

## PulteGroup Inc.

# 3Q in-line; Margin outlook resilient despite higher rates

Reiterate Rating: BUY | PO: 92.00 USD | Price: 71.65 USD

## Reiterate Buy; 4Q outlook resilient despite slower demand

We reiterate our Buy rating on PulteGroup (PHM) following 3Q earnings and 4Q outlook was that was more resilient than our expectations. Our key takeaways are: 1) orders growth was better than normal seasonality in 3Q, 2) gross margins will be flattish/down slightly QoQ in 4Q despite the recent spike in mortgage rates, and 3) October-to-date absorption pace has slowed but is still trending near pre-COVID levels. Our PO remains \$92 (now 1.7x price-to-book from 1.8x to reflect higher rates). Valuation looks attractive at 1.5x current price-to-book and 12-month forward return-on-equity around 24%.

## 3Q orders beat, Oct absorptions in-line w/ pre-COVID level

PHM orders were 4% above our forecast driven by growth across all segments. Orders increased 44% YoY and declined (11%) QoQ, which is slightly better than normal seasonality. Move-up orders increased at the fastest pace (+56% YoY) followed by 1<sup>st</sup> time buyers (+53% YoY) and active adult (+15% YoY). Management noted that October orders are trending more in line with pre-COVID 4Q levels (absorption pace of ~2.0 homes sold per month). PHM lowered 4Q23 delivery guidance slightly to reflect an outlook for weaker spec sales due to affordability challenges / higher rates. We expect the active adult segment to hold up better in the current environment, given that 47% of Del Webb homes are sold to cash buyers.

## Gross margin outlook resilient, despite elevated incentives

Gross margin of 29.5% (in line with expectations) was relatively flat QoQ and declined just 60 bps YoY, despite incentives increasing to ~6% of price (\$35K per home) vs. 2.2% in 3Q22. Margin was supported by a 4% increase in move-up prices and 6% increase in active adult prices, partially offset by a 2% decrease in 1<sup>st</sup> time buyer home prices. Management still expects 4Q gross margins at the lower end of its prior 29.0-29.5% forecast (in line with our model) despite the recent run-up in rates.

## 3Q23 ahead as better margins offset deliveries miss

PHM reported 3Q23 EPS of \$2.90, above our \$2.85 forecast and \$2.83 consensus driven by lower SG&A. Home sales revenue grew 1% YoY to \$3.9bn (below our \$4.0bn est). Deliveries were flat YoY (low-end of guidance) and average price increased 1% YoY. GM declined ~60 bps YoY to 29.5% but were in line with our forecast and high-end of guide.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	7.35	10.87	11.46	10.19	9.64
GAAP EPS	7.49	11.08	11.67	10.19	9.64
EPS Change (YoY)	52.8%	47.7%	5.4%	-11.0%	-5.4%
Consensus EPS (Bloomberg)			11.65	11.66	12.81
DPS	0.57	0.61	0.65	0.69	0.69
Valuation (Dec)					
P/E	9.7x	6.6x	6.3x	7.0x	7.4x
GAAP P/E	9.6x	6.5x	6.1x	7.0x	7.4x
Dividend Yield	0.8%	0.9%	0%	0%	1.0%
EV / EBITDA*	4.8x	3.7x	3.6x	4.1x	4.5x
Free Cash Flow Yield*	5.5%	3.3%	14.2%	5.4%	7.5%

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

24 October 2023

### Equity

#### Key Changes

(US\$)	Previous	Current
2024E EPS	10.22	10.19

**Rafe Jadrosich**  
Research Analyst  
BofAS  
+1 646 855 5815  
[rafe.jadrosich@bofa.com](mailto:rafe.jadrosich@bofa.com)

**Shaun Calnan, CFA**  
Research Analyst  
BofAS  
[shaun.calnan@bofa.com](mailto:shaun.calnan@bofa.com)

### Stock Data

Price	71.65 USD
Price Objective	92.00 USD
Date Established	25-Jul-2023
Investment Opinion	B-1-7
52-Week Range	37.06 USD - 86.16 USD
Mrkt Val (mn) / Shares Out (mn)	16,926 USD / 236.2
Average Daily Value (mn)	171.12 USD
BofA Ticker / Exchange	PHM / NYS
Bloomberg / Reuters	PHM US / PHM.N
ROE (2023E)	26.2%
Net Dbt to Eqty (Dec-2022A)	17.8%
ESGMeter <sup>TM</sup>	Medium

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](#)".

