

## AVITA

## Dial up the Trauma

Reiterate Rating: BUY | PO: 23.00 USD | Price: 17.01 USD

**4Q23 revenue preannounced. NLAT 27% better than Cons**

4Q23 Total revenue \$14.2m (+50% pcp); preannounced. Net loss after tax \$7.1m (vs - \$5.4m pcp) better than Cons \$9.7m loss (+27%). Key points: (1) 50% rev growth from burns traction and trauma/full thickness expansion; (2) GM 87.3% (+150bps) supported by scale efficiencies and lower freight costs; (3) Opex \$24.7m (+65%; +8% vs Cons) due to higher employee costs, TONE study R&D and RECELL GO insourcing; (4) NLAT better than Cons due to non-recurring non-cash FX gain; (5) \$89.1m cash available. AVITA does not expect to further draw down available loan facilities.

**2024 guidance: 66% revenue growth**

AVITA is backing up a solid 2023, guiding to 2024 growth acceleration (commercial rev +66%). FY24 \$78.5-\$84.5m (Cons \$78m). We like its multiple growth levers including: (1) Full thickness/trauma penetration following Jun23 indication expansion; (2) Core US burns market traction; (3) Jan24 ROW launch; and (4) May24 RECELL GO launch. Growth expected to be 2H24 weighted. We are not concerned about lengthier hospital approval process (due to multiple physicians' consultation) given expanded indications and broader use. We forecast \$82.9m 2024 revenue, +2% ahead guidance midpoint.

**Guides to cash flow breakeven and profitability in 3Q25**

We like that AVITA expects to be self-funding and profitable by 3Q25. Before then, however, we expect 50% sales force expansion to drag (particularly in 1H24) before witnessing operating leverage in 2H24. Accordingly, we forecast FY24 larger losses (ELIT \$28m; prev \$26m). Higher sales volumes should allow AVITA to maintain GM at c85%; offset by lower ROW distributor margins.

**Reiterate Buy. PO unchanged US\$23/A\$6.50**

We reiterate our Buy rating on growth momentum. PO unchanged at US\$23/A\$6.50. Upcoming catalysts: (1) RECELL GO submission 28Feb 2024 with launch expected 31May 2024; (2) RECELL GO mini PMA submission end-24; (3) TONE study follow up expected late-24; (4) Health Economic Study (to be published by 4Q24) to assist with reimbursement; (5) Vitiligo (launch CY25).

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
Net Profit b/f Abnormals	(27)	(35)	(30)	(8)	5
EPS	(1.06)	(1.39)	(1.15)	(0.29)	0.19
EPS Change (YoY)	-3.9%	-31.5%	17.2%	74.5%	NM
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(0.78)	(1.55)	(0.79)	(0.28)	0.10
ADR EPS (US\$)	(0.212)	(0.278)	(0.230)	(0.059)	0.038
ADR Dividend / Share (US\$)	0	0	0	0	0
<b>Valuation (Dec)</b>					
P/E	NM	NM	NM	NM	90.71x
EV / EBITDA*	-12.95x	-10.72x	-17.41x	-94.05x	70.02x
Free Cash Flow Yield*	-4.47%	-9.01%	-4.67%	-1.64%	0.568%

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

23 February 2024

## Equity

**Key Changes**

(US\$)	Previous	Current
2024E EPS	-1.09	-1.15
2025E EPS	-0.43	-0.29
2026E EPS	NA	0.19
2024E EBITDA (m)	-25.3	-27.3
2025E EBITDA (m)	-8.4	-5.1
2026E EBITDA (m)	NA	6.9

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**Stock Data**

Price (Common / ADR)	17.01 USD / 5.28 AUD
Price Objective	23.00 USD / 6.50 AUD
Date Established	19-Oct-2023 / 19-Oct-2023
Investment Opinion	C-1-9 / C-1-9
52-Week Range	8.91 USD-21.70 USD
Market Value (mn)	437 USD
Shares Outstanding (mn)	25.7 / 128.5
Average Daily Value (mn)	2.45 USD
Free Float	98.2%
BofA Ticker / Exchange	RCEL / NAS
BofA Ticker / Exchange	AVHHL / ASX
Bloomberg / Reuters	RCEL US / RCELOQ
ROE (2024E)	-84.8%
Net Dbt to Eqty (Dec-2023A)	35.6%

