

Canopy Growth

Improving trends but more work to be done

Reiterate Rating: UNDERPERFORM | PO: 4.00 CAD | Price: 4.72 CAD

Remain Underperform; lower POs to C\$4/US\$2.97

On Friday, Canopy reported 3Q24 net sales of C\$78.5mn, -7% on a reported basis or +6% excl the sale of its Canadian retail unit. Versus our/Visible Alpha (VA) 3Q24 sales estimates, Canopy beat by C\$5.0/4.5mn. While we see an improved sales outlook and rightsizing aiding the stock, its cash burn and lack of US federal regulatory progress likely holds back additional investor interest. We cut our POs on YWEED/CGC to C\$4.00/US\$2.97 from C\$7.00/US\$5.30 and is based on 1.3x (previously 3x) CY24e EV/sales given higher share count, updated net debt and revenue forecasts. This compares to the avg valuation for cannabis peers* of 1.3x.

Progress made, but still a need to reduce expenses

Canopy has made significant progress over the last 2 years to right size the company for current operating conditions. It has moved to as asset light model, which is helping margins and product quality. Gross margins are improving. It has cut costs (-\$262mn over the last 7 quarters) and divested non-core assets. Canopy is now a 100% cannabis company. Given the 3Q24 beat, we are lifting our sales forecasts but remain below consensus on caution on the Canadian market (too many licensed producers, price compression). We believe that the company has made strides but more work is necessary as continuing ops free cash flow (-\$34mn in 3Q/- \$210mn YTD) still needs to improve.

Regulatory progress news would help attract investors

Along with reducing its cash burn, we think some positive regulatory news is needed to make these stocks work. The US market is on the edge of regulatory news – with Health & Human Services (HHS) recommending that cannabis move from Schedule 1 of the Controlled substances Act to Schedule 3. We are waiting for recommendations from the Drug Enforcement Agency (DEA). This news is expected by mid-year given it is an election year. Moving to a Schedule 3 would still be restrictive and not solve all of cannabis' legal issues, but would definitely be progress to build upon. We think the lack of progress on the US is a drag on Canopy's performance as it limits institutional investors from entering the category.

Estimates (Mar) (C\$)	2022A	2023A	2024E	2025E	2026E
EPS	(7.92)	(68.89)	(8.44)	(1.97)	(1.59)
EPS Change (YoY)	83.1%	-769.8%	87.7%	76.7%	19.3%
Consensus EPS (Bloomberg)			(3.96)	(1.26)	(1.00)
DPS	0	0	0	0	0
EPS (CGC - US\$)	(6.32)	(52.07)	(6.23)	(1.45)	(1.17)
DPS (CGC - US\$)	0	0	0	0	0
Valuation (Mar)					
EV / EBITDA*	NM	NM	NM	51.2x	27.8x
Free Cash Flow Yield*	-148.8%	-140.0%	-53.5%	47.4%	56.4%

* For full definitions of *IQmethod*SM measures, see page 10.

13 February 2024

Equity

Key Changes

(C\$)	Previous	Current
Price Obj.	7.00	4.00

Lisa K. Lewandowski

Research Analyst
BofAS
+1 646 855 4647
lisa.lewandowski@bofa.com

Bryan D. Spillane

Research Analyst
BofAS
+1 646 855 1979
bryan.spillane@bofa.com

Stock Data

Price (TOR / NAS)	4.72 CAD / 3.49 USD
Price Objective	4.00 CAD / 2.97 USD
Date Established	13-Feb-2024 / 13-Feb-2024
Investment Opinion	C-3-9 / C-3-9
52-Week Range	4.55 CAD - 34.20 CAD
Market Value (mn)	391 CAD
Free Float	80.4%
Average Daily Value	7.37 USD
Shares Outstanding (mn)	82.9 / 82.9
BofA Ticker / Exchange	YWEED / TOR
BofA Ticker / Exchange	CGC / NAS
Bloomberg / Reuters	WEED CN / WEED.TO
ROE (2024E)	-88.6%
Net Dbt to Eqty (Mar-2023A)	84.1%

ESGMeter™ Medium

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".

*includes Tilray (2.0x) and Aurora (0.6x) but excludes Cronos due to its modest negative EV/sales valuation.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 11 to 14. Analyst Certification on page 9. Price Objective Basis/Risk on page 9.

12659136

Timestamp: 13 February 2024 04:31PM EST

iQprofileSM Canopy Growth

iQmethodSM – Bus Performance*

(C\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-8.8%	-9.7%	-6.9%	-6.1%	-5.0%
Return on Equity	-8.8%	-147.0%	-88.6%	-24.3%	-16.4%
Operating Margin	-115.2%	-151.5%	-52.6%	-39.6%	-32.1%
Free Cash Flow	(582)	(548)	(209)	186	221

iQmethodSM – Quality of Earnings*

(C\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	0.5x	0.2x	0.3x	0.3x	0.3x
Tax Rate	2.6%	0.2%	NM	1.0%	1.0%
Net Debt-to-Equity Ratio	20.0%	84.1%	56.1%	24.0%	1.8%
Interest Cover	-5.7x	-3.4x	-1.5x	-1.4x	-1.7x

Income Statement Data (Mar)

(C\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	510	333	292	289	310
% Change	-6.7%	-34.7%	-12.3%	-1.0%	7.3%
Gross Profit	(68)	(99)	87	91	109
% Change	NM	-46.0%	NM	4.7%	19.3%
EBITDA	(426)	(275)	(114)	16	29
% Change	-25.5%	35.4%	58.6%	NM	84.3%
Net Interest & Other Income	753	(466)	(292)	(68)	(48)
Net Income (Adjusted)	(310)	(3,194)	(637)	(181)	(146)
% Change	82.2%	-930.3%	80.1%	71.6%	19.0%