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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# iQprofile<sup>SM</sup> PulteGroup Inc.

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	20.3%	24.4%	21.3%	16.8%	14.2%
Return on Equity	27.3%	31.5%	26.2%	19.4%	15.9%
Operating Margin	17.9%	21.0%	20.5%	18.4%	16.2%
Free Cash Flow	931	556	2,402	910	1,262

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0.5x	0.3x	1.0x	0.5x	0.7x
Asset Replacement Ratio	1.0x	1.6x	0.4x	1.0x	1.0x
Tax Rate	23.3%	23.5%	24.4%	25.0%	25.0%
Net Debt-to-Equity Ratio	11.8%	17.8%	2.3%	2.3%	-0.4%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	13,927	16,144	16,235	15,665	16,071
% Change	26.2%	15.9%	0.6%	-3.5%	2.6%
Gross Profit	3,951	5,015	4,946	4,462	4,228
% Change	NA	NA	NA	NA	NA
EBITDA	2,724	3,581	3,602	3,171	2,906
% Change	39.9%	31.5%	0.6%	-12.0%	-8.4%
Net Interest & Other Income	(2)	(32)	35	(8)	(8)
<b>Net Income (Adjusted)</b>	<b>1,912</b>	<b>2,567</b>	<b>2,538</b>	<b>2,155</b>	<b>1,950</b>
<b>% Change</b>	<b>47.4%</b>	<b>34.3%</b>	<b>-1.1%</b>	<b>-15.1%</b>	<b>-9.5%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	1,912	2,567	2,538	2,155	1,950
Depreciation & Amortization	70	71	82	78	80
Change in Working Capital	(1,168)	(2,236)	(430)	(1,275)	(721)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	190	266	243	32	32
Capital Expenditure	(73)	(113)	(32)	(80)	(79)
<b>Free Cash Flow</b>	<b>931</b>	<b>556</b>	<b>2,402</b>	<b>910</b>	<b>1,262</b>
<b>% Change</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,779	1,053	2,168	2,132	2,454
Trade Receivables	NA	NA	NA	NA	NA
Other Current Assets	11,233	13,484	13,743	15,016	15,764
Property, Plant & Equipment	0	0	0	0	0
Other Non-Current Assets	286	218	194	194	194
<b>Total Assets</b>	<b>13,298</b>	<b>14,755</b>	<b>16,105</b>	<b>17,341</b>	<b>18,412</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	3,042	3,035	2,888	2,884	2,912
Long-Term Debt	2,655	2,632	2,407	2,407	2,407
Other Non-Current Liabilities	166	215	331	331	331
<b>Total Liabilities</b>	<b>5,863</b>	<b>5,882</b>	<b>5,626</b>	<b>5,622</b>	<b>5,650</b>
<b>Total Equity</b>	<b>7,435</b>	<b>8,873</b>	<b>10,479</b>	<b>11,719</b>	<b>12,762</b>
<b>Total Equity &amp; Liabilities</b>	<b>13,298</b>	<b>14,755</b>	<b>16,105</b>	<b>17,341</b>	<b>18,412</b>

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

## Company Sector

Homebuilders

## Company Description

PulteGroup is the third largest public homebuilder in the US and has broad product offering with a diverse mix of homebuyer type, concepts, geographies and price points. PHM builds homes for first-time buyers (Centex), move-up buyers (Pulte) and active adults (Del Webb and DiVosta) with move up being the biggest driver of revenue. PHM offers homes in 40 markets across 24 states with none of its 6 geographical segments making up more than 24% of trailing twelve month deliveries.

## Investment Rationale

We rate PHM shares Buy: (1) PHM is generating a higher ROE than most peers in our coverage, and (2) PHM has a strong history of capital return.

