

## Kraft Heinz Company

## Volume miss snaps sentiment; FY24 guide reasonable

Reiterate Rating: BUY | PO: 40.00 USD | Price: 33.96 USD

## Raising estimates following 4Q23's beat

Yesterday, Kraft Heinz (KHC) reported 4Q23 earnings ([see our earnings review report](#)) above BofAe and Street on better margins while sales missed. We raise our FY24-26 adj. EPS estimates to \$3.01, \$3.16 and \$3.34 from \$2.96, \$3.13 and \$3.31. Negative share price reaction is a response to US volume miss. While this was disappointing, we continue to view KHC as better equipped than peers to navigate a challenging food category.

## What happened to NA volumes in 4Q23?

The biggest driver to the sales miss versus our estimates was in North America (NA) volumes, which saw a one-time impact from trade timing and inventory de-load (~150bps gap vs US Retail consumption). Though this impact was expected by KHC, it was not contemplated by the Street. Underlying volume growth in North America was also weaker than we expected driven by slower than expected growth in US Foodservice (+5% vs our double-digit growth expectation). Moving forward, KHC continues to expect outperformance in Foodservice vs tracked channels as it moves more into higher-margin channels like independent and non-commercial channels. Share recovery from innovation investments are also potential contributors to segment volume improvement in FY24.

## FY24 modeling puts and takes

Net sales: total company, we model 1% organic sales growth, pricing driven & volumes slightly down for the year. We model higher pricing in Int'l vs NA, with price tapering through the year in both segments. Total co vols to inflect positive in 2H. Recall that 2Q24 NA vols could see a benefit from lapping SNAP benefit reductions in the prior year (see inside for our updated analysis). GM: each quarter should see some expansion, though most will be in 1H24. Typical seasonality suggests 3Q24 should step down from 2Q24 & 4Q should be the highest margin quarter. Below the line: \$45mm headwind on net interest & other expense/(income) to lean heavier towards other expense/(income).

## Reiterate Buy &amp; lower PO to \$40

We reiterate Buy & lower our PO to \$40 from \$42 now based on 13x (prior 13.5x) P/E multiple on our CY25 EPSe. KHC's current valuation is un-demanding with ability to meet/exceed earnings estimates greater than center-store peers. Self-help initiatives & more conservative approach set up KHC shares to outperform peers simply by executing.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	2.78	2.98	3.01	3.16	3.34
GAAP EPS	2.81	2.98	3.01	3.16	3.34
EPS Change (YoY)	-5.4%	7.2%	1.0%	5.0%	5.7%
Consensus EPS (Bloomberg)			3.03	3.21	3.47
DPS	1.60	1.60	1.60	1.60	1.60
Valuation (Dec)					
P/E	12.2x	11.4x	11.3x	10.7x	10.2x
GAAP P/E	12.1x	11.4x	11.3x	10.7x	10.2x
Dividend Yield	4.7%	4.7%	4.7%	4.7%	4.7%
EV / EBITDA*	8.9x	8.5x	8.2x	7.9x	7.6x
Free Cash Flow Yield*	3.7%	7.1%	8.7%	9.6%	10.1%

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

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Timestamp: 14 February 2024 02:53PM EST

14 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	42.00	40.00
2024E Rev (m)	27,062.7	26,898.9
2025E Rev (m)	27,738.6	27,570.7
2026E Rev (m)	28,433.4	28,261.3
2024E EPS	2.96	3.01
2025E EPS	3.13	3.16
2026E EPS	3.31	3.34

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## Stock Data

Price	33.96 USD
Price Objective	40.00 USD
Date Established	14-Feb-2024
Investment Opinion	B-1-7
52-Week Range	30.68 USD - 41.47 USD
Mkt Val (mn) / Shares Out (mn)	41,839 USD / 1,232.0
Free Float	64.0%
Average Daily Value (mn)	281.16 USD
BofA Ticker / Exchange	KHC / NAS
Bloomberg / Reuters	KHC US / KHC.OQ
ROE (2024E)	7.3%
Net Dbt to Eqty (Dec-2023A)	37.5%
ESGMeter™	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".

