

## Pure Storage

**Better-than-expected F25 guide despite bigger headwind of 4pts from Evergreen**

Reiterate Rating: NEUTRAL | PO: 50.00 USD | Price: 42.12 USD

**Return to double digit rev growth in F25**

F4Q rev/EPS of \$790mn/\$0.50 beat our estimates of \$782mn/\$0.46 and St. estimates of \$785mn/\$0.44. In F4Q, GM declined 30bps q/q to 73.7% with product GM growing 30bps q/q to 73.4%, and Service GM declined 130bps q/q to 74.1%. FCF in F4Q came in at \$201mn, compared to \$113mn in F3Q24. Subscription ARR (\$bn) growth decelerated to 25% y/y. Mgmt. guided double-digit y/y rev of +10.5% y/y for F25 to \$3.1bn, baking in 4pts headwind from Evergreen//One and Evergreen//Flex (vs. 3pts headwind in F24). Evergreen//One and Evergreen//Flex TCV in FY25 are now expected to be higher at approx. \$600mn. OM for F25 was guided to grow +80bps y/y to 17%. Reiterate Neutral on risk/reward balance as higher mix of SaaS rev and next-generation Flash product is balanced by risk from weaker macro & potential competitive threats.

**Our puts and takes on F25 guide**

In [our F4Q preview](#), we previously modeled our F25 rev growth at +9.6% y/y. Mgmt. guidance of +10.5% y/y came in higher than expected. We view the overall storage market to experience a higher market growth (Gartner forecasts +2% y/y but this number is not including Evergreen//One) and higher NAND pricing to be key drivers in the better-than-expected rev growth for the company in the next fiscal year.

**New wins and new share authorization announced**

PSTG returned \$136mn to its shareholders through buybacks of 4.7mn shares for FY24. Mgmt. noted lower repurchase activity in F4Q given fixed trading parameters. Although \$145mn is left in the remaining share repurchase authorization, the Board issued an additional \$250mn under its stock repurchase program to provide room for the company to fulfill its commitment of returning 50% FCF. The company won two 8-fig deals with 1) Fortune 500 financial service company and 2) undisclosed but mentioned as one of the largest cloud GPU providers. Mgmt. noted that there could be more AI-related deals as such customers will be able to leverage the capital flexibility from the service model.

**Adjusting estimates; PO moves to \$50 (from \$42)**

Our F25 rev/EPS move to \$3.12bn/\$1.69, from \$3.09bn/\$1.47. PO moves to \$50 (from \$42) on 4x (from 3x) C25 EV/Sales on better-than-expected rev growth and profitability.

Estimates (Jan) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	1.42	1.43	1.69	2.01	2.44
GAAP EPS	0.23	0.19	0.62	0.85	1.18
EPS Change (YoY)	91.9%	0.7%	18.2%	18.9%	21.4%
Consensus EPS (Bloomberg)			1.52	1.72	NA
DPS	0	0	0	0	0
<b>Valuation (Jan)</b>					
P/E	29.7x	29.5x	24.9x	21.0x	17.3x
GAAP P/E	183.1x	221.7x	67.9x	49.6x	35.7x
EV / EBITDA*	20.7x	19.8x	17.4x	14.5x	11.7x
Free Cash Flow Yield*	4.6%	3.6%	3.9%	4.5%	6.1%

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

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29 February 2024

## Equity

**Key Changes**

(US\$)	Previous	Current
Price Obj.	42.00	50.00
2025E Rev (m)	3,093.9	3,121.3
2026E Rev (m)	3,604.5	3,616.0
2027E Rev (m)	NA	4,204.0
2025E EPS	1.47	1.69
2026E EPS	1.81	2.01
2027E EPS	NA	2.44

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**Stock Data**

Price	42.12 USD
Price Objective	50.00 USD
Date Established	29-Feb-2024
Investment Opinion	C-2-9
52-Week Range	22.14 USD - 45.34 USD
Mrkt Val (mn) / Shares Out (mn)	13,309 USD / 316.0
Free Float	93.7%
Average Daily Value (mn)	153.24 USD
BofA Ticker / Exchange	PSTG / NYS
Bloomberg / Reuters	PSTG US / PSTG.N
ROE (2025E)	36.7%
Net Dbt to Eqty (Jan-2024A)	-112.7%
ESGMeter <sup>TM</sup>	High

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"](#).