## Stock Data

Average Daily Volume

2388,330

## Quarterly Earnings Estimates

	2022	2023
Q1	1.84A	2.36A
Q2	2.75A	3.01A
Q3	2.70A	2.91A
Q4	3.65A	3.20E

**Exhibit 1: PulteGroup 3Q23 earnings variance compared to BofA estimates**

3Q earnings beat on SG&amp;A and orders

PHM	YoY Change			Variance vs BofAe		
Income Statement	3Q22	3Q23	YoY	BofAe	3Q23A	Δ
Home Sales (\$ in mms)	\$3,840	\$3,887	1.2%	\$3,969	\$3,887	(2%)
Homebuilding Gross Margin ex-impairments	30.1%	29.5%	-55 bps	29.5%	29.5%	2 bps
Homebuilding SG&A % of revenue	9.1%	9.1%	-3 bps	9.4%	9.1%	-34 bps
Homebuilding Operating Margin	20.9%	20.3%	-55 bps	20.0%	20.3%	36 bps
Pre-tax Margin	20.6%	21.2%	59 bps	20.6%	21.2%	59 bps
<b>Operating EPS</b>	<b>\$2.70</b>	<b>\$2.90</b>	<b>7%</b>	<b>\$2.85</b>	<b>\$2.90</b>	<b>2%</b>
GAAP EPS	\$2.70	\$2.90	7%	\$2.85	\$2.90	2%
Regional Results	3Q22	3Q23	YoY	BofAe	3Q23A	Δ
Deliveries (units)	7,047	7,076	0.4%	7,321	7,076	(3%)
Average Delivered Price (\$000s)	\$545.0	\$549.0	0.7%	\$542.1	\$549.0	1%
<b>Total Orders</b>	<b>4,924</b>	<b>7,065</b>	<b>43.5%</b>	<b>6,814</b>	<b>7,065</b>	<b>3.7%</b>
<b>Average Selling Price (\$000s)</b>	<b>\$570.1</b>	<b>\$541.2</b>	<b>(5.1%)</b>	<b>\$538.6</b>	<b>\$541.2</b>	<b>0.5%</b>
Northeast orders	237	376	58.6%	344	376	9.3%
Southeast orders	1,081	1,374	27.1%	1,340	1,374	2.5%
Florida orders	1,471	1,598	8.6%	1,648	1,598	(3.0%)
Texas orders	979	1,258	28.5%	1,194	1,258	5.4%
Midwest orders	655	1,090	66.4%	1,061	1,090	2.7%
West orders	501	1,369	173.3%	1,227	1,369	11.6%
Backlog Units	17,053	13,547	(20.6%)	13,051	13,547	3.8%
Backlog Value (\$ in mms)	\$10,581	\$8,125	(23.2%)	\$7,890	\$8,125	3.0%
Avg Price in Backlog	\$620.5	\$599.8	(3.3%)	\$604.5	\$599.8	(0.8%)
Backlog Conversion Ratio	36.7%	52.2%	1544 bps	54.0%	52.2%	(3.3%)

Source: BofA Global Research, Company Data

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**Exhibit 2: PulteGroup income statement (\$000s, except per share data)**