Free Cash Flow Data (Mar)

(C\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(331)	(3,221)	(461)	(181)	(146)
Depreciation & Amortization	76	56	28	29	29
Change in Working Capital	173	(6,181)	(24)	9	10
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	(464)	8,807	254	337	336
Capital Expenditure	(37)	(9)	(8)	(8)	(8)
Free Cash Flow	-582	-548	-209	186	221
% Change	7.6%	5.9%	61.8%	NM	19.0%
Share / Issue Repurchase	3	1	69	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(51)	17	(480)	(91)	(135)

Balance Sheet Data (Mar)

(C\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	776	668	231	326	412
Trade Receivables	87	68	29	24	21
Other Current Assets	865	341	125	181	175
Property, Plant & Equipment	943	471	340	319	298
Other Non-Current Assets	2,935	891	716	690	709
Total Assets	5,605	2,440	1,441	1,540	1,615
Short-Term Debt	9	557	91	91	135
Other Current Liabilities	204	247	76	136	137
Long-Term Debt	1,492	750	521	430	295
Other Non-Current Liabilities	280	126	73	73	73
Total Liabilities	1,985	1,680	761	729	640
Total Equity	3,620	760	679	810	975
Total Equity & Liabilities	5,605	2,440	1,441	1,540	1,615

* For full definitions of iQmethodSM measures, see page 10.

Company Sector

Cannabis

Company Description

Canopy Growth is a global cannabis company based in Ontario, Canada, operates in federally legal medical markets globally and the recreational-adult use cannabis market in Canada. Beverage/alcohol company Constellation Brands (STZ) is Canopy's largest shareholder.

Investment Rationale

Our Underperform rating is driven by poor execution, a tough Canadian operating environment, debt concerns, and a lack of progress on the US federal regulatory front. Canopy has shown mixed progress on key performance metrics, is confronted with a rapidly evolving Canadian market with new entrants taking market share and changing consumer tastes, and lackluster industry growth even with ample stores opened.

Stock Data

Average Daily Volume	2,117,665
Shares / Common - Dual Listed	1.00

Quarterly Earnings Estimates

	2023	2024
Q1	-52.36A	-0.69A
Q2	-6.20A	-4.33A
Q3	-5.34A	-2.61A
Q4	-14.47A	-0.78E

Key Changes

(US\$)	Previous	Current
Price Obj.	5.30	2.97

Remain Underperform

Progress made, but still a need to reduce expenses

On Friday, Canopy reported 3Q24 net sales of C\$78.5mn, -7% on a reported basis or +6% excl the sale of its Canadian retail unit. Versus our/Visible Alpha (VA) 3Q24 sales estimates, Canopy beat by C\$5.0/4.5mn. While we see an improved sales outlook and rightsizing aiding the stock, its cash burn and lack of US federal regulatory progress likely holds back additional investor interest.

Canopy has made significant progress over the last 2 years to right size the company for current operating conditions. It has moved to an asset light model, which is helping margins and product quality. Gross margins are improving. It has cut costs (-\$262mn over the last 7 quarters) and divested non-core assets. Canopy is now an 100% cannabis company. Given the 3Q24 beat, we are lifting our sales forecasts but remain below consensus on caution on the Canadian market (too many licensed producers, price compression). We believe that the company has made strides but more work is required as continuing ops free cash flow (-\$34mn in 3Q/- \$210mn YTD) still needs to improve.

Regulatory progress news would help attract investors

Along with reducing its cash burn, we think some positive regulatory news is needed to make these stocks work. The US market is on the edge of regulatory news – with Health & Human Services (HHS) recommending that cannabis move from Schedule 1 of the Controlled substances Act to Schedule 3. We are waiting for recommendations from the Drug Enforcement Agency (DEA). (This news is expected by mid-year given it is an election year.) Moving to a Schedule 3 would still be restrictive and not solve all of cannabis' legal issues, but would definitely be progress to build upon. We think the lack of progress on the US is a drag on Canopy's performance as it limits institutional investors from entering the category.

Highlights of 3Q24

Canadian adult use cannabis sales grew 9% on a pro forma basis, led by improved product quality, innovation, the addition of Wana (edibles) in Canada and new retail store entry.

Canadian medical sales grew YoY for the 6th consecutive quarter, aided by innovation/quality. International medical cannabis posted strong growth, led by Australia (medical cannabis and Storz & Bickel) and a return to growth in Europe and the exit of non-core markets.

Storz & Bickel sales dropped YoY, with a successful late qtr launch of Venty (portable vaporizer) more than offset by persistent wholesaler financial issues.

This Works, which was sold Dec 18th, posted a 1.5% YoY drop but improved vs. 2Q24.

Canopy appears to have divested all of its non-core assets, so it can focus exclusively on cannabis and cannabis-related products going forward and continue to progress towards its goal of achieving positive adj EBITDA in each unit exiting FY24.

Exhibit 1: 3Q24 sales table (C\$mns)

Reported sales were C5mn better than of our forecast.

