

## MeridianLink, Inc.

# Soft 2Q, but looks positioned for future end-market recovery; Reit Buy, \$24 PO

Reiterate Rating: BUY | PO: 24.00 USD | Price: 22.33 USD

## Misses 2Q revs/EBITDA, lowers 2023 below Street

Soft 2Q23 results with revenue 3% below consensus and adj. EBITDA 4% below Street. Mgmt also lowered the 2023 revenue guidance by 2% and lowered adj. EBITDA guidance by 5%. Mortgage segment revenue increased 11.4% y/y to \$19.2mn, and consumer loan market revenue increased 0.8% y/y to \$56.2mn. 3Q23 revenue guidance is \$76-78mn (+6-8% y/y), below the \$78.1mn consensus, and adj. EBITDA is \$27-29mn, below the \$29.5mn consensus. 2023 rev guide is lowered to \$302-306mn, from \$307-313mn, below the \$310.6mn Street, and adj. EBITDA guide is lowered to \$104-108mn, from \$109-115mn, below the \$111.9mn Street.

## Mortgage volumes likely to pick up from here

Positively, mgmt called out early green shoots of end-market normalization and that mortgage loan volume pressure could have troughed in 1Q23, which is creating a good setup for revenue upside potential as mortgage volumes recover to normalized levels over the next 12-24 months, in our view. However, based on 1H23 performance, the recovery could take longer than the mortgage industry forecasts, which is driving the more 2023 conservative outlook.

## Total customer metric clouds underlying new logo growth

The company signed 14 cross-sell deals (consumers buying mortgage), demonstrating that its MeridianLink One value proposition is resonating. However, this positive momentum is clouded by the lending customer metric contracting by 4, to 1,593, which is being affected by macro/consolidation. We note 2Q23 saw a \$2.3mn impact from a customer dispute. From a customer go-live perspective, the strength in professional services revenue growth suggests its focus on service delivery is working and should set the business up well to capture loan volumes in the future as the end-market stabilizes.

## Continue to believe MLNK is a LT category disruptor

While recognizing the soft results and guide down is not ideal, our long-term thesis that MeridianLink is a vertical software disruptor is unchanged. We adjust out forecast for 2Q23 results and guidance. Reiterate Buy and \$24 PO, based on 17x EV/C24E EBITDA, discount to peers at 22x for end-market pressures due to high interest rate environment.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(0.16)	0.02	(0.24)	0.03	0.16
GAAP EPS	(0.16)	0.02	(0.22)	0.03	0.16
EPS Change (YoY)	NM	NM	NM	NM	433.3%
Consensus EPS (Bloomberg)			0.11	0.30	0.40
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	1,116.5x	NM	744.3x	139.6x
GAAP P/E	NM	1,116.5x	NM	744.3x	139.6x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	16.9x	18.7x	19.6x	15.7x	15.3x
Free Cash Flow Yield*	4.9%	4.1%	4.0%	5.3%	5.8%

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

01 August 2023

### Equity

#### Key Changes

(US\$)	Previous	Current
2023E Rev (m)	310.3	304.1
2024E Rev (m)	335.4	334.6
2025E Rev (m)	362.7	363.3
2023E EPS	0.02	-0.24
2024E EPS	0.24	0.03
2025E EPS	0.30	0.16

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### Stock Data

Price	22.33 USD
Price Objective	24.00 USD
Date Established	25-Jul-2023
Investment Opinion	B-1-9
52-Week Range	12.49 USD - 22.69 USD
Mrkt Val (mn) / Shares Out (mn)	1,801 USD / 80.6
Average Daily Value (mn)	3.78 USD
BofA Ticker / Exchange	MLNK / NYS
Bloomberg / Reuters	MLNK US / MLNKN
ROE (2023E)	-4.0%
Net Dbt to Eqty (Dec-2022A)	64.1%
ESGMeter <sup>TM</sup>	N/A

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".

