

## NetApp Inc.

## Strong quarter but we remain cautious

Reiterate Rating: UNDERPERFORM | PO: 78.00 USD | Price: 89.12 USD

## Impressive result for the qtr but see some n-t headwinds

F3Q results came in better-than-expected with rev/EPS of \$1.61bn/\$1.94. Hybrid cloud revs grew 6% y/y and product revs grew 10% y/y on continued momentum in All Flash Arrays (AFA) and benefit from go-to-market changes. AFA revs grew 21% y/y to annualized rev run rate of \$3.4bn. NetApp (NTAP) saw strong demand for the C-series all-flash arrays as well as its SAN optimized all-flash arrays. GM in F3Q grew 70bps y/y to 72.7%, with increase in product GM of +150bps y/y to 62.5%. Looking ahead to F4Q, the company expects \$20mn ARR headwinds from unrenewed subscriptions as the company reevaluates its CloudOps portfolio to refocus on Cloud Insights and InstaClustr. Management expects product gross margin to expand to the upper end of 50-60% versus historical norm of 55% on higher mix of AFA; however, we see risk given commodity (NAND) price increases and the higher mix is predicated on better rev growth. Reit. Underperform as we see potential macro and execution risk to estimates but acknowledge that margins are indeed holding IP better than our prior forecast.

## TAM can expand through SAN-optimized AFA and AI

Newly introduced SAN-optimized AFA outperformed company's expectations. Mgmt. sees opportunity to grow in the ~\$20bn SAN market. NTAP's unified data storage solutions are available as capex, as-a-service- or as cloud native offerings, and this provides customers with a wide range of buying options. In AI, in F3Q, NTAP had dozens of customer wins including several large NVIDIA SuperPOD and BasePOD deployments.

## Higher NAND prices can hurt gross margins

Mgmt. noted price increases on NAND from suppliers will impact all industry participants. The mix shift to higher margin All-Flash products will be offset partly by headwind from NAND price increase. However, NTAP continues to expect product gross margins to expand to the high end of the 50% - 60% range from historical norm of 55%.

## Adjusting estimates; PO moves to \$78 (from \$73)

Our F24 rev/EPS move to \$6.26bn/\$6.47(from \$6.2bn/\$6.15). PO moves to \$78 (from \$73) on 12x (unchanged) C24 EPS of \$6.30 (prior \$6.07).

Estimates (Apr) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	5.29	5.60	6.47	6.15	6.58
GAAP EPS	4.10	5.80	4.64	4.43	4.76
EPS Change (YoY)	30.3%	5.9%	15.5%	-4.9%	7.0%
Consensus EPS (Bloomberg)			6.14	6.43	6.89
DPS	1.96	1.97	1.98	2.00	2.00
Valuation (Apr)					
P/E	16.8x	15.9x	13.8x	14.5x	13.5x
GAAP P/E	21.7x	15.4x	19.2x	20.1x	18.7x
Dividend Yield	2.2%	2.2%	2.2%	2.2%	2.2%
EV / EBITDA*	12.5x	11.8x	11.0x	11.6x	11.0x
Free Cash Flow Yield*	5.4%	4.7%	6.3%	8.3%	8.9%

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

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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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## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	73.00	78.00
2024E Rev (m)	6,213.9	6,263.5
2025E Rev (m)	6,538.2	6,590.1
2026E Rev (m)	6,865.5	6,920.1
2024E EPS	6.15	6.47
2025E EPS	5.98	6.15
2026E EPS	6.40	6.58
2024E DPS	2.00	1.98

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## Stock Data

Price	89.12 USD
Price Objective	78.00 USD
Date Established	1-Mar-2024
Investment Opinion	B-3-7
52-Week Range	59.73 USD - 91.78 USD
Mrkt Val (mn) / Shares Out (mn)	18,361 USD / 206.0
Free Float	99.6%
Average Daily Value (mn)	148.01 USD
BoFA Ticker / Exchange	NTAP / NAS
Bloomberg / Reuters	NTAP US / NTAP.OQ
ROE (2024E)	118.2%
Net Dbt to Eqty (Apr-2023A)	-10.5%
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".