**Glossary**

PMA: Premarket approval  
ROW: Rest of world

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**Refer to important disclosures on page 7 to 10. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.**

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Timestamp: 22 February 2024 09:53PM EST

# iQprofile<sup>SM</sup> AVITA

## Key Income Statement Data (Dec)

(US\$ Millions)

	2022A	2023A	2024E	2025E	2026E
<b>Sales</b>	<b>34</b>	<b>50</b>	<b>83</b>	<b>95</b>	<b>115</b>
Associates & Other Revenue	3	1	1	0	0
Operating Expenses	(65)	(94)	(112)	(100)	(109)
<b>EBITDA</b>	<b>(27)</b>	<b>(42)</b>	<b>(27)</b>	<b>(5)</b>	<b>7</b>
Depreciation & Amortization	(1)	(1)	(1)	(1)	(1)
<b>EBIT</b>	<b>(28)</b>	<b>(43)</b>	<b>(28)</b>	<b>(6)</b>	<b>6</b>
Net Interest & Other income	1	7	(1)	(1)	(1)
Pretax Income	(27)	(35)	(30)	(8)	5
Tax (expense) / Benefit	0	0	0	0	0
Outside Equity interest in Npat	NA	NA	NA	NA	NA
<b>Preference dividends</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Net Profit b/f Abnormals</b>	<b>(27)</b>	<b>(35)</b>	<b>(30)</b>	<b>(8)</b>	<b>5</b>
Non-Recurring Items	0	0	0	0	0
Net Income (Reported)	(27)	(35)	(30)	(8)	5

## Key Cash Flow Statement Data

EBITDA	(27)	(42)	(27)	(5)	7
Change in Working Capital	0	(7)	9	0	(3)
Other C'flow Items before int & tax	0	0	0	0	0
Net Interest Paid	0	0	(1)	(1)	(1)
Tax Paid	0	0	0	0	0
Other C'flow from Operations	8	11	0	0	0
<b>Cash Flow from Operations</b>	<b>(19)</b>	<b>(38)</b>	<b>(20)</b>	<b>(7)</b>	<b>3</b>
Capital Expenditure (PP&E)	0	(1)	(1)	(1)	(1)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other C'flow from Investing	(19)	0	0	0	0
<b>Cash Flow from Investing</b>	<b>(19)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>
Shares Issue / (Repurchase)	0	1	0	0	0
Dividend paid	0	0	0	0	0
Other C'flow from Financing	1	40	0	6	0
<b>Cash Flow from Financing</b>	<b>1</b>	<b>40</b>	<b>0</b>	<b>6</b>	<b>0</b>
Free Cash Flow	(20)	(39)	(20)	(7)	2
Net Debt	(79)	18	38	45	43

## Key Balance Sheet Data

Cash Equivalents	79	22	2	0	3
Receivables & Inventories	7	13	12	12	14
Property, Plant & Equipment	1	2	2	1	1
Intangibles	0	0	0	0	0
Other assets	11	74	74	73	73
<b>Total Assets</b>	<b>98</b>	<b>112</b>	<b>89</b>	<b>87</b>	<b>92</b>
Payables	3	4	11	11	11
<b>Provisions</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Short term debt & Long term debt	0	40	40	45	45
Other Liabilities	3	18	18	18	18
<b>Total Liabilities</b>	<b>13</b>	<b>62</b>	<b>69</b>	<b>74</b>	<b>74</b>
<b>Total Equity</b>	<b>85</b>	<b>50</b>	<b>20</b>	<b>13</b>	<b>17</b>

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

Return on Capital Employed	-24.7%	-34.2%	-30.5%	-8.3%	8.0%
Return on Equity	-28.1%	-52.4%	-84.8%	-46.3%	32.4%
Operating Margin	-79.9%	-85.1%	-34.2%	-6.6%	5.3%
EBITDA Margin	-71.7%	-81.5%	-32.4%	-5.4%	6.0%

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

Cash Realization Ratio	0.7x	1.1x	0.7x	0.9x	0.6x
Dividend Payout Ratio	0%	0%	0%	0%	0%
Tax Rate (Reported)	-0.1%	-0.2%	0%	0%	0%
Net Debt-to-Equity Ratio	-93.0%	35.6%	189.2%	360.3%	245.7%
Interest Cover	NA	NA	-22.0x	-4.9x	4.8x

## Key Metrics

Franking	0%	0%	0%	0%	0%
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\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Healthcare Technology &amp; Distribution

## Company Description

AVITA Therapeutics Inc (RCEL) is a medical device company which has developed an innovative spray-on skin for the treatment of dermal loss. Its flagship product, RECELL, is currently the only FDA approved spray-on skin for use in acute thermal burns. RECELL is technologically superior to the current standard of care.