SNAP: Supplemental Nutrition Assistance Program

# iQprofile<sup>SM</sup> Kraft Heinz Company

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	4.8%	5.1%	5.1%	5.2%	5.3%
Return on Equity	7.0%	7.5%	7.3%	7.3%	7.4%
Operating Margin	18.8%	19.7%	20.3%	20.6%	21.1%
Free Cash Flow	1,553	2,963	3,639	4,011	4,229

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.7x	1.1x	1.3x	1.3x	1.3x
Asset Replacement Ratio	1.0x	1.1x	1.1x	1.0x	1.0x
Tax Rate	18.8%	19.4%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	38.9%	37.5%	32.4%	27.3%	22.2%
Interest Cover	5.2x	5.7x	5.9x	6.1x	6.4x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	26,485	26,640	26,899	27,571	28,261
% Change	1.7%	0.6%	1.0%	2.5%	2.5%
Gross Profit	8,298	8,984	9,206	9,574	NA
% Change	-4.8%	8.3%	2.5%	4.0%	NA
EBITDA	6,936	7,268	7,546	7,748	8,071
% Change	-4.7%	4.8%	3.8%	2.7%	4.2%
Net Interest & Other Income	(752)	(749)	(794)	(794)	(794)
<b>Net Income (Adjusted)</b>	<b>3,436</b>	<b>3,675</b>	<b>3,677</b>	<b>3,857</b>	<b>4,074</b>
<b>% Change</b>	<b>-4.9%</b>	<b>7.0%</b>	<b>0.1%</b>	<b>4.9%</b>	<b>5.6%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	4,232	4,547	4,655	4,882	5,157
Depreciation & Amortization	933	961	971	965	989
Change in Working Capital	(1,483)	(806)	(142)	12	12
Deferred Taxation Charge	(278)	17	0	0	0
Other Adjustments, Net	(935)	(743)	(822)	(883)	(941)
Capital Expenditure	(916)	(1,013)	(1,022)	(965)	(989)
<b>Free Cash Flow</b>	<b>1,553</b>	<b>2,963</b>	<b>3,639</b>	<b>4,011</b>	<b>4,229</b>
<b>% Change</b>	<b>-65.2%</b>	<b>90.8%</b>	<b>22.8%</b>	<b>10.2%</b>	<b>5.4%</b>
Share / Issue Repurchase	0	657	0	0	0
Cost of Dividends Paid	(1,960)	(1,965)	(1,954)	(1,954)	(1,954)
Change in Debt	(1,465)	(191)	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,040	1,400	3,301	5,357	7,631
Trade Receivables	2,120	2,112	1,991	2,041	2,092
Other Current Assets	4,737	4,417	5,134	5,231	5,329
Property, Plant & Equipment	6,740	7,122	7,173	7,173	7,173
Other Non-Current Assets	75,876	75,288	75,133	75,133	75,133
<b>Total Assets</b>	<b>90,513</b>	<b>90,339</b>	<b>92,733</b>	<b>94,935</b>	<b>97,359</b>
Short-Term Debt	837	638	638	638	638
Other Current Liabilities	8,191	7,399	7,854	8,012	8,174
Long-Term Debt	19,233	19,394	19,394	19,394	19,394
Other Non-Current Liabilities	13,382	13,186	13,186	13,186	13,186
<b>Total Liabilities</b>	<b>41,643</b>	<b>40,617</b>	<b>41,072</b>	<b>41,230</b>	<b>41,392</b>
<b>Total Equity</b>	<b>48,870</b>	<b>49,722</b>	<b>51,661</b>	<b>53,705</b>	<b>55,967</b>
<b>Total Equity &amp; Liabilities</b>	<b>90,513</b>	<b>90,339</b>	<b>92,733</b>	<b>94,935</b>	<b>97,359</b>

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

## Company Sector

Food Processors

## Company Description

Kraft Heinz Company (KHC) was formed on July 2nd 2015 via the merger of H.J. Heinz Company and Kraft Foods Group. KHC is a leading global food company with \$26.6b of annual revenues generated by well known brands such as Kraft, Heinz, Oscar Meyer and Maxwell House and \$6.3bn in EBITDA. The company derives 76% of revenues from that market and 24% from International.

## Investment Rationale

Our Buy rating is based on our view that the self-help work KHC started in 2019 on brands/portfolio, supply chain and capabilities position KHC to take advantage of consumers eating more at home. In addition we believe pricing actions and identified cost savings should be able to offset inflation and continued investments behind brands in 2022.