We expect revenue and EPS to increase in 2023

YE 12/31	2023E				2022	2023E	2024E
(\$ 000s)	3/31/2023	6/30/2023	9/30/2023	12/31/2023	12/31/2022	12/31/2023	12/31/2024
	1Q	2Q	3Q	4QE			
<b>Revenue</b>							
Home Sales	\$3,487,637	\$4,058,930	\$3,886,908	\$4,347,125	\$15,689,604	\$15,780,600	\$15,200,282
Land Sales	30,066	37,604	39,905	46,633	143,145	154,208	157,986
Financial Services	57,938	92,219	76,720	73,531	311,716	300,408	306,416
<b>Total Revenue</b>	<b>\$3,575,641</b>	<b>\$4,188,753</b>	<b>\$4,003,533</b>	<b>\$4,467,289</b>	<b>\$16,144,465</b>	<b>\$16,235,216</b>	<b>\$15,664,684</b>
<b>Homebuilding Cost of Goods Sold</b>							
Home Sales	\$2,472,329	\$2,856,361	\$2,739,596	\$3,086,459	\$11,009,364	\$11,154,745	\$11,060,825
Land Sales	24,967	32,494	35,007	41,970	119,908	134,438	142,188
<b>Homebuilding Gross Profit</b>	<b>\$1,015,308</b>	<b>\$1,202,569</b>	<b>\$1,147,312</b>	<b>\$1,260,666</b>	<b>\$4,680,240</b>	<b>\$4,625,855</b>	<b>\$4,139,457</b>
Land Sales	\$5,099	\$5,110	\$4,898	\$4,663	\$23,237	\$19,770	\$15,799
<b>Selling General &amp; Administrative Expenses</b>							
Homebuilding SG&A	\$336,518	\$379,637	\$353,167	\$382,547	\$1,446,304	\$1,451,869	\$1,442,486
Financial Services Expense	44,036	46,778	46,431	33,824	180,696	171,069	138,396
<b>Operating Income</b>							
Homebuilding	\$683,889	\$828,042	\$799,043	\$882,783	\$3,257,173	\$3,193,757	\$2,712,769
Financial Services	13,902	45,441	30,289	39,707	131,020	129,339	168,020
<b>Total Operating Profit</b>	<b>\$697,791</b>	<b>\$873,483</b>	<b>\$829,332</b>	<b>\$922,489</b>	<b>\$3,388,193</b>	<b>\$3,323,095</b>	<b>\$2,880,789</b>
Other Expense (Income)							
Other Expense, net	(1,818)	(13,586)	(17,982)	2,000	31,724	(31,386)	8,000
Net Interest Expense (income)	-	-	-	-	-	-	-
Equity in earnings of unconsolidated entities	(2,513)	(944)	-	-	-	(3,457)	-
<b>Total Other Expenses</b>	<b>(\$4,331)</b>	<b>(\$14,530)</b>	<b>(\$17,982)</b>	<b>\$2,000</b>	<b>\$31,724</b>	<b>(\$34,843)</b>	<b>\$8,000</b>
<b>Income before provision for income taxes</b>	<b>\$702,122</b>	<b>\$888,013</b>	<b>\$847,314</b>	<b>\$920,489</b>	<b>\$3,356,469</b>	<b>\$3,357,938</b>	<b>\$2,872,789</b>
Provision for Income Taxes	169,863	215,638	208,539	225,520	789,491	819,560	718,197
<b>Net Income (Continuing Operations)</b>	<b>\$532,259</b>	<b>\$672,375</b>	<b>\$638,775</b>	<b>\$694,969</b>	<b>\$2,566,978</b>	<b>\$2,538,378</b>	<b>\$2,154,592</b>
Non-Recurring Items	-	47,970.00	-	-	50,349	47,970	-
<b>Net Income (GAAP)</b>	<b>\$532,259</b>	<b>\$720,345</b>	<b>\$638,775</b>	<b>\$694,969</b>	<b>\$2,617,327</b>	<b>\$2,586,348</b>	<b>\$2,154,592</b>
<b>Diluted EPS (Adjusted Shares, Cont. Ops.)</b>	<b>\$2.36</b>	<b>\$3.01</b>	<b>\$2.91</b>	<b>\$3.20</b>	<b>\$10.87</b>	<b>\$11.46</b>	<b>\$10.19</b>
<b>Adjusted Common Shares Outstanding:</b>							
Diluted	225,957	223,392	219,682	217,272	236,228	221,576	211,390
Dividend per share	\$0.16	\$0.16	\$0.16	\$0.17	0.61	0.65	0.69
<b>Margins</b>							
Homebuilding Gross Margin (Excluding Impairments)	29.1%	29.6%	29.5%	29.0%	29.8%	29.3%	27.2%
Land & Lot Sales Gross Margin	17.0%	13.6%	12.3%	10.0%	16.2%	12.8%	10.0%