# iQprofile<sup>SM</sup> Pure Storage

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

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	16.0%	13.3%	17.0%	16.8%	17.0%
Return on Equity	52.9%	42.2%	36.7%	31.8%	29.1%
Operating Margin	16.6%	16.2%	17.0%	18.3%	20.3%
Free Cash Flow	609	483	515	605	811

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

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	1.7x	1.5x	1.2x	1.2x	1.2x
Asset Replacement Ratio	1.6x	1.6x	1.4x	1.5x	1.5x
Tax Rate	20.4%	32.3%	17.1%	17.1%	18.7%
Net Debt-to-Equity Ratio	-107.1%	-112.7%	-107.3%	-103.3%	-102.3%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	2,753	2,831	3,121	3,616	4,204
% Change	26.3%	2.8%	10.3%	15.8%	16.3%
Gross Profit	1,946	2,073	2,254	2,568	2,985
% Change	28.5%	6.5%	8.7%	13.9%	16.2%
EBITDA	558	583	663	795	985
% Change	74.2%	4.5%	13.8%	19.8%	24.0%
Net Interest & Other Income	10	38	78	78	78
<b>Net Income (Adjusted)</b>	<b>448</b>	<b>467</b>	<b>566</b>	<b>681</b>	<b>837</b>
<b>% Change</b>	<b>101.3%</b>	<b>4.1%</b>	<b>21.3%</b>	<b>20.4%</b>	<b>22.8%</b>

## Free Cash Flow Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	73	61	207	288	404
Depreciation & Amortization	100	124	131	131	131
Change in Working Capital	259	142	21	16	65
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	335	350	335	370	410
Capital Expenditure	(158)	(195)	(180)	(200)	(200)
<b>Free Cash Flow</b>	<b>609</b>	<b>483</b>	<b>515</b>	<b>605</b>	<b>811</b>
<b>% Change</b>	<b>97.8%</b>	<b>-20.8%</b>	<b>6.7%</b>	<b>17.5%</b>	<b>34.0%</b>
Share / Issue Repurchase	(154)	(51)	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(277)	(609)	0	0	0

## Balance Sheet Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	1,582	1,531	2,046	2,651	3,462
Trade Receivables	612	662	738	880	980
Other Current Assets	282	305	332	377	408
Property, Plant & Equipment	272	353	401	470	538
Other Non-Current Assets	796	805	805	805	805
<b>Total Assets</b>	<b>3,545</b>	<b>3,656</b>	<b>4,322</b>	<b>5,183</b>	<b>6,194</b>
Short-Term Debt	575	0	0	0	0
Other Current Liabilities	1,177	1,366	1,421	1,549	1,663
Long-Term Debt	0	100	100	100	100
Other Non-Current Liabilities	852	920	989	1,063	1,145
<b>Total Liabilities</b>	<b>2,604</b>	<b>2,386</b>	<b>2,509</b>	<b>2,712</b>	<b>2,909</b>
<b>Total Equity</b>	<b>941</b>	<b>1,270</b>	<b>1,813</b>	<b>2,471</b>	<b>3,285</b>
<b>Total Equity &amp; Liabilities</b>	<b>3,545</b>	<b>3,656</b>	<b>4,322</b>	<b>5,183</b>	<b>6,194</b>

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

## Company Sector

IT Hardware

## Company Description

Pure Storage is a leading vendor in the All-Flash Array market that addresses the larger \$12bn Tier-1 Storage Area Network market as well as the \$6bn NAS market. All-Flash Arrays are disrupting Hard Disk Drives given better performance, better durability, higher reliability, lower power consumption, and a smaller footprint. The company disrupts traditional selling models by allowing customers to use the same hardware for up to ten years, offering free upgrades every 3 years for a service fee.