See page 4 for glossary

# iQprofile<sup>SM</sup> NetApp Inc.

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	20.6%	19.4%	21.9%	20.0%	19.4%
Return on Equity	158.8%	123.2%	118.2%	93.2%	72.9%
Operating Margin	23.7%	24.2%	26.7%	24.1%	24.6%
Free Cash Flow	985	868	1,158	1,526	1,639

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.0x	0.9x	1.0x	1.3x	1.3x
Asset Replacement Ratio	1.2x	1.0x	0.6x	0.7x	0.8x
Tax Rate	15.7%	20.9%	20.1%	21.5%	21.5%
Net Debt-to-Equity Ratio	-112.1%	-10.5%	5.9%	-33.0%	-57.4%
Interest Cover	24.1x	NA	NA	NA	NA

## Income Statement Data (Apr)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	6,318	6,362	6,263	6,590	6,920
% Change	10.0%	0.7%	-1.5%	5.2%	5.0%
Gross Profit	4,270	4,275	4,477	4,525	4,787
% Change	10.3%	0.1%	4.7%	1.1%	5.8%
EBITDA	1,690	1,787	1,922	1,815	1,910
% Change	21.5%	5.7%	7.6%	-5.6%	5.2%
Net Interest & Other Income	(62)	16	46	64	64
<b>Net Income (Adjusted)</b>	<b>1,209</b>	<b>1,230</b>	<b>1,371</b>	<b>1,298</b>	<b>1,388</b>
<b>% Change</b>	<b>31.8%</b>	<b>1.7%</b>	<b>11.5%</b>	<b>-5.4%</b>	<b>7.0%</b>

## Free Cash Flow Data (Apr)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	937	1,274	984	936	1,005
Depreciation & Amortization	194	248	252	226	206
Change in Working Capital	(22)	(106)	(341)	80	124
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	102	(309)	414	449	476
Capital Expenditure	(226)	(239)	(151)	(165)	(173)
<b>Free Cash Flow</b>	<b>985</b>	<b>868</b>	<b>1,158</b>	<b>1,526</b>	<b>1,639</b>
<b>% Change</b>	<b>-15.9%</b>	<b>-11.9%</b>	<b>33.5%</b>	<b>31.8%</b>	<b>7.4%</b>
Share / Issue Repurchase	(545)	(742)	(825)	(500)	(500)
Cost of Dividends Paid	(449)	(434)	(421)	(422)	(422)
Change in Debt	0	(253)	0	0	0

## Balance Sheet Data (Apr)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	3,575	2,511	2,323	2,927	3,644
Trade Receivables	1,230	987	1,054	1,109	1,166
Other Current Assets	1,140	1,182	1,287	1,382	1,425
Property, Plant & Equipment	602	650	587	526	493
Other Non-Current Assets	3,479	4,488	4,435	4,435	4,435
<b>Total Assets</b>	<b>10,026</b>	<b>9,818</b>	<b>9,685</b>	<b>10,379</b>	<b>11,162</b>
Short-Term Debt	250	0	400	400	400
Other Current Liabilities	3,703	3,467	3,509	3,598	3,669
Long-Term Debt	2,386	2,389	1,991	1,991	1,991
Other Non-Current Liabilities	2,849	2,803	2,624	2,767	2,919
<b>Total Liabilities</b>	<b>9,188</b>	<b>8,659</b>	<b>8,524</b>	<b>8,755</b>	<b>8,979</b>
<b>Total Equity</b>	<b>838</b>	<b>1,159</b>	<b>1,161</b>	<b>1,624</b>	<b>2,183</b>
<b>Total Equity &amp; Liabilities</b>	<b>10,026</b>	<b>9,818</b>	<b>9,685</b>	<b>10,379</b>	<b>11,162</b>

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

## Company Sector

IT Hardware

## Company Description

NetApp (NTAP) is a leading provider of storage systems, software and services that simplify the complexity of managing corporate data.

## Investment Rationale

Our Underperform rating is based on increased risk to consensus estimates driven by weak product growth and capped margin upside. Share losses in All Flash Arrays have weakened the near term outlook.

## Stock Data

Average Daily Volume 1,660,778

## Quarterly Earnings Estimates

	2023	2024
Q1	1.20A	1.15A
Q2	1.48A	1.58A
Q3	1.37A	1.94A
Q4	1.54A	1.79E

# Model

## Exhibit 1: NTAP Income Statement

We model F24 rev/EPS for \$6.26bn/\$6.47.