LT = long-term

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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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Timestamp: 01 August 2023 09:01PM EDT

# iQprofile<sup>SM</sup> MeridianLink, Inc.

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	3.8%	1.4%	0.7%	2.9%	3.9%
Return on Equity	-3.2%	0.2%	-4.0%	0.5%	2.4%
Operating Margin	14.1%	9.9%	2.8%	11.2%	14.8%
Free Cash Flow	89	73	73	96	104

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	38.5x	7.0x
Asset Replacement Ratio	0x	0x	0x	0x	0x
Tax Rate	NM	76.1%	23.2%	25.0%	25.0%
Net Debt-to-Equity Ratio	56.4%	64.1%	58.1%	35.2%	16.6%
Interest Cover	1.2x	1.2x	0.2x	1.0x	1.5x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	268	288	304	335	363
% Change	34.3%	7.6%	5.6%	10.0%	8.6%
Gross Profit	178	182	192	220	250
% Change	26.3%	2.1%	5.5%	14.9%	13.3%
EBITDA	123	111	106	133	136
% Change	17.9%	-9.9%	-4.6%	25.3%	2.1%
Net Interest & Other Income	(43)	(23)	(34)	(34)	(34)
<b>Net Income (Adjusted)</b>	<b>(13)</b>	<b>1</b>	<b>(21)</b>	<b>3</b>	<b>15</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>493.7%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(10)	1	(19)	3	15
Depreciation & Amortization	50	54	58	54	47
Change in Working Capital	(1)	(9)	6	(3)	7
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	50	28	29	43	35
Capital Expenditure	(1)	(1)	(1)	(1)	(1)
<b>Free Cash Flow</b>	<b>89</b>	<b>73</b>	<b>73</b>	<b>96</b>	<b>104</b>
<b>% Change</b>	<b>39.2%</b>	<b>-17.5%</b>	<b>-1.0%</b>	<b>31.5%</b>	<b>8.8%</b>

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	114	56	142	226	318
Trade Receivables	25	33	33	43	44
Other Current Assets	9	39	11	13	14
Property, Plant & Equipment	6	4	18	18	18
Other Non-Current Assets	872	927	767	759	761
<b>Total Assets</b>	<b>1,026</b>	<b>1,059</b>	<b>972</b>	<b>1,059</b>	<b>1,154</b>
Short-Term Debt	2	4	4	4	4
Other Current Liabilities	42	51	60	68	78
Long-Term Debt	425	423	422	422	422
Other Non-Current Liabilities	0	2	0	0	0
<b>Total Liabilities</b>	<b>470</b>	<b>480</b>	<b>485</b>	<b>493</b>	<b>503</b>
<b>Total Equity</b>	<b>556</b>	<b>579</b>	<b>487</b>	<b>565</b>	<b>651</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,026</b>	<b>1,059</b>	<b>972</b>	<b>1,059</b>	<b>1,154</b>

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

## Company Sector

Server & Enterprise Software

## Company Description

MeridianLink is a software vendor that sells applications enabling credit unions, financial institutions, independent mortgage banks, and credit reporting agencies to manage consumer and mortgage loan origination workflows.

## Investment Rationale

We rate MeridianLink a Buy. We believe the company is positioned to take share in a \$7.8bn TAM with its platform of applications that enable its target end-market to digitally transform and to drive better engagement from the end-consumer. We believe that the business has good potential to drive low to mid-teens organic growth and 40%+ EBITDA margins, which implies a Rule of 50+ profile that is rare among its SMid cap software peers.

## Stock Data

Average Daily Volume

169,099

## Quarterly Earnings Estimates

	2022	2023
Q1	0.09A	-0.07A
Q2	0.03A	-0.06A
Q3	-0.04A	-0.05E
Q4	-0.07A	-0.05E

**Exhibit 1: Variance**

Total revenue was 2.7% below our estimate

	2Q23E	\$ in millions	
	BofA Estimate	Actual	Variance
Revenue build			
Subscription and support revenue	67,863	63,770	(6.0%)
Y/Y change %	6.8%	0.4%	(644bps)
Professional services	6,588	9,002	36.6%
Y/Y change %	(1.2%)	35.1%	3621bps
Other revenue	3,072	2,643	(14.0%)
Y/Y change %	10.0%	6.0%	(400bps)
Total revenue	77,523	75,415	(2.7%)
Y/Y change %	6.2%	3.3%	(289bps)
Average customers in period	2,027	2,028	0.0%
Lending Software Solutions revenues, net	58,500	55,778	(4.7%)
Y/Y change %	13.2%	8.0%	(527bps)
Data Verification Software Solutions revenues, net	19,023	19,637	3.2%
Y/Y change %	(10.8%)	(7.9%)	288bps
Total mortgage loan market revenue	19,794	19,230	(2.9%)
Y/Y change %	14.7%	11.4%	(327bps)
Total consumer loan market revenue	57,729	56,185	(2.7%)
Y/Y change %	3.6%	0.8%	(277bps)
PF Operating income	7,814	1,483	(81.0%)
PF operating margin	10.1%	2.0%	(811bps)
Adjusted EBITDA	28,202	27,116	(3.9%)
Adjusted EBITDA margin	36.4%	36.0%	(42bps)
GAAPEPS	\$0.02	(\$0.06)	(137.7%)
Cash from operations (CFO)	15,909	6,104	(160.6%)
OCF margin	20.5%	8.1%	(1243bps)
Free cash flow	13,840	3,295	(320.0%)
FCF margin	17.9%	4.4%	(1348bps)

