

Consumer Finance

Consumer Finance Tidbits: Issue 24-02

Industry Overview

AXP and Delta SkyMiles refresh supports card fee growth

American Express (AXP) and Delta announced a refreshed co-brand SkyMiles cards with additional benefits. The refresh includes new statement credits, a head start toward medallion status, and higher fees. The Reserve co-brand card fee increased to \$650 from \$550, Platinum rises to \$350 from \$250, and Gold moves to \$150 from \$99 starting in May. While difficult to quantify the revenue contribution, we estimate there are 7.5-8M active SkyMiles cards. The product refresh is consistent with AXP's plan to refresh over 40 products in 2024, which will also drive acceleration in card fees. We continue to expect a refresh of AXP's flagship Platinum cards later this year.

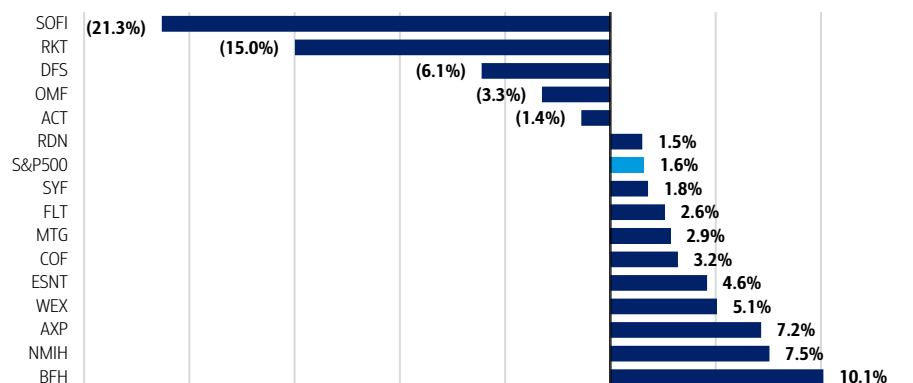
Building the mosaic: Sector news

Late fee rule next week? Based on our latest conversations with industry experts and government relations teams, we believe the Consumer Finance Protection Bureau (CFPB) could release the final late fee rule as soon as next week. If the final rule looks like the proposed rule, we believe it would be a negative for card issuers (see: [worst case scenario analysis](#)), particularly those most reliant on late fees, namely BFH (Bread Financial) and SYF. While the rule release could remove an overhang on the sector, we think uncertainty will remain due to litigation that is highly likely once the final rule is released.

Synchrony (SYF) and PatientNow: Synchrony announced it has partnered with PatientNow, a practice management software provider, to integrate SYF's financing options for its +4,800 business partners. PatientNow processes over 1M invoices per month and should help drive growth in SYF's Health and Wellness vertical.

ACT buyback: Mortgage reinsurer Enact (ACT) repurchased 535,155 shares for ~\$14.7M from Genworth in October and November and no shares in December. This suggests 4Q repurchase of 655,827 shares for ~\$18M, slightly below our \$20M forecast.

Exhibit 1: Our coverage has generally outperformed the market YTD, SOFI and RKT trail the most YTD stock performance



Source: Bloomberg

BofA GLOBAL RESEARCH

02 February 2024

Equity
United States
Consumer Finance

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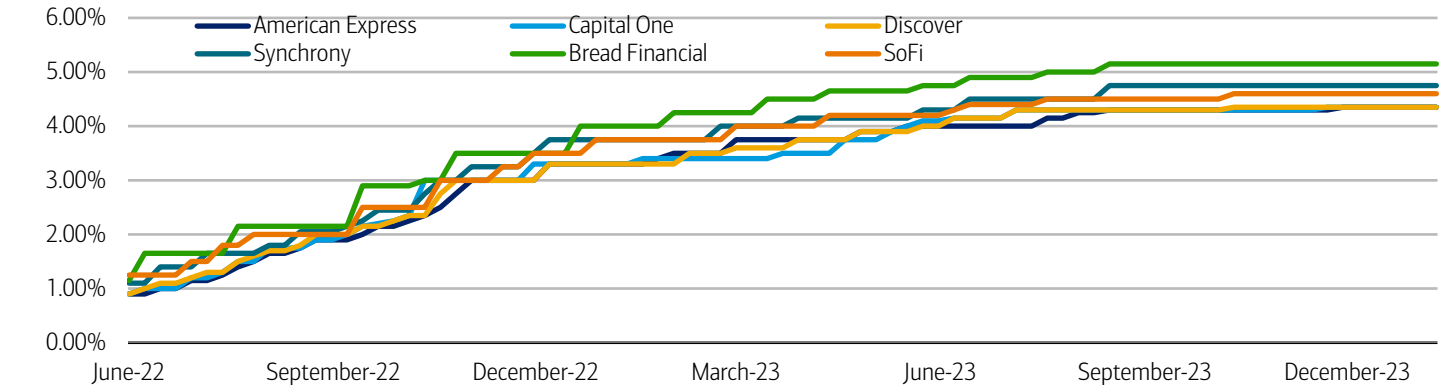
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Timestamp: 02 February 2024 05:00AM EST

