

WK Kellogg Co

Raising estimates and PO following 4Q's margin driven beat

Reiterate Rating: NEUTRAL | PO: 15.50 USD | Price: 13.63 USD

Raising FY24-26 adj. EBITDA estimate

This morning, WK Kellogg (KLG) reported 4Q23 adj. EBITDA of \$53mm above BofAe of \$45mm and VA consensus of \$46mm. The beat was driven by better gross & operating margins, while sales were largely in-line. KLG also revised its FY24 financial outlook which it initially outlined at its August 2023 Investor Day and updated when it reported 3Q23 earnings. For FY24, KLG plans to prioritize: 1) Innovation: in 1H its pipeline includes the launch of 2 new premium brands, Extra (granola) and Mouth Off (plant-based), as well as High Protein and Zero-sugar Special K lines and expanded occasions 2) Revenue growth mgmt: promos, premiumization, and price pack architecture. 3) Advancing its announced supply chain efforts. All in, we raise our FY24-26 adj. EBITDA estimates to \$268mm, \$288mm and \$368mm respectively from \$260mm, \$280mm and \$360mm.

4Q23 takeaways

Net sales of \$651mm came in above our \$647mm estimate. Price of +7.5% was better than our +6% & volumes of -10.1% came in below our -9.5%. Gross profit of \$190mm beat our \$179 estimate while adj. EBITDA of \$53mm beat our \$45mm estimate largely flowing through the gross margin beat. This is the first quarter without standalone adjustments.

FY24 modeling considerations

KLG raised its adj. EBITDA guide to \$265-\$270mm (prior \$255-\$265mm) with dollar growth of +3%-5%. Net sales are expected to grow (1)% to 1% YoY as KLG begins to lap pricing actions in March and see volume improvement through the year. Items to consider for adj. EBITDA: interest expense of \$35-\$40mm (prior \$45-\$55mm), D&A of \$75-\$85mm (prior \$80-\$90mm), pension income of \$45-\$50mm (unchanged), and separation costs of \$25-\$35mm (prior \$15-\$25mm).

Reiterate Neutral & raise PO to \$15.50

We reiterate our Neutral rating & raise our PO to \$15.50 from \$13.50 now based on a slightly lower EV/EBITDA multiple of ~7x on our CY25 EBITDA estimate (vs 7.25x prior). At 7x, we value KLG at discount to both center store packaged food and KLG comp set peers. In our view, the discount is justified given KLG's lack of topline growth, expected cash burn and increasing leverage profile as well as dependence on delivering against its margin expansion targets to achieve its 3-year guide.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	2.49	2.53	1.51	1.65	2.35
EPS Change (YoY)	19.1%	1.6%	-40.3%	9.3%	42.4%
Consensus EPS (Bloomberg)			1.44	1.52	2.24
DPS	0	0.16	0.64	0.68	0.92
Valuation (Dec)					
P/E	5.5x	5.4x	9.0x	8.3x	5.8x
Dividend Yield	0%	1.2%	4.7%	5.0%	6.7%
EV / EBITDA*	9.5x	6.6x	6.6x	6.1x	4.8x
Free Cash Flow Yield*	-1.5%	17.9%	-2.3%	-10.1%	9.3%

* For full definitions of *IQmethod*SM measures, see page 6.

13 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	13.50	15.50
2024E Rev (m)	2,719.9	2,733.2
2025E Rev (m)	2,706.3	2,719.6
2026E Rev (m)	2,692.7	2,706.0
2024E EPS	1.40	1.51
2025E EPS	1.57	1.65
2026E EPS	2.28	2.35

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Stock Data

Price	13.63 USD
Price Objective	15.50 USD
Date Established	13-Feb-2024
Investment Opinion	C-2-7
52-Week Range	9.66 USD - 21.00 USD
Mrkt Val (mn) / Shares Out (mn)	1,167 USD / 85.6
Free Float	77.6%
Average Daily Value (mn)	13.18 USD
BofA Ticker / Exchange	KLG / NYS
Bloomberg / Reuters	KLG US / KLG.N
ROE (2024E)	43.1%
Net Dbt to Eqty (Dec-2023A)	136.7%