**Exhibit 2: PulteGroup income statement (\$000s, except per share data)**

We expect revenue and EPS to increase in 2023

YE 12/31	2023E				2022	2023E	2024E
Homebuilding Operating Margin	19.4%	20.2%	20.3%	20.1%	20.6%	20.0%	17.7%
Financial Services Operating Margin	24.0%	49.3%	39.5%	54.0%	42.0%	43.1%	54.8%
<b>Total Operating Margin</b>	19.5%	20.9%	20.7%	20.6%	21.0%	20.5%	18.4%
Pre-tax Margin	19.6%	21.2%	21.2%	20.6%	20.8%	20.7%	18.3%
Net Margin (Cont. Ops)	14.9%	16.1%	16.0%	15.6%	15.9%	15.6%	13.8%
Tax Rate	24.2%	24.3%	24.6%	24.5%	23.5%	24.4%	25.0%
<b>% Sales</b>							
Homebuilding SG&A expenses	9.6%	9.4%	9.1%	8.8%	9.2%	9.2%	9.5%
Financial Services SG&A expenses	76.0%	50.7%	60.5%	46.0%	58.0%	56.9%	45.2%
Total SG&A expenses	10.6%	10.2%	10.0%	9.3%	10.1%	10.0%	10.1%
Depreciation & Amortization	0.5%	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%
Amortization of previously capitalized debt	0.8%	0.8%	0.9%	1.6%	1.0%	1.0%	1.4%
<b>YoY % Change</b>							
Home Sales	15.0%	7.9%	1.2%	(14.0%)	17.3%	0.6%	(3.7%)
Land & Lot Sales	-9.3%	11.2%	30.2%	2.5%	(10.8%)	7.7%	2.5%
Financial Services Sales	-31.1%	11.4%	5.5%	2.0%	(20.0%)	(3.6%)	2.0%
Total Sales	13.5%	8.0%	1.5%	(13.6%)	15.9%	0.6%	(3.5%)
Home Sales Gross Profit	14.2%	2.1%	(0.7%)	(13.5%)	32.4%	(1.2%)	(10.5%)
Land & Lot Sales Gross Profit	340.7%	137.2%	12.8%	(70.1%)	(12.4%)	(14.9%)	(20.1%)
Operating Income	15.9%	0.6%	(0.9%)	(14.7%)	35.8%	(1.9%)	(13.3%)
Net Income (continuing ops)	17.0%	3.1%	1.7%	(16.5%)	34.3%	(1.1%)	(15.1%)
EPS (continuing ops)	27.9%	9.6%	7.6%	(12.3%)	47.7%	5.4%	(11.0%)
<b>YoY BPS Change</b>							
Homebuilding Gross Margin (Excluding Impairments)	-21 bps	-168 bps	-55 bps	15 bps	340 bps	-52 bps	-208 bps
Land & Lot Sales Gross Margin	1347 bps	722 bps	-190 bps	-2423 bps	-29 bps	-341 bps	-282 bps
Homebuilding Operating Margin	113 bps	-162 bps	-55 bps	-65 bps	378 bps	-53 bps	-238 bps
Financial Services Operating Margin	-2432 bps	225 bps	181 bps	2064 bps	-1472 bps	102 bps	1178 bps
<b>Total Operating Margin</b>	40 bps	-152 bps	-49 bps	-27 bps	308 bps	-52 bps	-208 bps
Pre-tax Margin	59 bps	-108 bps	59 bps	-29 bps	290 bps	-11 bps	-234 bps
Net Margin (Cont. Ops)	45 bps	-76 bps	3 bps	-53 bps	217 bps	-27 bps	-188 bps
Tax Rate	-1 bps	-25 bps	201 bps	148 bps	25 bps	89 bps	59 bps

Source: BofA Global Research, Company Data

BofA GLOBAL RESEARCH

## Price objective basis & risk

### PulteGroup Inc. (PHM)

Our \$92 PO on PHM shares is based on a forward 12 month book value multiple of roughly 1.7x, a slight premium to other builders in our coverage given PHM's higher ROE profile.

Downside risks: (1) worse than expected order growth, (2) failure to execute on PHM's efficiency strategy which could pressure margins and hurt ROE, (3) failure to capture first time buyers, (4) rising interest rates, (5) rising input costs, (6) labor tightness in certain markets, (7) slowing US economic growth

Upside risks: (1) better than expected order growth, (2) ability to execute on PHM's efficiency strategy which could raise margins and ROE, (3) increased traffic from first time buyers, (4) lower interest rates, (5) accommodative interest rates.