Exhibit 2: Deposit pricing has been relatively stable over the last four months

Online savings account interest rates

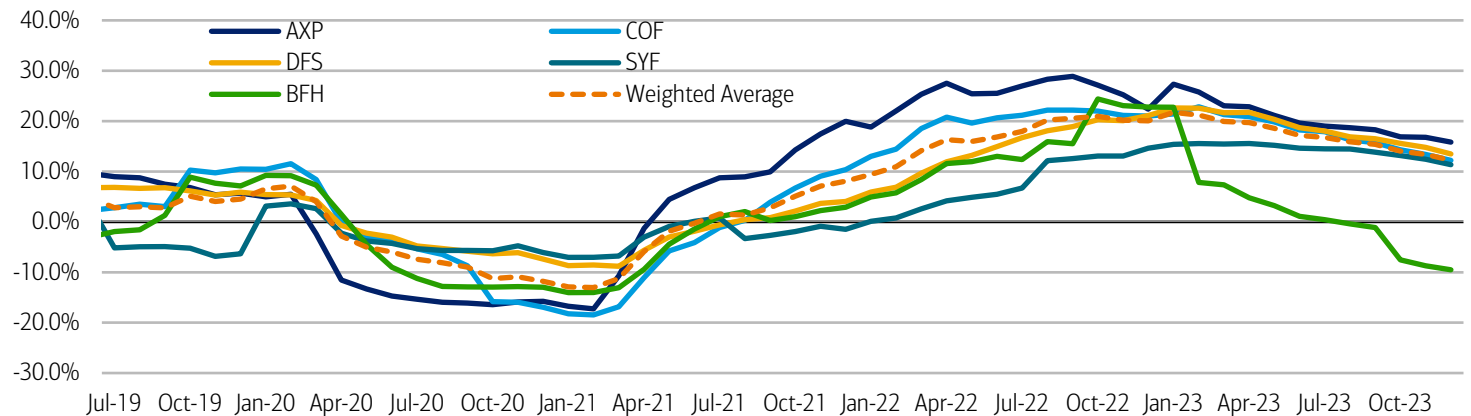


Source: Company websites

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Exhibit 3: Loan growth remains strong but has begun to slow on a y/y basis, BFH is down y/y