		ACTUAL	BofAe	Visible Alpha
Net sales	3Q23R	3Q24	3Q24E	3Q24E
Canadian cannabis	46.6	39.0	37.5	37.9
RoW cannabis	5.8	10.5	6.1	9.4
Storz & Bickel	20.2	18.5	21.2	18.6
This works	8.3	8.2	6.7	6.7
Other	3.9	2.3	2.0	1.4
Total net sales	84.9	78.5	73.5	74.0

Source: Company reports, BofA Global Research, Visible Alpha

BofA GLOBAL RESEARCH



Progress on transformation plan

As Canopy seeks to reduce cash burn and become adjusted EBITDA positive (ex. BioSteel investments), it has implemented several cost cutting and other measures over the last 12-18 months. In FY23/4, it announced a series of steps to align its Canadian operations and resources to current market conditions including:

- Streamlined its business by divestitures of its C3 (international medical) and Canadian retail business. More recently it divested BioSteel (beverages) and This Works (beauty).
- Improve product quality and execution by shifting to an asset light model, with the sale of previously mentioned retail business, closure of 8 cultivation facilities to focus on 2 purpose-built cultivation facilities and outsourced its vape, beverage and edible production to independent, 3rd party contract manufacturing.
- The above described moves are anticipated to **reduce costs** by C\$270-300mn by FY24, of which C\$262mn has been realized by 3Q24 and includes a reduction of C\$38mn in the third quarter.
- Management continues to see cost cutting opportunities post the capture of the current program. We expect them to give an update with 4Q24 results in May.
- Canopy took control of all distribution (as of late May 2023), marketing and sales of **Wana** (edibles) in Canada. The addition of Wana is anticipated to help drive sales adjusted EBITDA in the quarters ahead.
 - In August, Wana launched 11 new SKUs in 4 existing markets. Wana has been reintroduced into Canada, along with having Wana products available at its Spectrum (medical) website.
 - While the edibles category is very competitive, Wana has good name recognition and we would expect it to be additive to Canopy's adult use/medical offerings.
- In recent quarters **Storz & Bickel** (vaporizers) suffered in from reduced consumer spending in light of inflationary pressures. In addition, wholesalers who sell into smoke and vaping shops have been under financial pressure due to the slow pace of cannabis banking and tax reform.
 - In late 3Q24, Storz & Bickel introduced portable vaporizer innovation (Venty).
 - Venty was said to have driven a very successful holiday period for S&B, with a backlog of orders expected to be filled in 4Q24.
 - S&B is also expected to increase its international distribution in FY24, with strong growth recorded in Australia (which is accounted for under international medical cannabis).
- In **medical cannabis**, Canopy plans to focus on driving insured patient registrations in Canada, Australia, and Europe. This has been backed by improving its supply (and consistency) of high-strength THC flower strains, inventory improvement and innovation.
 - In 2Q24/3Q24 Canopy posted strong growth in Australia and began shipping Venty into Australia during 3Q24.
 - Going forward, Australia, Poland, Czech Republic and Germany appear to be growth opportunities in medical cannabis.

- While not currently a focus market, the Israeli medical market could be an opportunity, with the Health Ministry recently streamlining access to medical cannabis (implementing rule in March 2024.)

Boosting sales forecasts

Given the 3Q beat and improved outlook given recent innovation, increased store presence and rightsizing programs, we increase our FY24/25/26 sales estimates by C\$8.0/16.0/18.7mn to C\$292/289/310mn. We now anticipate adj gross margins of 30% in FY24, rising to 35% by FY26. We expect additional cost reductions, including lower interest due to refinancing moves. In the last 6 months, management is now clearly showing progress on its strategy to reinvigorate sales and cost cutting progress, and now see them within sights of its goal of positive EBITDA by fiscal year end.

Exhibit 2: Updated sales, EPS and PO forecasts (C\$mns)

We are increasing our estimates on management progress on innovation, product quality and streamlining

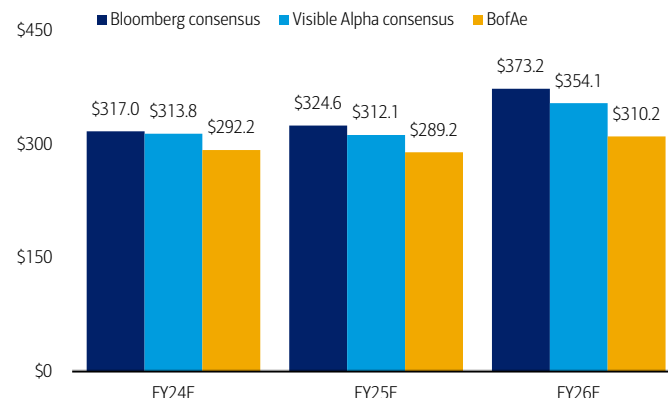
	New	Prior	% change
	Net sales (in mn)		
2023	C\$333.3	C\$333.3	0%
2024e	C\$292.2	C\$284.3	3%
2025e	C\$289.2	C\$273.2	6%
2026e	C\$310.2	C\$291.5	6%
	EPS		
2023	(C\$68.89)	(C\$69.81)	-1%
2024e	(C\$8.44)	(C\$6.78)	25%
2025e	(C\$1.97)	(C\$2.55)	-23%
2026e	(C\$1.59)	(C\$2.42)	-34%
	New PO		
PO (CAD\$)	\$4.00	\$7.00	-42.9%
PO (USD\$)	\$2.97	\$5.30	-43.9%

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 3: BofA sales forecasts vs. Bloomberg and Visible Alpha (C\$mn)

We remain below consensus estimates



Source: Bloomberg, Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 4: Updated sales forecasts (C\$mns)

We look for near flat sales in 2025 as it cycles the recent sale of This Works in mid December