## Investment Rationale

Our Neutral rating is based on risk-reward balance where positives including improving subscription rev, and mix shift to high-margin software/aaS revs is balanced by risk from an economic slowdown, component shortages and higher flash pricing.

## Stock Data

Average Daily Volume 3,638,173

## Quarterly Earnings Estimates

	2024	2025
Q1	0.08A	0.24E
Q2	0.34A	0.39E
Q3	0.50A	0.48E
Q4	0.50A	0.58E

# Model

## Exhibit 1: PSTG guidance breakdown

Mgmt. guided F25 rev growth ex-headwind in the mid-teens which we expect to be 16%.

	F24A	F25E
Overall external storage market growth	-10%	2%
PSTG market outgrowth	17.3%	11.0%
Total growth baseline	7.3%	13.0%
Headwind from Evergreen//One	-3%	-4%
Growth net of Evergreen//one headwinds	4.3%	9.0%
Telco deal impact	-1.5%	1.5%
<b>Growth adj for Telco</b>	<b>2.8%</b>	<b>10.5%</b>

**Source:** Company reports, Gartner, BofA Global Research estimates

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# Abbreviations

AI: Artificial Intelligence

GPU: Graphics Processing Units

FCF: Free Cash Flow

OM: Operating Margin

GM: Gross Margin

TCV: Total Contract Value



**Exhibit 2: PSTG Income Statement**

We model F25 rev/EPS of \$3.12bn/\$1.69.