	F2024E			F2025E									
(\$ Millions Except Per Share Data)	07/23A	10/23A	01/24E	04/24E	07/24E	10/24E	01/25E	04/25E	F2022	F2023	F2024E	F2025E	F2026E
<b>Income Statement</b>													
Revenue	\$1,432.0	\$1,562.0	\$1,606.0	\$1,663.5	\$1,505.9	\$1,643.3	\$1,689.5	\$1,751.4	\$6,318.0	\$6,362.0	\$6,263.5	\$6,590.1	\$6,920.1
Product	590.0	706.0	747.0	796.1	626.3	749.3	792.6	845.2	3,284.0	3,049.0	2,839.1	3,013.4	3,198.8
SW Entitlements & Maintenance (Subscriptions)	335.8	330.1	343.8	349.7	345.8	340.0	354.1	360.2	1,373.6	1,366.3	1,359.4	1,400.2	1,442.2
Services	506.2	525.9	515.2	517.7	533.7	554.0	542.7	546.0	1,660.4	1,946.7	2,065.0	2,176.5	2,279.1
Cost of Goods Sold	420.0	437.0	439.0	490.9	445.6	507.2	539.1	573.2	2,048.0	2,087.0	1,786.9	2,065.1	2,132.7
Cost of Products	264.0	275.0	280.0	318.4	281.9	337.2	364.6	388.8	1,541.0	1,511.0	1,137.4	1,372.4	1,413.0
Cost of SW Entitlements & Maintenance (Subscriptions)	22.5	22.1	23.1	23.5	23.2	22.8	23.7	24.2	92.1	91.6	91.2	93.9	96.7
Cost of Services	131.0	76.5	71.2	73.9	138.1	80.6	75.0	77.9	280.4	330.2	352.5	371.5	389.0
Gross Profit	1,012.0	1,125.0	1,167.0	1,172.6	1,060.4	1,136.1	1,150.3	1,178.2	4,270.0	4,275.0	4,476.6	4,525.0	4,787.3
GP Products	326.0	431.0	467.0	477.6	344.5	412.1	428.0	456.4	1,743.0	1,538.0	1,701.6	1,641.0	1,785.7
GP SW Entitlements & Maintenance (Subscriptions)	313.3	308.0	320.8	326.3	322.6	317.2	330.4	336.1	1,281.5	1,274.7	1,268.3	1,306.3	1,345.5
GP Services	375.3	449.4	444.0	443.8	395.7	473.4	467.8	468.1	1,379.9	1,616.5	1,712.5	1,805.0	1,890.0
Total Operating Expense	703.0	706.0	682.0	715.7	739.3	742.7	700.6	753.5	2,774.0	2,736.0	2,806.7	2,936.1	3,083.0
Research and Development	215.0	227.0	217.0	225.2	226.1	238.8	211.4	237.1	806.0	845.0	884.2	913.4	959.1
Sales and Marketing	426.0	418.0	398.0	427.4	448.0	439.8	418.7	450.0	1,729.0	1,668.0	1,669.4	1,756.4	1,844.3
General and Administrative	62.0	61.0	67.0	63.1	65.2	64.2	70.5	66.5	239.0	223.0	253.1	266.3	279.7
Operating Income (Pre-stock-based comp.)	309.0	419.0	485.0	456.9	321.1	393.4	449.8	424.7	1,496.0	1,539.0	1,669.9	1,589.0	1,704.3
Operating Income (Post-stock-based comp.)	222.0	326.0	396.0	359.2	228.1	290.3	345.4	320.1	1,251.0	1,227.0	1,303.2	1,183.9	1,272.0
Total Interest and Other Income/(Expense)	8.0	6.0	16.0	16.0	16.0	16.0	16.0	16.0	(62.0)	16.0	46.0	64.0	64.0
Interest Income/(Expense)	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
Other Income/(Expense)	8.0	6.0	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	317.0	425.0	501.0	472.9	337.1	409.4	465.8	440.7	1,434.0	1,555.0	1,715.9	1,653.0	1,768.3
Provision for Income Taxes (Credit)	68.0	91.0	91.0	94.6	72.5	88.0	100.1	94.8	225.0	325.0	344.6	355.4	380.2
Net Income (Pro-Forma, Pre-Options Exp.)	249.0	334.0	410.0	378.3	264.6	321.4	365.6	346.0	1,209.0	1,230.0	1,371.3	1,297.6	1,388.1
stock-based comp. (net of tax)	68.3	73.1	72.8	78.2	73.0	81.0	81.9	82.2	206.8	246.9	292.4	318.0	339.4