C\$mns	Actual	Actual	Actual	BofA estimates			YoY % change					% of total				
	2021A	2022A	2023R	2024e	2025e	2026e	2022	2023	2024e	2025e	2026e	2022	2023	2024e	2025e	2026e
Canadian rec revenue (B2B)	163.6	143.7	95.0	94.3	102.5	111.2	-12%	-34%	-1%	9%	8%	28%	29%	32%	35%	36%
Canadian rec revenue (B2C)	66.0	61.6	36.2	-	-	-	-7%	-41%				12%	11%	-	-	-
Total adult use revenue	229.6	205.3	131.3	94.3	102.5	111.2	-11%	-36%	-28%	9%	8%	40%	39%	32%	35%	36%
Canada medical	55.4	52.6	55.8	59.8	62.2	64.1	-5%	6%	7%	4%	3%	10%	17%	20%	22%	21%
International medical	91.6	79.3	38.9	40.2	43.2	45.3	-13%	-51%	3%	7%	5%	16%	12%	14%	15%	15%
Total medical revenue	147.1	131.9	94.7	100.0	105.4	109.4	-10%	-28%	6%	5%	4%	26%	28%	34%	36%	35%
Total cannabis	376.7	337.2	226.0	194.3	207.9	220.6	-10%	-33%	-14%	7%	6%	66%	68%	67%	72%	71%
Storz & Bickel	81.0	85.4	64.8	66.3	71.3	76.9	5%	-24%	2%	7%	8%	17%	19%	23%	25%	25%
This Works	33.3	32.3	26.0	21.3	-	-	-3%	-19%	-18%			6%	8%	7%	-	-
BioSteel	28.4	34.6	-	-	-	-	22%					7%	0%	-	-	-
All other	25.2	20.8	16.3	10.3	10.0	12.8	-18%	-22%	-37%	-3%	28%	4%	5%	4%	3%	4%
Other consumer products	170.0	173.1	107.1	97.9	81.3	89.7	2%	-38%	-9%	-17%	10%	34%	32%	33%	28%	29%
Net sales	546.6	510.3	333.2	292.2	289.2	310.2	-7%	-35%	-12%	-1%	7%	100%	100%	100%	100%	100%

Source: Company reports

BofA GLOBAL RESEARCH

Gross margin

3Q24's gross margin was +36%, an improvement over 3Q23 (+8.5%) and 2Q24 (+33%) levels. Key drivers to the improvement include 1) improvement in Canadian cannabis, led by strategic moves to an asset light model, lower cost inputs, improved product quality and innovation.



Exhibit 5: Adjusted gross margin by segment

3Q24 margins improved YoY and consecutively as management's strategy and cost cuts became evident

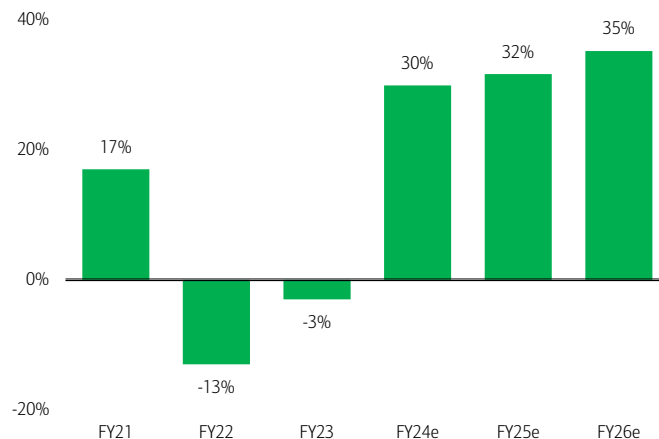
	3Q23R	2Q24	3Q24
Canadian cannabis	-8%	36%	28%
RoW cannabis	-33%	30%	40%
Storz & Bickel	45%	33%	51%
This works	49%	49%	49%
Other	-14%	-27%	-33%
Adj GM	9%	33%	36%

Source: Company reports

BofA GLOBAL RESEARCH

Exhibit 6: Fiscal year gross margin outlook

The exit of unprofitable business lines along with moving to an asset light model and other changes have improved its GM outlook



Source: Company reports, BofA Global Research

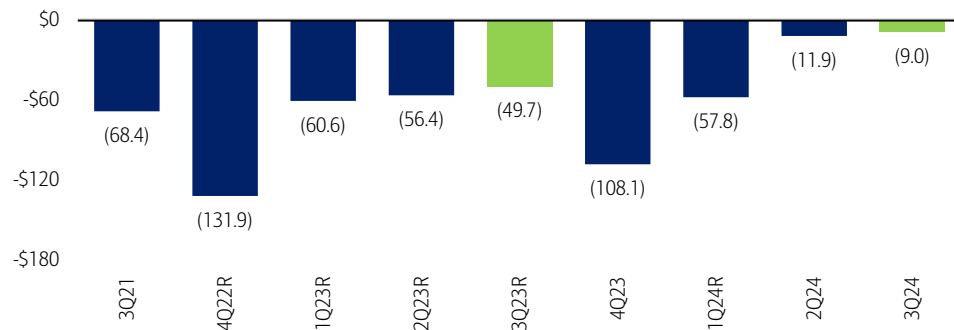
BofA GLOBAL RESEARCH

EBITDA

Adjusted EBITDA was a loss of C\$9.0mn, a +\$41mn improvement YoY. We now see the company within striking distance of its goal of achieving EBITDA positive results by fiscal year end 2024.