(\$ millions, except per share amounts)	FY24A				FY25E				Fiscal Years				
	Apr-23	Jul-23	Oct-23	Jan-24	Apr-24	Jul-24	Oct-24	Jan-25	FY23A	FY24E	FY25E	FY26E	FY27E
	Q1A	Q2A	Q3A	Q4A	Q1E	Q2E	Q3E	Q4E					
<b>Non-GAAP</b>													
Product Revenue	309.0	399.7	453.3	460.9	327.2	373.0	410.3	476.0	1,792.2	1,622.9	1,586.6	1,661.4	1,848.8
Support Revenue	280.3	288.9	309.6	328.9	354.2	379.4	396.7	404.4	961.3	1,207.8	1,534.7	1,954.7	2,355.3
<b>Total Revenue</b>	<b>\$589.3</b>	<b>\$688.7</b>	<b>\$762.8</b>	<b>\$789.8</b>	<b>\$681.4</b>	<b>\$752.5</b>	<b>\$807.1</b>	<b>\$880.4</b>	<b>\$2,753.4</b>	<b>\$2,830.6</b>	<b>\$3,121.3</b>	<b>\$3,616.0</b>	<b>\$4,204.0</b>
Product COGS	90.1	113.8	121.9	122.7	95.6	109.4	120.7	142.9	545.6	448.5	468.6	520.6	583.8
Support COGS	73.7	73.7	76.1	85.1	94.9	99.4	101.5	103.1	261.4	308.7	398.7	527.2	635.8
<b>Total COGS</b>	<b>163.9</b>	<b>187.5</b>	<b>198.1</b>	<b>207.8</b>	<b>190.5</b>	<b>208.7</b>	<b>222.2</b>	<b>245.9</b>	<b>807.0</b>	<b>757.3</b>	<b>867.4</b>	<b>1,047.8</b>	<b>1,219.5</b>
Product Gross Profit	218.9	285.9	331.3	338.2	231.6	263.7	289.6	333.1	1,246.5	1,174.3	1,118.0	1,140.8	1,265.0
Support Gross Profit	206.6	215.2	233.4	243.8	259.3	280.1	295.2	301.3	699.9	899.0	1,136.0	1,427.5	1,719.5
<b>Total Gross Profit</b>	<b>425.5</b>	<b>501.1</b>	<b>564.7</b>	<b>582.0</b>	<b>490.9</b>	<b>543.8</b>	<b>584.8</b>	<b>634.5</b>	<b>1,946.5</b>	<b>2,073.3</b>	<b>2,254.0</b>	<b>2,568.3</b>	<b>2,984.5</b>
R&D	147.1	138.4	138.2	145.8	147.2	147.9	149.2	152.1	530.8	569.5	596.5	640.6	692.6
S&M	215.3	213.2	212.5	229.3	227.0	227.0	232.8	239.9	811.1	870.3	926.7	1,048.8	1,203.3
G&A	43.5	37.7	44.8	49.1	49.1	49.1	49.7	51.1	147.3	175.1	199.0	215.5	234.8
<b>Total Operating Expense</b>	<b>405.8</b>	<b>389.3</b>	<b>395.5</b>	<b>424.2</b>	<b>423.3</b>	<b>424.0</b>	<b>431.8</b>	<b>443.1</b>	<b>1,489.2</b>	<b>1,614.8</b>	<b>1,722.2</b>	<b>1,904.9</b>	<b>2,130.6</b>
<b>Operating Profit (Loss)</b>	<b>\$19.6</b>	<b>\$111.8</b>	<b>\$169.2</b>	<b>\$157.8</b>	<b>\$67.6</b>	<b>\$119.7</b>	<b>\$153.1</b>	<b>\$191.4</b>	<b>\$457.2</b>	<b>\$458.5</b>	<b>\$531.8</b>	<b>\$663.3</b>	<b>\$853.9</b>
Financial Income (Expense)	12.4	6.8	5.3	13.4	19.4	19.4	19.4	19.4	10.1	38.0	77.7	77.7	77.7
Pretax Income	32.0	118.7	174.6	171.2	87.0	139.1	172.5	210.8	467.3	496.5	609.5	741.0	931.6
Taxes	7.3	7.6	9.0	5.4	6.1	9.7	12.1	14.8	18.7	29.3	42.7	59.3	93.2