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Timestamp: 13 February 2024 04:06PM EST

iQprofileSM WK Kellogg Co

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	14.5%	18.8%	13.0%	12.9%	16.4%
Return on Equity	33.9%	44.0%	43.1%	52.2%	69.9%
Operating Margin	4.4%	7.3%	6.9%	7.5%	10.5%
Free Cash Flow	(18)	209	(27)	(118)	108

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.2x	1.7x	0.8x	0.9x	1.3x
Asset Replacement Ratio	1.0x	2.3x	1.6x	2.8x	1.8x
Tax Rate	NM	13.9%	24.5%	24.5%	24.5%
Net Debt-to-Equity Ratio	0%	136.7%	161.4%	280.2%	188.0%
Interest Cover	NA	20.0x	4.7x	5.1x	7.1x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,664	2,738	2,733	2,720	2,706
% Change	9.3%	2.8%	-0.2%	-0.5%	-0.5%
Gross Profit	661	790	800	812	889
% Change	11.8%	19.6%	1.2%	1.5%	9.5%
EBITDA	185	266	268	288	368
% Change	51.6%	43.8%	0.6%	7.6%	27.8%
Net Interest & Other Income	94	52	(15)	(15)	(15)
Net Income (Adjusted)	213	217	130	142	202
% Change	19.0%	1.9%	-40.0%	8.9%	42.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	213	217	130	142	202
Depreciation & Amortization	68	66	80	85	85
Change in Working Capital	(90)	225	85	57	38
Deferred Taxation Charge	(15)	0	0	0	0
Other Adjustments, Net	(123)	(149)	(198)	(163)	(68)
Capital Expenditure	(71)	(150)	(125)	(240)	(150)
Free Cash Flow	-18	209	-27	-118	108
% Change	73.5%	NM	NM	-338.6%	NM
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	(14)	(55)	(58)	(79)
Change in Debt	0	497	50	200	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	0	89	57	80	109
Trade Receivables	229	244	218	217	216
Other Current Assets	441	377	381	331	317
Property, Plant & Equipment	645	739	784	939	1,004
Other Non-Current Assets	121	444	444	444	444
Total Assets	1,436	1,893	1,884	2,012	2,090
Short-Term Debt	0	12	12	12	12
Other Current Liabilities	666	828	764	758	735
Long-Term Debt	0	487	537	737	737
Other Non-Current Liabilities	83	266	266	266	266
Total Liabilities	749	1,593	1,579	1,773	1,750
Total Equity	687	300	305	239	340
Total Equity & Liabilities	1,436	1,893	1,884	2,012	2,090

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Food Processors

Company Description

WK Kellogg was spun-off from Kellogg ParentCo on Oct. 2, 2023. Kellogg was founded in 1906 as a leader in ready to eat cereal. Its products are manufactured in the United States, Mexico and Canada. WK Kellogg's "Big 6" brands consist of Frosted Flakes, Special K, Raisin Bran, Froot Loops, Frosted Mini Wheat, and Rice Krispies.

Investment Rationale

We rate KLG shares at Neutral. Current valuation is at a meaningful discount to center store packaged food peers given KLG's no/slow sales growth, margin improvement pushed out to 2026 and cash burn/expected elevated leverage. We believe current valuation accurately captures most of these risks and see further limited downside at current levels, which creates balanced risk/reward, in our view.

Stock Data

Average Daily Volume 967,240

Quarterly Earnings Estimates

	2023	2024
Q1	0.61A	0.29E
Q2	0.85A	0.39E
Q3	0.74A	0.41E
Q4	0.34A	0.43E

Variance table

Exhibit 1: 4Q23 variance table
4Q23 adj. EBITDA of \$53mm came in above our \$45mm estimate

WK Kellogg Co 4Q23						
	4Q23A	4Q23E	Variance	A vs. E	4Q22E	Y/Y % Chg
Sales	\$651	\$647	\$4.5	0.7%	\$669	-2.7%
Cost Of Goods	\$461	\$467	(\$6.1)	-1.3%	\$493	-6.5%
Gross Profit	\$190	\$179	\$10.6	5.9%	\$176	8.0%
	29.2%	27.8%	144bps		26.3%	
SG&A	\$154	\$155	(\$1.3)	-0.8%	\$163	-5.5%
	23.7%	24.0%	-36bps			
Operating Inc	\$36	\$24	\$11.9	49.3%	\$13	176.9%
	5.5%	3.7%	180bps		1.9%	
Adj EBITDA (standalone)	\$53	\$45	\$7.9	17.5%	\$37	43.2%
	8.1%	7.0%	116bps		5.5%	
Shares Out	86.0	85.6	0.4	0.5%	85.6	0.5%