Exhibit 7: Quarterly EBITDA (C\$mns)

This quarter made clear that progress is being made on right-sizing and cost cutting

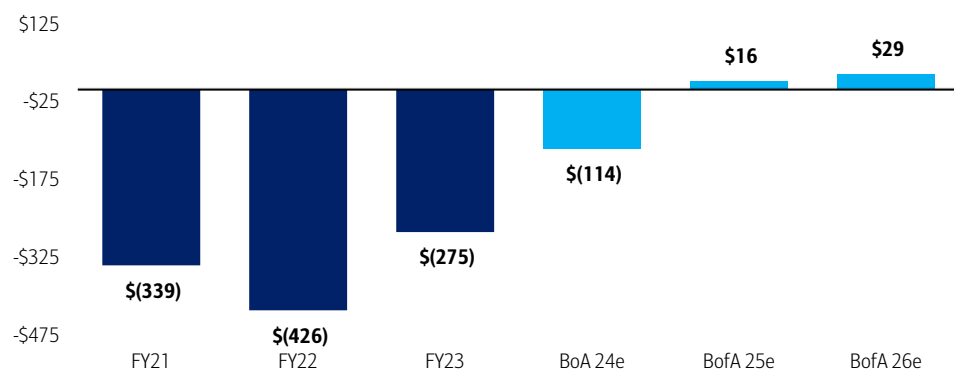


Source: Company reports

BofA GLOBAL RESEARCH

Exhibit 8: Adjusted EBITDA forecasts (C\$mns)

Cost cutting and exiting non-core, cost laden business is driving improvements in EBITDA



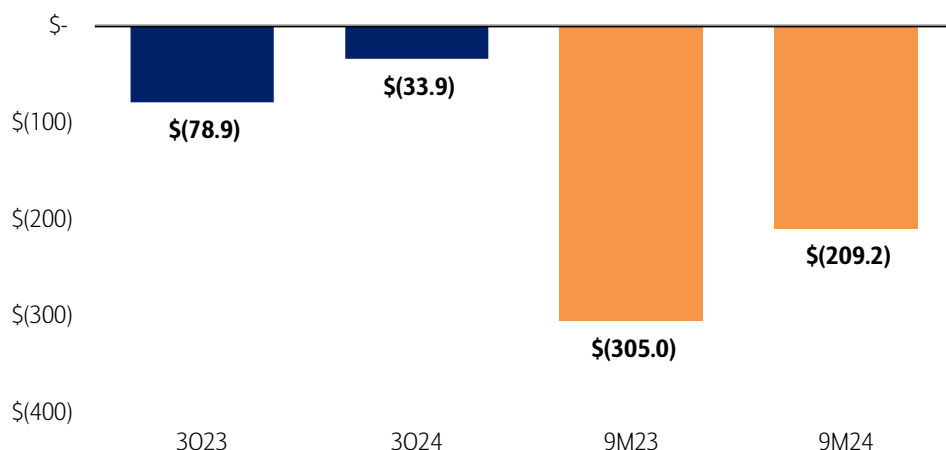
Source: Company reports

BofA GLOBAL RESEARCH

Adjusted free cash flow

Exhibit 9: Adjusted FCF (C\$mns)

CGC's shift to an asset light model and cost cutting focus has helped reduce FCF losses



Source: Company reports

BofA GLOBAL RESEARCH

Updated income statement

Exhibit 10: Canopy Growth income statement (C\$mns)

Gross margin improved for 3rd consecutive quarter

Income statement	1Q23R Jun-22	2Q23R Sep-22	3Q23R Dec-22	4Q23 Mar-23	FY23 Mar-23	1Q24R Jun-23	2Q24 Sep-23	3Q24 Dec-23	4Q24E Mar-24	FY24E Mar-24	FY25E Mar-25	FY26E Mar-26
Gross sales	105.0	100.4	97.0	78.9	381.3	88.6	82.1	90.1	79.2	339.9	340.1	365.1
Excise taxes	(12.7)	(12.5)	(12.1)	(10.6)	(48.0)	(12.4)	(12.5)	(11.6)	(11.4)	(47.8)	(50.9)	(54.9)
Net sales (cont. ops)	92.2	87.9	84.9	68.2	333.3	76.3	69.6	78.5	67.8	292.2	289.2	310.2
YoY % change in NET sales			-39.8%	-32.9%	-34.7%	-17.3%	-20.9%	-7.5%	-0.6%	-12.3%	-1.0%	7.3%
Organic YoY % change in NET sales												
QoQ % change in NET sales			-3.5%	-19.6%		11.8%	-8.7%	12.8%	-13.6%			
Adjusted cost of goods sold	92.8	83.7	77.6	178.0	432.1	62.5	46.9	50.3	45.2	204.8	197.7	201.1
Adjusted gross profit (loss)	(0.5)	4.2	7.2	(38.1)	(27.2)	13.8	22.7	28.2	22.7	87.4	91.5	109.2
Gross margin reconciliation												
Reported gross profit (loss)	(3.8)	(0.6)	5.2	(109.8)	(109.0)	13.8	23.4	28.2	22.7	88.1	91.5	109.2
Inventory step up	(0.7)	(3.2)	-	(3.2)	(7.1)	-	-	-	-	-	-	-
Restructuring charge	4.0	8.0	2.0	74.9	88.9	-	(0.7)	-	-	(0.7)	-	-
Adjusted gross profit (loss)	(0.5)	4.2	7.2	(38.1)	(27.2)	13.8	22.7	28.2	22.7	87.4	91.5	109.2
Reported gross margin	-4%	-1%	6%	-161%	-33%	18%	34%	36%	33%	30%	32%	35%
Adjusted gross margin	-1%	5%	8.5%	-56%	-8%	18%	33%	36%	33%	30%	32%	35%
Change in YoY adj GM	-2160bps	5660bps	-410bps	-1060bps	510bps	1860bps	2790bps	2740bps	8930bps	3810bps	170bps	350bps
Change in QoQ adj GM	4470bps	540bps	370bps	-6440bps		2620bps	1460bps	330bps	-260bps			
Adjusted SG&A	86.8	95.0	89.6	104.3	375.8	62.8	57.6	54.4	53.0	227.8	194.3	197.9
Share-based comp	5.3	9.6	6.1	9.5	30.4	3.7	2.7	3.7	3.1	13.2	11.6	10.9
Total operating expenses	92.1	104.6	95.7	113.8	406.1	66.5	60.3	58.1	56.1	241.0	205.9	208.8
Adjusted operating income	(92.6)	(100.4)	(88.4)	(151.9)	(433.3)	(52.7)	(37.6)	(29.9)	(33.4)	(153.6)	(114.4)	(99.6)
Adjusted operating expenses												
General and administrative	27.8	30.8	31.3	27.8	117.6	24.1	19.0	22.7	20.8	86.7	85.6	86.5
Sales and marketing	38.0	35.7	32.4	137.3	243.5	20.8	19.6	18.3	20.0	78.7	77.7	78.5
Total SG&A	65.8	66.5	63.7	165.1	361.1	44.9	38.6	41.1	40.8	165.4	163.3	165.0
R&D	7.0	5.5	4.9	4.4	21.7	1.4	1.1	1.3	1.1	4.9	5.0	5.1
Acquisition-related costs	4.2	14.0	13.3	4.1	35.7	8.9	10.5	5.0	5.0	29.4	-	-
Depreciation & amortization	9.9	9.0	7.6	(69.3)	(42.7)	7.6	7.4	7.1	6.1	28.2	26.0	27.9
Total operating expenses	86.8	95.0	89.6	104.3	375.8	62.8	57.6	54.4	53.0	227.8	194.3	197.9
Share based compensation expense	5.3	9.6	6.1	9.5	30.4	3.7	2.7	3.7	3.1	13.2	11.6	10.9
Adjusted operating expenses	92.1	104.6	95.7	113.8	406.1	66.5	60.3	58.1	56.1	241.0	205.9	208.8
Asset impairment & restructuring costs	1,728.0	44.0	22.3	462.5	2,256.7	1.9	(29.9)	30.4	-	2.5	-	-
Reported operating expenses	1,820.1	148.561	117.9	576.3	2,662.9	68.4	30.4	88.54	56.1	243.4	205.9	208.8
YoY reduction in adj op exp	(74.0)	(64.6)	(68.4)	(53.4)	(260.4)	(59.2)	(81.4)	(65.5)	(73.2)	(279.3)	(200.2)	(32.2)
YoY % growth												
G&A				-14%	-9%	-13%	-38%	-27%	-25%	-26%	-1%	1%