Net Income	\$24.7	\$111.1	\$165.6	\$165.9	\$80.9	\$129.4	\$160.4	\$196.1	\$448.6	\$467.2	\$566.8	\$681.7	\$838.4
<b>EPS</b>	<b>\$0.08</b>	<b>\$0.34</b>	<b>\$0.50</b>	<b>\$0.50</b>	<b>\$0.24</b>	<b>\$0.39</b>	<b>\$0.48</b>	<b>\$0.58</b>	<b>\$1.42</b>	<b>\$1.43</b>	<b>\$1.69</b>	<b>\$2.01</b>	<b>\$2.44</b>
<b>Sharecount</b>													
Basic	305.9	309.5	314.2	317.7	319.7	321.7	323.7	325.7	299.5	311.8	322.7	330.7	338.7
Diluted	317.0	326.6	330.3	332.0	334.0	334.5	335.5	336.0	315.7	326.5	335.0	339.0	343.0
<b>Analysis</b>													
<b>% of Revenue</b>													
Product Margin	70.8%	71.5%	73.1%	73.4%	70.8%	70.7%	70.6%	70.0%	69.6%	72.4%	70.5%	68.7%	68.4%
Service Margin	73.7%	74.5%	75.4%	74.1%	73.2%	73.8%	74.4%	74.5%	72.8%	74.4%	74.0%	73.0%	73.0%
<b>Gross Profit</b>	<b>72.2%</b>	<b>72.8%</b>	<b>74.0%</b>	<b>73.7%</b>	<b>72.0%</b>	<b>72.3%</b>	<b>72.5%</b>	<b>72.1%</b>	<b>70.7%</b>	<b>73.2%</b>	<b>72.2%</b>	<b>71.0%</b>	<b>71.0%</b>
R&D Rate	25.0%	20.1%	18.1%	18.5%	21.6%	19.7%	18.5%	17.3%	19.3%	20.1%	19.1%	17.7%	16.5%
S&M Rate	36.5%	31.0%	27.9%	29.0%	33.3%	30.2%	28.8%	27.3%	29.5%	30.7%	29.7%	29.0%	28.6%
G&A Rate	7.4%	5.5%	5.9%	6.2%	7.2%	6.5%	6.2%	5.8%	5.3%	6.2%	6.4%	6.0%	5.6%
Operating Expense	68.9%	56.5%	51.8%	53.7%	62.1%	56.4%	53.5%	50.3%	54.1%	57.0%	55.2%	52.7%	50.7%
Operating Margin	3.3%	16.2%	22.2%	20.0%	9.9%	15.9%	19.0%	21.7%	16.6%	16.2%	17.0%	18.3%	20.3%
Tax Rate	22.9%	6.4%	5.2%	3.1%	7.0%	7.0%	7.0%	7.0%	4.0%	5.9%	7.0%	8.0%	10.0%
Non-GAAP Net Income	4.2%	16.1%	21.7%	21.0%	11.9%	17.2%	19.9%	22.3%	16.3%	16.5%	18.2%	18.9%	19.9%
<b>YoY % Growth</b>													
Total Revenue	-5.0%	6.5%	12.8%	-2.5%	15.6%	9.3%	5.8%	11.5%	26.3%	2.8%	10.3%	15.8%	16.3%
R&D	17.9%	11.5%	0.4%	1.0%	0.1%	6.9%	8.0%	4.3%	20.7%	7.3%	4.7%	7.4%	8.1%
S&M	7.7%	12.9%	9.7%	0.2%	5.4%	6.4%	9.5%	4.6%	11.5%	7.3%	6.5%	13.2%	14.7%
G&A	56.3%	3.0%	10.1%	16.4%	13.0%	30.4%	11.0%	4.0%	34.0%	18.9%	13.7%	8.3%	8.9%
Total Operating Expense	15.2%	11.4%	6.3%	2.1%	4.3%	8.9%	9.2%	4.5%	16.6%	8.4%	6.6%	10.6%	11.8%
<b>QoQ % Growth</b>													
Total Revenue	-27.3%	16.9%	10.8%	3.5%	-13.7%	10.4%	7.3%	9.1%					
R&D	1.9%	-5.9%	-0.2%	5.5%	1.0%	0.5%	0.9%	1.9%					
S&M	-5.9%	-0.9%	-0.3%	7.9%	-1.0%	0.0%	2.6%	3.1%					
G&A	3.0%	-13.3%	19.0%	9.5%	0.0%	0.0%	1.3%	2.7%					
Total Operating Expense	-2.3%	-4.1%	1.6%	7.2%	-0.2%	0.2%	1.8%	2.6%					