y/y loan growth

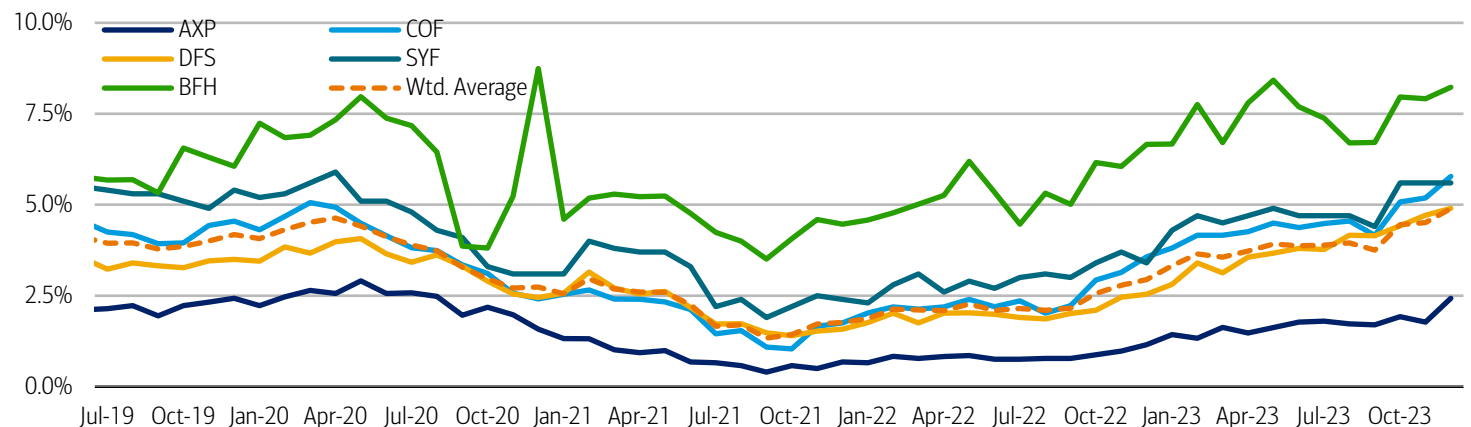


Source: BofA Global Research estimates, company reports

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Exhibit 4: Net charge-off rates are climbing, AXP remains below pre-pandemic levels

Net charge-off rates on domestic card loans



Source: BofA Global Research estimates, company reports

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Consumer finance dashboard

In aggregate, consumer finance metrics remain solid by most measures (Exhibit 5). The unemployment rate is currently strong and was flat on a m/m in December, which was better than economists predicted (3.8% estimate). However, initial and continuing jobless claims are getting worse m/m and have been up y/y. Fed officials and BofA Global Research economists expect a soft landing with a benign unemployment outlook – our economists expect unemployment to peak at 4.2% in 2025. Adjusted retail and food sales and credit card balances are up on a y/y basis as consumers continue to spend amid higher inflation. That said, inflation has been moderating solidly and has helped drive consumer confidence up on a y/y and m/m basis.

Exhibit 5: Consumer finance dashboard

Key metrics for employment, income, spending, and lending are mixed

Item	Most recent	Reading	YoY Change	MoM Change
Employment				
Unemployment Rate	12/31/2023	3.7%	+20bps	+0bps
Initial Jobless Claims	1/26/2024	224	12.6%	10.3%
Continuing Jobless Claims	1/19/2024	1,898	14.3%	1.6%
Non-Farm Payrolls (000s)	12/31/2023	157,232	1.7%	0.1%
Income				
Average Hourly earnings (y/y change)	12/31/2023	4.10%	-70bps	+10bps
Personal Income	12/31/2023	23,359	+470bps	+26bps
New Bankruptcy Cases - Nonbusiness filings	12/31/2023	109,377	19.0%	NA
Spending and lending				
Adj. Retail and Food Service Sales	12/31/2023	710	+560bps	+60bps
Consumer Confidence	1/31/2024	79	21.4%	13.1%
Revolving credit balances (\$B)	1/17/2024	1,047	8.9%	-1.7%
Rates				
30yr Mortgage rate	1/31/2024	6.96%	+8bps	-0bps
30yr Mortgage rate - MBS coupon spread	2/1/2024	1.05%	-25bps	+21bps

Source: BofA Global Research, Bloomberg, Census Bureau, Federal Reserve, Labor Department, Administrative office of US Courts

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EPS forecasts vs consensus

Exhibit 6 and Exhibit 7 highlight BofA forecasts versus consensus for the current quarter and 2024. In 1Q24, our estimates for card issuers are above consensus on a lower reserve rate. For SYF, our estimate is well above consensus due to the sale of Pets Best. Our 4Q23 estimate for WEX is below consensus on lower fuel pricing; we are above consensus for FLT (FleetCor) due to better OpEx control. For mortgage insurers, our estimates are mixed versus consensus due to reserve assumptions. Our estimate is also in line with consensus for RKT (Rocket Companies).