## Investment Rationale

With no real competition and growing surgeon advocacy, we forecast revenue to grow strongly. Usage will improve as RCEL increases its penetration. There is significant runway for growth in new patient groups (paediatrics), in new indications (wounds, vitiligo) and new markets (Europe).

## Stock Data

Shares / ADR	0.20
Price to Book Value	21.7x

## Key Changes

(US\$)	Previous	Current
2024E EPS	-0.22	-0.23
2025E EPS	-0.09	-0.06
2026E EPS	NA	0.04

## 4Q23 vs BofA vs Cons

### Exhibit 1: 4Q23 revenue +48% pcp; LBIT 24% below Consensus expectations

4Q23 results vs BofA vs Consensus

		4Q23E						
		4Q22	4Q23	Chg %	BofA	Diff (%)	Consensus	Diff (%)
Sales revenue	\$m	9.5	14.1	48%	14.1	0%	14.5	-3%
LBIT	\$m	-5.9	-12.3	108%	-9.8	-25%	-9.9	-24%
NLAT	\$m	-5.4	-7.1	32%	-9.8	28%	-9.7	27%
Metrics		4Q22	4Q23	ppt	BofA	ppt	Consensus	ppt
LBIT margin	%	-62%	-87%	-25	-70%	-18	-68%	-19
Net margin	%	-56%	-50%	6	-70%	19	-67%	17

Source: BofA Global Research, Bloomberg, Company reports

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## Changes to our estimates

### Exhibit 2: We lift NPAT in FY25/26 to reflect growth momentum & profitability

Changes to BofA estimates

		FY24E			FY25E			FY26E		
		New	Old	Chg %	New	Old	Chg %	New	Old	Chg %
Sales	\$m	83	83	0.0%	95	95	0.0%	115	115	0.0%
Gross profit	\$m	71	71	0.0%	86	86	0.0%	104	104	0.0%
EBIT/(LBIT)	\$m	-28	-26	-7.9%	-6	-10	34.4%	6	0	1602.2%
NPAT /(NLAT)	\$m	-30	-28	-7.5%	-8	-11	30.3%	5	-2	385.5%
Analysis		New	Old	Chg (ppt)	New	Old	Chg (ppt)	New	Old	Chg (ppt)
Gross margin	%	86%	86%	0.0	90%	90%	0.0	90%	90%	0.0

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

## Price objective basis & risk

### AVITA (RCEL / AVHHL)

Our EV/Sales-based price objective for RCEL is US\$23 per share (AVH is A\$6.50 per share). We use 6x FY25E sales discounted (WACC: 12.5%) to present value. We believe 6x is justified as it represents global high-growth small cap medical technology companies whose sales are growing at rates equivalent to AVITA.

Risks to our price objective are: (i) changes to reimbursement regimes (ii) new entrants in the spray-on skin market (iii) economic downturns (iv) currency fluctuations (v) slower/faster than forecast revenue growth (vi) product recall and/or safety issues.

## Analyst Certification

I, Lyanne Harrison, 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.