Source: Company reports, BofA Global Research estimates

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## Price objective basis & risk

### Pure Storage (PSTG)

Our PO of \$50 is based on 4x C2025E EV/Sales. This multiple compares to median 2x of historical range 1x-4x. Given Pure's strong revenue growth relative to other storage peers, we view 4x as appropriate (premium based on faster growth relative to peers).

Upside risks to our PO are faster recovery in the commercial segment, lower flash costs, sooner than expected recovery in the supply chain, and unexpected share gains.

Downside risks to our PO are an extended economic slowdown, rising costs, competition from well-established vendors like NetApp, Dell-EMC and HP that control vast distribution networks and have the ability to deeply discount products for certain customers, competition from private companies, enterprise movement to the public cloud, execution-related issues due to the high-growth nature of the company, and erosion of its competitive advantage in operating software over time.

## Analyst Certification

I, Wamsi Mohan, 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 - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Amphenol	APH	APH US	Wamsi Mohan
	Apple Inc.	AAPL	AAPL US	Wamsi Mohan
	Corning Inc.	GLW	GLW US	Wamsi Mohan
	Dell Technologies Inc.	DELL	DELL US	Wamsi Mohan
	Flex Ltd.	FLEX	FLEX US	Ruplu Bhattacharya
	HP Inc.	HPQ	HPQ US	Wamsi Mohan
	International Business Machines Corp.	IBM	IBM US	Wamsi Mohan
	Jabil Inc.	JBL	JBL US	Ruplu Bhattacharya
	Nutanix Inc	NTNX	NTNX US	Wamsi Mohan
	Roku, Inc.	ROKU	ROKU US	Ruplu Bhattacharya
	Seagate Technology	STX	STX US	Wamsi Mohan
	Super Micro Computer Inc.	SMCI	SMCI US	Ruplu Bhattacharya
	TD Synnex Corp	SNX	SNX US	Ruplu Bhattacharya
	TE Connectivity Ltd.	TEL	TEL US	Wamsi Mohan
	Western Digital Corporation	WDC	WDC US	Wamsi Mohan
<b>NEUTRAL</b>				
	Arrow Electronics Inc.	ARW	ARW US	Ruplu Bhattacharya
	Avnet Inc.	AVT	AVT US	Ruplu Bhattacharya
	CDW Corp	CDW	CDW US	Ruplu Bhattacharya
	Concentrix Corporation	CNXC	CNXC US	Ruplu Bhattacharya
	Hewlett-Packard Enterprise	HPE	HPE US	Wamsi Mohan
	Pure Storage	PSTG	PSTG US	Wamsi Mohan
	Sensata Technologies Holdings Plc	ST	ST US	Wamsi Mohan
	Teradata Corporation	TDC	TDC US	Wamsi Mohan
<b>UNDERPERFORM</b>				
	DigitalOcean	DOCN	DOCN US	Wamsi Mohan
	NetApp Inc.	NTAP	NTAP US	Wamsi Mohan
	Sanmina Corporation	SANM	SANM US	Ruplu Bhattacharya
	Vishay Intertechnology, Inc.	VSH	VSH US	Ruplu Bhattacharya



## 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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

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

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

### Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

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

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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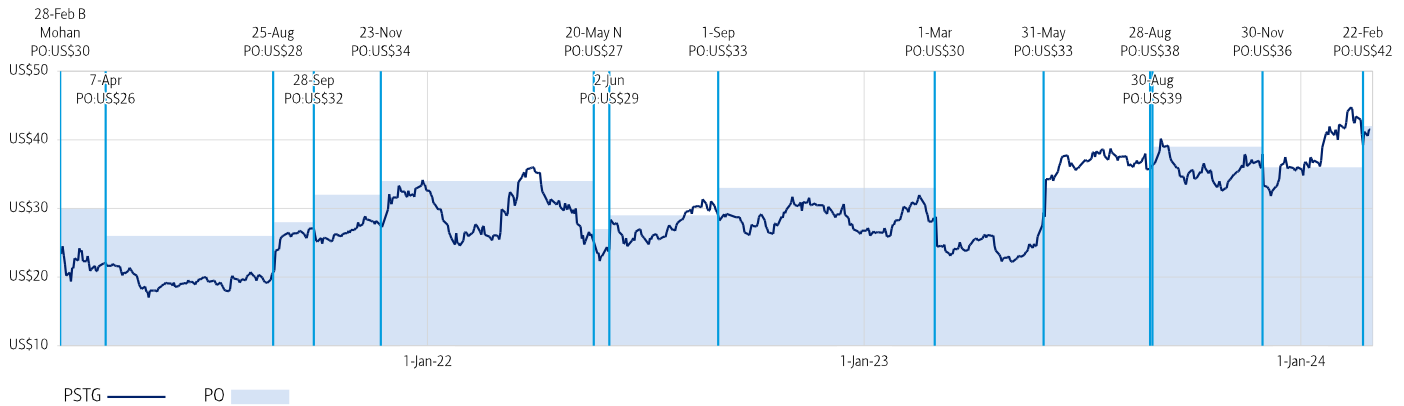
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

### 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>
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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