Lodging

# Q3 Earnings Week 2: 6 companies, 6 beats as REITs and rates drive relief rally

**Estimate Change**

06 November 2023

Equity
United States
Lodging

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## Q3 Recap: 6 beats as Lodging stocks rally in Week 2

Two lodging C-corps (MAR and H), three full-service Lodging REITs (HST, PK, DRH) and Playa Hotels & Resorts (PLYA) reported six beats. Stock reactions were mixed with MAR and Hyatt underperforming, but Lodging REITs rallying on Thursday/Friday on a combination of both encouraging trends vs. Pebblebrook last week (see report) and a Fed-fueled rally as recent interest rate pressures subside. We tweak our estimates to reflect the results and reiterate ratings and maintain our price objectives.

## Marriott: Q3 beat, Q4 below as MGM moves to 1Q24

Marriott reported Q3 Adj. EBITDA of $1,142M, ahead of our $1,134 and the Street's $1,138M. Results were driven by Non-RevPAR fees, owned & leased, better expense control partly offset by core managed & franchised fees. The Q4 outlook of $1,115-1,150M was below the Street's $1,159M, though we think approximately half of that delta vs. the midpoint comes from the MGM agreement (see report) moving out of 4Q23 and into early 2024, though this wasn't surprising given the recent MGM cyberattacks (see report), with the rest being some modest exposure to Israel and the Middle East. MAR also tweaked other small guidance items while raising the midpoint of its capital return plan. Our '24 estimates are largely unchanged. Reiterate Buy.

## Hyatt: Fees stable; ALG and O&L normalize as expected

Hyatt reported Q3 Adj. EBITDA of $247M, vs. our $226M and the Street's $249M. The beat to our estimates was driven by Apple Leisure Group (ALG) and owned and leased (O&L) hotels, while core fees were in-line. However, Hyatt lowered full year guidance by $30M to $1005-1025M from prior $1020-1070M, with 40% of the $30M change stemming from higher labor costs in owned & leased, with the balance from ALG incl. higher Unlimited Vacation Club (UVC) expenses ($6M), lower demand in Cancun ($6M) and FX ($6M). Importantly, the new guide brackets our prior estimate as we had anticipated this normalization. While ALG normalization remains a risk, we think stable core fee compounding, healthy net unit growth and accelerating capital recycling can carry the story in 2024. Reiterate Buy.

## Full-Service REITs: beats, group drives 2024; margin risk

Host (HST), Park (PK), DiamondRock (DRH) all reported earnings ahead of expectations as we noted in our first take last week (see report). While there were pockets of leisure normalizing especially in markets like Miami and Key West, this was already expected and importantly, Host raised its core outlook off stronger than expected group demand. Park announced its Parc 55 and Hilton San Francisco Union Square entered receivership, driving part of the raise in addition to the Q3 beat offset by higher renovation disruption in Key West. For 2024, we continue to think margins will be pressured by costs up in the +4-6% range with revenues growing below that. However both Host and Park can deliver additional EBITDA with HST's Four Seasons Naples coming back online and a Maui recovery partly offset by incrementally less business interruption proceeds, while PK's Bonnet Creek and Casa Marina assets drive results in addition to a better citywide calendar/group and international inbound demand especially into Hawaii.



Timestamp: 06 November 2023 05:00AM EST

# Key quotes from earnings calls

### Hotel Development and Asset Sales

- **Marriott (MAR):** The nature of the under-construction pipeline could be perhaps a bit different than pre-COVID. You've clearly got the reality that in APAC, and a number of other markets, there is meaningfully less dependence on the debt markets. Those markets are seeing much more stereotypical signings and progress into rooms under-construction.

- **Marriott (MAR):** In the US, what you see is that there is clearly still an open financing market for strong brands, strong market locations, demonstrated developer success, and we are absolutely continuing to see that the financing is happening, and the rooms are getting under-construction. The main difference is they're taking a bit longer to get under-construction.

- **Hyatt (H)**: The first asset that we previously disclosed as being under a letter of intent, we have now signed a definitive purchase and sale agreement. This transaction is expected to close in 4Q23. For the second asset that we previously disclosed as being marketed for sale, we now have a signed letter of intent. [...] The completed sale of these assets would bring our gross proceeds from asset sales net of acquisitions to approximately two-thirds of our $2 billion commitment.

