

## CACI International

# Strong demand environment and M&A opps; reiterate Buy

Reiterate Rating: BUY | PO: 395.00 USD | Price: 342.33 USD

## Strengthening demand environment drives topline raise

We were particularly pleased to hear management's commentary surrounding the strengthening demand and award environment. CACI currently has a backlog of \$2.2bn translating to 1.2x book-to-bill. Additionally, the company expects to submit \$14bn of bids in the next 2 quarters, a significant step up from the \$10bn submission pipeline reported last quarter. Management attributed this to 1) a strengthening award environment, and 2) a focus on bidding on larger contracts which typically means a longer dependable growth stream. As a result of the momentum in awards and backlog, we are raising our FY24 outlook to \$7.4bn (vs. \$7.3bn prior).

## More buyer-friendly M&A market w/ pricing and opps.

Management highlighted the company is beginning to see the M&A environment become more attractive on both the pricing and opportunities fronts. While the company is focused on opportunistic M&A, filling in technology "gaps" within the existing CACI portfolio and strengthening mature customer relationships are key priority areas. We reiterate our Buy rating and raise our PO to \$395. We think continued strong execution will allow the company to flourish in a strengthening demand cycle, with upside opportunities stemming from a more buyer-friendly M&A market.

## "Bid less, win more, and always bid larger"

Management highlighted that CACI's bid and proposal strategy focuses on "bidding less and winning more" to ensure the effort put into proposals ultimately turns into actual profit dollars. In order to execute on this strategy, the company is focused on submitting bids to contracts that are large, suited to the portfolio, and similar to work already being performed. We think CACI has been performing successfully on this strategy and expect them to continue to be able to take advantage of the strengthening award environment. See details inside.

| Estimates (Jun) (US\$)    | 2022A  | 2023A | 2024E | 2025E | 2026E |
|---------------------------|--------|-------|-------|-------|-------|
| EPS                       | 17.81  | 18.83 | 20.45 | 22.40 | 24.85 |
| GAAP EPS                  | 15.49  | 16.43 | 18.04 | 20.15 | 22.81 |
| EPS Change (YoY)          | -12.2% | 5.7%  | 8.6%  | 9.5%  | 10.9% |
| Consensus EPS (Bloomberg) |        |       | 20.12 | 22.44 | 24.74 |
| DPS                       | 0      | 0     | 0     | 0     | 0     |
| Valuation (Jun)           |        |       |       |       |       |
| P/E                       | 19.2x  | 18.2x | 16.7x | 15.3x | 13.8x |
| GAAP P/E                  | 22.1x  | 20.8x | 19.0x | 17.0x | 15.0x |
| EV / EBITDA*              | 14.8x  | 13.3x | 12.0x | 11.3x | 10.6x |
| Free Cash Flow Yield*     | 8.8%   | 4.3%  | 5.1%  | 6.2%  | 6.9%  |

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

29 January 2024

### Equity

#### Key Changes

| (US\$)     | Previous | Current |
|------------|----------|---------|
| Price Obj. | 385.00   | 395.00  |

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### Stock Data

|                                 |                         |
|---------------------------------|-------------------------|
| Price                           | 342.33 USD              |
| Price Objective                 | 395.00 USD              |
| Date Established                | 29-Jan-2024             |
| Investment Opinion              | B-1-9                   |
| 52-Week Range                   | 275.79 USD - 359.33 USD |
| Mrkt Val (mn) / Shares Out (mn) | 7,629 USD / 22.3        |
| Free Float                      | 98.7%                   |
| Average Daily Value (mn)        | 45.69 USD               |
| BofA Ticker / Exchange          | CACI / NYS              |
| Bloomberg / Reuters             | CACI US / CACI.N        |
| ROE (2024E)                     | 13.8%                   |
| Net Dbt to Eqty (Jun-2023A)     | 49.0%                   |
| 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".

