

Latam Equity Quant

Searching for a place to hide

Investment Strategy

Key takeaways

- Higher rates continue to pressure equity markets: Ibov is down -0.7% this week, Mexbol -2%. US10Y real rate was up 23bps.
- Ibov ex-commodities trading at 20% discount vs historicals, biggest discount since Apr-23.
- BZ equity funds had R\$0.3bn in outflows last week, compared to an avg of -R\$1bn/week outflows YTD.

Last week in numbers

Ibovespa is down -0.7% this week vs Mexbol -2%, LatAm -1.6%, SPX -1.1%, EM -2.1% in USD terms, total return.

Higher rates continue to pressure equity markets. This week, US10Y real rate was up 23bps. Higher US rates are the biggest tail risk for LatAm in our [LatAm FMS](#).

Consumer names continue to underperform in BZ. In the past week, C. Discretionary -10.3%, C. Staples -6.8%, Materials -3.6%, Financials -2.6%. Energy was the biggest outperformer, up +2.1% (see Exhibit 2 and Exhibit 3).

Technicals and valuations show light positioning. Ibov ex-commodities now trades at around 20% disc. to hist (highest discount since Apr-23, Exhibit 5). Mexbol is currently trading at 24% disc. to hist. (Exhibit 6). [LatAm FMS](#), shows low risk taking and high cash levels (Exhibit 16). C. Discretionary is the most underweight sector.

BZ equity funds had R\$0.3bn outflows last week, compared to an average of R\$1bn outflows/week YTD (Exhibit 11). Local hedge funds had R\$4.3bn in outflows last week (Exhibit 11), above the YTD average of R\$1.7bn outflows/week YTD.

Global EM equity funds had US\$0.6bn outflows this week (Exhibit 14). We saw only US\$1.2bn cumulative inflows to EM in the past 8 weeks (compared to an avg. of US\$2.2bn/week inflows YTD). Since May-23, almost all inflows into EM funds went to China. YTD, EM equity funds had US\$90.6bn inflows.

We saw R\$7bn foreign inflows to Brazil exchange in October (all into futures). Flows into BZ exchange are positive in 2023: +R\$23bn inflows (cash + futures + IPO/follow-ons).

See the latest [Flows to Know](#) for details.

20 October 2023

Investment Strategy
Latin America

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Exhibit 1: LatAm Earnings Revision Ratio

Earnings Revision Ratio = #Up Revisions / #Down Revisions. Brazil ERR at 0.8. Sector details in Exhibit 24.

LatAm countries	Aug-23	Sep-23
Argentina	3.6	2.6
Brazil	0.8	0.8
Chile	0.8	0.8
Colombia	0.6	0.6
Mexico	0.8	0.8
Peru	0.7	0.9
LatAm	0.8	0.8

Source: BofA Global Research, Factset, Bloomberg
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BZ = Brazil

EM = Emergent Markets

ERR = Earnings Revision Ratio

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Refer to important disclosures on page 16 to 18.

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Timestamp: 20 October 2023 05:30AM EDT

Exhibit 2: Top-20 best performers within Ibovespa WTD

Energy was the biggest outperformer this week

Name	Ticker	Sector	% Chg
Petroleo Brasileiro SA	PETR4 BS	Energy	9%
Petroleo Brasileiro SA	PETR3 BS	Energy	8%
PRIO SA/Brazil	PRI03 BS	Energy	5%
Cielo SA	CIEL3 BS	Financials	4%
3R PETROLEUM OLEO E GAS SA	RRRP3 BS	Energy	2%
Embraer SA	EMBR3 BS	Industrials	2%
TIM SA/Brazil	TIMS3 BS	Communication	1%
Banco do Brasil SA	BBAS3 BS	Financials	1%
Petroreconcavo S/A	RECV3 BS	Energy	0%
BB Seguridade Participacoes SA	BBSE3 BS	Financials	0%
Ultrapar Participacoes SA	UGPA3 BS	Energy	0%
Klabin SA	KLBN11 BS	Materials	0%
Transmissora Alianca de Energi	TAE11 BS	Utilities	-1%
CSN Mineracao SA	CMIN3 BS	Materials	-1%
Energisa S/A	ENGI11 BS	Utilities	-1%
JBS S/A	JBSS3 BS	Consumer Staples	-1%
Suzano SA	SUZB3 BS	Materials	-1%
Telefonica Brasil SA	VIVT3 BS	Communication	-1%
Raizen SA	RAIZ4 BS	Energy	-2%
Banco Bradesco SA	BBDC4 BS	Financials	-2%

Source: Bloomberg

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Exhibit 3: Top-20 worst performers within Ibovespa WTD

Rate-sensitive names among worst performances WTD

Name	Ticker	Sector	% Chg
Pet Center Comercio e Particip	PETZ3 BS	Consumer Discretionary	-8%
YDUQS Participacoes SA	YDUQ3 BS	Consumer Discretionary	-9%
B3 SA - Brasil Bolsa Balcao	B3SA3 BS	Financials	-9%
Cogna Educacao SA	COGN3 BS	Consumer Discretionary	-9%
Dexco SA	DXCO3 BS	Materials	-9%
Marfrig Global Foods SA	MRFG3 BS	Consumer Staples	-10%
Atacadao SA	CRFB3 BS	Consumer Staples	-10%
Iguatemi SA	IGTI11 BS	Real Estate	-10%
Hapvida Participacoes e Invest	HAPV3 BS	Health Care	-10%
Sendas Distribuidora S/A	ASAI3 BS	Consumer Staples	-10%
Locaweb Servicos de Internet S	LWSA3 BS	Information Technology	-10%
Vamos Locacao de Caminhoes Maq	VAMO3 BS	Industrials	-11%
Ez Tec Empreendimentos e Parti	EZTC3 BS	Consumer Discretionary	-11%
GRUPO DE MODA SOMA SA	SOMA3 BS	Consumer Discretionary	-12%
Arezzo Industria e Comercio SA	ARZZ3 BS	Consumer Discretionary	-12%
MRV Engenharia e Participacoes	MRVE3 BS	Consumer Discretionary	-13%
CVC Brasil Operadora e Agencia	CVCB3 BS	Consumer Discretionary	-16%
Magazine Luiza SA	MGLU3 BS	Consumer Discretionary	-16%
Natura & Co Holding SA	NTCO3 BS	Consumer Staples	-16%
Grupo Casas Bahia SA	BHIA3 BS	Consumer Discretionary	-18%

Source: Bloomberg

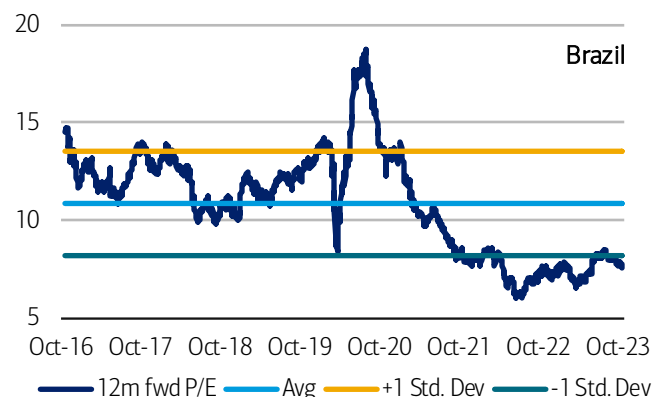
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LatAm valuation

Exhibit 4: Ibovespa P/E ratio (12m fwd)

Trading at 1 Std Dev below historical average, mostly driven by commodities.