## Stock Data

Average Daily Volume 8,279,054

## Quarterly Earnings Estimates

	2023	2024
Q1	0.68A	0.67E
Q2	0.79A	0.77E
Q3	0.72A	0.76E
Q4	0.78A	0.81E

# Updated SNAP analysis

## Exhibit 1: Updated SNAP analysis

We estimate March/April to be the inflection point

Date	US Supplemental Nutrition Assistance Program: Avg Monthly Benefit per household (\$)	US Supplemental Nutrition Assistance Program: Avg Monthly Benefit per HH (y/y % change)	US Supplemental Nutrition Assistance Program: Participation: Households (Units)	Total households	% of HH on SNAP	Theoretical impact
Jan-22	\$447.3	12.3%	21,592,726	131,202,000	16.5%	2.0%
Feb-22	\$446.1	7.3%	21,608,160	131,202,000	16.5%	1.2%
Mar-22	\$439.0	3.9%	21,696,530	131,202,000	16.5%	0.6%
Apr-22	\$445.5	0.8%	21,609,230	131,202,000	16.5%	0.1%
May-22	\$434.6	-9.2%	21,518,289	131,202,000	16.4%	-1.5%
Jun-22	\$427.8	-6.2%	21,466,689	131,202,000	16.4%	-1.0%
Jul-22	\$430.3	-0.9%	21,613,807	131,202,000	16.5%	-0.2%
Aug-22	\$423.1	-2.3%	21,576,072	131,202,000	16.4%	-0.4%
Sep-22	\$407.7	-4.4%	21,889,109	131,202,000	16.7%	-0.7%
Oct-22	\$481.7	4.7%	22,320,309	131,202,000	17.0%	0.8%
Nov-22	\$493.8	8.3%	22,284,748	131,202,000	17.0%	1.4%
Dec-22	\$491.1	7.6%	22,536,060	131,202,000	17.2%	1.3%
Jan-23	\$481.7	7.7%	22,545,536	131,202,000	17.2%	1.3%
Feb-23	\$465.6	4.4%	22,498,521	131,202,000	17.1%	0.8%
Mar-23	\$387.9	-11.6%	22,479,555	131,202,000	17.1%	-2.0%
Apr-23	\$334.0	-25.0%	22,203,450	131,202,000	16.9%	-4.2%
May-23	\$328.5	-24.4%	22,275,460	131,202,000	17.0%	-4.1%
Jun-23	\$334.4	-21.8%	22,210,576	131,202,000	16.9%	-3.7%
Jul-23	\$325.9	-24.3%	21,924,052	131,202,000	16.7%	-4.1%
Aug-23	\$340.6	-19.5%	22,183,757	131,202,000	16.9%	-3.3%
Sep-23	\$337.8	-17.2%	21,991,589	131,202,000	16.8%	-2.9%
Oct-23	\$357.4	-25.8%	22,017,167	131,202,000	16.8%	-4.3%
Nov-23	\$363.3	-26.4%	21,689,223	131,202,000	16.5%	-4.4%
Dec-23	<b>\$363.3</b>	-26.0%	<b>21,689,223</b>	<b>131,202,000</b>	16.5%	-4.3%
Jan-24	<b>\$363.3</b>	-24.6%	<b>21,689,223</b>	<b>131,202,000</b>	16.5%	-4.1%
Feb-24	<b>\$363.3</b>	-22.0%	<b>21,689,223</b>	<b>131,202,000</b>	16.5%	-3.6%
Mar-24	<b>\$363.3</b>	-6.3%	<b>21,689,223</b>	<b>131,202,000</b>	16.5%	-1.0%
Apr-24	<b>\$363.3</b>	8.8%	<b>21,689,223</b>	<b>131,202,000</b>	16.5%	1.5%
May-24	<b>\$363.3</b>	10.6%	<b>21,689,223</b>	<b>131,202,000</b>	16.5%	1.8%
Jun-24	<b>\$363.3</b>	8.7%	<b>21,689,223</b>	<b>131,202,000</b>	16.5%	1.4%