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Timestamp: 29 January 2024 08:41AM EST

# iQprofile<sup>SM</sup> CACI International

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

| (US\$ Millions)            | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------|-------|-------|-------|-------|-------|
| Return on Capital Employed | 7.3%  | 8.0%  | 8.5%  | 9.0%  | 9.7%  |
| Return on Equity           | 14.7% | 14.0% | 13.8% | 14.1% | 14.8% |
| Operating Margin           | 8.0%  | 8.5%  | 8.6%  | 9.0%  | 9.2%  |
| Free Cash Flow             | 671   | 324   | 390   | 471   | 525   |

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

| (US\$ Millions)          | 2022A | 2023A | 2024E | 2025E | 2026E |
|--------------------------|-------|-------|-------|-------|-------|
| Cash Realization Ratio   | 1.8x  | 0.9x  | 1.0x  | 1.1x  | 1.1x  |
| Asset Replacement Ratio  | 0.6x  | 0.5x  | 0.6x  | 0.6x  | 0.7x  |
| Tax Rate                 | 19.3% | 20.4% | 23.5% | 23.5% | 23.5% |
| Net Debt-to-Equity Ratio | 53.0% | 49.0% | 39.1% | 36.0% | 31.3% |
| Interest Cover           | 11.9x | 6.8x  | 6.2x  | 7.2x  | 8.1x  |

## Income Statement Data (Jun)

| (US\$ Millions)              | 2022A         | 2023A       | 2024E       | 2025E       | 2026E       |
|------------------------------|---------------|-------------|-------------|-------------|-------------|
| Sales                        | 6,203         | 6,703       | 7,408       | 7,638       | 8,073       |
| % Change                     | 2.6%          | 8.1%        | 10.5%       | 3.1%        | 5.7%        |
| Gross Profit                 | 6,203         | 6,703       | 7,408       | 7,638       | 8,073       |
| % Change                     | 2.6%          | 8.1%        | 10.5%       | 3.1%        | 5.7%        |
| EBITDA                       | 637           | 709         | 785         | 832         | 887         |
| % Change                     | -4.7%         | 11.2%       | 10.7%       | 6.0%        | 6.6%        |
| Net Interest & Other Income  | (42)          | (84)        | (102)       | (96)        | (92)        |
| <b>Net Income (Adjusted)</b> | <b>422</b>    | <b>441</b>  | <b>463</b>  | <b>502</b>  | <b>545</b>  |
| <b>% Change</b>              | <b>-16.8%</b> | <b>4.5%</b> | <b>5.0%</b> | <b>8.5%</b> | <b>8.7%</b> |

## Free Cash Flow Data (Jun)

| (US\$ Millions)                        | 2022A        | 2023A         | 2024E        | 2025E        | 2026E        |
|--|--------------|---------------|--------------|--------------|--------------|
| Net Income from Cont Operations (GAAP) | 367          | 385           | 408          | 451          | 501          |
| Depreciation & Amortization            | 135          | 142           | 146          | 143          | 138          |
| Change in Working Capital              | 130          | (104)         | (115)        | (24)         | (27)         |
| Deferred Taxation Charge               | 10           | (146)         | (44)         | (57)         | (38)         |
| Other Adjustments, Net                 | 104          | 111           | 85           | 50           | 50           |
| Capital Expenditure                    | (75)         | (64)          | (90)         | (93)         | (98)         |
| <b>Free Cash Flow</b>                  | <b>671</b>   | <b>324</b>    | <b>390</b>   | <b>471</b>   | <b>525</b>   |
| <b>% Change</b>                        | <b>29.3%</b> | <b>-51.7%</b> | <b>20.2%</b> | <b>20.7%</b> | <b>11.5%</b> |
| Share / Issue Repurchase               | 0            | (263)         | (150)        | (400)        | (400)        |
| Cost of Dividends Paid                 | 0            | 0             | 0            | 0            | 0            |
| Change in Debt                         | 0            | (39)          | (123)        | (50)         | (100)        |

## Balance Sheet Data (Jun)

| (US\$ Millions)                       | 2022A        | 2023A        | 2024E        | 2025E        | 2026E        |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash & Equivalents                    | 115          | 116          | 206          | 227          | 252          |
| Trade Receivables                     | 926          | 895          | 986          | 1,022        | 1,090        |
| Other Current Assets                  | 169          | 199          | 266          | 323          | 361          |
| Property, Plant & Equipment           | 206          | 200          | 213          | 235          | 264          |
| Other Non-Current Assets              | 5,214        | 5,191        | 5,127        | 5,056        | 4,987        |
| <b>Total Assets</b>                   | <b>6,629</b> | <b>6,601</b> | <b>6,799</b> | <b>6,862</b> | <b>6,953</b> |
| Short-Term Debt                       | 31           | 46           | 61           | 61           | 61           |
| Other Current Liabilities             | 997          | 948          | 980          | 992          | 1,032        |
| Long-Term Debt                        | 1,702        | 1,650        | 1,513        | 1,463        | 1,363        |
| Other Non-Current Liabilities         | 531          | 403          | 419          | 419          | 419          |
| <b>Total Liabilities</b>              | <b>3,576</b> | <b>3,376</b> | <b>3,298</b> | <b>3,260</b> | <b>3,200</b> |
| <b>Total Equity</b>                   | <b>3,054</b> | <b>3,224</b> | <b>3,501</b> | <b>3,602</b> | <b>3,753</b> |
| <b>Total Equity &amp; Liabilities</b> | <b>6,629</b> | <b>6,601</b> | <b>6,799</b> | <b>6,862</b> | <b>6,953</b> |