Exhibit 6: Next quarter forecast

BofA vs consensus

Ticker	BofAe Current Q	Bloomberg Current Q	BofA-Bb
Credit Card Issuers			
AXP	\$3.02	\$2.98	\$0.04
COF	\$4.12	\$3.41	\$0.71
DFS	\$3.59	\$3.12	\$0.47
SYF	\$3.51	\$1.72	\$1.79
Mortgage Insurers			
ACT	\$0.90	\$0.93	(\$0.03)
ESNT	\$1.63	\$1.59	\$0.04
MTG	\$0.63	\$0.59	\$0.04
NMIH	\$0.97	\$0.96	\$0.01
RDN	\$0.82	\$0.89	(\$0.07)
Fleet Cards			
FLT	\$4.51	\$4.48	\$0.03
WEX	\$3.66	\$3.71	(\$0.05)
Other			
OMF	\$1.35	\$1.37	(\$0.02)
SOFI	\$0.00	\$0.01	(\$0.01)
Mortgage Originators			
RKT	(\$0.05)	(\$0.05)	\$0.00

Source: BofA Global Research estimates, Bloomberg

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Exhibit 7: 2024 forecast

BofA vs consensus

Ticker	BofAe 2024	Bloomberg 2024	BofA-Bb
Credit Card Issuers			
AXP	\$12.97	\$12.72	\$0.25
COF	\$13.90	\$13.87	\$0.03
DFS	\$11.26	\$11.06	\$0.20
SYF	\$7.35	\$5.70	\$1.66
Mortgage Insurers			
ACT	\$3.72	\$3.69	\$0.03
ESNT	\$6.79	\$6.61	\$0.19
MTG	\$2.48	\$2.42	\$0.06
NMIH	\$4.23	\$4.04	\$0.19
RDN	\$3.20	\$3.47	(\$0.27)
Fleet Cards			
FLT	\$19.60	\$19.25	\$0.35
WEX	\$15.70	\$16.23	(\$0.53)
Other			
OMF	\$7.07	\$6.77	\$0.30
SOFI	\$0.06	\$0.11	(\$0.05)
Mortgage Originators			
RKT	\$0.32	\$0.29	\$0.03

Source: BofA Global Research estimates, Bloomberg

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Exhibit 8: Relative valuation

Comp sheet

Ticker	Rating	2/1/2024 Stock Price	PO	QRQ	Potential Upside / Downside	Div. yield	BofAe P/E 2023	BofAe P/E 2024	BofAe P/E 2025	'23-'25 Rev CAGR	'23-'25 EPS CAGR	Current P/BV	Current P/TBV	2023 ROE
Credit card issuers														
AXP	Buy	\$202.71	\$224.00	B-1-7	10.5%	0.8%	18.1x	15.6x	13.6x	10%	15%	5.2x	N/A	31%
COF	Buy	\$134.40	\$146.00	B-1-7	8.6%	1.9%	10.7x	9.7x	8.3x	5%	13%	1.0x	1.5x	8%
DFS	Buy	\$106.52	\$118.00	B-1-7	10.8%	1.8%	9.5x	9.5x	7.3x	2%	14%	1.8x	1.8x	20%
SYF	Neutral	\$38.56	\$41.00	B-2-7	6.3%	2.3%	7.4x	5.2x	6.1x	5%	11%	1.2x	1.4x	16%
Mortgage Insurers														
ACT	Buy	\$28.36	\$30.00	B-1-7	5.8%	4.3%	7.0x	7.6x	7.3x	6%	-2%	1.0x	N/A	15%
ESNT	Buy	\$55.05	\$58.00	B-1-7	5.4%	1.3%	8.5x	8.1x	7.5x	11%	6%	1.2x	N/A	15%
MTG	Buy	\$20.01	\$22.50	B-1-7	12.5%	1.4%	7.9x	8.1x	7.8x	3%	1%	1.1x	N/A	15%
NMIH	Buy	\$31.92	\$34.00	B-1-9	6.5%	0.0%	8.4x	7.5x	7.0x	10%	10%	1.5x	N/A	18%
RDN	U/P	\$29.32	\$26.00	B-3-7	-11.3%	1.9%	7.8x	9.2x	9.1x	4%	-7%	1.1x	1.1x	18%
Fleet Cards														
FLT	Buy	\$294.94	\$331.00	B-1-9	12.2%	0.0%	17.4x	15.0x	12.9x	9%	16%	7.1x	N/A	36%
WEX	Buy	\$206.53	\$260.00	B-1-9	25.9%	0.0%	14.1x	13.2x	11.5x	8%	11%	5.2x	N/A	36%
Other														
OMF	Buy	\$47.79	\$54.00	C-1-7	13.0%	20.0%	8.9x	6.8x	5.5x	6%	26%	1.8x	4.1x	21%
SOFI	Neutral	\$7.68	\$9.50	C-2-9	23.7%	0.0%	-21.3x	130.3x	17.8x	22%	N/A	1.4x	2.2x	0%
Mortgage Originators														
RKT	U/P	\$12.66	\$6.00	C-3-9	-52.6%	8.8%	-97.3x	39.5x	25.8x	14%	N/A	3.0x	1.3x	-3%

Source: BofA Global Research estimates, Bloomberg

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Investment Rationale**American Express Company**

We rate AXP Buy. AXP's strong execution during the pandemic should drive faster long-term revenue and EPS growth as it benefits from improved card member retention and

new card acquisitions. Operating momentum is strong and credit also remains firmly in check. We think risk-reward is attractive.