Source: Company filings, BofA Global Research estimates

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**Exhibit 2: Estimate revisions**

We now forecast 2023 total revenue of \$304.1mn (+5.6% y/y)

	3Q23E			FY23E			FY24E			2025E		
	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %
Revenue build												
Subscription and support revenue	65,757	69,618	(5.5%)	257,762	269,458	(4.3%)	280,771	290,146	(3.2%)	304,348	312,508	(2.6%)
Y/Y change %	6.3%	12.5%	(624bps)	3.6%	8.3%	(470bps)	8.9%	7.7%	125bps	8.4%	7.7%	69bps
Professional services	9,010	6,733	33.8%	36,193	30,105	20.2%	42,745	33,443	27.8%	46,842	37,149	26.1%
Y/Y change %	23.5%	(7.7%)	3122bps	23.4%	2.7%	2076bps	18.1%	11.1%	702bps	9.6%	11.1%	(150bps)
Other revenue	2,730	2,860	(4.5%)	10,126	10,754	(5.8%)	11,040	11,829	(6.7%)	12,144	13,012	(6.7%)
Y/Y change %	5.0%	10.0%	(500bps)	2.7%	9.0%	(637bps)	9.0%	10.0%	(98bps)	10.0%	10.0%	0bps
Total revenue	77,497	79,211	(2.2%)	304,081	310,317	(2.0%)	334,555	335,418	(0.3%)	363,334	362,669	0.2%
Y/Y change %	8.0%	10.4%	(239bps)	5.6%	7.7%	(216bps)	10.0%	8.1%	193bps	8.6%	8.1%	48bps
Average customers in period	2,031	2,031	0.0%	2,035	2,036	(0.1%)	2,047	2,045	0.1%	2,071	2,056	0.7%
Lending Software Solutions revenues, net	58,500	58,800	(0.5%)	228,279	232,301	(1.7%)	266,000	266,000	0.0%	290,000	290,000	0.0%
Y/Y change %	11.6%	12.2%	(57bps)	9.6%	11.5%	(193bps)	16.5%	14.5%	202bps	9.0%	9.0%	0bps
Data Verification Software Solutions revenues, net	18,997	20,411	(6.9%)	75,802	78,016	(2.8%)	68,555	69,418	(1.2%)	73,334	72,669	0.9%
Y/Y change %	(1.8%)	5.5%	(731bps)	(5.0%)	(2.2%)	(278bps)	(9.6%)	(11.0%)	146bps	7.0%	4.7%	229bps
Total mortgage loan market revenue	17,453	20,683	(15.6%)	71,535	78,372	(8.7%)	61,617	59,421	3.7%	56,201	55,902	0.5%
Y/Y change %	15.3%	36.7%	(2134bps)	6.8%	17.0%	(1020bps)	(13.9%)	(24.2%)	1032bps	(8.8%)	(5.9%)	(287bps)
Total consumer loan market revenue	60,044	58,528	2.6%	232,546	231,945	0.3%	272,938	275,997	(1.1%)	307,132	306,767	0.1%
Y/Y change %	6.0%	3.4%	268bps	5.2%	4.9%	27bps	17.4%	19.0%	(162bps)	12.5%	11.1%	138bps
PF Operating income	2,988	8,848	(66.2%)	8,585	27,434	(68.7%)	37,341	50,158	(25.6%)	53,836	58,678	(8.3%)
PF operating margin	3.9%	11.2%	(732bps)	2.8%	8.8%	(602bps)	11.2%	15.0%	(379bps)	14.8%	16.2%	(136bps)
Adjusted EBITDA	27,859	29,660	(6.1%)	106,125	112,274	(5.5%)	133,017	132,502	0.4%	135,769	144,143	(5.8%)
Adjusted EBITDA margin	35.9%	37.4%	(150bps)	34.9%	36.2%	(128bps)	39.8%	39.5%	26bps	37.4%	39.7%	(238bps)
GAAPEPS	(\$0.05)	\$0.03	(165.7%)	(\$0.24)	\$0.02	(108.5%)	\$0.03	\$0.24	(762.9%)	\$0.16	\$0.30	(84.0%)
Cash from operations (CFO)	27,716	25,558	7.8%	73,392	83,550	(13.8%)	96,380	103,408	(7.3%)	104,814	114,798	(9.5%)
OCF margin	35.8%	32.3%	350bps	24.1%	26.9%	(279bps)	28.8%	30.8%	(202bps)	28.8%	31.7%	(281bps)
Free cash flow	24,829	23,444	5.6%	62,881	75,271	(19.7%)	83,919	94,459	(12.6%)	91,281	105,122	(15.2%)
FCF margin	32.0%	29.6%	244bps	20.7%	24.3%	(358bps)	25.1%	28.2%	(308bps)	25.1%	29.0%	(386bps)

