2024E EBITDA (m)	494.7	434.8
2025E EBITDA (m)	538.1	468.4
2026E EBITDA (m)	NA	505.3

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Stock Data

Price	24.24 USD
Price Objective	27.00 USD
Date Established	7-Feb-2024
Investment Opinion	B-1-9
52-Week Range	20.00 USD - 41.81 USD
Mkt Val (mn) / Shares Out (mn)	4,155 USD / 171.4
Free Float	99.5%
Average Daily Value (mn)	50.51 USD
BofA Ticker / Exchange	NVST / NYS
Bloomberg / Reuters	NVST US / NVST.N
ROE (2024E)	6.0%
Net Dbt to Eqty (Dec-2023A)	11.0%
ESGMeter TM	High

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

HSD/MSD – high/mid-single digit

DSO – Dental service organization

N.A – North America

EBS – Envista Business Systems

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iQprofileSM Envista

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	6.4%	5.8%	5.5%	5.8%	6.0%
Return on Equity	8.4%	6.4%	6.0%	6.4%	6.7%
Operating Margin	18.8%	16.6%	15.1%	15.8%	16.5%
Free Cash Flow	107	218	302	338	383

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.5x	1.0x	1.4x	1.4x	1.4x
Asset Replacement Ratio	0.5x	0.4x	0.5x	0.5x	0.4x
Tax Rate	23.1%	25.7%	22.0%	22.0%	22.0%
Net Debt-to-Equity Ratio	18.4%	11.0%	8.1%	5.8%	2.7%
Interest Cover	12.6x	6.7x	5.7x	6.6x	8.0x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,569	2,567	2,625	2,713	2,813
% Change	2.4%	-0.1%	2.3%	3.4%	3.7%
Gross Profit	1,498	1,451	1,437	1,494	1,563
% Change	2.9%	-3.2%	-0.9%	3.9%	4.6%
EBITDA	517	464	435	468	505
% Change	4.7%	-10.3%	-6.3%	7.7%	7.9%
Net Interest & Other Income	(35)	(63)	(68)	(63)	(55)
Net Income (Adjusted)	345	269	257	286	320
% Change	7.8%	-22.0%	-4.6%	11.5%	11.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	243	(100)	180	209	243
Depreciation & Amortization	138	136	130	132	133
Change in Working Capital	(243)	(108)	21	21	28
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	45	349	34	36	36
Capital Expenditure	(76)	(58)	(63)	(60)	(56)
Free Cash Flow	107	218	302	338	383
% Change	-68.2%	103.3%	38.8%	11.9%	13.5%
Share / Issue Repurchase	22	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	120	(428)	135	(100)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	607	940	614	837	871
Trade Receivables	394	408	393	388	386
Other Current Assets	424	396	391	404	410
Property, Plant & Equipment	294	310	347	391	431
Other Non-Current Assets	4,869	4,552	4,647	4,785	4,923
Total Assets	6,587	6,605	6,393	6,805	7,020
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	727	781	787	819	852
Long-Term Debt	1,381	1,398	971	1,105	1,005
Other Non-Current Liabilities	273	252	247	248	250
Total Liabilities	2,380	2,431	2,005	2,172	2,108
Total Equity	4,207	4,174	4,388	4,633	4,912
Total Equity & Liabilities	6,587	6,605	6,393	6,805	7,020

* For full definitions of iQmethodSM measures, see page 11.

Company Sector

Healthcare Technology & Distribution

Company Description

Envista is one of the largest dental manufacturers globally, with a focus on both traditional consumables and equipment as well as market-leading positions in orthodontics and implants. The company generates a significant amount of revenue from its global reach, with about 25% of revenue from high-growth markets. NVST was recently spun-out from Danaher, where it represented the entire dental business.

Investment Rationale

We think the ongoing launch of new products should help return to mid-single-digit organic growth (potentially higher post-divestitures), with operational efficiencies supporting ongoing margin expansion. Given these factors and appealing upside potential on the pullback, as well as implied valuation vs. distributors, we see risk/reward as appealing, and thus we rate Envista Buy.