Exhibit 10: Canopy Growth income statement (C\$mns)Gross margin improved for 3rd consecutive quarter

Income statement	1Q23R	2Q23R	3Q23R	4Q23	FY23	1Q24R	2Q24	3Q24	4Q24E	FY24E	FY25E	FY26E
Sales & marketing				130%	2%	-45%	-45%	-43%	-85%	-68%	-1%	1%
R&D				-50%	-33%	-81%	-80%	-73%	-75%	-78%	2%	2%
Acquisition-related costs				226%	223%	112%						
Depreciation & amortization				-546%	-170%	-23%	-18%	-7%	-109%	-166%	-8%	7%
Total S&GA				-11%	-21%	-28%	-39%	-39%	-49%	-39%	-15%	2%
% of net revenue												
G&A	30.1%	35.0%	36.9%	40.7%	35.3%	31.7%	27.3%	29.0%	30.7%	29.7%	29.6%	27.9%
Sales & marketing	41.2%	40.6%	38.2%	201.2%	73.1%	27.2%	28.2%	23.3%	29.5%	26.9%	26.9%	25.3%
R&D	7.5%	6.2%	5.8%	6.4%	6.5%	1.8%	1.6%	1.7%	1.6%	1.7%	1.7%	1.6%
Acquisition-related costs	4.5%	15.9%	15.7%	6.1%	10.7%	11.7%	15.1%	6.3%	7.3%	10.0%	0.0%	0.0%
Depreciation & amortization	10.7%	10.3%	9.0%	-101.5%	-12.8%	10.0%	10.6%	9.0%	9.0%	9.7%	9.0%	9.0%
Total SG&A	94.1%	108.0%	105.6%	152.9%	112.8%	82.3%	82.8%	69.3%	78.2%	78.0%	67.2%	63.8%
Other income (expense), net												
Loss from equity investments	-	-	-	-	-	-	-	-	-	-	-	-
Fair value changes	(197.7)	(29.3)	(103.0)	(21.4)	(362.1)	73.7	(105.6)	(143.44)	(21.4)	(196.8)	-	-
Interest income	4.0	4.9	7.0	8.4	24.3	7.8	3.5	2.55	2.5	16.4	20.0	20.0
Interest expense	(26.9)	(30.5)	(33.3)	(35.5)	(126.2)	(32.2)	(27.4)	(24.62)	(20.0)	(104.2)	(80.0)	(60.0)
Foreign currency loss	(0.9)	1.9	0.8	0.3	2.2	(0.1)	4.7	(4.07)	-	0.5	-	-
Other income (expense), net	(20.0)	13.9	12.9	(11.0)	(4.2)	(3.2)	(3.5)	(1.45)	-	(8.1)	(8.1)	(8.1)
Total other income (expense)	(241.5)	(39.1)	(115.5)	(59.3)	(455.3)	46.1	(128.3)	(171.04)	(38.9)	(292.2)	(68.1)	(48.1)
One time charges (COGS)	3.3	4.8	2.0	71.7	81.8	-	(0.7)	-	-	(0.7)	-	-
One time charges (SG&A)	1,728.0	44.0	22.3	462.5	2,256.7	1.9	(29.9)	30.4	-	2.5	-	-
Reported operating inc/(loss)	(1,823.9)	(149.2)	(112.7)	(686.1)	(2,771.9)	(54.7)	(7.0)	(60.3)	(33.4)	(155.4)	(114.4)	(99.6)
GAAP Pretax inc/(loss)	(2,065.4)	(188.2)	(228.2)	(745.4)	(3,227.2)	(8.6)	(135.3)	(231.4)	(72.3)	(447.6)	(182.5)	(147.7)
Income tax recovery/(expense)	(3.7)	(8.2)	1.3	16.4	5.7	(2.0)	(12.8)	1.08	0.72	(13.04)	1.82	1.48
Net income (loss)	(2,069.1)	(196.5)	(226.8)	(729.0)	(3,221.5)	(10.57)	(148.16)	(230.28)	(71.59)	(460.59)	(180.64)	(146.25)
Net income discontinued ops	(22.6)	(109.3)	(33.2)		(165.1)	(31.29)	(176.64)	13.48		(194.45)		
Net (loss)/ inc attrib to non controlling int	(5.3)	(13.6)	(0.5)	(7.5)	(27.0)	(3.74)	(14.79)	-	-	(18.53)	-	-
Net loss attributable to Canopy	(2,086.44)	(292.17)	(259.5)	(721.5)	(3,194.5)	(38.12)	(310.01)	(216.8)	(71.6)	(636.5)	(180.64)	(146.25)
GAAP EPS	(\$52.36)	(\$6.20)	(\$5.34)	(\$14.47)	(\$68.89)	(\$0.69)	(\$4.33)	(\$2.78)	(\$0.78)	(\$8.44)	(\$1.97)	(\$1.59)