### APR - Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Adicon Holdings	ADCNF	9860 HK	David Li
	Aier Eye Hospital	XAEOF	300015 CH	David Li
	Amvis Holdings	XEPSF	7071 JP	Ritsuo Watanabe
	Angelalign Technology Inc	AGLFF	6699 HK	David Li
	Apollo Hospital	XWQAF	APHS IN	Neha Manpuria
	Asahi Intecc	AHICF	7747 JP	Ritsuo Watanabe
	Aurobindo	XLZFF	ARBP IN	Neha Manpuria
	Autobio Diagnostics Co Ltd	XQDXF	603658 CH	Sandra Sun
	AVITA	AVHHL	AVH AU	Lyanne Harrison
	AVITA	RCEL	RCEL US	Lyanne Harrison
	Baiyunshan	GZPHF	874 HK	Sandra Sun
	Bangkok Chain Hospital	BKKFF	BCH TB	Charti Phrawphraikul
	Bangkok Dusit Medical Services	BDUFF	BDMS TB	Charti Phrawphraikul
	Beijing Tongrentang Co., Limited	BJTGF	600085 CH	David Li
	Biocon	XLOFF	BIOS IN	Neha Manpuria
	Bumrungrad Hospital	BUHHF	BH TB	Charti Phrawphraikul
	Cansino Bio	CASBF	6185 HK	David Li
	Chugai Pharm.	CHGCF	4519 JP	Koichi Mamegano
	Chularat Hospital Group	XOCOF	CHG TB	Charti Phrawphraikul
	CSL Limited	CMXHF	CSL AU	Lyanne Harrison
	Daiichi Sankyo	DSKYF	4568 JP	Koichi Mamegano
	Daiichi Sankyo	DSNKY	DSNKY US	Koichi Mamegano
	Dr. Reddy's	DRYBF	DRRD IN	Neha Manpuria
	Dr. Reddy's	RDY	RDY US	Neha Manpuria
	Eisai	ESALF	4523 JP	Koichi Mamegano
	Everest Medicine	XMLKF	1952 HK	David Li
	Fisher & Paykel Healthcare	XPAXF	FPH AU	Lyanne Harrison
	Fisher & Paykel Healthcare	FSPKF	FPH NZ	Lyanne Harrison
	Fortis Health	XFFTf	FORH IN	Neha Manpuria
	Frontage	FGHQF	1521 HK	David Li
	Gland Pharma	XGLPF	GLAND IN	Neha Manpuria
	Glenmark Life Sciences	XWDPF	GLS IN	Neha Manpuria
	Gushengtang	GSHTF	2273 HK	David Li
	Huadong Medicine	XCPDF	000963 CH	Ethan Cui
	Hualan Biological	XCBEF	002007 CH	Ethan Cui
	Hygeia Healthcare	HYHHF	6078 HK	Ethan Cui
	IHH Healthcare Berhad	IHHHF	IHH MK	Paul Dewberry
	IHH Healthcare Bhd	XFAHF	IHH SP	Paul Dewberry
	Imeik	ZMITF	300896 CH	Ethan Cui
	Innovent	IVBXF	1801 HK	David Li
	Integral Diagnostics	ITGDF	IDX AU	Lyanne Harrison

**APR - Healthcare Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Jinxin Fertility	JXGF	1951 HK	Ethan Cui
	Jinyu Bio-Tech	XMTDF	600201 CH	David Li
	Kangji Medical	KMHF	9997 HK	David Li
	Medley	XEQNF	4480 JP	Ritsuo Watanabe
	MicroPort	MCRPF	853 HK	Sandra Sun
	Mindray	XDVVF	300760 CH	Sandra Sun
	Nanosonics Limited	NNCSF	NAN AU	Lianne Harrison
	Olympus Corp.	OCPNF	7733 JP	Ritsuo Watanabe
	Ovctek	XOCKF	300595 CH	David Li
	Pharmaron	PHBBF	3759 HK	David Li
	Polynovo	CALZF	PNV AU	Lianne Harrison
	Praram 9 Hospital	XPNHF	PR9 TB	Charti Phrawphraikul
	ResMed Inc	RSMDF	RMD AU	Lianne Harrison
	ResMed Inc.	RMD	RMD US	Lianne Harrison
	Sawai Group Holdings	SWGHE	4887 JP	Ritsuo Watanabe
	Shanghai Pharmaceuticals	SHPMF	2607 HK	David Li
	Shanghai United Imaging	XCAOF	688271 CH	Sandra Sun
	Shionogi	SGIOF	4507 JP	Koichi Mamegano
	Shionogi	SGIOY	SGIOY US	Koichi Mamegano
	Sino Biopharm	SBMFF	1177 HK	David Li
	Sinopharm	SHTDF	1099 HK	David Li
	SMS	SMSZF	2175 JP	Ritsuo Watanabe
	Sonic Healthcare Limited	SKHCF	SHL AU	Lianne Harrison
	Sosei	SOLTF	4565 JP	Koichi Mamegano
	Takeda Pharm.	TKPHF	4502 JP	Koichi Mamegano
	Takeda Pharm.	TAK	TAK US	Koichi Mamegano
	Terumo	TRUMF	4543 JP	Ritsuo Watanabe
	TigerMed	HTMDF	3347 HK	David Li
	TRYT	XHXTF	9164 JP	Ritsuo Watanabe
	Wuxi Apptec	WUXIF	2359 HK	David Li
	Wuxi Apptec	XLUHF	603259 CH	David Li
	Yifeng Pharmacy	XYHCF	603939 CH	Ethan Cui
	Yunnan Baiyao	YBAIF	000538 CH	Sandra Sun
	Zai Lab	ZLAB	ZLAB US	David Li
	Zai Lab	XCDZF	9688 HK	David Li
	Zhifei	XCHOF	300122 CH	David Li