Capital One Financial

We rate COF Buy. In our view, early indicators suggest COF's delinquency and net charge-offs are becoming more constructive. The more optimistic macro outlook and resilient consumer balance sheets should drive solid EPS growth. There is also potential for reserve releases as a soft landing is achieved.

Rocket Companies, Inc.

We have an Underperform rating on RKT. While RKT is a high-quality mortgage originator, competition in mortgage origination is fierce, and while the interest rate picture is improving, rates remain high by historical standards. Valuation is also a premium to other originators.

Synchrony Financial

We rate SYF Neutral. We think that SYF's profit-sharing model, strong capital levels, and an enviable merchant partner portfolio are key positives that position the company to withstand a mild recession should one arise. However, given recent relative strength and potential for headwinds from the late fee rule, we view shares as offering more balanced risk/reward.

Price objective basis & risk

American Express Company (AXP)

Our \$224 price objective is based on a 15x multiple to our 2025 EPS forecast. The 15x PE multiple is the middle of the historical range (12-18x) for AXP, which we think is appropriate given the growth outlook and strong operating momentum it is experiencing.

Downside risks to our PO are weaker-than-expected macroeconomic conditions, softer consumer and business spending, weaker loan growth, increasing competition, weaker US consumer credit performance, disruptions in capital markets, or an increasing regulatory burden.

Capital One Financial (COF)

Our \$146 PO is based on a 10.5x PE multiple to our 2024 EPS forecast. A 10.5x PE multiple is in the middle of the historical range (7-12x) which we think is appropriate given the more optimistic macro outlook and strong loan growth, partially offset by rising credit costs.

Downside risks are: slower than expected revolving credit growth, faltering economic recovery and rising loan losses, which could drive earnings below our estimates, and result in valuation compression. Cybersecurity and regulations are also risks.

Discover Financial (DFS)

We calculate a \$118 PO based on an 10.5x PE multiple to our 2024 EPS forecast. A 10.5x multiple is in the middle of DFS's recent historical range (7-12x) and reflects the more optimistic macro outlook, resilient consumer balance sheets, and strong business fundamentals.

Downside risks to our price objective are: if the economy falls into a recession, credit costs could rise rapidly and compress margins more than our current forecast. Deteriorating economic conditions would likely hurt sentiment and drive DFS's valuation lower.

Enact Holdings (ACT)

Our \$30 PO is based on an 8x PE multiple to our 2024 EPS forecast. An 8 PE multiple is in-line with the recent range for mortgage insurance stocks (6.5-8.5x).



Downside risks to our price objective are an economic downturn, which could lead to elevated defaults on mortgages and fewer mortgage originations, increased competitive pressures and price competition from private and / or government competitors. Changes to the regulatory environment could also impact future returns. Genworth's large concentrated ownership stake limits float and could be a risk.

Essent Group (ESNT)

Our \$58 PO is based on a 8.5x PE multiple to our 2024 EPS forecast. An 8.5x PE is within the recent range for mortgage insurers (6.5-8.5x forward PE) and reflects ESNT's cost discipline, lower tax rate, and strong capital position.

Downside risks to our price objective are an economic downturn, which could lead to elevated defaults on mortgages and fewer mortgage originations, increased competitive pressures and price competition from private and / or government competitors. Changes to the regulatory environment could also impact future returns. Successful M&A integration could also be a risk.

FleetCor Technologies Inc. (FLT)

We calculate our price objective of \$331 based on a 14.5x multiple to our 2025 non-GAAP EPS estimate. Our PE multiple is approximately a 20% discount to the S&P, which we view as warranted given fuel exposure and potential for idiosyncratic risks, slightly offset by FleetCor's strong fundamentals and upside potential from capital deployment.