- **Hyatt (H):** Our future growth, driven by a record pipeline and new openings, is very promising. Even with certain financing challenges, primarily in the U.S., our best-in-class brands continue to attract owners for both new build and conversion opportunities, underscoring our unique positioning.

### Markets:

- **Hyatt (H)-Cancun**: We have already experienced tremendous headwinds of the rotation away from Cancun which really took hold in 2H23. I think that's going to be returning and adjusting back to a more normalized total demand level and departures into the Cancun market. By the way, my confidence in that is [from] a further increase in airline schedules into Cancun, which we learned about two days ago. We were already up mid-teens and they pushed it further.

- **Hyatt (H)-International:** We are seeing a steady increase in international inbound, which is really encouraging. A little surprising, because air cover and air schedules are still well below where they were before, and the relevance of that is that the inbound international travelers are spending more, so there's a lot of demand.

- **Hyatt (H)-China**: think that when we think about the progression, Asia has had a disproportionate effect on our reported results for our, look at it by brand. Leisure demand remains very high. I think that we're going to see is a tailwind from increased international travel into China. We're going to see continued leisure demand. Rumors of the decline of leisure have been greatly exaggerated and we are seeing strength across the board.

- **Park (PK)-Hawaii**: Performance was once again driven by exceedingly strong performance in Hawaii and New York. Demand in Hawaii continues to be driven primarily by solid domestic leisure demand coupled with strong group trends.

### Leisure:

- **Marriott (MAR)**: Third quarter tends to see a seasonally higher-level of leisure transient travel, which accounted for 45% of global room nights during the quarter. About 4 percentage points above the first half. Globally demand in this segment was again quite strong, with room nights up 7% over 3Q22, leading to 9% leisure transient revenue. In the US and Canada, leisure revenues rose 4% from 3Q22, even as many domestic guests travel to international locations, particularly in Europe and APAC.

- **Hyatt (H)**: Leisure transient revenue increased 4% over an exceptionally strong 3Q22, as consumers continue to prioritize travel and experiences.

- **Hyatt (H):** The health of the US consumer into our US leisure and resort destinations is extremely strong, [and] we continue to see that strength, and our customer base really prioritizing leisure travel.

- **Host (HST)**: Leisure rates at our resorts remain well above 2019 levels, despite continued moderation in 3Q as expected. For context, transient rates at our resorts were 56% above 2019 in 3Q.

- **Host (HST):** We expect international demand to be a positive trend going forward. International inbound air traffic increased to 88% of 2019 levels in September, up from 80% in June. At the same time, international outbound air traffic increased to 118% of 2019 levels after hovering near 108% since January, which indicates that consumers continue to prioritize travel. [...] Most importantly, we are not seeing evidence of a weakened consumer at our hotels.

- **Playa (PLYA):** In Mexico, revenue declined modestly year-over-year as a result of construction disruption in the Pacific and the impact of increased visitation to Europe this summer, which was largely offset by ongoing increases in ADR.

### Macro:

- **Marriott (MAR)**: While there is heightened geopolitical risk, and continued macroeconomic uncertainty, the consumer is still generally holding up well. Our forward bookings through the end of the year, in most regions around the world, remain solid. We're raising our full year RevPAR guidance to incorporate the better than anticipated 3Q results as well as higher expectations for 4Q23.

- **Park (PK):** Touching briefly on the macroeconomic backdrop, we have yet to witness any signs of an economic slowdown impacting transient demand outside of the normalization of Sunbelt leisure demand. In fact, we are very encouraged by the strong group trends heading into next year. The 2024 comparable group revenue pace is tracking 94% vs 2019, and nearly 100 bps improvement from 2Q23 driven by double-digit increases in convention room nights.

### REIT Margins:

- **Park (PK):** Hotel adjusted EBITDA was $173M, resulting in a 26.3% hotel adjusted EBITDA margin. Margins were negatively impacted by a few factors, including the renovation disruption at our Casa Marina resort, which accounted for over a 60 bps drag on portfolio performance. In addition to our two San Francisco Hilton hotels, which accounted for an additional 210 bps drag on hotel-adjusted EBITDA margins.