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH



## Price objective basis & risk

### MeridianLink, Inc. (MLNK)

The \$24 PO is based on 17x EV/C24E EBITDA, lower than its Rule-of-40+ vertical peers of 22x, given one of its end markets, mortgage originations, is under pressure due to the current high interest rate environment.

Risks to our PO are: 1) transactional model tied to loan volumes, 2) rising interest rates affecting refinancings, 3) consumer sentiment decreases, 4) pricing pressures from competitors, and 5) relatively high debt leverage ratio.

## Analyst Certification

I, Koji Ikeda, 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 - Enterprise Software Coverage Cluster

Investment rating	Company	BoFA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	8x8	EGHT	EGHT US	Michael J. Funk
	Alarm.com	ALRM	ALRM US	Michael J. Funk
	Alteryx, Inc	AYX	AYX US	Koji Ikeda, CFA
	Amplitude, Inc.	AMPL	AMPL US	Koji Ikeda, CFA
	BILL	BILL	BILL US	Brad Sills
	CCC Intelligent Solutions	CCCS	CCCS US	Michael J. Funk
	Datadog, Inc	DDOG	DDOG US	Koji Ikeda, CFA
	Dropbox	DBX	DBX US	Michael J. Funk
	Dynatrace	DT	DT US	Koji Ikeda, CFA
	Elastic NV	ESTC	ESTC US	Koji Ikeda, CFA
	Expensify	EXFY	EXFY US	Koji Ikeda, CFA
	GitLab Inc.	GTLB	GTLB US	Koji Ikeda, CFA
	Global-e Online Ltd.	GLBE	GLBE US	Koji Ikeda, CFA
	HubSpot	HUBS	HUBS US	Brad Sills
	Informatica Inc.	INFA	INFA US	Koji Ikeda, CFA
	Intapp Inc.	INTA	INTA US	Koji Ikeda, CFA
	Intuit	INTU	INTU US	Brad Sills
	JFrog Ltd	FROG	FROG US	Koji Ikeda, CFA
	MeridianLink, Inc.	MLNK	MLNK US	Koji Ikeda, CFA
	Microsoft Corporation	MSFT	MSFT US	Brad Sills
	nCino, Inc.	NCNO	NCNO US	Adam Bergere
	NICE Ltd.	NICE	NICE US	Michael J. Funk
	NICE Ltd.	NCSYF	NICE IT	Michael J. Funk
	PowerSchool Holdings, Inc.	PWSC	PWSC US	Koji Ikeda, CFA
	RingCentral	RNG	RNG US	Michael J. Funk
	Salesforce.com	CRM	CRM US	Brad Sills
	ServiceNow	NOW	NOW US	Brad Sills
	Splunk	SPLK	SPLK US	Brad Sills
	UiPath	PATH	PATH US	Brad Sills
	Weave	WEAV	WEAV US	Michael J. Funk
	Workday Inc.	WDAY	WDAY US	Brad Sills
	Zeta Global	ZETA	ZETA US	Koji Ikeda, CFA
<b>NEUTRAL</b>				
	Adobe	ADBE	ADBE US	Brad Sills
	Autodesk	ADSK	ADSK US	Michael J. Funk
	Bentley Systems	BSY	BSY US	Michael J. Funk
	BigCommerce Holdings, Inc.	BIGC	BIGC US	Koji Ikeda, CFA
	Confluent	CFLT	CFLT US	Brad Sills
	Copperleaf Technologies, Inc.	YCPLF	CPLF CN	Koji Ikeda, CFA
	Coveo	YCVO	CVO CN	Koji Ikeda, CFA