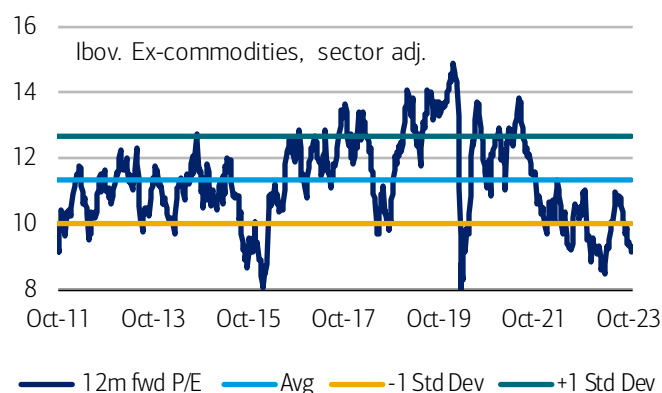


Source: BofA Global Research, Bloomberg

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Exhibit 5: Ibovespa P/E ratio (12m fwd, sector adjusted ex. commodities)

Ibov ex-commodities at 20% discount vs hist.



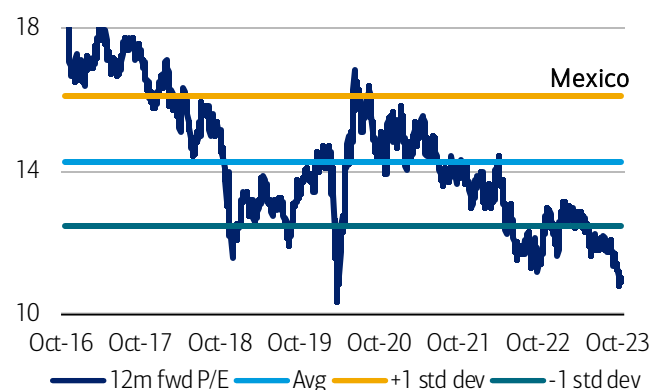
Note: Sector weights were adjusted and kept constant through time.

Source: BofA Global Research, Bloomberg

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Exhibit 6: Mexbol P/E ratio, Oct-16 to Oct-23

Trading at more than 1 Std Dev below historical average.

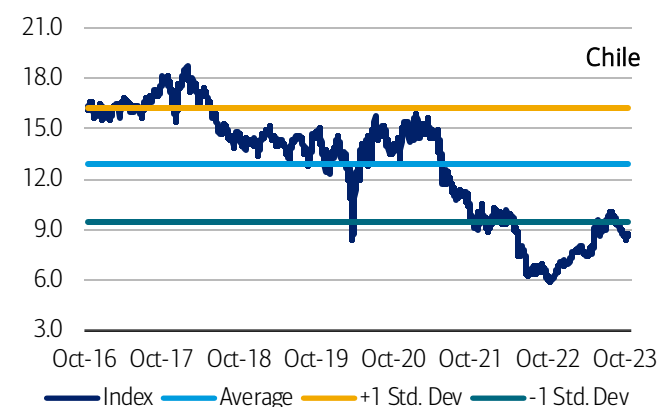


Source: BofA Global Research, Bloomberg

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Exhibit 7: IPSA P/E ratio, Oct-16 to Oct-23

Trading at more than 1 Std Dev below historical average.

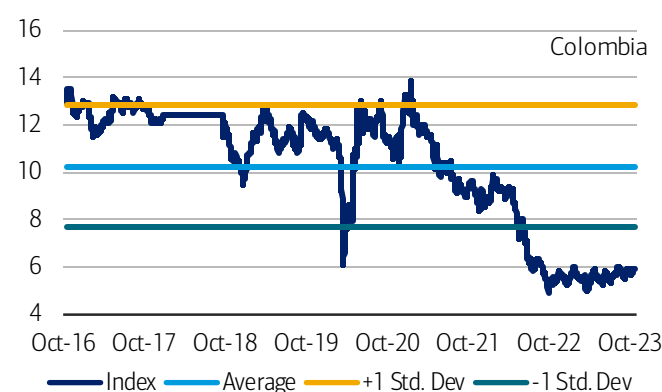


Source: BofA Global Research, Bloomberg

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Exhibit 8: Colcap P/E ratio, Oct-17 to Oct-23

Trading more than 1 Std Dev below historical average.



Source: BofA Global Research, Bloomberg

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Exhibit 9: Valuation summary

Brazil 30% discounted vs hist.

Country	Index	Current	Average	Std. Dev	Prem. to Hist	Prem. to EM*
Brazil	Ibov	7.6	10.9	2.7	-30%	-35%
BZ	Ex-commod.	9.1	11.3	1.3	-20%	-20%
Mexico	Mexbol	10.8	14.3	1.8	-24%	-6%
Chile	Ipsa	8.6	12.9	3.4	-33%	-25%
Peru	SPBLPGPT	8.3	12.2	2.6	-32%	-17%
Colombia	Colcap	6.0	10.3	2.6	-42%	-56%
Argentina	Merval	12.8	10.2	2.9	25%	-51%
EM	MXEF	11.4	12.2	1.2	-6%	-

Source: BofA Global Research, Bloomberg

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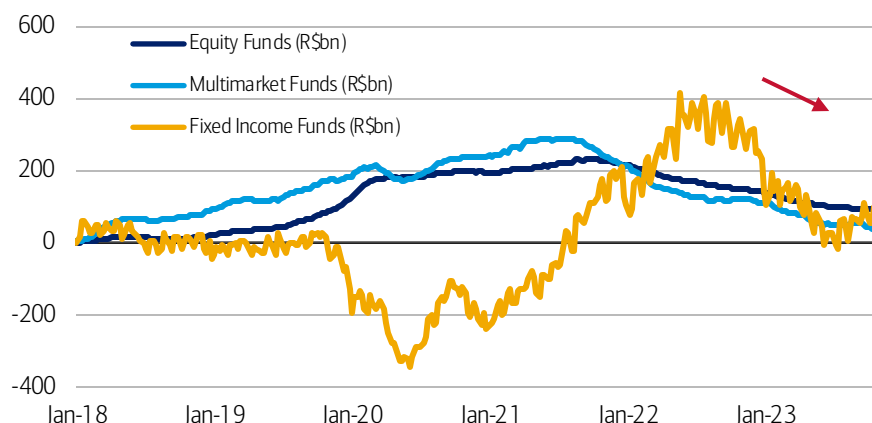


Flows & Positioning

Brazil flows

Exhibit 10: Cumulative flows into Brazil local fixed income, equity funds and local multimarket (hedge) funds (R\$b) (R\$b)

Outflows from Brazil local equity and multimarket funds are slowing down in 2023.