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

## Company Sector

Defense Electronics

## Company Description

CACI is an information domain expertise, solutions and services provider. CACI supports national security missions and government IT modernization for intelligence, defense, and federal civilian customers. CACI has recently increased its exposure to the products market with the acquisition of LGS Innovations and Mastodon Design.

## Investment Rationale

We view CACI as a pure-play beneficiary of increased focus on cyber security and innovative technologies by the Department of Defense and other national security agencies. We expect CACI's growth in the next five years to exceed the growth of the US defense budget due to its portfolio of capabilities well aligned with US Government priorities. Strong free cash flow generation allows the company to pursue strategic acquisitions.

## Stock Data

Average Daily Volume 133,470

## Quarterly Earnings Estimates

|    | 2023  | 2024  |
|----|-------|-------|
| Q1 | 4.36A | 4.36A |
| Q2 | 4.28A | 4.36A |
| Q3 | 4.92A | 5.26E |
| Q4 | 5.30A | 6.48E |

## Improving awards environment drives growth

In the quarter, CACI booked \$2.2bn of awards, of which 55% represents new work.

Notable awards include:

- Global Enterprise network Modernization (GENMOD): a potential five-year \$526mn contract for the US Army. CACI will provide network modernization and sustainment technology for the Army's enterprise IT infrastructure in Pacific and Southwest Asia.
- Trojan: a potential five-year \$382mn contract for the IS Army Combat Capabilities Development Command (DEVCOM). CACI will provide full life cycle support and software advances for the Army's Trojan family of systems.
- Classified Projects: a \$239 task order to provide "commercial solution for classified" (CSfC) solution to modernize a Department of Defense network.

## Small but mighty: strength seen in Photonics

CACI's Photonics portfolio performed well in the quarter with 1) the farthest-ever demonstration of optical communications, 2) ILLUMA's (equipped with CACI technology) successful communication between the International Space Station and Earth using relay satellites, and 3) advancements in the low-cost, high-volume CrossBeam Optical Communications Terminal (OCT). While management noted that investment in Photonics is likely to come down, we still see opportunities for upside given CACI's portfolio.

### Opportunities to benefit from SDA PWSA investment

While only accounting for a small portion of CACI's overall technology and product portfolio, we look favorably on CACI's exposure to Photonics. We have seen recent strong investment in the Space Defense Agency's (SDA) Proliferated Warfighter Space Architecture (PWSA) program (read our note [here](#)). We think that CACI is a potential beneficiary of the SDA PWSA program through its SA Photonics business. SA Photonics, which was acquired by CACI in December 2021, specializes in optical communications and already produces optical communications terminals for DARPA's Blackjack program satellites. In September, the CACI's CrossBeam OCT successfully completed interoperability testing for the SDA Tranche 1 data relay and tracking network for the SDA PWSA. We see opportunities for CACI to profit off of continued SDA investments and emphasis on the program.

## "Bid less, win more, and always bid larger" cont.

- Size: Larger contracts (in terms of dollar value) typically translate to a longer contracted work period. Winning long term contracts provides a "safe outlook" and typically 4-6 years of dependable work and growth. Contracts won in 2Q24 have a weighted average duration of 6 years, which helps to de-risk the company's outlook and necessary new work.
- Location: Management wants to ensure that the contracts the company bids on sit appropriately within the larger context of CACI's portfolio. This also includes ensuring CACI is bidding on key areas of government focus to provide a level of safety that these programs will continue to be funded in the event of a continuing resolution (CR). Key CACI priority areas include: network modernization, agile software development, SIGINT (signal intelligence), EW (electronic warfare), and cyber.
- Mission tight: Bidding on contracts with a work scope similar and/or complementary to work CACI is already performing may help increase the probability of CACI being selected for the new contracts. For example, management highlighted the work CACI is completing under the Navy's Spectral award as possibly being extended to the Army.