Source: USDA, BofA Global Research estimates

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# Income statement

## Exhibit 2: KHC summary income statement

We raise our FY24 adj. EPS<sub>e</sub> to \$3.01

Year ending Dec	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24					
\$ in millions	2022	1Q23	2Q23	3Q23	4Q23	2023	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
Net sales	\$26,485	\$6,489	\$6,721	\$6,570	\$6,860	\$26,640	\$6,447	\$6,754	\$6,709	\$6,989	\$26,899	\$27,571	\$28,261
COGS	\$18,187	4,359	4,482	4,339	4,476	\$17,656	\$4,276	\$4,446	\$4,424	\$4,546	\$17,693	\$17,997	\$18,306
Gross profit	\$8,298	\$2,130	\$2,239	\$2,231	\$2,384	\$8,984	\$2,171	\$2,307	\$2,285	\$2,443	\$9,206	\$9,574	\$9,955
Gross margin	31.3%	32.8%	33.3%	34.0%	34.8%	33.7%	33.7%	34.2%	34.1%	35.0%	34.2%	34.7%	35.2%
SG&A	3,309	885	888	919	995	3,687	935	920	916	987	3,758	3,898	4,004
% of Sales	12.5%	13.6%	13.2%	14.0%	14.5%	13.8%	14.5%	13.6%	13.7%	14.1%	14.0%	14.1%	14.2%
Operating income	\$4,989	\$1,245	\$1,351	\$1,312	\$1,389	\$5,242	\$1,236	\$1,388	\$1,369	\$1,456	\$5,449	\$5,676	\$5,951
Operating margin	18.8%	19.2%	20.1%	20.0%	20.2%	19.7%	19.2%	20.5%	20.4%	20.8%	20.3%	20.6%	21.1%
Interest expense	959	227	228	228	229	912	232	232	232	232	927	927	927
Other expense (income), net	(207)	(41)	(40)	(44)	(38)	(163)	(34)	(33)	(37)	(31)	(133)	(133)	(133)
Pre-tax income	\$4,237	\$1,059	\$1,163	\$1,128	\$1,198	\$4,548	\$1,038	\$1,189	\$1,174	\$1,254	\$4,655	\$4,882	\$5,157
Taxes	796	215	186	238	234	873	218	250	246	263	977	1,025	1,083
Tax rate	18.8%	20.2%	16.0%	21.1%	19.5%	19.2%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
NI attributable to NCI	5	1	2	(2)	0	1	0	0	0	0	0	0	0
NI attributable to KHC	3,436	844	975	892	964	3,675	820	939	927	991	3,677	3,857	4,074
NI attributable to common shareholders	\$3,436	\$844	\$975	\$892	\$964	\$3,675	\$820	\$939	\$927	\$991	\$3,677	\$3,857	\$4,074
Adj diluted EPS	\$2.78	\$0.68	\$0.79	\$0.72	\$0.78	\$2.98	\$0.67	\$0.77	\$0.76	\$0.81	\$3.01	\$3.16	\$3.34
Diluted shares	1,234	1,234	1,235	1,235	1,232	1,234	1,222	1,222	1,222	1,222	1,222	1,222	1,222
DPS	\$1.60	\$0.40	\$0.40	\$0.40	\$0.40	\$1.60	\$0.40	\$0.40	\$0.40	\$0.40	\$1.60	\$1.60	\$1.60
YoY Growth	2022	1Q23	2Q23	3Q23	4Q23	2023	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
Sales	1.7%	7.3%	2.5%	1.0%	-7.1%	0.6%	-0.6%	0.5%	2.1%	1.9%	1.0%	2.5%	2.5%
Gross profit	-4.8%	11.6%	8.5%	14.3%	0.4%	8.3%	1.9%	3.1%	2.4%	2.5%	2.5%	4.0%	4.0%
Adj EBITDA	-5.8%	10.3%	6.1%	11.9%	-5.3%	5.1%	0.9%	4.3%	5.8%	5.6%	4.2%	3.2%	4.4%
Operating profit	-5.3%	12.7%	7.6%	13.4%	-5.6%	5.1%	-0.7%	2.7%	4.3%	4.8%	3.9%	4.2%	4.8%
Net income	-4.9%	13.9%	13.0%	14.2%	-8.3%	7.0%	-2.8%	-3.7%	3.9%	2.8%	0.1%	4.9%	5.6%
Diluted EPS	-5.2%	13.9%	13.0%	14.2%	-8.2%	7.0%	-1.8%	-2.6%	5.1%	3.7%	1.1%	4.9%	5.6%
Diluted shares outstanding	0.4%	0.0%	0.0%	0.0%	-0.1%	0.0%	-1.0%	-1.1%	-1.1%	-0.9%	-1.0%	0.0%	0.0%
Dividends per share	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Margin Analysis	2022	1Q23	2Q23	3Q23	4Q23	2023	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
Adj EBITDA	22.7%	22.8%	24.0%	23.8%	24.1%	23.7%	23.2%	24.9%	24.7%	24.9%	24.4%	24.6%	25.1%
bp change	-180 bp	61 bp	79 bp	233 bp	44 bp	101 bp	36 bp	91 bp	86 bp	89 bp	77 bp	16 bp	46 bp
Gross Margin	31.3%	32.8%	33.3%	34.0%	34.8%	33.7%	33.7%	34.2%	34.1%	35.0%	34.2%	34.7%	35.2%
bp change	-212 bp	124 bp	184 bp	395 bp	259 bp	239 bp	85 bp	85 bp	10 bp	20 bp	50 bp	50 bp	50 bp
Operating profit	18.8%	19.2%	20.1%	20.0%	20.2%	19.7%	19.2%	20.5%	20.4%	20.8%	20.3%	20.6%	21.1%
bp change	-139 bp	91 bp	94 bp	218 bp	32 bp	84 bp	-1 bp	45 bp	43 bp	58 bp	58 bp	33 bp	47 bp
Credit Analysis	2022	1Q23	2Q23	3Q23	4Q23	2023	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
Operating profit / interest expense	5.2x	5.5x	5.9x	5.8x	6.1x	5.7x	5.3x	6.0x	5.9x	6.3x	5.9x	6.1x	6.4x
Net debt / EBITDA	3.2x	3.1x	3.1x	2.9x	3.0x	3.0x	2.9x	2.8x	2.7x	2.5x	2.5x	2.2x	1.8x