Downside risks to our price objective are 1) weakening macro environment reduces demand for trucking/fuel, 2) increased competition, and 3) large fluctuations in fuel prices/foreign exchanges rates.

MGIC Investment Corp. (MTG)

Our \$22.50 PO is based on an 9x PE multiple to our 2024 EPS forecast. A 9x PE multiple is at the high-end of the historical range for mortgage insurers (6x-11x) and reflects the current favorable backdrop for housing credit, as well as, MTG's strong book value growth and capital return potential.

Downside risks to our price objective are an economic downturn, which could lead to elevated defaults on mortgages and fewer mortgage originations, increased competitive pressures and price competition from private and / or government competitors. Changes to the regulatory environment could also impact future returns.

NMI Holdings (NMIH)

Our \$34 price objective is based on an 8x P/E multiple to our 2024 EPS forecast. An 8x multiple is in the middle of the range for MI companies (6.5-8.5x) reflecting the favorable housing credit backdrop.

Downside risks to our price objective are an economic downturn, a weaker housing credit backdrop, increased competitive intensity, and regulatory changes.

OneMain Holdings, Inc. (OMF)

Our \$54 price objective is based on a 7.5x multiple of our 2024 EPS forecast. A 7.5x PE multiple at the higher end of historical range (4-8x), it is also an approx. 20% discount to peers trading at 9.5x. We think valuation is justified given OMF's subprime exposure heading into a weakening macro environment.

Downside risks to our price objective are deterioration in credit, execution risk on the credit card portfolio, macroeconomic risk, regulatory risk, and a dividend cut.

Radian Group Inc (RDN)

Our \$26 PO is based on an 8x PE multiple to our 2024 EPS forecast. An 8x PE multiple is in line with the recent range for mortgage insurance (MI) stocks (6.5-8.5x) and reflects the solid operating backdrop for mortgage insurance, somewhat offset by execution risk from the homegenius segment.

Upside risks to our Price Objective include stronger than expected economic growth, fewer loan delinquencies and strong housing credit performance which could lead to elevated new business written and fewer mortgage defaults. Execution in the homegenius segment could also be better than forecast and lead to higher / faster profit growth.

Downside risks to our price objective are an economic downturn, which could lead to elevated defaults on mortgages and fewer mortgage originations, increased competitive pressures and price competition from private and / or government competitors. Changes to the regulatory environment could also impact future returns. Successful M&A integration could also be a risk.

Rocket Companies, Inc. (RKT)

Our \$6 PO is based on a 19x PE multiple to our 2024 EPS forecast. A 19x PE multiple is in-line with mortgage comps currently trading at 19x, which we think is warranted by RKT's superior technology and brand, somewhat offset by a smaller refinance market.

Downside risks to our PO are: 1) lower-than-forecast origination volumes or gain-on-sale margins, 2) macroeconomic risk from a weaker-than-expected recovery or a downturn in the housing market, 3) regulatory changes, 4) execution risk, and 5) complex ownership structure and limited float.

Upside risks to our PO are: higher-than-forecast mortgage origination volumes or gain-on-sale margins, a stronger-than-expected housing market backdrop, and faster market share gains than expected. There is also risk RKT utilizes its strong balance sheet for M&A, dividends, and buybacks, which could improve sentiment and valuation for the shares.

SoFi Technologies Inc (SOFI)

Our \$9.50 price objective is based on a sum-of-the-parts of 2x current tangible book value and 6x on Technology segment's 2024 net revenue. 2x TBV reflects SOFI's faster growth and 6x to Technology net revenue is in-line with its closest peer.

Risks are dependence on volatile gain-on-sale (GoS) margins, execution risk, consumer credit / recession risk, customer concentration risk and regulation / consumer data privacy concerns.

Synchrony Financial (SYF)

Our \$41 PO is based on a 6.5x P/E multiple on 2025E EPS. Our multiple is on the low end of the typical trading range for SYF (6-12x), which we think is appropriate given the relatively uncertain macro backdrop and rising credit costs, somewhat balanced by the potential for high capital returns.

Downside risks to our price objective are an economic downturn, which could lead to elevated loan loss rates, increased defaults, higher credit costs and slower loan growth. Deteriorating economic conditions would likely hurt investor sentiment and drive valuations lower. Loss of retail partners also poses a risk to growth and earnings outlook.