Net Income (Pro-Forma, Post-Options Exp.)	180.7	260.9	337.2	300.1	191.6	240.4	283.7	263.8	1,002.2	983.1	1,078.9	979.6	1,048.8
Diluted EPS Pro Forma (Post-Options Exp.)	<b>\$0.84</b>	<b>\$1.24</b>	<b>\$1.60</b>	<b>\$1.42</b>	<b>\$0.91</b>	<b>\$1.14</b>	<b>\$1.34</b>	<b>\$1.25</b>	<b>\$4.38</b>	<b>\$4.47</b>	<b>\$5.09</b>	<b>\$4.64</b>	<b>\$4.97</b>
Diluted EPS Pro Forma (Pre-Options Exp.)	<b>\$1.15</b>	<b>\$1.58</b>	<b>\$1.94</b>	<b>\$1.79</b>	<b>\$1.25</b>	<b>\$1.52</b>	<b>\$1.73</b>	<b>\$1.64</b>	<b>\$5.29</b>	<b>\$5.60</b>	<b>\$6.47</b>	<b>\$6.15</b>	<b>\$6.58</b>
Shares outstanding													
Diluted Weighted Average Shares	216.0	211.0	211.0	211.0	211.0	211.0	211.0	211.0	228.7	219.8	211.9	211.0	211.0
<b>% of Revenues</b>													
Gross Profit	70.7%	72.0%	72.7%	70.5%	70.4%	69.1%	68.1%	67.3%	67.6%	67.2%	71.5%	68.7%	69.2%
GP Products	55.3%	61.0%	62.5%	60.0%	55.0%	55.0%	54.0%	54.0%	53.1%	50.4%	59.9%	54.5%	55.8%
GP SW Entitlements & Maintenance (Subscriptions)	93.3%	93.3%	93.3%	93.3%	93.3%	93.3%	93.3%	93.3%	93.3%	93.3%	93.3%	93.3%	93.3%
GP Services	74.1%	85.5%	86.2%	85.7%	74.1%	85.5%	86.2%	85.7%	83.1%	83.0%	82.9%	82.9%	82.9%
Opex	49.1%	45.2%	42.5%	43.0%	49.1%	45.2%	41.5%	43.0%	43.9%	43.0%	44.8%	44.6%	44.6%
R&D	15.0%	14.5%	13.5%	13.5%	15.0%	14.5%	12.5%	13.5%	12.8%	13.3%	14.1%	13.9%	13.9%
S&M	29.7%	26.8%	24.8%	25.7%	29.7%	26.8%	24.8%	25.7%	27.4%	26.2%	26.7%	26.7%	26.7%
G&A	4.3%	3.9%	4.2%	3.8%	4.3%	3.9%	4.2%	3.8%	3.8%	3.5%	4.0%	4.0%	4.0%
EBIT (Pre-Options)	21.6%	26.8%	30.2%	27.5%	21.3%	23.9%	26.6%	24.3%	23.7%	24.2%	26.7%	24.1%	24.6%
Stock-based compensation expense	6.1%	6.2%	6.1%	5.9%	6.2%	6.3%	6.2%	6.0%	3.9%	4.9%	5.9%	6.1%	6.2%
EBIT (Post-Options)	15.5%	20.9%	24.7%	21.6%	15.1%	17.7%	20.4%	18.3%	19.8%	19.3%	20.8%	18.0%	18.4%
Pretax Income	22.1%	27.2%	31.2%	28.4%	22.4%	24.9%	27.6%	25.2%	22.7%	24.4%	27.4%	25.1%	25.6%
Tax Rate	21.5%	21.4%	18.2%	20.0%	21.5%	21.5%	21.5%	21.5%	15.7%	20.9%	20.1%	21.5%	21.5%
Net Income (Operating, Post-options)	12.6%	16.7%	21.0%	18.0%	12.7%	14.6%	16.8%	15.1%	15.9%	15.5%	17.2%	14.9%	15.2%
Net Income (Operating, Pre-options)	17.4%	21.4%	25.5%	22.7%	17.6%	19.6%	21.6%	19.8%	19.1%	19.3%	21.9%	19.7%	20.1%
<b>% Growth Rate</b>													
Revenues (Y/Y)	(10%)	(6%)	5%	5%	5%	5%	5%	5%	10%	1%	(2%)	5%	5%
Product	(25%)	(16%)	10%	7%	6%	6%	6%	6%	10%	(7%)	(7%)	6%	6%
Services	10%	8%	2%	5%	5%	5%	5%	5%	(40%)	17%	6%	5%	5%
Opex (Y/Y)	0%	(0%)	5%	6%	5%	5%	3%	5%	3%	(1%)	3%	5%	5%
R&D (Y/Y)	(0%)	5%	10%	5%	5%	5%	(3%)	5%	(1%)	5%	5%	3%	5%
S&M (Y/Y)	0%	(4%)	(1%)	6%	5%	5%	5%	5%	5%	(4%)	0%	5%	5%
G&A (Y/Y)	0%	11%	46%	5%	5%	5%	5%	5%	6%	(7%)	14%	5%	5%
Pretax Income (Y/Y)	(8%)	2%	33%	13%	6%	(4%)	(7%)	(7%)	28%	8%	10%	(4%)	7%
Net Income (Y/Y)	(17%)	(1%)	49%	9%	6%	(8%)	(16%)	(12%)	32%	2%	11%	(5%)	7%
EPS Post Options (Y/Y)	(13%)	3%	54%	12%	9%	(8%)	(16%)	(12%)	31%	2%	14%	(9%)	7%
EPS Pre Options (Y/Y)	(4%)	7%	41%	16%	9%	(4%)	(11%)	(9%)	30%	6%	16%	(5%)	7%
Diluted Shares (Y/Y)	(4%)	(4%)	(4%)	(3%)	(2%)	0%	0%	0%	1%	(4%)	(4%)	(0%)	0%