**NEUTRAL**

	Ansell Limited	ANSLF	ANN AU	Lianne Harrison
	Astellas Pharma	ALPMF	4503 JP	Koichi Mamegano
	Astellas Pharma	ALPMY	ALPMY US	Koichi Mamegano
	Australian Clinical Labs	XAUKF	ACL AU	Lianne Harrison
	Beigene	XBETF	6160 HK	David Li
	Beigene	BGNE	BGNE US	David Li
	EBOS Group Limited	EBOSF	EBO NZ	Lianne Harrison
	EBOS Group Limited	XEBOF	EBO AU	Lianne Harrison
	Healius Limited	PHCRF	HLS AU	Lianne Harrison
	JMDC	JMDCF	4483 JP	Ritsuo Watanabe
	Joinn Lab	XQTSF	6127 HK	David Li
	Kyowa Kirin	KYKOF	4151 JP	Koichi Mamegano
	Max Healthcare	XMHLF	MAXHEALT IN	Neha Manpuria
	Pien Tze Huang	XUVHF	600436 CH	Sandra Sun
	Ramsay Health Care Limited	RMSYF	RHC AU	Lianne Harrison
	Sigma Healthcare Limited	SIGGF	SIG AU	Lianne Harrison
	Sun Pharma	XPUCF	SUNP IN	Neha Manpuria
	Sysmex	SSMXF	6869 JP	Ritsuo Watanabe
	Topchoice Medical	XZDXF	600763 CH	Ethan Cui
	Torrent Pharma	TOPHF	TRP IN	Neha Manpuria
	WuXi Biologics	WXIBF	2269 HK	David Li
	Zydus Lifesciences	XMQLF	ZYDUSLIF IN	Neha Manpuria

**UNDERPERFORM**

	Ain Holdings	AINPF	9627 JP	Ritsuo Watanabe
	Alkem	XAMLF	ALKEM IN	Neha Manpuria
	Asymchem Laboratories	XALPF	002821 CH	David Li
	Baiyunshan	XOUFF	600332 CH	Sandra Sun



## APR - Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Beijing Wantai Biological Pharmacy	XBHIF	603392 CH	David Li
	Cipla	XCCLAF	CIPLA IN	Neha Manpuria
	Cochlear Limited	CHEOF	COH AU	Lyanne Harrison
	CSPC Pharmaceutical	CHJTF	1093 HK	Ethan Cui
	Divis Laboratories	XXQPF	DIVI IN	Neha Manpuria
	Hansoh	HNSPF	3692 HK	David Li
	Hengrui Medicine	XMOKF	600276 CH	David Li
	Joinn Lab	JOLCF	603127 CH	David Li
	Lupin	XEFSF	LPC IN	Neha Manpuria
	M3	MTHRF	2413 JP	Ritsuo Watanabe
	Mankind Pharma	XDXZF	MANKIND IN	Neha Manpuria
	Medipal Holdings	MEPDF	7459 JP	Ritsuo Watanabe
	Ono Pharm.	OPHLF	4528 JP	Koichi Mamegano
	Otsuka HD	OTSKF	4578 JP	Koichi Mamegano
	Otsuka HD	OTSKY	OTSKY US	Koichi Mamegano
	Pharmaron	XLYGF	300759 CH	David Li
	PHC Holdings	PHCCF	6523 JP	Ritsuo Watanabe
	Shanghai Pharmaceuticals	XKCRF	601607 CH	David Li
	TigerMed	XHTHF	300347 CH	David Li
<b>RSTR</b>				
	APM Human Services	APMHF	APM AU	Lyanne Harrison

iQmethod<sup>SM</sup> 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 &amp; 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