- **Host (HST):** year-over-year, we expect comparable hotel EBITDA margins to be down 210 bps at the low end of our guidance to down 170 bps at the high end due to stable staffing levels at our hotels, higher utility and insurance expenses and lower attrition and cancellation fees.

- **DiamondRock (DRH):** The adjusted EBITDA comparisons were made more challenging mainly by two events that discussed on last earnings call; 1) disruption and displacement mainly at the Dagny and 2) the property tax relief in Chicago last year. Were it not for these two factors, we estimate our hotel-adjusted EBITDA margin would have been 170 bps higher than reported results.

**Exhibit 1: Q3 Earnings Variance**

Results were ahead of expectations

| Stock | Reported EBITDA | BofA | % Var | Reported RevPAR | BofA | % Var |
|---|---|---|---|---|---|---|
| **C-Corps** | | | | | | |
| MAR | 1,142.0 | 1,133.6 | 1% | 8% | 8% | 80bps |
| H | 247.0 | 226.1 | 9% | 8% | 8% | 0bps |
| **Lodging REITs** | | | | | | |
| HST | 361.0 | 309.1 | 17% | 2% | 2% | 30bps |
| DRH | 73.2 | 69.3 | 6% | -1% | -2% | 45bps |
| PK | 163.0 | 154.0 | 6% | 3% | 3% | 0bps |
| **Leisure** | | | | | | |
| PLYA | 40.5 | 40.0 | 1% | 5% | 6% | 80 bps |

**Source:** Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 2: Stock Performance**

Stock performance was mixed but REITs outperformed on earnings

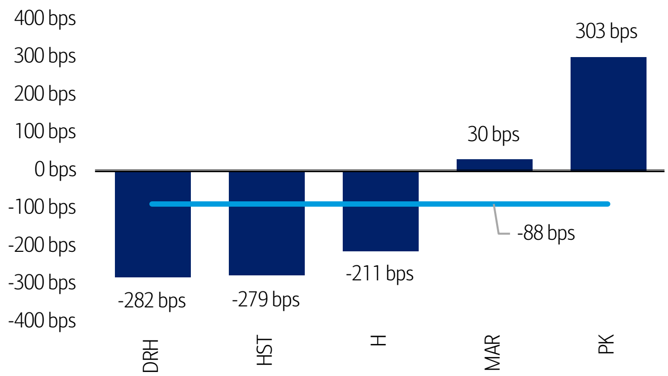
| Stock | 1 Day Return | vs. S&P 500 | Since Earnings | vs. S&P 500 | YTD Return | vs. S&P 500 |
|---|---|---|---|---|---|---|
| DRH | 1% | -1% | 7% | 4% | 4% | -9% |
| HST | 1% | 0% | 5% | 2% | 2% | -11% |
| PK | -1% | -2% | 12% | 9% | 12% | -1% |
| MAR | 0% | -1% | -2% | -5% | 26% | 13% |
| H | 2% | 0% | 0% | -3% | 15% | 2% |
| PLYA | 0% | -1% | -1% | -4% | 17% | 3% |