Source: BofA Global Research, Economática

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Exhibit 11: Equity and Multimarket funds weekly flows (R\$m) (Brazil local funds)

Flow picture is improving in 2023

Equity and Multimarket funds weekly flows (R\$m)

Fund type (R\$m)	AUM	18-Aug	25-Aug	1-Sep	8-Sep	15-Sep	22-Sep	29-Sep	6-Oct	13-Oct	20-Oct*	2023	2022
Equity Funds	232,200	-465	-213	156	-401	662	-520	-255	-374	-170	-364	-31,063	-42,836
Foreign Investments	101,200	-32	57	-870	-176	-27	-59	-137	-129	194	-30	-4,445	-18,740
Ibovespa Active	42,382	-163	-142	-50	-71	-85	-57	-20	-102	-23	-14	-7,514	-16,714
Sector	9,626	-11	-20	-11	10	49	13	50	27	74	31	403	-1,860
Value / Growth	16,956	-10	-62	-221	8	-71	12	-157	-27	-76	-19	-4,131	-6,745
Dividends	12,039	4	80	92	92	128	32	67	3	2	-2	-1,355	-434
Ibovespa Passive	10,981	-116	61	131	6	28	45	-9	-52	-60	-36	-534	-2,932
Small Caps	5,447	-10	72	49	26	24	46	56	77	10	-2	-348	-2,243
Single Stocks	9,887	-13	-20	-11	-29	-22	2	-3	-2	-19	4	-695	-2,225
ESG	144	0	-1	0	0	-1	0	-1	-1	-1	0	-25	-366
Equity Funds (Total)	440,863	-817	-187	-736	-535	686	-487	-408	-580	-68	-432	-49,707	-95,096
Equity Funds (Total ex. Foreign Invest.)	339,663	-785	-244	134	-359	713	-428	-271	-450	-262	-403	-45,262	-76,355
Multimarket	839,660	2,947	2,959	2,774	-677	-429	-1,550	-1,496	235	-2,301	-495	-22,961	-69,300
Foreign Investments	834,591	692	1,641	3,892	19	-66	-229	698	-3,402	1,019	463	-21,508	-22,102
Macro	246,389	-778	-700	-1,022	-974	-474	-2,920	-1,515	-992	-1,408	-1,491	-41,722	-14,754
Dynamic Multimarket	49,434	95	-187	-126	138	-273	-248	-253	-282	-350	-310	-4,616	-16,130
Specific Strategy	67,476	153	68	2	-119	181	52	-49	-260	-91	1	1,767	-2,279
Long/Short Directional	7,730	-6	-28	-33	-258	-123	-44	-15	-28	-14	-79	-2,152	-3,384
Balanced	12,100	-26	-1	-42	15	8	-9	-181	9	-61	1	-795	-54
Trading	3,754	-6	-16	-4	-6	-13	-21	-5	-15	-10	-2	-512	-1,154
Long/Short Neutral	2,398	-15	-23	11	-10	6	-16	-3	6	8	-3	-329	-527
Protected Capital	760	13	5	0	0	-1	0	-1	-1	-2	-1	82	-196
Multimarket Funds (Total)	2,064,292	3,068	3,716	5,452	-1,873	-1,185	-4,985	-2,821	-4,731	-3,211	-1,916	-92,747	-129,878
Multimarket Funds (Total ex. Foreign Invest.)	1,229,701	2,376	2,076	1,559	-1,891	-1,119	-4,756	-3,518	-1,328	-4,230	-2,380	-71,239	-107,777

(*) Preliminary data, up to Wednesday.

Source: Economática

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Exhibit 12: Fixed Income funds weekly flows (R\$bn) (Brazil local funds)

Brazil local fixed income funds had inflows in Aug-23.

Fixed Income funds weekly flows

Fund type	AUM	22-Sep	29-Sep	6-Oct	13-Oct	20-Oct*	YTD
FI Short Duration - Invest. Grade	945	-2.5	5.3	0.4	-4.8	-0.2	-94.5
FI Short Duration Govt	872	-24.2	-22.5	7.4	24.2	-2.5	55.5
FI All Duration Credit	324	3.1	3.9	5.6	6.8	0.2	37.5
FI All Duration - Invest. Grade	744	6.4	-5.4	-5.4	5.4	-2.3	-21.3
FI All Duration Govt	238	0.1	-4.1	-3.3	3.5	0.1	6.0
FI (Broad)	379	-6.4	-8.9	-5.3	13.2	0.0	14.1
Other	508	-0.3	-1.4	0.7	0.4	-0.2	-2.8
Fixed Income (Total) Ex. Foreign Invest.	4,005	-24	-33	0	49	-5	-5

(*) Preliminary data, up to Wednesday.

Source: Economica

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Exhibit 13: Foreign flow to B3 (R\$bn), Nov-22 to Oct-23

Flows are positive YTD

Month	Futures	Cash	IPO/follow-on	TOTAL
Nov-22	5	3	0	8
Dec-22	-4	14	1	12
Jan-23	6	13	0	19
Feb-23	-9	-2	0	-11
Mar-23	-2	-2	2	-3
Apr-23	3	3	1	6
May-23	-6	-4	0	-10
Jun-23	-7	10	4	7
Jul-23	3	7	3	13
Aug-23	-3	-13	3	-13
Sep-23	10	-2	0	8
Oct-23	7	0	0	7
12M Cumulative	4	26	14	43
2023 YTD	2	9	12	23
2022	-2	101	17	116
2021	27	-7	44	64

Source: B3, Bloomberg

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Global flows**Exhibit 14: Cumulative flows into EM equity funds (US\$bn), 2018-2023**

EM equity funds had outflows this week. US\$90.6bn YTD



Source: EPFR

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Exhibit 15: Weekly flows to LatAm and EM funds (US\$mnn)

EM equity funds had outflows this week. US\$90.6bn YTD.

Region	Week	% Current Assets	4 Weeks	% Current Assets	YTD	% Current Assets
LatAm	(23)	-0.2%	46	0.5%	751	8.3%
Brazil	83	0.6%	(186)	-1.2%	(258)	-1.7%
Mexico	(38)	-0.4%	45	0.5%	320	3.7%
Andean	(1)	0.0%	(23)	-0.8%	(46)	-1.6%
LatAmTotal	15	0.0%	(126)	-0.4%	785	2.2%
China	233	0.0%	1,600	0.1%	72,487	5.0%
EM Total	(571)	0.0%	(4,647)	-0.3%	90,616	6.3%

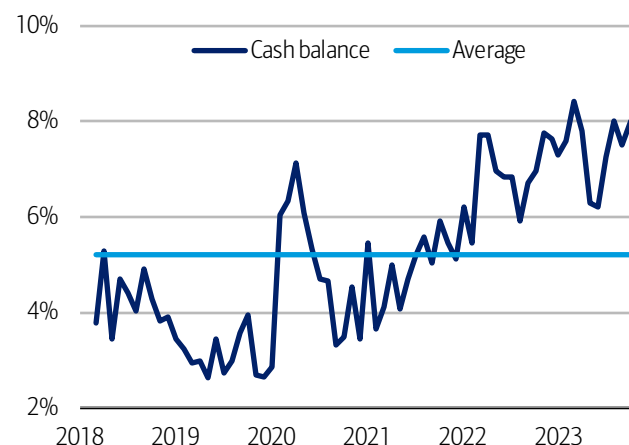
Source: EPFR

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LatAm positioning

Exhibit 16: Average cash position (2018-2023)

Cash levels at 8% in Oct-23, above hist avg (5%).