Source: KHC, BofA Global Research

BofA GLOBAL RESEARCH

## Price objective basis & risk

### Kraft Heinz Company (KHC)

Our \$40 price objective is based on 13x P/E multiple on our CY25 EPS estimate. KHC's current valuation is un-demanding with ability to meet/exceed earnings estimates greater than center-store peers, in our view. KHC's self-help initiatives and more conservative approach set up shares to outperform peers simply by executing.

Upside risks are 1) continued improvement in market share trends and services levels, 2) topline strength driving organic sales growth led by pricing actions and better than expected elasticities, 3) and pricing strength protecting margins could be supported by quicker than expected tapering in inflation.

Downside risks are 1) high inflation to persist longer than expected which pressures margins, 2) if elasticities worsen while pricing simultaneously tapers off organic sales growth could be sandbagged, 3) greater trade down to private label.

## Analyst Certification

I, Bryan D. Spillane, 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
<b>BUY</b>				
	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
<b>NEUTRAL</b>				
	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
	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



## US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>UNDERPERFORM</b>				
	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEE	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
<b>RSTR</b>				
	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane

**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 &amp; 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

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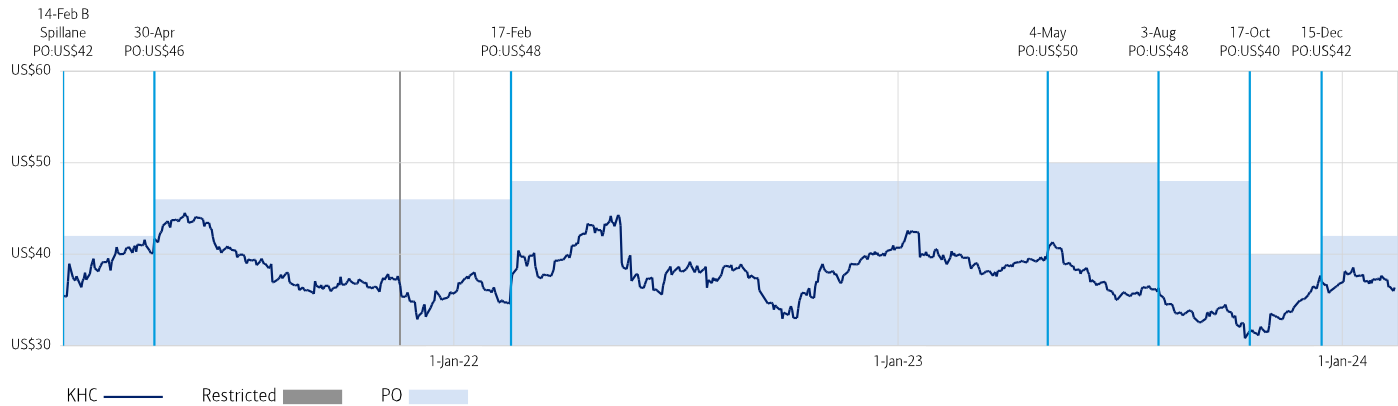
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### Equity Investment Rating Distribution: Food Group (as of 31 Dec 2023)

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

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