**Source:** Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 3: REIT margins 3Q23 vs. 3Q22**

REIT margins were down -88bps Y/Y in 3Q

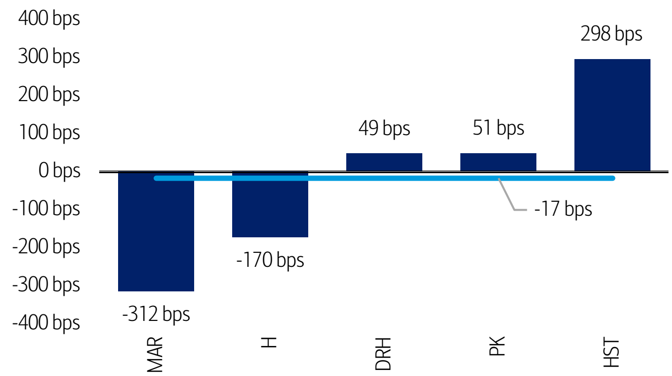



**Source:** Company filings, BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 4: REIT margins FY23E vs. FY22**

REIT margins are down -17bps FY23E vs. FY22A

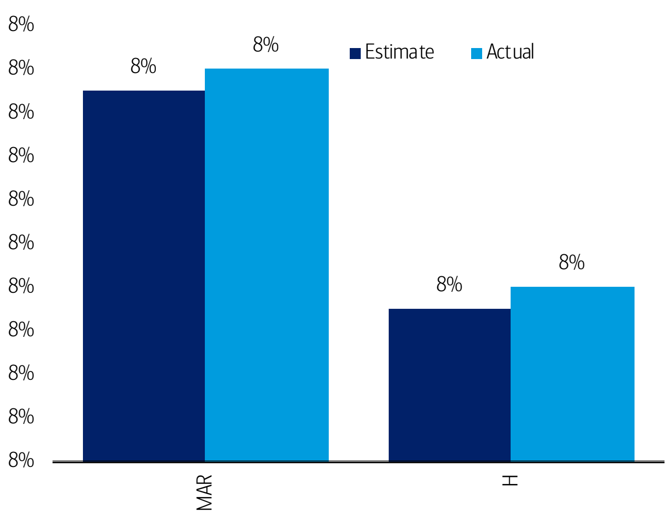



**Source:** Company filings, BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 5: Q3 C-Corp RevPAR Variance vs BofA**

Marriott and Hyatt beat RevPAR estimates




**Source:** Company filings, BofA Global Research

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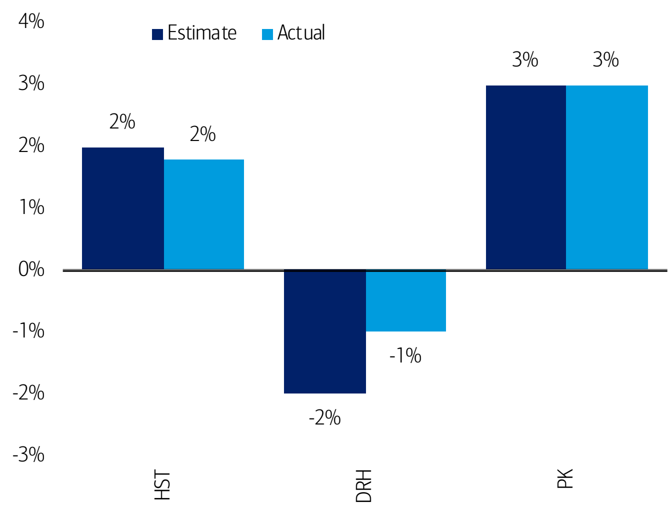
**Exhibit 6: Q3 REIT RevPAR Variance vs BofA**

HST and PK RevPAR was in-line with expectations while DRH was ahead




**Source:** Company filings, BofA Global Research

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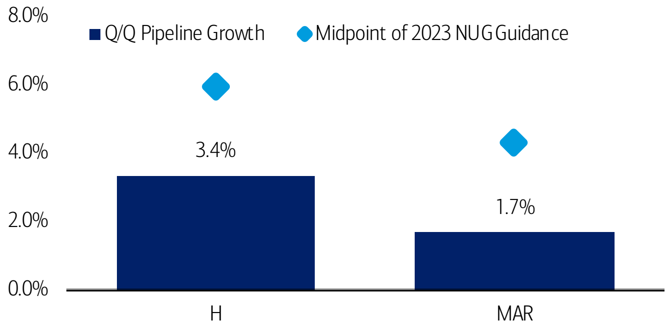
**Exhibit 7: Pipeline and NUG Growth**
C-Corp reported pipeline growth Q/Q




**Source:** Company filings, BofA Global Research

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**Exhibit 8: Summary of Est. Changes**
We tweak our models to account for recent earnings and guidance

| | 2023E | | | 2024E | | |
|---|---|---|---|---|---|---|
| | New | Old | % Chng. | New | Old | % Chng. |
| MAR | $4,594 | $4,627 | -1% | $4,956 | $4,945 | 0% |
| H | $1,188 | $1,169 | 2% | $1,225 | $1,211 | 1% |
| DRH | $271 | $270 | 0% | $254 | $258 | -2% |
| HST | $1,630 | $1,630 | 0% | $1,624 | $1,624 | 0% |
| PK | $657 | $651 | 1% | $654 | $640 | 2% |
| PLYA | $268 | $269 | 0% | $229 | $229 | 0% |