Continuing ops	(\$51.79)	(\$4.10)	(\$4.66)		(\$60.55)	(\$0.40)	(\$2.10)	(\$2.62)		(\$5.12)		
Discontinued operations	(\$0.57)	(\$2.10)	(\$0.68)		(\$3.35)	\$5.20	(\$2.20)	\$0.16		\$3.16		
Diluted shares outstanding	39.8	47.2	48.6	49.9	46.4	55.0	71.6	82.9	91.9	75.4	91.9	91.9
YoY % change in diluted shares out.	-1.5%	20%	23%	27%	19%	38%	52%	71%	84%	63%	22%	0%
General & admin. Ratio	30%	35%	37%	41%	35%	32%	27%	29%	31%	30%	30%	28%
Change in YoY G&A	540bps	790bps	1750bps	900bps	1000bps	150bps	-770bps	-790bps	-1000bps	-560bps	-10bps	-170bps
Sales & marketing ratio	41%	41%	38%	201%	73%	27%	28%	23%	29%	27%	27%	25%
Change in YoY G&A	410bps	-850bps	-750bps	14250bps	2620bps	-1400bps	-1240bps	-1490bps	NM	-4610bps	-10bps	-160bps
SG&A ratio adj	94%	108%	106%	153%	113%	82%	83%	69%	78%	78%	67%	64%
Change in YoY SG&A	1150bps	1230bps	2270bps	3730bps	2010bps	-1180bps	-2530bps	-3630bps	-7470bps	-3480bps	-1080bps	-340bps
Stock comp / net sales	5.7%	10.9%	7.1%	13.9%	9.1%	4.9%	3.9%	4.7%	4.5%	4.5%	4.0%	3.5%
Change in YoY stock comp mgn	-390bps	-130bps	230bps	240bps	-20bps	-80bps	-700bps	-240bps	-940bps	-460bps	-50bps	-50bps
Adjusted OI margin	-100%	-114%	-104%	-223%	-130%	-69%	-54%	-38%	-49%	-53%	-40%	-32%
Change in YoY OI margin	-2910bps	4550bps	-2910bps	-5040bps	-1480bps	3130bps	6010bps	6610bps	17340bps	7740bps	1300bps	740bps
YoY \$ change												
General & administrative	(5.9)	(4.8)	3.9	(4.5)	(11.2)	(3.6)	(11.8)	(8.6)	(6.9)	(30.9)	(1.1)	0.9
Sales & marketing	(12.5)	(28.8)	(32.0)	77.5	4.2	(17.3)	(16.1)	(14.1)	(117.3)	(164.8)	(1.0)	0.8
Research & development	(1.4)	(3.3)	(1.6)	(4.4)	(10.6)	(5.6)	(4.4)	(3.6)	(3.3)	(16.9)	0.1	0.1
SUBTOTAL	(19.8)	(36.9)	(29.7)	68.7	(17.7)	(26.5)	(32.2)	(26.3)	(127.5)	(212.5)	(2.0)	1.7
Acquisition-related costs	(33.7)	(69.0)	(63.3)	141.8	(24.1)	(49.4)	(52.7)	(43.9)	(248.1)	(394.2)	(2.9)	2.6
Depreciation & amortization	(4.4)	(5.5)	(9.3)	(84.8)	(103.9)	(2.2)	(1.7)	(0.5)	75.4	70.9	(2.2)	1.9
Total operating expenses	(25.8)	(30.7)	(27.2)	(13.3)	(97.0)	(24.0)	(37.4)	(35.2)	(51.3)	(147.9)	(33.5)	3.6
Share based compensation expense	(7.9)	(6.4)	(0.7)	(2.2)	(17.2)	(1.5)	(6.9)	(2.4)	(6.4)	(17.2)	(1.6)	(0.7)
Adjusted operating expenses	(33.6)	(37.1)	(28.0)	(15.5)	(114.2)	(25.6)	(44.3)	(37.5)	(57.7)	(165.1)	(35.1)	2.9

Source: Company reports, BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Canopy Growth (YWEED / CGC)

Our POs on YWEED/CGC are C\$4.00/US\$2.97 PO based on 1.3x CY25e EV/sales, in line with its average peer valuation. While we see an improved sales outlook and rightsizing aiding the stock, its cash burn and lack of US federal regulatory progress likely holds back additional investor interest.