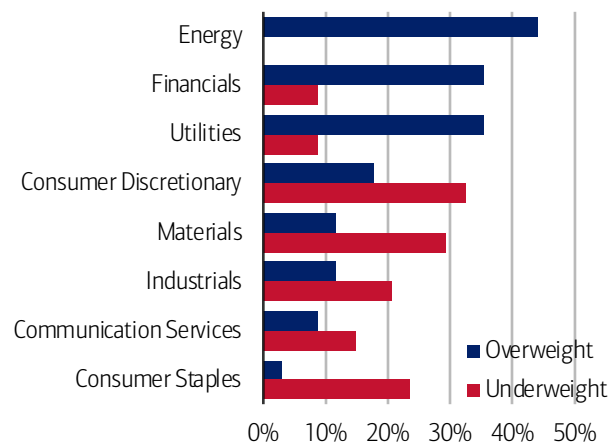


Source: LatAm Fund Manager Survey

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Exhibit 17: Which sectors among equities are you most underweight?

Participants are more underweight C.Discretionary, C.Staples, Materials, Industrials and Communication than they are overweight.



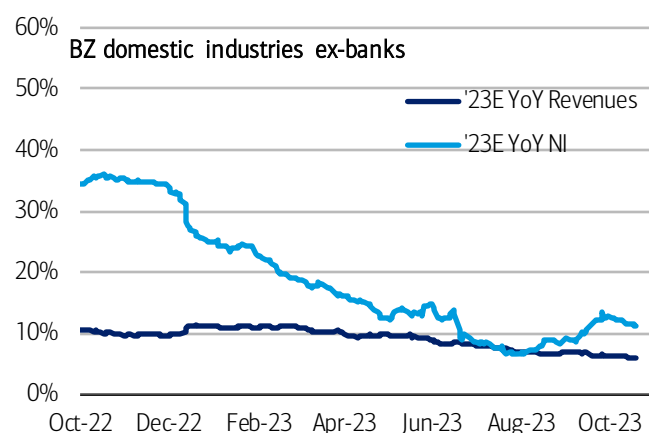
Source: LatAm Fund Manager Survey

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Consensus Earnings Revisions for Brazil

Exhibit 18: Brazil domestic industries: consensus revised NI downwards but still expected at 11% YoY growth

Brazil domestic industries (ex-banks) revenues vs NI consensus estimates (2023E YoY growth).



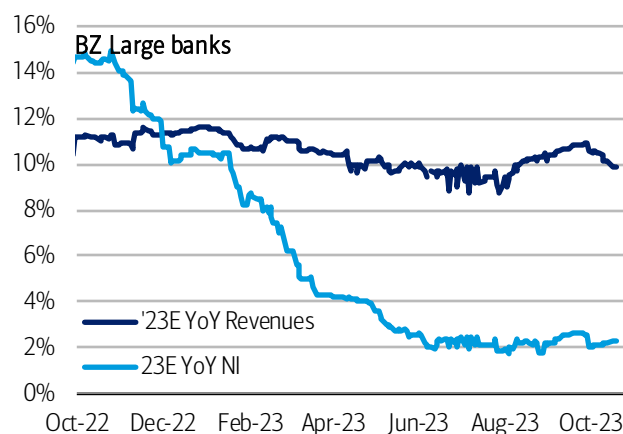
Consensus estimates.

Source: Bloomberg, BofA Global Research

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Exhibit 19: Brazil Banks: consensus revised NI downwards since Nov-22, but still expected at +2% YoY for 2023.

BZ large banks revenues vs NI consensus estimates (2023E YoY growth).



Consensus estimates.

Source: Bloomberg, BofA Global Research

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Earnings Revision Ratio (ERR)

The Earnings Revision Ratio measures the number of revisions for which the consensus EPS estimate has risen versus the number for which it has fallen.

An ERR above 1 means more upwards revisions than downwards revisions. However, historically analysts tend to start overly optimistic and do more downwards revisions down the line. As a result, **the overall historical average of the 3-month ERR is close to 0.8**

Exhibit 20: LatAm 3-month ERR – country details

Brazil 3-month ERR at 0.4 in Sep-23.

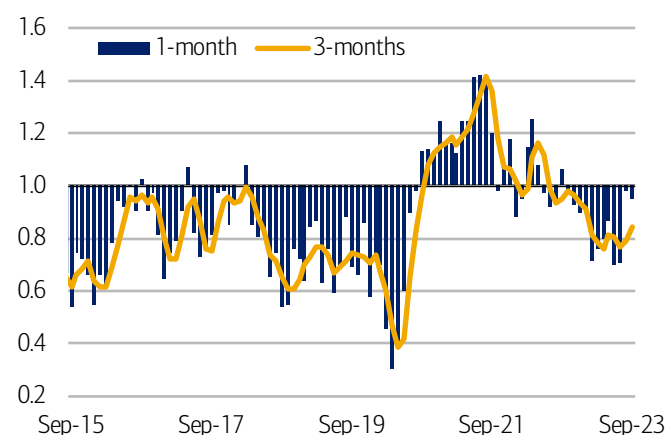
LatAm countries	12m Avg	Jul-23	Aug-23	Sep-23	1M Chg in 3M ERR
Argentina	2.5	4.5	3.6	2.6	-1.07
Brazil	0.7	0.7	0.8	0.8	0.04
Chile	0.8	0.9	0.8	0.8	0.00
Colombia	0.7	0.6	0.6	0.6	0.05
Mexico	1.0	0.8	0.8	0.8	0.05
Peru	0.8	0.6	0.7	0.9	0.20
LatAm	0.8	0.8	0.8	0.8	0.05

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 21: LatAm Earnings Revision Ratio (Sep 15-Sep 23)

3-month ERR at 0.8 in Sep-23.

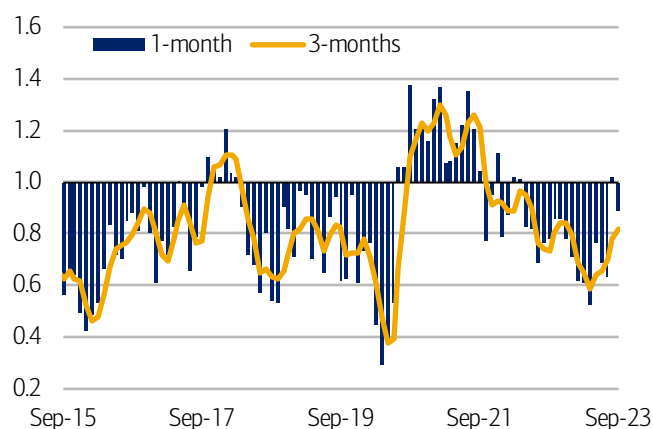


Source: BofA Global Research, Factset, Bloomberg

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Exhibit 23: Brazil Earnings Revision Ratio (Sep 15-Sep 23)

Communication and Financials show highest ERR in August.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 22: LatAm 3-month ERR – sector details

Financials and HC show the highest ERR (1.6 and 1.5 respectively).