**Source:** Company filings, BofA Global Research

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**Exhibit 9: Stock Mentioned**
Stock prices and ratings mentioned in this report

| BofA Ticker | Bloomberg ticker | Company name | Price | Rating |
|---|---|---|---|---|
| APLE | APLE US | Apple Hospitality | US$ 16.86 | B-1-7 |
| DRH | DRH US | DiamondRock | US$ 8.45 | C-3-7 |
| HST | HST US | Host Hotels | US$ 16.76 | B-3-7 |
| H | H US | Hyatt Hotels | US$ 104.66 | B-1-9 |
| MAR | MAR US | Marriott Intl. | US$ 191.3 | B-1-7 |
| PK | PK US | Park Hotels & Resort | US$ 13.77 | C-2-7 |
| PLYA | PLYA US | Playa Hotels | US$ 7.45 | C-3-9 |
| RLJ | RLJ US | RLJ Lodging Trust | US$ 10.35 | B-3-7 |
| RHP | RHP US | Ryman | US$ 91.76 | C-1-9 |
| INN | INN US | Summit Hotel Prop | US$ 6.38 | C-3-7 |
| SHO | SHO US | Sunstone Hotel Inv | US$ 9.79 | B-3-7 |

**Source:** BofA Global Research

BofA GLOBAL RESEARCH

## Price objective basis & risk

### Apple Hospitality REIT Inc. (APLE)

Our $19 PO on APLE is based on approx 12x our 2024E EV/EBITDA, a slight premium to the historical averages of peers. This is supported by APLE's solid balance sheet, higher than peer margins, and better fundamentals in the early stages of the recovery.

Downside risks to our PO are 1) a longer recovery than expected, 2) a second peak of the

COVID-19 outbreak, 3) rate pressure across the industry from lower than anticipated demand.

**DiamondRock Hospitality (DRH)**
Our $9 12-month price objective is based on approximately 10x our 2024E adjusted EBITDA estimate, in-line with historical averages for the group.

Upside risks are a quicker economic recovery, which would accelerate lodging demand, resulting in above-average industry pricing and asset-level margins.The downside risks are a slower than expected recovery of the US economy and/or corporate demand, which would weigh on the travel demand DiamondRock typically attracts.

**Host Hotels & Resorts Inc. (HST)**
Our $18 PO is based on approx. 9x our 2024E adjusted EBITDA, consistent with the group's multiple range and history. We believe this multiple is warranted given HST's asset quality, best-in-class management team and significant equity market liquidity, which helps differentiate the company from peers, offset by meaningful Top 25 market exposure, particularly in urban cores that are underperforming due to the pandemic.

Risks to the upside are: 1) better-than-expected RevPAR growth, and 2) better-than-expected earnings growth from a pick up in M&A activity. Risks to the downside are: 1) a weakening in the overall economic environment, leading to lower levels of business travel and depressed leisure spending, 2) higher-than-expected room supply growth, and 3) unforeseen circumstances, such as war or acts of terrorism.

**Hyatt Hotels (H)**
Our $130 PO is based on approximately 13.5x 2024E EBITDA, 1-3 multiple turns below more asset-light peers. We view Hyatt as a way to chase the Lodging cycle recovery and see several positives: 1) majority exposure to fee-based revenue, 2) strongest net unit growth (NUG) in the sector, 3) recovery potential and operating leverage through group/corporate owned-hotel exposure, 4) incentive management fee recovery and 5) multiple expansion

Upside risks to our PO: 1) Hyatt's asset sales continue to exceed expectations 2) The acquisition of Apple Leisure Group provides additional upside 3) Group recovery and pent up demand comes back stronger than expected in 2H 22 4) Net Unit Growth continues to outperform lodging c-corp peers
Downside risks to our PO: 1) Hyatt's EBITDA to FCF conversion lags peers 2) H maintains 47% of exposure to China/APAC, which may face headwinds to COVID policies 3) COVID cases pushes return to office further out and acts as a headwind to corporate travel 4) H's more heavy exposure to the luxury segment, which has lagged the rest of the industry

**Marriott International Inc. (MAR)**
Our $225 PO is based on approx. 16x our 2024E EBITDA estimate, a premium to historical multiples for this type of hotel business but in-line with the group given the reduced volatility of the company's fee stream over time.