Upside risks are: Consumer balance sheets continue to hold strength and credit metrics remain strong. Increased visibility in peak loss rates shifts investor sentiment. Federal reserve achieves a soft landing. Outsized capital return.



WEX Inc. (WEX)

We calculate our price objective of \$260 based on 14.5x our 2025 non-GAAP EPS estimate. Our PE multiple is a 20% discount to the S&P, which we view as warranted given fuel exposure and potential for business cyclicality slightly offset by WEX's strong fundamentals and favorable long-term trends.

Downside risks to our price objective are 1) weakening macro environment reduces demand for trucking/fuel, 2) increased competition, 3) large fluctuations in fuel prices/foreign exchanges rates, 4) travel volumes remain muted.

Analyst Certification

I, Mihir Bhatia, 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 - Payments, Processors, Specialty Finance and IT services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Accenture Plc	ACN	ACN US	Jason Kupferberg
	American Express Company	AXP	AXP US	Mihir Bhatia
	Block Inc	SQ	SQ US	Jason Kupferberg
	Capital One Financial	COF	COF US	Mihir Bhatia
	Discover Financial	DFS	DFS US	Mihir Bhatia
	Enact Holdings	ACT	ACT US	Mihir Bhatia
	Essent Group	ESNT	ESNT US	Mihir Bhatia
	Fidelity National Information Services	FIS	FIS US	Jason Kupferberg
	Fiserv Inc	FI	FI US	Jason Kupferberg
	FleetCor Technologies Inc.	FLT	FLT US	Mihir Bhatia
	Flywire	FLYW	FLYW US	Jason Kupferberg
	Global Payments Inc	GPN	GPN US	Jason Kupferberg
	Jack Henry & Associates	JKHY	JKHY US	Jason Kupferberg
	Mastercard Inc	MA	MA US	Jason Kupferberg
	MGIC Investment Corp.	MTG	MTG US	Mihir Bhatia
	NMI Holdings	NMIH	NMIH US	Mihir Bhatia
	Nuvei	NVEI	NVEI US	Jason Kupferberg
	Nuvei	YNVEI	NVEI CN	Jason Kupferberg
	OneMain Holdings, Inc.	OMF	OMF US	Mihir Bhatia
	Shift4 Payments, Inc	FOUR	FOUR US	Jason Kupferberg
	Telus International	TIXT	TIXT US	Cassie Chan
	Telus International	YTIXT	TIXT CN	Cassie Chan
	Visa Inc.	V	V US	Jason Kupferberg
	WEX Inc.	WEX	WEX US	Mihir Bhatia
NEUTRAL				
	ADP	ADP	ADP US	Jason Kupferberg
	Affirm Holdings	AFRM	AFRM US	Jason Kupferberg
	Bread Financial Holdings Inc	BFH	BFH US	Mihir Bhatia
	DLocal	DLO	DLO US	Jason Kupferberg
	Globant SA	GLOB	GLOB US	Jason Kupferberg
	Marqeta	MQ	MQ US	Cassie Chan
	PayPal Holdings Inc	PYPL	PYPL US	Jason Kupferberg
	SoFi Technologies Inc	SOFI	SOFI US	Mihir Bhatia
	Synchrony Financial	SYF	SYF US	Mihir Bhatia
	Thoughtworks	TWKS	TWKS US	Jason Kupferberg
	Toast	TOST	TOST US	Jason Kupferberg
	TTEC Holdings	TTEC	TTEC US	Cassie Chan
UNDERPERFORM				
	CGI Inc.	GIB	GIB US	Jason Kupferberg
	CGI Inc.	YGIBA	GIB/A CN	Jason Kupferberg
	Cognizant Technology Solutions	CTSH	CTSH US	Jason Kupferberg
	Coinbase	COIN	COIN US	Jason Kupferberg
	DXC Technology	DXC	DXC US	Jason Kupferberg
	EPAM Systems	EPAM	EPAM US	Jason Kupferberg
	Paychex	PAYX	PAYX US	Jason Kupferberg
	Radian Group Inc	RDN	RDN US	Mihir Bhatia
	Rocket Companies, Inc.	RKT	RKT US	Mihir Bhatia
	TaskUs	TASK	TASK US	Cassie Chan
	Western Union	WU	WU US	Jason Kupferberg

Disclosures

Important Disclosures

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%



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

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

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