LatAm sectors	12m Avg	Jul-23	Aug-23	Sep-23	1M Chg in 3M ERR
C. Discretionary	0.8	0.8	1.0	1.0	-0.04
C. Staples	0.8	0.7	0.7	0.6	-0.09
Energy	0.8	0.8	0.8	0.9	0.17
Financials	1.5	1.3	1.6	1.6	0.01
Health Care	0.6	0.7	1.3	1.5	0.21
Industrials	0.9	0.7	0.7	0.7	0.01
IT	1.3	1.8	1.1	1.0	-0.16
Materials	0.7	0.5	0.5	0.5	0.07
Real Estate	1.0	0.9	0.9	1.1	0.19
Communication	0.7	0.6	0.8	1.0	0.20
Utilities	1.1	1.1	1.0	1.2	0.25
LatAm	0.8	0.8	0.8	0.8	0.05

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 24: Brazil 3-month ERR – sector details

Communication and Financials show highest ERR in August.

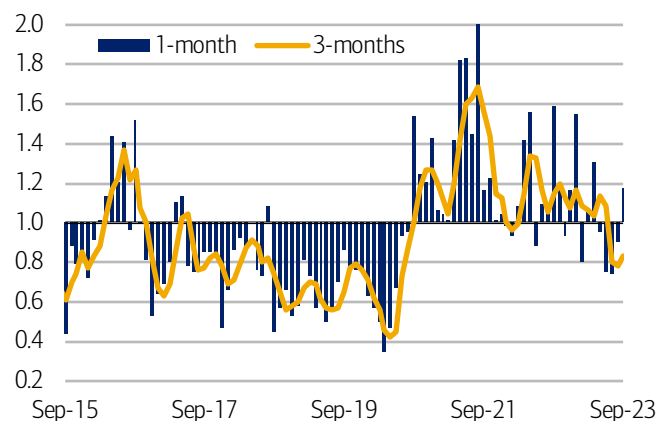
Brazil sectors	12m Avg	Jul-23	Aug-23	Sep-23	1M Chg in 3M ERR
C. Discretionary	0.6	0.6	0.8	0.9	0.07
C. Staples	0.6	0.7	0.8	0.6	-0.15
Energy	0.8	0.7	0.8	1.0	0.13
Financials	1.2	1.4	1.9	1.8	-0.01
Health Care	0.5	0.5	1.2	1.4	0.26
Industrials	0.8	0.8	0.9	0.8	-0.11
IT	1.3	2.1	1.2	1.0	-0.14
Materials	0.6	0.3	0.3	0.4	0.07
Real Estate	1.3	1.1	0.9	1.6	0.69
Communication	1.7	1.6	3.0	6.0	3.00
Utilities	0.9	0.7	0.8	1.0	0.26
Brazil	0.7	0.7	0.8	0.8	0.04

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 25: Mexico Earnings Revision Ratio (Sep 15-Sep 23)

Financials has the highest ERR in Mexico (2 in September).



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 26: Mexico 3-month ERR – sector details

Financials has the highest ERR in Mexico (2 in September).

Mexico sectors	12m Avg	Jul-23	Aug-23	Sep-23	1M Chg in 3M ERR
C. Discretionary	1.2	1.0	1.0	0.8	-0.21
C. Staples	1.3	0.7	0.8	0.7	-0.05
Energy	NA	NA	NA	NA	NA
Financials	3.3	1.8	1.7	2.0	0.36
Health Care	NA	NA	NA	NA	NA
Industrials	1.2	0.5	0.5	0.6	0.12
IT	NA	NA	NA	NA	NA
Materials	0.8	0.7	0.6	0.7	0.05
Real Estate	0.9	0.7	0.8	0.8	-0.02
Communication	0.5	0.4	0.6	1.0	0.44
Utilities	NA	NA	NA	NA	NA
Mexico	1.0	0.8	0.8	0.8	0.05

Source: BofA Global Research, Factset, Bloomberg

BofA GLOBAL RESEARCH

ERR methodology

The Earnings Revision Ratio (ERR) is calculated as follows: $ERR = \frac{\text{\#Up Revisions}}{\text{\#Down Revisions}}$, where:

Up Revisions = All instances when an analyst revises an estimate up.

Down Revisions = All instances when an analyst revises an estimate down.

We look at 1-Month and 3-Month ERRs; the former may anticipate market turns, while the latter is less volatile. Each company may contribute more than once as the total number of analyst revisions are considered. A company covered by several analysts will have a higher weight in the ratio.

The considered universe is composed of all companies within our current LatAm Coverage countries (Argentina, Brazil, Chile, Colombia, Mexico and Peru). A company will be included in the sample if at least one of the following variables is listed as one of said countries: country of risk, country of incorporation, country of registration, country of Headquarters, and country of top revenue. Panama's Copa Holdings is the only exception to the rule and was also added to the sample. Number of companies with at least one revision in the last 12 months: Argentina: 35, Brazil: 185, Chile: 37, Colombia: 20, Mexico: 106, Peru: 19.

Stock screens

Exhibit 27: Value screen

Within this screen, homebuilders, food-commodities and oil have the best performance YTD.

Company	Country	Industry	BBG Ticker	BofA Ticker	P/E 2023E	P/E 2024E	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Pampa energia	AR	Electric Utilities	PAM US	PAM	0.7	0.6	1.6	0%	30%
Metalurgica Gerdau	BZ	Steels	GOAU4 BZ	MZGPF	3.6	4.8	0.4	-11%	-21%
Copa	CO	Airlines	CPA US	CPA	5.5	5.2	0.7	-12%	-1%
Petro-Rio	BZ	Oil & Gas Producers	PRIO3 BZ	HRTPF	7.3	5.3	1.5	2%	34%
Petrobras PN	BZ	Oils	PETRA BZ	PTBFB	4.5	5.3	0.7	12%	56%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	5.5	5.4	1.4	-9%	5%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	6.2	5.8	0.5	-6%	-27%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	6.2	5.8	1.2	-8%	7%
SQM	CL	Fertilizers	SQM US	SQM	5.6	6.0	0.2	-10%	-33%
Ternium	MX	Steels	TX US	TX	5.1	6.3	-0.8	-4%	25%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	4.4	6.3	0.5	-11%	-22%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	6.4	6.4	1.5	6%	9%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	6.9	6.4	0.8	-9%	-22%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	6.3	6.7	1.7	-3%	25%
Cyrela	BZ	Homebuilders	CYRE3 BZ	XCBMF	8.2	7.1	0.5	-14%	41%
GMexico	MX	Non-Ferrous-Mining	GMEXICOB MM	GMBXF	10.8	7.8	0.4	-8%	12%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	8.0	8.2	1.6	-7%	-1%
Sao Martinho	BZ	Food-Commodities	SMT03 BZ	SRTOF	11.1	8.8	1.8	-8%	41%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	9.4	8.9	1.9	5%	-13%
Prom y Oper Infra	MX	Toll Road Operators	PINFRA* MM	PYOIF	10.8	9.3	-0.8	-5%	-3%
Median								-7%	6%

Source: BofA Global Research, Bloomberg.