Downside risks to our PO are 1) greater-than-expected economic weakness, which may lead to declines in travel demand, 2) the potential for terrorism, which may make individuals more reluctant to travel, 3) greater-than-expected delays in new hotel development, which may slow growth in Marriott's system, and 4) worse-than-expected business/consumer spending, which may lead to declines in overall travel demand.

**Park Hotels & Resorts Inc. (PK)**
Our $15 PO is based on 9x our 2024E adjusted EBITDA estimate, which is in-line with peers and consistent with historical Lodging REIT trading levels.

Risks to the upside are: 1) better than expected RevPAR growth, and 2) better than expected macroeconomic conditions and accelerated corporate demand recovery. Risks to the downside are: 1) weakening in the overall economic environment leading to a delay in the re-starting of business travel and depressed leisure spending, 2) a resurgence in cases of COVID-19 both of which can delay Park's RevPAR recovery.

**Playa Hotels & Resorts (PLYA)**
Our $8 price objective is based on 9x 2024E EBITDA, which remains largely in-line with the company's avg. historical 9x one-year forward EBITDA.

Upside risks to our price objective are: 1) uptick in visitation to the Caribbean during the Covid recovery is more sustainable than we expect 2) the Caribbean lodging market holds pricing integrity better than it has historically and 3) margin expansion from channel mix shift to direct distribution.

Downside risks to our price objective are: 1) new supply coming online, particularly in Cancun challenging rate integrity, 2) uptick in number of hard-to-underwrite exogenous shocks, such as hurricanes and tropical storms, Zika virus, and tourist safety concerns and 3) increased operational and financial risk factors resulting in internal control weaknesses.

**RLJ Lodging Trust (RLJ)**
Our $12 PO is based on approximately 9x our 2024E EBITDA forecast, in line with lodging REIT peers.

Upside risks to our PO are: 1) an accelerating RevPAR environment, driven by better macroeconomic data, 2) greater-than-expected margin expansion, and 3) accretive acquisitions.

Downside risks to our PO are: 1) a longer than expected recovery, 2) a second wave of the COVID-19 outbreak, 3) structural decline in urban gateway lodging demand, and 4) rate pressure across the industry from lower than anticipated demand.

**Ryman Hospitality Properties (RHP)**
Our $100 price objective is based on approximately 13x multiple on our 2024E EBITDA forecast, in line with trading peers. We think this multiple is justified by RHP's growth opportunities, relatively attractive valuation and significant group exposure which we expect to perform solidly once a therapeutic/vaccine is available to the general public.

Downside risks: 1) further weakening of macro trends, 2) a resurgence in cases of COVID-19, and 3) threat/acts of terrorism.

**Summit Hotel Properties (INN)**
Our $10.00 PO for INN is based on approx 10.5x our 2024E EV/EBITDA, a premium to INN and limited service historical averages. This is supported by INN's above average margins, breakeven occupancies and ability to recover ahead of peers in this new cycle.

Upside risks to our PO: 1) quicker than expected recovery, 2) better than anticipated hotel-level economics. Downside risks to our PO: 1) a longer than expected recovery in occupancy, 2) a second peak in COVID-19 cases in the United States, and 3) higher financial leverage than peers which adds risk in a decelerating RevPAR environment and impacts INN's ability to reinstate its dividend in a slower than expected recovery.

**Sunstone Hotel Investors (SHO)**
Our $10 price objective is based on approx 12x our 2024E adjusted EBITDA estimate versus SHO's historical range of 6-17x, which is in-line with peers and consistent with

historical Lodging REIT trading levels.

Upside risks to our price objective are: 1) accretive acquisitions and 2) a better than expected economic recovery. Downside risks to our PO are: 1) greater-than-expected economic weakness, which may lead to further declines in travel demand, 2) overpaying for hotel acquisitions, and 3) acts or threats of terrorism.

## Analyst Certification

We, Shaun C. Kelley and Dany Asad, 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.