Source: KLG, BofA Global Research

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Income statement

Exhibit 2: KLG summary income statement

We raise our FY24 adj. EBITDA estimate to \$268mm

Income Statement		Mar-23	Jun-23	Sep-23	Dec-23		Mar-24	Jun-24	Sep-24	Dec-24			
(\$ in mms, except per share data)	F2022	1Q23	2Q23	3Q23	4Q23	F2023	1Q24E	2Q24E	3Q24E	4Q24E	F2024E	F2025E	F2026E
Sales forecast													
Volume	-0.1%	-2.7%	-12.8%	-13.4%	-10.1%	-9.9%	-8.0%	-3.0%	1.5%	2.0%	-2.0%	-0.5%	-0.5%
Price/mix	9.7%	18.3%	13.5%	11.5%	7.5%	12.6%	6.0%	1.0%	0.0%	0.0%	1.8%	0.0%	0.0%
Reported net sales	9.5%	15.6%	1.4%	-1.9%	-2.6%	3.7%	-2.0%	-2.0%	1.5%	2.0%	-0.2%	-0.5%	-0.5%
Pro-forma adjustments	-1.2%	-1.3%	-1.3%	-1.1%	0.0%	-0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Standalone net sales	8.3%	14.3%	0.1%	-1.9%	-2.7%	2.8%	-2.0%	-2.0%	1.5%	2.0%	-0.2%	-0.5%	-0.5%
Sales by region													
US	\$2,369												
Canada	292												
Caribbean	34												
Reported net sales	\$2,694	\$720	\$700	\$692	\$651	\$2,763	\$698	\$677	\$694	\$664	\$2,733	\$2,720	\$2,706
Pro-forma adjustments	(30)	(8)	(9)	(8)	-	(25)	-	-	-	-	-	-	-
Standalone net sales	\$2,664	\$712	\$691	\$684	\$651	\$2,738	\$698	\$677	\$694	\$664	\$2,733	\$2,720	\$2,706
Net Sales	\$2,664	\$712	\$691	\$684	\$651	\$2,738	\$698	\$677	\$694	\$664	\$2,733	\$2,720	\$2,706
Cost of goods sold	2,003	521	477	489	461	1,948	507	475	490	461	1,934	1,908	1,817
Gross profit	\$661	\$191	\$214	\$195	\$190	\$790	\$191	\$202	\$204	\$203	\$800	\$812	\$889
SG&A expense	544	139	140	157	154	590	154	154	154	150	612	609	606
Operating profit	\$117	\$52	\$74	\$38	\$36	\$200	\$37	\$48	\$50	\$52	\$188	\$203	\$283
Interest expense/Financing cost	-	-	-	-	10	10	10	10	10	10	40	40	40
Other income (expense), net	94	8	7	38	9	62	6	6	6	6	25	25	25
Earnings before income taxes	\$211	\$60	\$81	\$76	\$35	\$252	\$33	\$44	\$46	\$49	\$173	\$188	\$268
Income taxes	(2)	8	8	13	6	35	8	11	11	12	42	46	66
Adj Net Income	\$213	\$52	\$73	\$63	\$29	\$217	\$25	\$33	\$35	\$37	\$130	\$142	\$202
Non-recurring	238	26	46	21	14	107	-	-	-	-	-	-	-
GAAP net income	(\$25)	\$26	\$27	\$42	\$15	\$110	\$25	\$33	\$35	\$37	\$130	\$142	\$202
Diluted EPS	\$2.49	\$0.61	\$0.85	\$0.74	\$0.34	\$2.53	\$0.29	\$0.39	\$0.41	\$0.43	\$1.51	\$1.65	\$2.35
Diluted shares out	86	86	86	86	86	86	86	86	86	86	86	86	86
Dividends					\$0.16	\$0.16	\$0.16	\$0.16	\$0.16	\$0.16	\$0.64	\$0.68	\$0.92
YoY % chg										0.0%		6.3%	35.3%
Payout ratio											42%	41%	39%
EBITDA Bridge													