**Source:** Company filings, BofA Global Research estimates

## Abbreviations

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GM: Gross Margin

AFA: All Flash Array

aaS: as-a-Service

ARR: Annual Recurring Revenue

ASA: All-flash SAN Storage Arrays

NAND: Not-And

SAN: Storage Area Network

n-t- Near -term

AI: Artificial Intelligence

## Price objective basis & risk

### NetApp Inc. (NTAP)

Our price objective (PO) of \$78 is based on 12x C24E EPS of \$6.30. This multiple is at the lower end of its historical range of 10-18x. We believe this multiple balances the benefit of potential revenue growth in All Flash Arrays against the long-term risk from data-center migration to the Cloud, and technological pressure from emerging competitors.

Upside risks are faster-than-expected growth in public cloud revenues and lower drag from investments, unexpected share gain from competitors, unanticipated large M&A, which drives revenue growth faster than expected, and faster-than-expected penetration of Flash into the existing NetApp installed base.

Downside risks are extended component shortage, an unexpected slowdown in the economy, higher-than-expected inflation, stall in the installed base refresh, material share loss in the Flash and Converged technology space, including Hyper Converged to competitors, acceleration of storage moving to the public cloud, and decline in penetration and success beyond the top enterprise accounts.

## 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



## US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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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

Basic EBIT + Depreciation + Amortization

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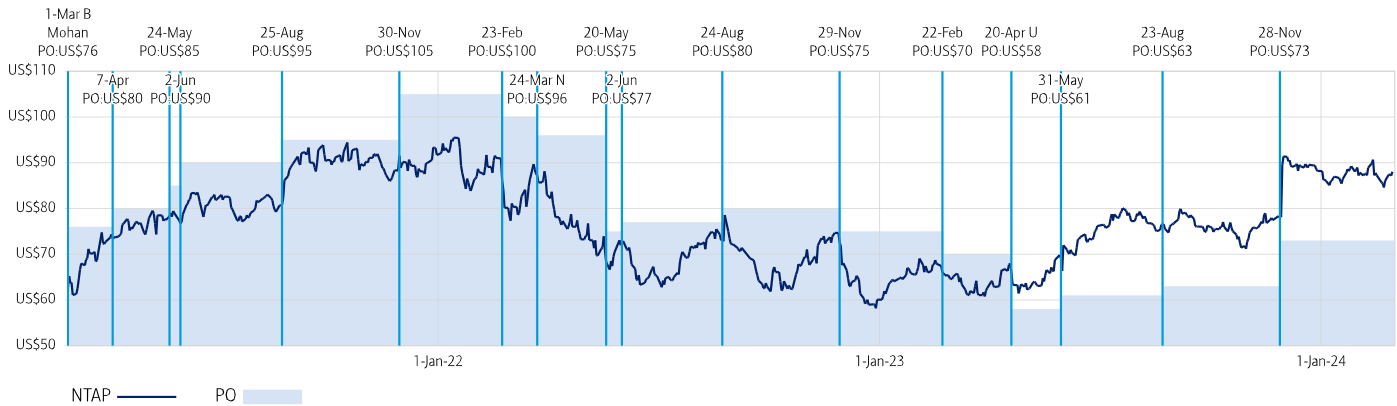
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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>
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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