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. 2021E and 2022E fwd P/E ratio below MSCI LatAm median P/E. Net Debt/EBITDA <2 (this condition is ignored for Financials). If results exceed 20 companies, those with the lowest 2022E P/E ratio are selected. Fundamental ratings are not part of the screening criteria. 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 decision. Fundamental ratings are not part of the screening criteria.

BofA GLOBAL RESEARCH

Exhibit 28: Growth screen

Many traditional retail and e-commerce names in this screen.

Company	Country	Industry	BBG Ticker	BofA Ticker	P/E 2024E	Div. Yield 2023E	30D Performance (local crncy)	YTD Performance (local crncy)
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	55.0	0%	-35%	-40%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	47.2	0%	9%	24%
Mercado Libre	BZ	Internet/e-Commerce	MELI US	MELI	42.1	0%	-10%	43%
Omega Geração	BZ	Renewable Energy	MEGA3 BZ	XZQAF	37.2	0%	-16%	-9%
Raia Drogasil	BZ	Drug Store Chains	RADL3 BZ	RAIAF	28.2	1%	-1%	17%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	25.7	2%	-5%	-11%
Rumo Logística	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	20.2	0%	-8%	18%
TOTVS	BZ	Server & Enterprise Software	TOTS3 BZ	XBEGF	19.6	1%	-3%	-6%
Vesta	MX	Real Estate/Property	VESTA* MM	VESTF	18.5	3%	-9%	21%
Falabella	CL	Retailing-Broadline/Department Stores	FALAB CI	XDIYF	18.4	1%	-9%	15%
Alsea	MX	Restaurants	ALSEA* MM	ALSSF	17.4	0%	1%	68%
Alpargatas	BZ	Footwear	ALPA4 BZ	SRDDF	17.2	0%	-7%	-50%
FEMSA	MX	Brewers	FEMSAUBD MM	FMXUF	16.7	2%	-1%	23%
AES Brasil	BZ	Electric Utilities	AESB3 BZ	XDFDF	16.1	2%	-8%	9%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	16.0	0%	-17%	9%
Bimbo	MX	Bakers	BIMBOA MM	GRBMF	16.0	1%	-9%	-8%
Ultrapar	BZ	Oil Refining & Marketing	UGPA3 BZ	XLRFU	16.0	3%	5%	57%
Gruma	MX	Food Producers	GRUMAB MM	GPAGF	15.9	2%	-1%	10%
Energisa	BZ	Utilities-Other	ENGI11 BZ	XLXGF	15.9	3%	-9%	3%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	15.2	0%	-19%	-31%
Median							-8%	10%

Source: BofA Global Research, Bloomberg.

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. 2021E and 2022E fwd P/E ratio above MSCI LatAm median P/E. Dividend yield (2022E) below MSCI LatAm dividend yield. If results exceed 20 companies, those with the highest 2022E P/E ratio are selected. Fundamental ratings are not part of the screening criteria. 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 decision.

BofA GLOBAL RESEARCH



Exhibit 29: High dividend screen

This screen encompasses many utilities and banks.

Company	Country	Industry	BBG Ticker	BofA Ticker	Div. Yield 2023E	30D Performance (local cmcy)	YTD Performance (local cmcy)
Petrobras PN	BZ	Oils	PETR4 BZ	PTRBF	18.4	12%	56%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	17.0	6%	9%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	12.9	-8%	-22%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	11.6	5%	-13%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	11.0	-3%	-8%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	10.6	-7%	-1%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	10.2	1%	-5%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	9.7	6%	44%
Bradespar	BZ	Non-Ferrous-Mining	BRAP4 BZ	BRDQF	9.6	-7%	-28%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	9.3	-11%	-22%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	9.3	0%	7%
Banco Macro	AR	Banks-Retail	BMA US	BMA	9.2	-19%	16%
Grupo Financiero Galicia	AR	Banks-Retail	GGAL US	GGAL	9.2	-26%	21%
TAESA	BZ	Electric Utilities	TAEE11 BZ	XTAEF	9.2	-3%	-2%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	9.1	-15%	-50%
SQM	CL	Fertilizers	SQM US	SQM	9.1	-10%	-33%
Usiminas	BZ	Steels	USIM5 BZ	USSPF	8.9	-8%	-13%
Banorte	MX	Banks-Retail	GFNORTEO MM	GBOOF	8.8	0%	7%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	8.3	-3%	25%
Median						-3%	-3%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Dividend yield

(2022E) above MSCI LatAm dividend yield. If results exceed 20 companies, those with the highest dividend yield are selected. Fundamental ratings are not part of the screening criteria. 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 decision.

BofA GLOBAL RESEARCH

Exhibit 30: Defensive screen

Many bond proxies, Utilities, Soft Drinks and Telecom.

Company	Country	Industry	BBG Ticker	BofA Ticker	Beta	Net Debt/EBITDA	30D Performance (local cmcy)	YTD Performance (local cmcy)
Soriana	MX	Supermarkets/Food Retailers	SORIANAB MM	ONZBF	0.1	1.5	18%	-6%
Copa	CO	Airlines	CPA US	CPA	0.3	0.7	-12%	-1%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VVT3 BZ	XCPTF	0.4	0.7	3%	20%
Chedraui	MX	Supermarkets/Food Retailers	CHDRAUIB MM	GCHF	0.4	1.9	1%	26%
AmBev	BZ	Brewers	ABEV3 BZ	AVBPF	0.4	-0.4	-6%	-13%
Qualitas	MX	Insurance - Non-Life	Q* MM	QUCOF	0.4	NA	-1%	59%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	0.4	0.8	-9%	-22%
Engie	BZ	Electric Utilities	EGIE3 BZ	XZDDF	0.4	1.8	-4%	8%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	0.4	NA	1%	-5%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	0.4	0.2	-3%	-8%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	0.5	1.9	5%	-13%
Arca	MX	Soft Drinks	AC* MM	EMBVF	0.5	0.6	-4%	-2%
Coca-Cola FEMSA	MX	Soft Drinks	KOFUBL MM	COCSF	0.5	0.9	-6%	0%
TIM	BZ	Telecom Services-Wireless/Cellular	TIMS3 BZ	XZUAF	0.5	1.3	1%	25%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	0.5	1.7	-3%	25%
Gruma	MX	Food Producers	GRUMAB MM	GPAGF	0.6	2.0	-1%	10%
Banco Macro	AR	Banks-Retail	BMA US	BMA	0.6	NA	-19%	16%
Pampa energia	AR	Electric Utilities	PAM US	PAM	0.6	1.6	0%	30%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	0.6	1.6	-7%	-1%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	0.6	NA	-4%	-10%
Median							-3%	0%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Net Debt/EBITDA <2 (this condition is ignored for Financials).

Beta relative to the local index <0.9. If results exceed 20 companies, those with the lowest beta are selected. Fundamental ratings are not part of the screening criteria.

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 decision.

BofA GLOBAL RESEARCH

Exhibit 31: High Beta screen

Several Banks and Retail names in this screen.