Operating income	\$117.0	\$52.0	\$74.0	\$38.0	\$36.0	\$200.0	\$37.0	\$48.1	\$50.0	\$52.5	\$187.5	\$202.9	\$283.0
Depreciation expense	68.0	17.0	15.0	17.0	17.0	66.0	20.0	20.0	20.0	20.0	80.0	85.0	85.0
Adj. EBITDA	\$185.0	\$69.0	\$89.0	\$55.0	\$53.0	\$266.0	\$57.0	\$68.1	\$70.0	\$72.5	\$267.5	\$287.9	\$368.0
Add: intercompany sales	10	3	3	2	-	8.0	-	-	-	-	-	-	-
Less: estimate standalone costs	(21)	(6)	(4)	(6)	-	(16.0)	-	-	-	-	-	-	-
Standalone adj. EBITDA	\$174.0	\$66.0	\$88.0	\$51.0	\$53.0	\$258.0	\$57.0	\$68.1	\$70.0	\$72.5	\$267.5	\$287.9	\$368.0
Margin analysis													
Gross margin	24.8%	26.8%	31.0%	28.5%	29.2%	28.9%	27.4%	29.8%	29.4%	30.5%	29.3%	29.9%	32.9%
SG&A % sales	20.4%	19.5%	20.3%	23.0%	23.7%	21.5%	22.1%	22.7%	22.2%	22.6%	22.4%	22.4%	22.4%
Operating profit margin	4.4%	7.3%	10.7%	5.6%	5.5%	7.3%	5.3%	7.1%	7.2%	7.9%	6.9%	7.5%	10.5%
EBITDA margin	6.5%	9.3%	12.7%	7.5%	8.1%	9.4%	8.2%	10.1%	10.1%	10.9%	9.8%	10.6%	13.6%
Pretax income margin	7.9%	8.4%	11.7%	11.1%	5.4%	9.2%	4.8%	6.5%	6.7%	7.3%	6.3%	6.9%	9.9%
Net income margin	8.0%	7.3%	10.6%	9.2%	4.5%	7.9%	3.6%	4.9%	5.0%	5.5%	4.8%	5.2%	7.5%
Tax rate	-0.9%	13.3%	9.9%	17.1%	17.1%	13.9%	24.5%	24.5%	24.5%	24.5%	24.5%	24.5%	24.5%
YoY % change													
Sales	9.3%	15.8%	1.2%	-1.9%	-2.7%	2.8%	-2.0%	-2.0%	1.5%	2.0%	-0.2%	-0.5%	-0.5%
Gross Profit	11.8%	67.8%	12.0%	8.3%	8.0%	19.6%	0.1%	-5.7%	4.7%	6.6%	1.2%	1.5%	9.5%
Operating profit	116.7%	126.1%	17.5%	111.1%	176.9%	70.9%	-28.9%	-35.0%	31.5%	45.7%	-6.2%	8.2%	39.5%
Pretax income	-8.7%	15.4%	-11.0%	90.0%	25.0%	19.4%	-44.6%	-45.3%	-39.2%	39.2%	-31.5%	8.9%	42.7%
EBITDA growth	148.6%	175.0%	7.3%	64.5%	43.2%	48.3%	-13.7%	-22.6%	37.2%	36.7%	3.7%	7.6%	27.8%
Net income	19.0%	36.8%	-3.9%	85.3%	-55.4%	1.9%	-51.8%	-54.2%	-44.6%	26.8%	-40.0%	8.9%	42.7%
EPS	19.0%	36.8%	-3.9%	85.3%	-55.6%	1.8%	-52.0%	-54.4%	-44.8%	26.8%	-40.2%	8.9%	42.7%
SG&A expense	1.3%	53.1%	9.4%	-3.1%	-5.5%	8.5%	10.9%	9.8%	-1.8%	-2.6%	3.7%	-0.5%	-0.5%

Source: KLG, BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

WK Kellogg Co (KLG)

We value KLG shares at a price objective of \$15.50, which is based on 7x EV/EBITDA multiple on our CY25 EBITDA estimate. We believe EV/EBITDA is an appropriate valuation metric for this company given KLG's expectation to increase its leverage profile. At 7x, we value KLG at discount to both center store packaged food and KLG comp set peers. In our view, the discount is justified given KLG's lack of topline growth, expected cash burn and increasing leverage profile as well as dependance on delivering against its margin expansion targets to achieve its 3-year guide.