**US - Gaming, Lodging and Leisure Coverage Cluster**

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---|---|---|---|---|
| **BUY** | | | | |
| | Apple Hospitality REIT Inc. | APLE | APLE US | Dany Asad |
| | Boyd Gaming Corp | BYD | BYD US | Shaun C. Kelley |
| | Choice Hotels International | CHH | CHH US | Dany Asad |
| | DraftKings, Inc. | DKNG | DKNG US | Shaun C. Kelley |
| | Hilton Worldwide | HLT | HLT US | Shaun C. Kelley |
| | Hyatt Hotels | H | H US | Shaun C. Kelley |
| | Marriott International Inc. | MAR | MAR US | Shaun C. Kelley |
| | Ryman Hospitality Properties | RHP | RHP US | Shaun C. Kelley |
| | Soho House & Co Inc | SHCO | SHCO US | Shaun C. Kelley |
| | Vail Resorts, Inc | MTN | MTN US | Shaun C. Kelley |
| | VICI Properties | VICI | VICI US | Shaun C. Kelley |
| | Wyndham Hotels & Resorts, Inc. | WH | WH US | Dany Asad |
| **NEUTRAL** | | | | |
| | Caesars Entertainment Inc | CZR | CZR US | Shaun C. Kelley |
| | Hilton Grand Vacations Inc | HGV | HGV US | Dany Asad |
| | Las Vegas Sands | LVS | LVS US | Shaun C. Kelley |
| | Marriott Vacations Worldwide | VAC | VAC US | Shaun C. Kelley |
| | MGM Resorts International | MGM | MGM US | Shaun C. Kelley |
| | Park Hotels & Resorts Inc. | PK | PK US | Dany Asad |
| | Pebblebrook Hotel Trust | PEB | PEB US | Shaun C. Kelley |
| | Penn Entertainment | PENN | PENN US | Shaun C. Kelley |
| | Wynn Resorts Ltd | WYNN | WYNN US | Shaun C. Kelley |
| **UNDERPERFORM** | | | | |
| | DiamondRock Hospitality | DRH | DRH US | Dany Asad |
| | Gaming & Leisure Properties, Inc. | GLPI | GLPI US | Shaun C. Kelley |
| | Host Hotels & Resorts Inc. | HST | HST US | Shaun C. Kelley |
| | Playa Hotels & Resorts | PLYA | PLYA US | Shaun C. Kelley |
| | Red Rock Resorts, Inc. | RRR | RRR US | Shaun C. Kelley |
| | RLJ Lodging Trust | RLJ | RLJ US | Dany Asad |
| | Sportradar Holding AG | SRAD | SRAD US | Shaun C. Kelley |
| | Summit Hotel Properties | INN | INN US | Dany Asad |
| | Sunstone Hotel Investors | SHO | SHO US | Dany Asad |
| | Travel + Leisure Co | TNL | TNL US | Dany Asad |

# Disclosures

## Important Disclosures

**Equity Investment Rating Distribution: Leisure Group (as of 30 Sep 2023)**

| Coverage Universe | Count | Percent | Inv. Banking Relationships R1 | Count | Percent |
|---|---|---|---|---|---|
| Buy | 16 | 57.14% | Buy | 8 | 50.00% |
| Hold | 7 | 25.00% | Hold | 5 | 71.43% |
| Sell | 5 | 17.86% | Sell | 3 | 60.00% |

**Equity Investment Rating Distribution: Leisure - Hotel/Lodging Group (as of 30 Sep 2023)**

| Coverage Universe | Count | Percent | Inv. Banking Relationships R1 | Count | Percent |
|---|---|---|---|---|---|
| Buy | 16 | 61.54% | Buy | 12 | 75.00% |
| Hold | 3 | 11.54% | Hold | 2 | 66.67% |
| Sell | 7 | 26.92% | Sell | 5 | 71.43% |

**Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)**

| Coverage Universe | Count | Percent | Inv. Banking Relationships R1 | Count | Percent |
|---|---|---|---|---|---|
| Buy | 1869 | 53.48% | Buy | 1046 | 55.97% |
| Hold | 828 | 23.69% | Hold | 461 | 55.68% |
| Sell | 798 | 22.83% | Sell | 370 | 46.37% |

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.

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