Downside risks to our price objective are a continued challenging adult-use cannabis channel in Canada that limits sales development, management's inability to get costs right-sized for current category opportunities, and the opening of new legal cannabis markets slowing over the next decade, thereby impacting future growth.

Upside risks to our price objective are better-than-expected sales and free cash flow, sooner-than-expected US federal legalization, and additional brand-enhancing acquisitions.

Analyst Certification

I, Lisa K. Lewandowski, 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.

Special Disclosures

Cannabis is a controlled substance in many jurisdictions. Prior to making any decision to invest in any company involved in the manufacture or distribution of cannabis products, investors should seek their own legal advice and be aware of any legal considerations relevant to making, maintaining or divesting such investment.

US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	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
NEUTRAL				
	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



US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

UNDERPERFORM

	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEED	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

RSTR

	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane
--	-----------------------------	------	---------	-------------------

iQmethodSM 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 & 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

iQmethodSM 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 valuations. 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.

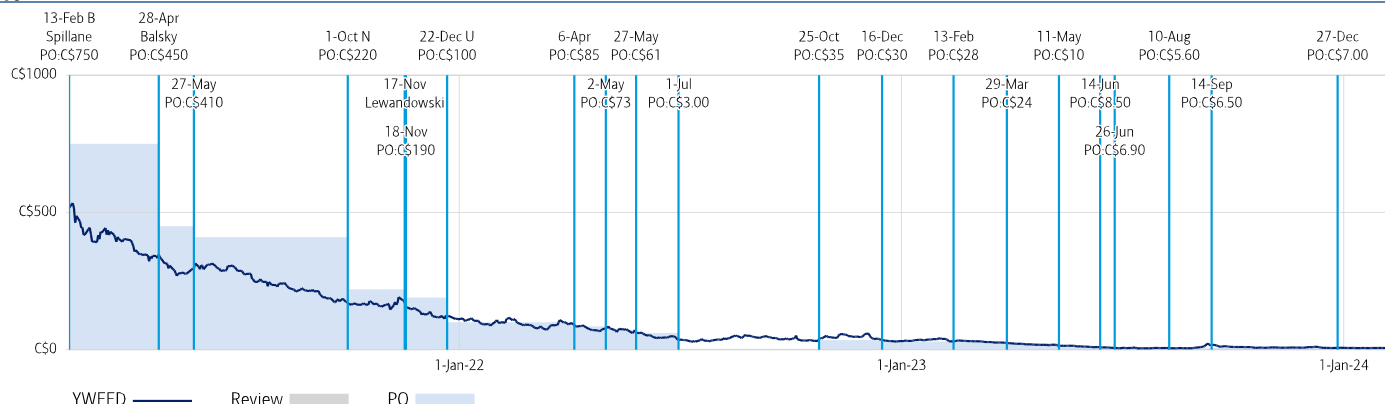
iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

iQprofileSM, iQmethodSM are service marks of Bank of America Corporation. iQdatabase[®] is a registered service mark of Bank of America Corporation.

Disclosures

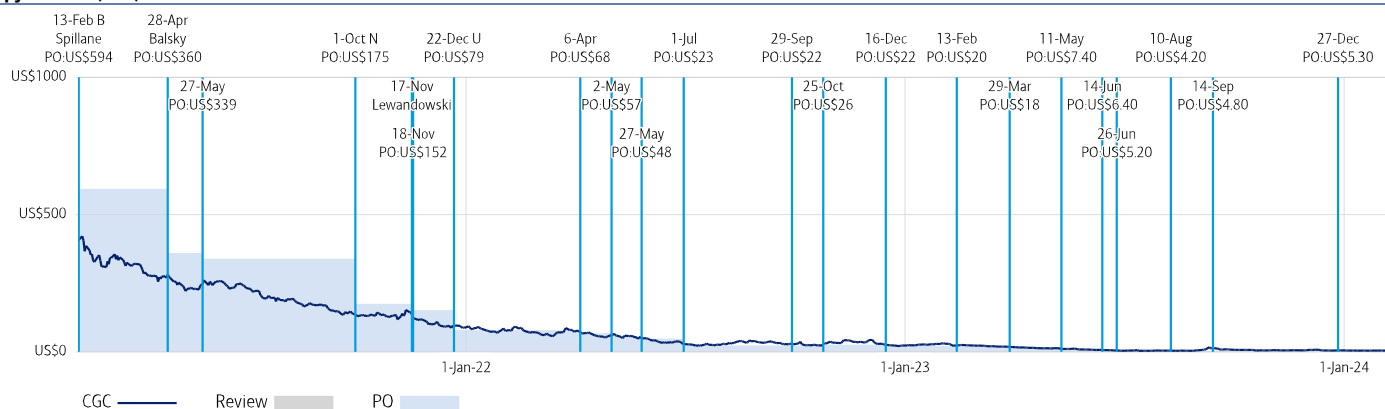
Important Disclosures

Canopy Growth (YWEED) 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.

Canopy Growth (CGC) 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: Consumer Products Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	32	50.00%	Buy	16	50.00%
Hold	19	29.69%	Hold	8	42.11%
Sell	13	20.31%	Sell	7	53.85%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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%

^{R1} 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 ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Canopy Growth.

BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Canopy Growth.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

'BofA Securities' includes BofA Securities, Inc. ('BofAS') and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. 'BofA Securities' is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA

conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information. In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

BofA ESGMeter Methodology:

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BofA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. iQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.



The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.