## **Budget likely; current programs to remain well funded**

As we mentioned last quarter (read our note [here](#)), we are encouraged that the low end of CACI's 2024 guide takes into account a full year continuing resolution (CR). However, management was confident that at this point, Congress will likely come to a budget agreement by the March deadline. Additionally, we highlight that several large awards CACI is currently completing work on will likely remain well funded, such as the Air Force EITaaS program and the Navy Spectral program.

## **Reiterate Buy; raising PO to \$395**

We reiterate our Buy rating and raise our PO to \$395. We think continued strong execution will allow the company to flourish in a strengthening demand cycle, with upside opportunities stemming from a more buyer-friendly M&A market. We roll our valuation forward to CY2025 estimates. Our PO of \$395 is based on a 0.9x relative EV/EBITDA multiple to the defense primes on CY25 estimates.

## **Raising FY24 and outyear adj. EPS on strong environment**

We update our model to account for strength on both the organic and inorganic fronts. We raise our adj. EPS expectations in FY24 to \$20.45 (vs. \$19.95 prior), FY25 to \$22.40 (vs. \$22 prior), FY26 to \$24.85 (vs. \$24.40 prior), and FY27 to \$27.30 (vs. \$26.75 prior).

## Price objective basis & risk

### CACI International (CACI)

Our PO of \$395 is based on a 0.9x relative EV/EBITDA multiple to the defense primes on CY24 estimates. This equals 13x EV/EBITDA. In our view, the company's renewed capital deployment strategy (opportunistic share repurchases) offsets the discount related to the lack of dividend (vs. peer group). The company continues to execute its tech strategy, disciplined approach to M&A, and is well positioned with respect to DoD priorities. However, the discount vs. primes reflects supply chain pressures in the near term and headline risk from political control impacting defense spending (relatively harder for short-term cycle companies).

Downside risks are cuts to the DoD budget vs. anticipated, problems finding acquisition targets, integrating M&A, hiring the right personnel, containing its costs, estimating costs and executing on fixed price contracts, sustaining reputational risk and future awards.

Upside risks are a better than anticipated federal budget allocated to innovative technologies and modernization, inexpensive and well integrated M&A activity, unexpected capital return to shareholders in the form of dividends, market share gains in the mission technology arena, better than expected margin expansion.

## Analyst Certification

I, Mariana Perez Mora, 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 - Aerospace and Defense Coverage Cluster

| Investment rating | Company                   | BofA Ticker | Bloomberg symbol | Analyst            |
|-------------------|---------------------------|-------------|------------------|--------------------|
| <b>BUY</b>        |                           |             |                  |                    |
|                   | AerCap Holdings N.V.      | AER         | AER US           | Ronald J. Epstein  |
|                   | Air Lease Corporation     | AL          | AL US            | Ronald J. Epstein  |
|                   | Booz Allen Hamilton       | BAH         | BAH US           | Mariana Perez Mora |
|                   | BWX Technologies, Inc.    | BWXT        | BWXT US          | Ronald J. Epstein  |
|                   | CACI International        | CACI        | CACI US          | Mariana Perez Mora |
|                   | Cadre Holdings Inc        | CDRE        | CDRE US          | Ronald J. Epstein  |
|                   | Crane Co.                 | CR          | CR US            | Ronald J. Epstein  |
|                   | Embraer                   | ERJ         | ERJ US           | Ronald J. Epstein  |
|                   | General Dynamics          | GD          | GD US            | Ronald J. Epstein  |
|                   | HEICO Corporation         | HEI         | HEI US           | Ronald J. Epstein  |
|                   | Howmet Aerospace Inc.     | HWM         | HWM US           | Ronald J. Epstein  |
|                   | KBR                       | KBR         | KBR US           | Mariana Perez Mora |
|                   | Leidos Holdings           | LDOS        | LDOS US          | Mariana Perez Mora |
|                   | Leonardo DRS, Inc.        | DRS         | DRS US           | Ronald J. Epstein  |
|                   | Northrop Grumman          | NOC         | NOC US           | Ronald J. Epstein  |
|                   | Palantir Technologies     | PLTR        | PLTR US          | Mariana Perez Mora |
|                   | Parsons Corporation       | PSN         | PSN US           | Mariana Perez Mora |
|                   | RBC Bearings Inc          | RBC         | RBC US           | Ronald J. Epstein  |
|                   | Rocket Lab                | RKLB        | RKLB US          | Ronald J. Epstein  |
|                   | Teledyne Technologies Inc | TDY         | TDY US           | Ronald J. Epstein  |
|                   | TransDigm Group Inc.      | TDG         | TDG US           | Ronald J. Epstein  |
|                   | Triumph Group             | TGI         | TGI US           | Ronald J. Epstein  |
| <b>NEUTRAL</b>    |                           |             |                  |                    |
|                   | Albany International      | AIN         | AIN US           | Ronald J. Epstein  |
|                   | Boeing                    | BA          | BA US            | Ronald J. Epstein  |
|                   | Garmin                    | GRMN        | GRMN US          | Ronald J. Epstein  |
|                   | Hexcel Corporation        | HXL         | HXL US           | Ronald J. Epstein  |
|                   | L3Harris                  | LHX         | LHX US           | Ronald J. Epstein  |