Stock Data

Average Daily Volume 2,083,716

Quarterly Earnings Estimates

	2023	2024
Q1	0.38A	0.35E
Q2	0.43A	0.38E
Q3	0.43A	0.36E
Q4	0.29A	0.39E

4Q'23 Variance Analysis

Exhibit 1: NVST Variance Analysis

Specialty upside offsets softer E&C. EBITDA/EPS missed on lower gross margins

(\$ in millions, except per share data)

Fiscal Year Ending December 31,	4Q'23E	4Q'23A	Delta - %	VA Consensus	Delta vs VA - %	4Q'22A	Y-o-Y Growth
Revenue							
Specialty Products & Technologies	\$390.4	\$415.9	6.5%	\$393.3	5.7%	\$398.4	4.4%
Equipment & Consumables	<u>250.3</u>	<u>229.7</u>	(8.2%)	<u>240.0</u>	(4.3%)	<u>262.4</u>	(12.5%)
Total Revenue	\$640.8	\$645.6	0.8%	\$633.9	1.8%	\$660.8	(2.3%)
Cost of Sales	<u>280.0</u>	<u>307.0</u>	9.6%	<u>276.0</u>	11.2%	<u>289.2</u>	6.2%
Gross Profit	\$360.7	\$338.6	(6.1%)	\$357.7	(5.3%)	\$371.6	(8.9%)
SG&A	237.1	228.8	(3.5%)	236.2	(3.1%)	218.8	4.6%
R&D	25.6	20.2	(21.2%)	24.9	(19.0%)	24.6	(17.9%)
Adjusted EBIT	\$98.0	\$89.6	(8.6%)	\$95.4	(6.0%)	\$128.2	(30.1%)
Specialty Products & Technologies	76.1	63.9	(16.1%)	\$72.5	(11.8%)	79.5	(19.6%)
Equipment & Consumables	60.1	44.7	(25.6%)	\$59.0	(24.2%)	71.4	(37.4%)
Depreciation & Amortization	8.3	9.2	10.4%	9.0	2.1%	7.9	16.5%
EBITDA	\$106.9	\$100.5	(6.0%)	\$104.6	(3.9%)	\$138.3	(27.3%)
Interest Expense	17.8	13.9	(21.9%)	17.3	(19.7%)	14.5	—
Pre-Tax Income	\$80.7	\$75.0	(7.1%)	\$77.6	(3.4%)	\$115.9	(35.3%)
Income Taxes	<u>15.6</u>	<u>25.3</u>	62.4%	<u>18.0</u>	40.2%	<u>24.0</u>	5.4%
Net Income	\$65.2	\$49.7	(23.7%)	\$59.5	(16.5%)	\$91.9	(45.9%)
Adjusted EPS	\$0.36	\$0.29	(21.3%)	\$0.34	(15.7%)	\$0.52	(45.4%)

Source: Company Filings, Visible Alpha, and BofA Global Research estimates

BofA GLOBAL RESEARCH



4Q'23 call takeaways

Prepared Remarks

- Initial remarks
 - Finished 2023 with modest sales decline for FY
 - Adjusted EBITDA margin of 18.1%
 - Improved FCF profile
 - Global markets remain dynamic with geopolitical risks and macro challenging
 - Cyber attacks created volatility in distributor landscape in NA
 - Moderated near-term performance
 - Private practice dentists and DSO's remain thoughtful on investments
 - Orthodontic business performing well – Double digit (DD) growth for FY
 - Leveraged EBS to drive case volumes, add doctors, and grow revenue per case
- Specialty:
 - Spark delivered 50%+ growth, expecting to double by 2026
 - 2023 – implant business declined LSD, North America (NA) challenges offset by growth at or above market in other geos. Excluding NA, grew MSD
 - Investing in commercialization in North America. Has worked in EU and using that playbook.
 - Expecting market level growth in NA by end of 2024
- E&C:
 - Deemphasis of geos/products is a headwind
 - NA distributor challenges impacted
 - Diagnostic business – Dexis IOS core growth of 30% y/y in FY23
 - Saw stable price environment
 - Traditional imaging at or above market
 - Launched 2 new products:
 - OP3D Lx in OP3D platform- larger field of view and expanded diagnostic capabilities. Improves workflow
 - Dexis solution to integrate AI feature to imaging suite – helps detect 6 pathologies in 2D images