## US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	DocuSign	DOCU	DOCU US	Brad Sills
	Freshworks, Inc.	FRSH	FRSH US	Adam Bergere
	HashiCorp	HCP	HCP US	Brad Sills
	Jamf	JAMF	JAMF US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	LSPD	LSPD US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	YSPD	LSPD CN	Koji Ikeda, CFA
	LiveVox Holdings	LVOX	LVOX US	Michael J. Funk
	Oracle Corporation	ORCL	ORCL US	Brad Sills
	Shopify, Inc.	SHOP	SHOP US	Brad Sills
	Unity	U	U US	Michael J. Funk
	Veeva Systems, Inc.	VEEV	VEEV US	Brad Sills
	Zoom Video Communications	ZM	ZM US	Michael J. Funk
	ZoomInfo	ZI	ZI US	Koji Ikeda, CFA

## UNDERPERFORM

	AvidXchange, Inc.	AVDX	AVDX US	Brad Sills
	Blackbaud, Inc.	BLKB	BLKB US	Koji Ikeda, CFA
	BlackLine, Inc.	BL	BL US	Koji Ikeda, CFA
	C3.ai	AI	AI US	Brad Sills
	CS Disco, Inc.	LAW	LAW US	Koji Ikeda, CFA
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Everbridge	EVBG	EVBG US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Kaltura, Inc.	KLTR	KLTR US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
	Veritone, Inc.	VERI	VERI US	Koji Ikeda, CFA
	Vertex, Inc.	VERX	VERX US	Brad Sills

## RSTR

	VMware	VMW	VMW US	Brad Sills
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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

*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.

*IQdatabase<sup>®</sup>* is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

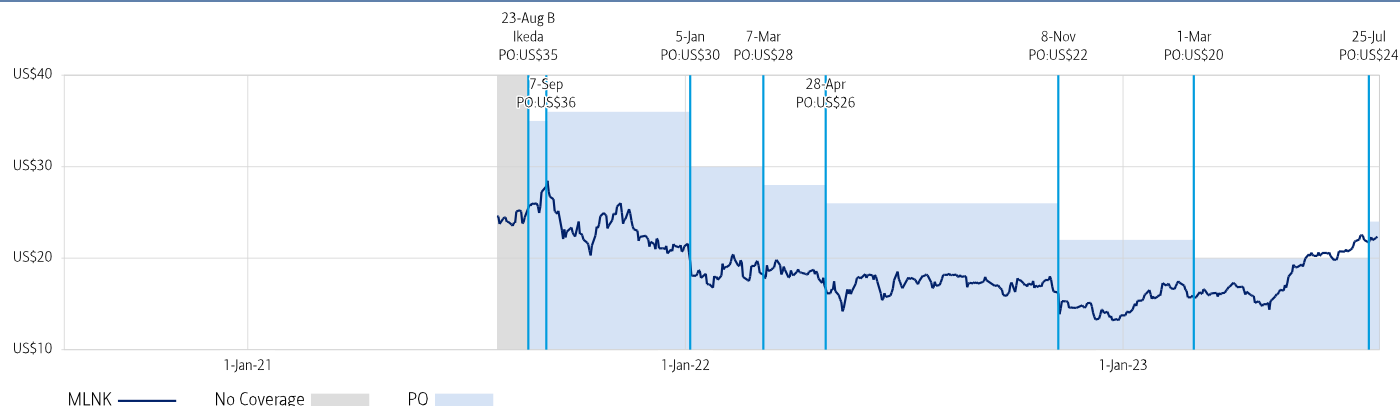
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# Disclosures

## Important Disclosures

### MeridianLink (MLNK) 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: Technology Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	212	53.13%	Buy	103	48.58%
Hold	89	22.31%	Hold	45	50.56%
Sell	98	24.56%	Sell	30	30.61%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

<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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