Company	Country	Industry	BBG Ticker	BofA Ticker	Beta	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	2.1	4.0	-35%	-40%
Banco Inter	BZ	Banks-Retail	INTR US	INTR	2.0	NA	0%	74%
Cemex	MX	Building Materials	CX US	CX	1.8	3.4	-14%	52%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	1.7	NA	-13%	-15%
Banco Pan	BZ	Banks-Retail	BPAN4 BZ	XQSFF	1.7	NA	-10%	27%
Estacio	BZ	Education & Training Services	YDUQ3 BZ	ECPCF	1.6	2.7	-7%	86%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	1.5	NA	-5%	25%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	1.5	2.7	-24%	-50%
Cosan	BZ	Energy Commodities	CSAN3 BZ	CSAIF	1.4	3.7	-14%	-8%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	1.4	NA	0%	8%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	1.4	3.7	-8%	-22%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	1.3	4.2	-17%	9%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	1.3	4.9	-19%	-31%
Credicorp	PE	Banks-Retail	BAP US	BAP	1.3	NA	-7%	-6%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	1.3	4.1	-14%	-3%
Alpargatas	BZ	Footwear	ALPA4 BZ	SRDDF	1.2	28.9	-7%	-50%
Aliansce	BZ	Real Estate/Property	ALSO3 BZ	XCCGF	1.2	4.7	-5%	30%
Banorte	MX	Banks-Retail	GFNORTEO MM	GBOOF	1.2	NA	0%	7%
Iguatemi	BZ	Real Estate/Property	IGTI11 BZ	XBGQF	1.2	2.3	-8%	4%
Median							-8%	1%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Net Debt/EBITDA >2 (this condition is ignored for Financials). Beta relative to the local index >1.1. If results exceed 20 companies, those with the highest beta are selected. Fundamental ratings are not part of the screening criteria.

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 decision. Fundamental ratings are shown only for information and are not part of the screening criteria

BofA GLOBAL RESEARCH

Exhibit 32: List of stocks within our coverage most discounted to historicals

Commodity exporters with large earnings this and next year have depressed ratios, as well as many financial names.

Company	Country	Industry	BBG Ticker	BofA Ticker	Discount to hist.	Current Valuation	10-Year Avg. Valuation	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	-84%	1.7	10.3	2.7	-24%	-50%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	-79%	9.7	47.3	5.4	-8%	-8%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	-73%	20.2	74.6	2.4	-8%	18%
Embraer	BZ	Aerospace	ERJ US	ERJ	-66%	9.2	26.7	2.6	-2%	30%
Omega Geração	BZ	Renewable Energy	MEGA3 BZ	XZQAF	-66%	37.2	108.0	7.9	-16%	-9%
Cielo	BZ	Financial Services-Consumer/Commercial	CIEL3 BZ	CIOXF	-63%	4.8	13.1	NA	5%	-31%
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	-60%	0.5	1.2	4.0	-35%	-40%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	-59%	0.9	2.1	4.2	-17%	9%
Cementos Argo	CO	Building Materials	CEMARGOS CB	XGSAF	-50%	5.8	11.8	3.2	26%	36%
Genera	MX	Banks-Retail	GENERAA* MM	CMPRF	-50%	1.3	2.6	NA	-4%	-10%
Bradesco	BZ	Banks-Retail	BBDC4 BZ	BRDPF	-47%	1.0	1.9	NA	-1%	-4%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	-45%	7.9	14.4	NA	0%	8%
Eletrobras	BZ	Electric Utilities	ELET3 BZ	CAIFF	-42%	6.8	11.7	2.8	-3%	-18%
Credicorp	PE	Banks-Retail	BAP US	BAP	-38%	7.0	11.3	NA	-7%	-6%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	-38%	8.1	13.1	NA	1%	-5%
Cencosud	CL	Retailing-Broadline/General Merchandisers	CENCOSUD CI	XCSCF	-36%	6.1	9.6	3.3	-15%	8%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	-35%	4.9	7.5	2.0	-11%	-9%
Adecoagro	AR	Food-Commodities	AGRO US	AGRO	-35%	3.9	6.0	2.7	-4%	35%
Fleury	BZ	Healthcare Technology & Distribution	FLRY3 BZ	XPOXF	-35%	12.5	19.2	2.5	4%	3%
Median									-4%	-6%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Net Debt/EBITDA <2 (this condition is ignored for Financials). Valuation ratio < 10y hist avg (or longest available). Valuation ratios are chosen according to a company's sector: for Materials, Energy, Airlines and C. Staples EV/EBITDA is used; for Retail EV/Sales is used; for Financials Price/Book Value is used. For remaining sectors Price/Earnings is used. If results exceed 20 companies, those with the greatest discounts to historicals are selected.

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 decision. Fundamental ratings are shown only for information and are not part of the screening criteria

BofA GLOBAL RESEARCH

Stock screens methodology

Our monthly screens are a quantitative approach for monitoring performance across several investment strategies. The screens are generated through a quantitative process, using consensus projections and historical data. There are two main steps to the selection process: filtering and ranking. For each screening process, filter criteria is applied first, then resulting assets are ranked according to the core variable for each strategy. Each month, we select and rank the 20 stocks that best fit the screen criteria. The stocks are selected from our universe of coverage in LatAm regardless of the rating but must have a market cap above US\$1bn.

There are 5 different screens: Growth, Value, Dividends, Defensive and High Beta. Our Growth screen looks for companies with high projected growth that reinvests free cash flow. Our Value screen looks for companies with low or moderate leverage that are trading at a discounted valuation. The Dividends screen looks for companies with high dividend yields, supported by low moderate leverage. Defensive screen looks for assets with solid performance and lowest volatility while High beta screen looks for market-dependent assets with high leverage and volatility. We also provide a list of stocks within our coverage that are most discounted to historicals.

Out-of-consensus

Our out-of-consensus rank identifies companies where our estimates most diverge from consensus, according to EPS, (current and next year), EBITDA (current and next year), Sales (current and next year), ROE (current and next year) and Price Objective. Details on how the views are ranked at the end of this section.

Our out of consensus highlights can fall in one of the following categories:

- Out of consensus in an upwards direction: stocks with a positive out of consensus Rank and BofA Buy rating, but less than 50% Buy ratings from consensus.
- Out of consensus in a downwards direction: stocks with a negative out of consensus Rank and BofA Neutral/Underperform rating, but more than 50% Buy ratings from consensus.

Exhibit 33: Top out of consensus stocks

Buy-rated stocks with a positive out of consensus ranking. Three Buy-rated stocks according to BofA are not Buy-rated by most of consensus (highlighted).