- Processed over 200MM images on Dexis platform
 - Sell-out in consumables a highlight – at or above market in most product categories and geos
 - Expect LSD global growth with NA market stabilizing
 - Adj. EBITDA margin declined due to lower sales and investments in SP&T and rapid growth of Spark
 - Spark margins still below fleet average
- EBS
 - Shifting business to more attractive opportunities
 - Diagnostic focused on digitizing workflows
 - Dexis and Ostogenics acquisitions compliment strategy on transformation
- 4Q Financials:
 - Impairment on Goodwill due to higher discount rate and more volatile macro environment
 - 4Q sales declined 0.3% due to forex, core sales down 2%
 - Y/y growth supported by SP&T, more than offset by double digit decline in E&C
 - Strong growth in western EU offset by weakness in NA
- Specialty
 - Spark continuing to outperform
 - Brackets/Wires MSD growth with emerging outpacing market
 - Implant business underperformed. Implant business is stabilizing with 4Q improving relative to first 3 quarters of 2023
 - Adj. operating profit down 440bps y/y due to unfavorable mix, China Value based procurement (VBP) program and investments in Spark
- E&C
 - Consumables business declined largely due to timing of orders
 - Cyber attack at distribution impacted order through channel
 - Sell-out to end customers performed well
 - Solid growth in consumables outside NA. Sell-out at or above market outside NA
 - IOS business grew greater than 30%. Stabilizing price and strong unit volume growth



- Partnering with distributors and system integrators to support growth in Dexis
 - Adj. Operating profit driven by lower consumables sales. Not anticipated and expected to be temporary
- 4Q other:
 - FCF improved greater than \$100MM y/y in 2023
- Guidance for 2024
 - Core sales growth of LSD and Adj. EBITDA margin of 16-17%
 - More cautious in near-term
 - Expect higher end dental procedures, full-arch restorations and adult ortho to be restrained
 - Expect DSO's to be cautious on de-novo investments
 - Expect margins to accelerate through 2024
 - Focused on three main priorities:
 - Accelerate orthodontic business – specialist focus
 - Anticipate doubling Spark by 2026 and driving sequential margin improvements
 - Reaccelerating growth of implants business. Premium and value franchises to play a part.
 - In NA – making targeted investments for commercial execution and marketing
 - Aim to grow with the market exiting 2024
 - Expect to reduce structural costs by \$30MM annually, impact to be realized in 2025
- Postponing investor day to update LT targets

Q&A

- Operating margin guidance – what happened in 3Q where view was expansion vs. now?
 - As we move to Q4 – saw certain macro items that impact high-end dental procedures
 - Cautious about capital spending with DSO's and inventory management
 - Backdrop of macro impacting highest most profitable businesses in different geographies
 - Spark growth is accelerating mix change
 - Investments in NA implant market

- Thought guidance requires caution
- Have an opportunity to do better if macro improves
- Expect margin to accelerate through rest of the year
- Long-term guide and margin expansion opportunity?
 - Have new leadership in formation – hopefully CFO to be named soon
 - Nobel president to be replaced
 - Want to show progression on three key priorities – Spark growth and margin, Nobel growth, and resizing infrastructure
 - Then want to come back on long-term guidance
 - Overtime – view on growth/margin is still valid
 - Postponing – should be ready when team is in place
- CFO placement timing?
 - Expect in the near future
- Seems like margin pressures have been items dealt with historically, why did gross margin drop so much this quarter? Some pricing changes on premium implants?
 - Mix places a big role – Certain assumptions about mix
 - Mix has shifted over time. China/Russia
 - Bracket/Wire business 1/3 is outside United States and impacted in areas with geopolitical changes
 - Volume based purchasing in China – 30-40% price changes. Has directly impacted margin structure
 - Shift in Spark – faster growth with below average margins has significant impact
 - Ex-VBC, got price
 - Assumed nothing radically changes, macro or geopolitical risks in guide
 - No degradation or price reduction in premium implants. NA has been around customer experience, training, education.
 - Replicated EU model in NA, don't expect price to be a factor in NA
- N1 has not scaled, relying on Nobel active. New feature sets coming out? Or is it just re-engaging doctors?
 - About 50% of business in NA, about 50% of implants is outside NA
 - Growing MSD outside NA with same products
 - Product is not the most important thing on performance – 200k dentists in NA, less than 5% of dentists place more than 70% of all implants