## Analyst Certification

I, Rafe Jadrosich, 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 - Homebuilders and Building Products Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Armstrong World Industries, Inc.	AWI	AWI US	Rafe Jadrosich
	D.R. Horton, Inc.	DHI	DHI US	Rafe Jadrosich
	Latham Group, Inc.	SWIM	SWIM US	Shaun Calnan, CFA
	NVR, Inc.	NVR	NVR US	Rafe Jadrosich
	Owens Corning	OC	OC US	Rafe Jadrosich
	PulteGroup Inc.	PHM	PHM US	Rafe Jadrosich
	The AZEK Company Inc.	AZEK	AZEK US	Rafe Jadrosich
	Toll Brothers, Inc.	TOL	TOL US	Rafe Jadrosich
	TopBuild Corp	BLD	BLD US	Rafe Jadrosich
	Trex Company, Inc.	TREX	TREX US	Rafe Jadrosich
<b>NEUTRAL</b>				
	Dream Finders Homes, Inc.	DFH	DFH US	Rafe Jadrosich
	KB Home	KBH	KBH US	Rafe Jadrosich
	Lennar Corporation	LEN	LEN US	Rafe Jadrosich
<b>UNDERPERFORM</b>				
	Fortune Brands Innovations Inc	FBIN	FBIN US	Rafe Jadrosich
	Hayward Holdings, Inc.	HAYW	HAYW US	Rafe Jadrosich
	Masco Corp	MAS	MAS US	Rafe Jadrosich
	Mohawk Industries	MHK	MHK US	Rafe Jadrosich
	Patrick Industries, Inc.	PATK	PATK US	Rafe Jadrosich
	Pool Corporation	POOL	POOL US	Shaun Calnan, CFA



## **IQmethod<sup>SM</sup> Measures Definitions**

### **Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

### **Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

### **Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

### **Numerator**

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

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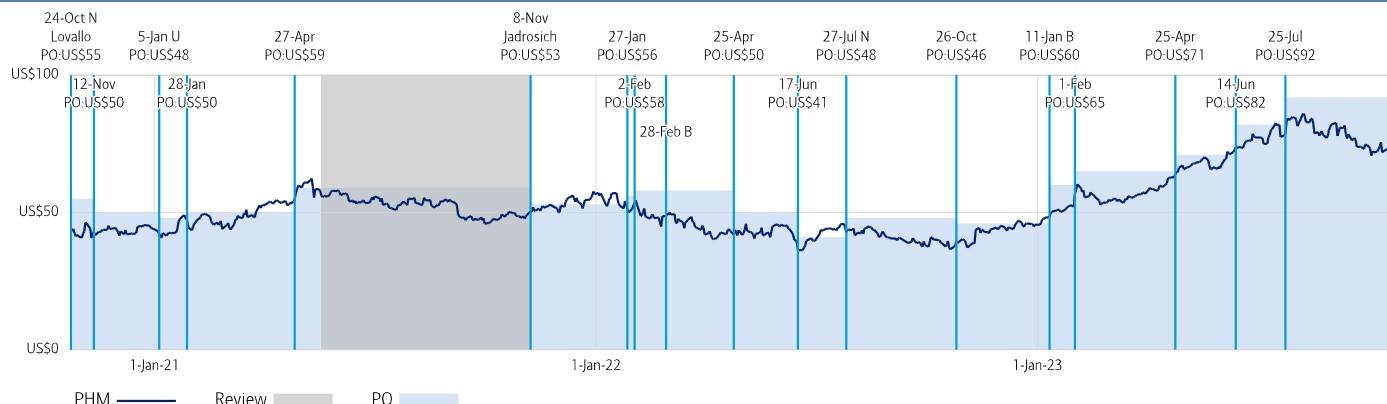
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Building Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	41	47.67%	Buy	23	56.10%
Hold	14	16.28%	Hold	8	57.14%
Sell	31	36.05%	Sell	9	29.03%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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%

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

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

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