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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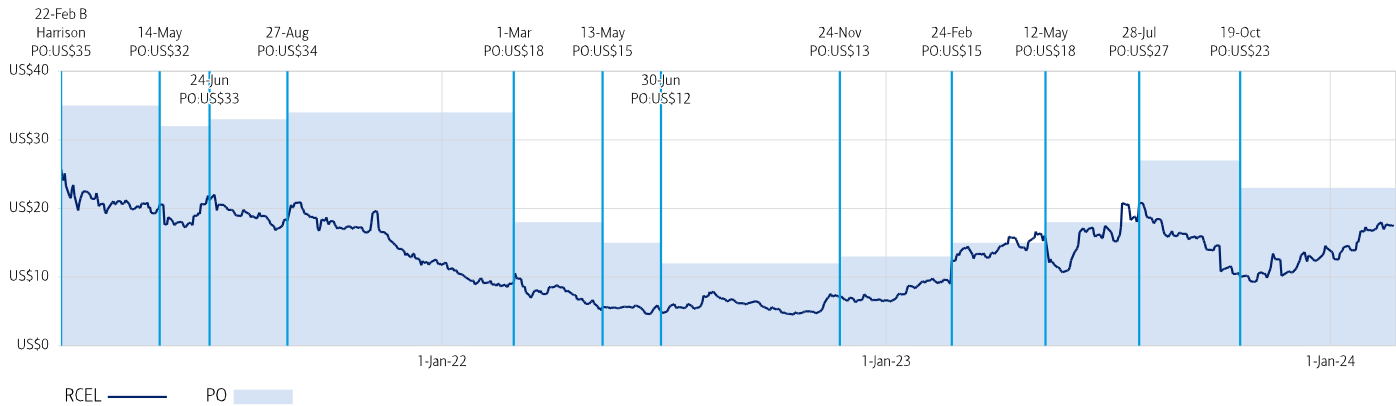
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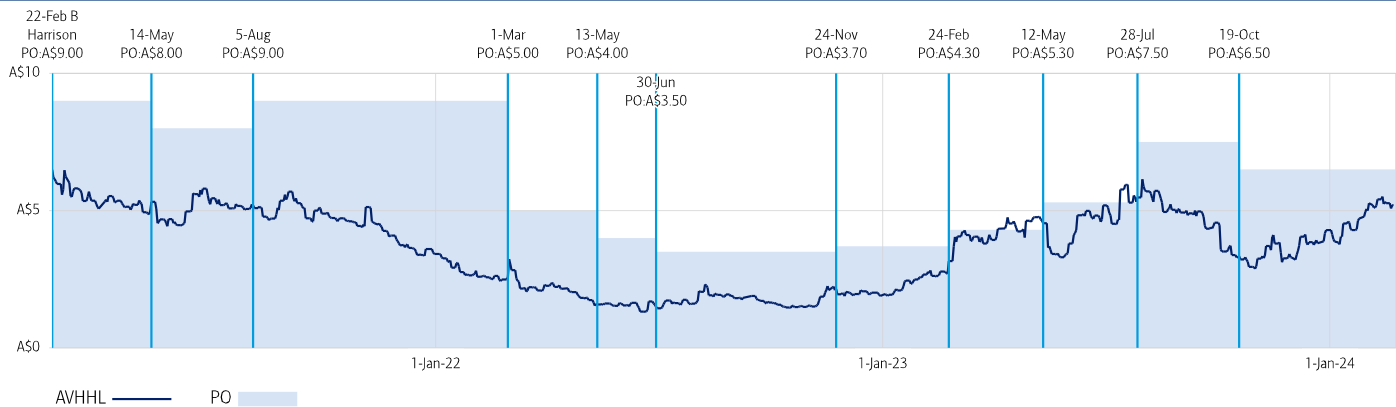
### AVITA (RCEL) Price Chart



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.

### AVITA (AVHHL) Price Chart



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

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

### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

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

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

<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>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>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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