- If 50% is specialists – focused on referrals
 - Other 50% are General Dentists
- Challenge has been on building referral network. A lot has been acquired by DSO's.
- Need to grow at a local level – city level, Paris/Madrid
- Product is not irrelevant – but in a good place with brand/product/pricing/quality. Need to change commercial execution
- What did you see on a monthly basis, any signs of stabilization?
 - China – 4Q'22 and 1Q'23 – didn't have a lot of business. Saw stabilization of patient volumes in China now. 3Q-4Q'23 carrying forward in first months this year
 - Seeing stabilization – DSOs are saying that
 - Spending for patients has been challenging. High-end procedures – adult ortho, full-arch restorations getting postponed
- In Feb'23 – everyone had about 21% EBITDA margins in FY24, now 500bps lower than that. Doesn't seem like margin is improving in Spark and other dental companies have not noted margin compression? Decremental seems saw extreme for Envista?
 - Spark is rapidly growing and becoming bigger part of equation. Year-ahead of plans in Spark. Significant impact in mix
 - Bracket/Wire business is not growing rapidly but taking share. 1/3 of business is outside developed markets – HSD to DD growth with high-margins. Not coming back as fast
 - China VBP – assuming second half of year
 - Volume impacting on high-margin areas like Russia/China impacting mix
 - NA Nobel – going to take some time.
 - Not going to make any assumptions on macro -expecting no radical changes
- Lot of moving parts in 4Q gross margins. EBITDA down y/y into FY24, what is the breakdown between Gross Margins and Opex?
 - GM down a little bit y/y – that is the expectation. 4Q gross margins were specific to 4Q issue
 - Expect gross margin to come down a bit on mix
- Margin progression over the year – what is the range to end the year?
 - Every quarter – Spark margin has improved. Expect that trend to continue.

- Nobel is one of the most profitable portions. Expecting to get to market growth in 4Q
- Outlook for China – had an easier comp in 4Q and maybe one more quarter of easier comp. What do you expect as comparisons normalize?
 - In 4Q – China sales increased almost by 15%
 - Entire year – China was flat. About 10% of business has growing DD's for years
 - 1Q, expect strong growth. 2Q-4Q more difficult comp – VBP implants. Assumption is that ortho VBP will be in place in 2H. Expect some volatility in China. Consumer spending and sentiment – housing crisis, government intervention issues. China to be a growth driver long-term. Underpenetrated – but need to deal with short-term headwinds
 - Patient demand in China – seems to be resilient/stabilized. No major feedback on major change. February 9th – Chinese New Year, but momentum should continue after

Price objective basis & risk

Envista (NVST)

Our PO of \$27 is based on roughly 11.5x our CY24E EBITDA estimate. Since NVST is a pure-play dental company, we use the dental comp group as our primary peer group. We believe NVST should trade at a premium to the peer group of 8-12x CY24 EBITDA due to faster revenue growth and higher EBITDA margins supported by a strong core of product offerings. However, we note that its most important comp trades at a premium to NVST despite divergent organic growth profiles.

Downside risks are a slowdown in total demand tied to macro challenges, a lack of rebound in its various new growth drivers (in particular demand from its newly-introduced products in aligners and implants), ongoing softness in global dental demand (particularly China and Russia), pricing pressure related to the growth of dental service organizations purchasing scale, and a lack of pull-through on cost savings targets.