**US - Aerospace and Defense Coverage Cluster**

| Investment rating   | Company                       | BofA Ticker | Bloomberg symbol | Analyst           |
|---------------------|-------------------------------|-------------|------------------|-------------------|
|                     | Lockheed Martin               | LMT         | LMT US           | Ronald J. Epstein |
|                     | RTX Corp                      | RTX         | RTX US           | Ronald J. Epstein |
|                     | Textron                       | TXT         | TXT US           | Ronald J. Epstein |
| <b>UNDERPERFORM</b> |                               |             |                  |                   |
|                     | Bombardier                    | BDRBF       | BDRBF US         | Ronald J. Epstein |
|                     | Bombardier Inc.               | YBBD B      | BBD/B CN         | Ronald J. Epstein |
|                     | CAE Inc.                      | YCAE        | CAE CN           | Ronald J. Epstein |
|                     | CAE Inc.                      | CAE         | CAE US           | Ronald J. Epstein |
|                     | Huntington Ingalls Industries | HII         | HII US           | Ronald J. Epstein |
|                     | Mercury Systems               | MRCY        | MRCY US          | Ronald J. Epstein |
|                     | Spirit AeroSys-A              | SPR         | SPR US           | Ronald J. Epstein |

**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

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

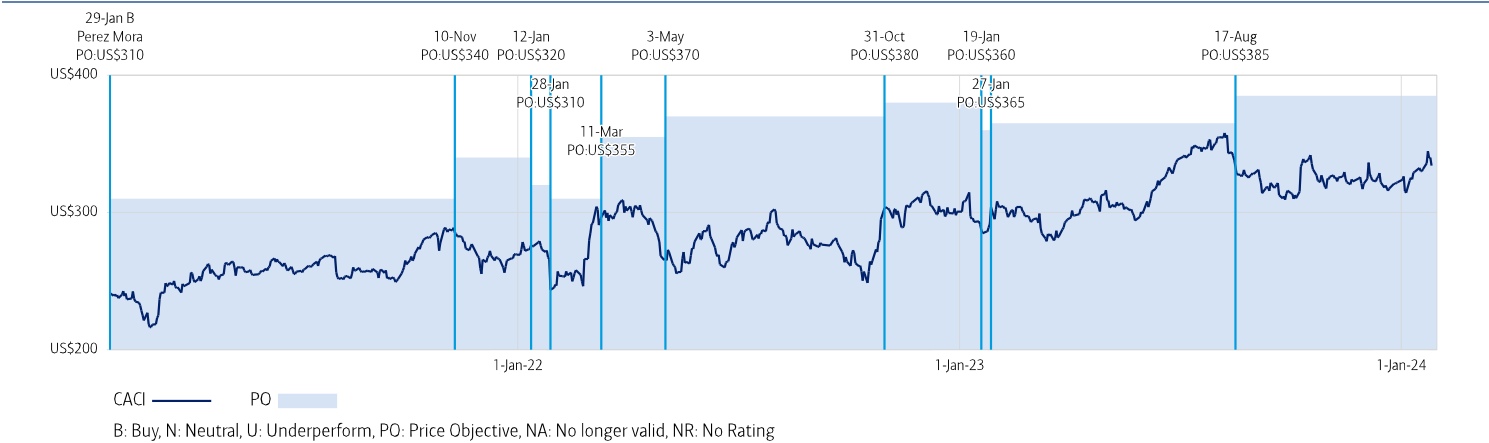
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# Disclosures

## Important Disclosures

CACI International (CACI) Price Chart



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: Aerospace/Defense Electronics Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 31    | 62.00%  | Buy                                      | 23    | 74.19%  |
| Hold              | 11    | 22.00%  | Hold                                     | 9     | 81.82%  |
| Sell              | 8     | 16.00%  | Sell                                     | 6     | 75.00%  |

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.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

| 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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