Upside risks to our PO: 1) better than expected revenue/category growth, 2) faster and/or stronger margin recovery than we are modeling, 3) better cash flow generation/less debt raise which will favor the equity in the enterprise value calculation.

Downside risks to our PO: 1) worse than expected revenue/category decline, 2) slower and/or weaker margin recovery than we are modeling, 3) worse cash flow generation/more debt raised which will be unfavorable to the equity in the enterprise value calculation.

Analyst Certification

I, Peter T. Galbo, 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 - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	BellRing Brands Inc	BRBR	BRBR US	Bryan D. Spillane
	Coca-Cola Europacific Partners plc	CCEP	CCEP US	Bryan D. Spillane
	Colgate-Palmolive Company	CL	CL US	Bryan D. Spillane
	Constellation Brands	STZ	STZ US	Bryan D. Spillane
	Coty Inc.	COTY	COTY US	Anna Lizzul
	e.l.f. Beauty	ELF	ELF US	Anna Lizzul
	Freshpet, Inc.	FRPT	FRPT US	Bryan D. Spillane
	Kenvue Inc.	KVUE	KVUE US	Anna Lizzul
	Keurig Dr Pepper	KDP	KDP US	Bryan D. Spillane
	Kraft Heinz Company	KHC	KHC US	Bryan D. Spillane
	Lamb Weston Holdings Inc	LW	LW US	Peter T. Galbo, CFA
	McCormick & Co.	MKC	MKC US	Peter T. Galbo, CFA
	Mondelez International	MDLZ	MDLZ US	Bryan D. Spillane
	Monster Beverage Corporation	MNST	MNST US	Peter T. Galbo, CFA
	PepsiCo	PEP	PEP US	Bryan D. Spillane
	Philip Morris International	PM	PM US	Lisa K. Lewandowski
	Pilgrim's Pride Corp.	PPC	PPC US	Peter T. Galbo, CFA
	The Coca Cola Company	KO	KO US	Bryan D. Spillane
	The Procter & Gamble Company	PG	PG US	Bryan D. Spillane
NEUTRAL				
	Altria Group	MO	MO US	Lisa K. Lewandowski
	Celsius Holdings Inc	CELH	CELH US	Jonathan Keypour
	Church & Dwight	CHD	CHD US	Anna Lizzul
	Clorox	CLX	CLX US	Anna Lizzul
	Conagra Brands, Inc.	CAG	CAG US	Peter T. Galbo, CFA
	Estee Lauder Companies Inc.	EL	EL US	Bryan D. Spillane
	General Mills	GIS	GIS US	Bryan D. Spillane
	JM Smucker Company	SJM	SJM US	Peter T. Galbo, CFA
	Kellanova	K	K US	Peter T. Galbo, CFA
	Molson Coors Beverage Company	TAP	TAP US	Bryan D. Spillane
	The Hershey Company	HSY	HSY US	Bryan D. Spillane



US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Tyson Foods, Inc.	TSN	TSN US	Peter T. Galbo, CFA
	Utz Brands	UTZ	UTZ US	Peter T. Galbo, CFA
	WK Kellogg Co	KLG	KLG US	Peter T. Galbo, CFA

UNDERPERFORM

	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEED	WEED CN	Lisa K. Lewandowski
	Canopy Growth	CGC	CGC US	Lisa K. Lewandowski
	Cronos Group	YCRON	CRON CN	Lisa K. Lewandowski
	Cronos Group	CRON	CRON US	Lisa K. Lewandowski
	Dole plc	DOLE	DOLE US	Bryan D. Spillane
	Herbalife Nutrition Ltd	HLF	HLF US	Anna Lizzul
	Hormel Foods Corp.	HRL	HRL US	Peter T. Galbo, CFA
	Kimberly-Clark	KMB	KMB US	Anna Lizzul
	The Duckhorn Portfolio, Inc.	NAPA	NAPA US	Peter T. Galbo, CFA

RSTR

	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane
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iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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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WK Kellogg Co (KLG) 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: Food Group (as of 31 Dec 2023)

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

Equity Investment Rating Distribution: 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}
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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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