Upside risks are faster-than-anticipated adoption of the Spark clear aligner system, incremental contributions to total margin expansion, and unexpected attractive M&A that supplements core growth.

Analyst Certification

I, Allen Lutz, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Healthcare Technology & Distribution Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Accolade	ACCD	ACCD US	Allen Lutz, CFA
	American Well Corp	AMWL	AMWL US	Allen Lutz, CFA
	Cencora Inc	COR	COR US	Allen Lutz, CFA
	CVS Health	CVS	CVS US	Allen Lutz, CFA
	Definitive Healthcare Corp	DH	DH US	Allen Lutz, CFA
	dentalcorp	YDNTL	DNTL CN	Allen Lutz, CFA
	Envista	NVST	NVST US	Allen Lutz, CFA
	HealthEquity Inc	HQY	HQY US	Allen Lutz, CFA
	Hims & Hers	HIMS	HIMS US	Allen Lutz, CFA
	McKesson	MCK	MCK US	Allen Lutz, CFA
	Omniceil Inc.	OMCL	OMCL US	Allen Lutz, CFA
	Patterson Companies	PDCO	PDCO US	Allen Lutz, CFA
	Progyny	PGNY	PGNY US	Allen Lutz, CFA
	R1 RCM	RCM	RCM US	Allen Lutz, CFA
NEUTRAL				
	Cardinal Health	CAH	CAH US	Allen Lutz, CFA
	Dentsply Sirona, Inc.	XRAY	XRAY US	Allen Lutz, CFA
	Doximity Inc	DOCS	DOCS US	Allen Lutz, CFA
	Teladoc Health	TDOC	TDOC US	Allen Lutz, CFA
UNDERPERFORM				
	GoodRx	GDRX	GDRX US	Allen Lutz, CFA
	Henry Schein	HSIC	HSIC US	Allen Lutz, CFA
	Owens & Minor	OMI	OMI US	Allen Lutz, CFA
	Premier, Inc.	PINC	PINC US	Allen Lutz, CFA
	Walgreens Boots Alliance	WBA	WBA US	Allen Lutz, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

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

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

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

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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

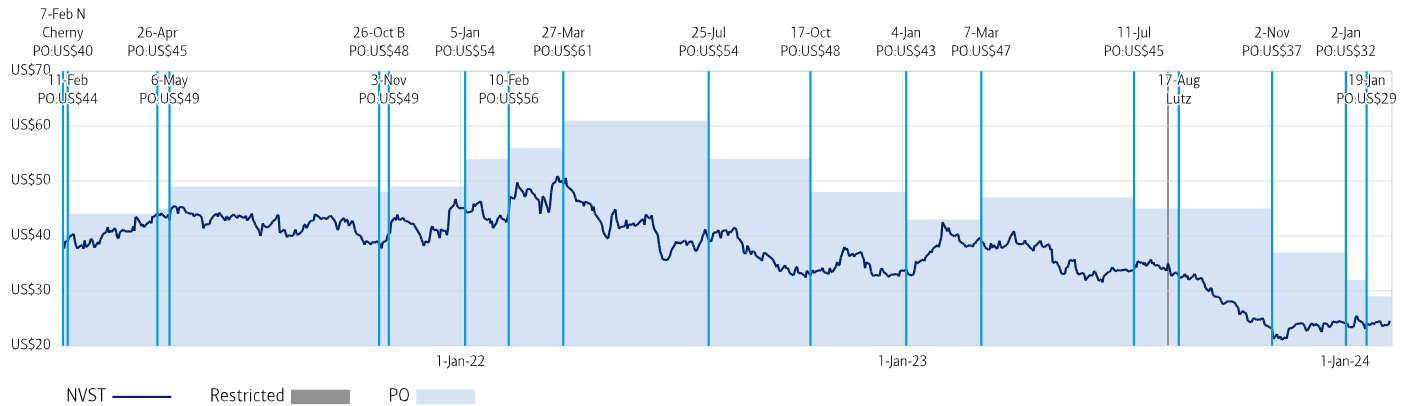
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Disclosures

Important Disclosures

Envista (NVST) Price Chart



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

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

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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

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

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