Company name	BBG ticker	BofA ticker	Sector	Market Cap	Rank	BofA Rating	Consensus Rating			EPS Crncy	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
Coca-Cola Femsa	KOFUBL MM	COCSE	C. Staples	15,152	10.0	BUY	43%	57%	0%	MXN	9.8	9.3	11.9	10.5
Arca	AC* MM	EMBV	C. Staples	14,637	9.6	BUY	72%	22%	6%	MXN	11.0	10.0	13.3	11.2
Vitru Limited	VTRU US	VTRU	C. Discretionary	494	9.5	BUY	100%	0%	0%	BRL	8.3	8.1	13.0	11.4
TOTVS	TOTS3 BZ	XBEGF	IT	3,195	9.3	BUY	77%	23%	0%	BRL	0.9	1.0	1.3	1.3
Bajio	BBAJIO MM	BBAJF	Financials	3,716	9.1	BUY	40%	53%	7%	MXN	9.3	9.2	8.7	8.4
Parque Arauco	PARAU CO	XNMF	Real Estate	1,191	8.4	BUY	73%	27%	0%	CLP	144.8	103.6	162.8	112.4
Vibra Energia SA	VBBR3 BZ	XUBRF	C. Discretionary	4,521	8.3	BUY	94%	6%	0%	BRL	1.6	1.4	1.6	1.9
Petro Rio	PRIO3 BZ	HRTPF	Energy	8,778	8.2	BUY	83%	11%	6%	USD	1.6	1.3	3.0	1.9
Cuervo	CUERVO* MM	BCCLF	C. Staples	7,889	8.0	BUY	69%	23%	8%	MXN	1.8	1.7	2.6	2.1
Natura &Co	NTCO3 BZ	XZVAF	C. Staples	3,505	7.9	BUY	46%	54%	0%	BRL	-0.3	-0.5	0.1	0.8
YDUQS	YDUQ3 BZ	ECPCF	C. Discretionary	1,165	7.7	BUY	73%	27%	0%	BRL	1.2	1.1	1.7	1.8
VTEX	VTEX US	VTEX	Telecom	977	7.6	BUY	67%	33%	0%	USD	0.0	-0.1	0.1	0.0
Afya Limited	AFYA US	AFYA	C. Discretionary	1,429	7.4	BUY	83%	17%	0%	BRL	7.0	5.7	8.2	7.5
Hapvida	HAPV3 BZ	XDUFF	Health Care	5,858	7.3	BUY	92%	8%	0%	BRL	0.1	0.0	0.2	0.2
XP Inc.	XP US	XP	Financials	11,630	7.1	BUY	73%	27%	0%	BRL	8.2	7.6	9.7	9.5

Highlighted rows: Out of consensus in an upwards direction. Stocks with a positive out of consensus Rank and BofA Buy rating, but less than 50% Buy ratings from consensus.

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 decision. **Source:** BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 34: Bottom out of consensus stocks

Neutral/Underperform-rated stocks with a negative out of consensus ranking. Nine Neutral/Underperform-rated stocks according to BofA are buy-rated by most of consensus (highlighted).

Company name	BBG ticker	BofA ticker	Sector	Market Cap	Rank	BofA Rating	Consensus Rating			EPS Crncy	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
Liverpool	LIVEPOLC MM	ELPQF	C. Discretionary	7,068	-10.0	UND	50%	31%	19%	MXN	11.9	13.0	13.0	14.0
Cencosud	CENCOSUD CI	XCSCF	C. Staples	4,574	-9.9	NEU	54%	38%	8%	CLP	153.2	181.7	189.1	194.9
Even	EVEN3 BZ	EVCNF	C. Discretionary	233	-9.7	UND	38%	50%	13%	BRL	0.8	0.8	0.7	1.0
Alsea	ALSEA* MM	ALSSF	C. Discretionary	2,750	-9.6	UND	61%	28%	11%	MXN	1.8	2.5	2.3	3.6
M. Dias Branco	MDIA3 BZ	XDMIF	C. Staples	2,306	-9.5	NEU	60%	40%	0%	BRL	2.7	2.5	3.7	3.7
CBD	PCAR3 BZ	GPSAF	C. Staples	191	-8.9	UND	15%	77%	8%	BRL	-3.2	-3.3	-1.5	-1.4
Cyrela Brazil	CYRE3 BZ	XCBMF	C. Discretionary	1,473	-8.8	UND	80%	13%	7%	BRL	2.0	2.3	2.0	2.6
CCR	CCRO3 BZ	CDCRF	Industrials	4,825	-8.6	UND	75%	8%	17%	BRL	0.6	0.7	0.5	0.8
Adcoagro	AGRO US	AGRO	C. Staples	1,208	-7.5	NEU	43%	57%	0%	USD	1.6	1.6	2.1	2.1
Itau Unibanco	ITUB4 BZ	ITUBF	Financials	49,254	-7.4	NEU	83%	17%	0%	BRL	3.6	3.6	4.0	4.0
Petz	PETZ3 BZ	XUXUF	C. Discretionary	352	-7.3	NEU	58%	42%	0%	BRL	0.2	0.1	0.3	0.3
CTEEP	TRPL4 BZ	XOOTF	Utilities	3,272	-7.1	UND	20%	67%	13%	BRL	2.1	2.1	2.3	2.8
Randon	RAPT4 BZ	RPRTF	Industrials	699	-6.8	NEU	73%	27%	0%	BRL	1.5	1.4	1.4	1.6
Lojas Renner SA	LREN3 BZ	LORPF	C. Discretionary	2,398	-6.6	UND	75%	19%	6%	BRL	1.1	1.1	1.2	1.3
Cia Siderurgica SA	CSNA3 BZ	SIDHF	Materials	3,007	-5.8	UND	20%	60%	20%	BRL	0.1	0.2	1.1	1.4

Highlighted rows: Out of consensus in a downwards direction. Stocks with a negative out of consensus Rank and BofA Neutral/Underperform rating, but more than 50% Buy ratings from consensus.

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 decision. **Source:** BofA Global Research, Bloomberg

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Out-of-Consensus Rank Methodology

Our Out-of-Consensus Rank is a -10;10 scale that measures where BofA analyst estimates are diverging from market consensus. The closer the rank is to the extremes, the farther BofA estimates are from market consensus, which is based on Bloomberg consensus estimates.

For all stocks within our coverage, we look at the following forecasts:

EPS, (current and next year), EBITDA (current and next year), Sales (current and next year), ROE (current and next year) and Price Objective.

For each variable, the z-score is calculated as follows:

$$\text{z-score} = (\text{BofA estimate} - \text{consensus estimate}) / \text{consensus estimate std dev}$$

A z-score will be excluded from the sample if:

- Either BofA or consensus estimate is missing
- Number of estimates that make up the consensus is less than 3.
- Consensus has zero standard deviation
- For EPS, EBITDA and SALES, scores for both years are needed to avoid seasonality. If one year is missing the other will also be excluded.
- Z-score > 5. Such cases are probably because of lack of reliable data.
- ROE z-scores are only considered for financials

A company will be excluded from the sample if:

- Does not have a PO z-score
- It has a PO z-score but does not have a z-score for at least one other variable
- It has a PO z-score but does not have a ROE z-score (financials only)

For each variable, z-scores are ranked and scaled into [-10;10]. The most out of consensus the estimate is, the closer to the range boundaries. The average rank is computed for all companies. For any given company, the average rank will only consider the available variables. The average rank is then re-scaled again from -10 to 10 to obtain the final Out Of Consensus Rank.

This Out-of-Consensus Rank methodology was inspired by [European Beat Factor - Out-of-consensus stocks under BofA Global Research coverage](#)



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} 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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