BofA SECURITIES

The Cigna Group

Fischbeck Focus: Trying to frame CI's Medicare exit

Reiterate Rating: BUY | PO: 400.00 USD | Price: 323.84 USD

05 February 2024

Equity

Key Changes

(US$)	Previous	Current
Price Obj.	370.00	400.00
2024E Rev (m)	223,615.3	235,430.8
2025E Rev (m)	238,561.7	241,100.5
2026E Rev (m)	NA	255,364.0
2025E EPS	31.47	31.98
2026E EPS	NA	35.48

Strong quarter adds confidence

The Q4 MLR beat and early 2024 guidance raise adds confidence that trend is not a concern in commercial. On 2024, MLR is expected to be up y/y but CI noted that the biggest driver is a normalization in stop loss profitability (2023 beat MLR guide by 70bps, so up 90bps isn't that far off). Mix shift and conservatism appear to be the remainder, and the higher MLR isn't stopping the insurance business from improving margins 30bps (G&A). Following the quarter, we are raising our 2025 adj EPS estimate and rolling out our 2026 estimates. We raise our PO from $370 to $400 (14.1x 2024E vs 13.1x previously) on the strong trends and reiterate Buy as we see potential upside on commercial and PBM earnings in the near term.

Fischbeck Focus: CI's Medicare exit and its implications

This quarter, we focus on CI's Medicare exit: what it signals about incumbents, implications for the future of the MA market, and CI's M&A strategy from here. While we are bullish on MA given the market overreaction to the pressures it is facing, in our view the exit makes sense given CI has lost market share over time and is below target margins (CI denied reports that it is losing money in MA, but clearly it isn't making much). There are concerns that the MA market is acting irrationally as CVS has grown rapidly. However, we think CI's exit shows discipline and may be a sign of the market acting more rational (along with a few other companies exiting/shrinking MA). Finally, the key question is if the divestiture could be paving the way for CI to acquire a larger MA platform, and with multiples for MA focused names down over the past 4 months, any such deals could potentially look accretive.

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Estimates (Dec) (US$)	2022A	2023A	2024E	2025E	2026E
EPS	23.26	25.09	28.30	31.98	35.48
GAAP EPS	21.29	17.39	23.41	27.00	30.42
EPS Change (YoY)	13.6%	7.9%	12.8%	13.0%	10.9%
Consensus EPS (Bloomberg)			28.28	31.80	35.20
DPS	4.48	4.92	5.84	6.02	6.20
Valuation (Dec)					
P/E	13.9x	12.9x	11.4x	10.1x	9.1x
GAAP P/E	15.2x	18.6x	13.8x	12.0x	10.6x
Dividend Yield	1.4%	1.5%	1.8%	1.9%	1.9%

Stock Data

Price	323.84 USD
Price Objective	400.00 USD
Date Established	5-Feb-2024
Investment Opinion	B-1-7
52-Week Range	240.50 USD - 328.37 USD
Mrkt Val (mn) / Shares Out (mn)	95,392 USD / 294.6
Free Float	99.7%
Average Daily Value (mn)	514.66 USD
BofA Ticker / Exchange	CI / NYS
Bloomberg / Reuters	CI US / CI.N
ROE (2024E)	17.8%
Net Dbt to Eqty (Dec-2023A)	49.9%
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".

Refer to important disclosures on page 9 to 11. Analyst Certification on page 7. Price Objective Basis/Risk on page 7. 12654922

See page 7 for abbreviations

iQprofile[SM] The Cigna Group

Income Statement Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Earned Premiums	180,516	195,265	235,431	241,100	255,364
Net Investment Income	126	(12)	0	0	0
Total Revenue	**180,642**	**195,253**	**235,431**	**241,100**	**255,364**
Total Cost of Benefits and Claims	(32,206)	(36,287)	(35,071)	(26,576)	(28,108)
S,G & A (Including Commissions)	(13,057)	(14,324)	(13,726)	(12,282)	(12,836)
Total Operating Expenses	**(172,228)**	**(186,717)**	**(225,598)**	**(230,396)**	**(243,926)**
Pre-Tax Operating Earnings	**8,414**	**8,536**	**9,833**	**10,704**	**11,438**
Income Tax Expense	(1,607)	(141)	(1,748)	(1,937)	(2,096)
Operating Earnings After Tax	**7,283**	**7,449**	**8,032**	**8,721**	**9,301**
Net Income (Reported)	**6,351**	**8,076**	**8,030**	**8,720**	**9,300**
Diluted Shares	313	297	284	273	262
Operating Earnings Per Share	23.26	25.09	28.30	31.98	35.48
Net Income (Reported) Per Share	21.29	17.39	23.41	27.00	30.42

Balance Sheet Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Fixed Income Securities	NA	NA	NA	NA	NA
Total Cash and Investments	6,829	8,747	8,767	12,049	15,292
Total Assets	**143,932**	**152,761**	**155,255**	**159,377**	**164,758**
Reserves	0	0	0	0	0
LT Debt	28,100	28,155	28,155	28,155	28,155
Total Liabilities	**98,981**	**106,410**	**110,886**	**114,051**	**117,850**
Total Equity	**44,951**	**46,351**	**44,370**	**45,325**	**46,908**
Total Equity (Ex FAS 115)	**44,951**	**46,351**	**44,370**	**45,325**	**46,908**
Book Value per Share (Reported)	143.55	156.12	156.34	166.21	178.94
Book Value per Share (Ex FAS 115)	NA	NA	NA	NA	NA

Ratios (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Expense Ratio	7.2%	7.3%	5.8%	5.1%	5.0%
Loss Ratio	17.8%	18.6%	14.9%	11.0%	11.0%
Combined Ratio	**25.1%**	**25.9%**	**20.7%**	**16.1%**	**16.0%**
Avg Assets / Avg Eq (Ex FAS 115) Ratio	3.2x	3.2x	3.4x	3.5x	3.5x

Growth Rates (YoY) (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Earned Premium	3.7%	8.2%	20.6%	2.4%	5.9%
Net Investment Income	NA	NM	NA	NA	NA
Total Revenue	3.8%	8.1%	20.6%	2.4%	5.9%
Operating Earnings per Share	13.6%	7.9%	12.8%	13.0%	10.9%
Asset	-7.1%	6.1%	1.6%	2.7%	3.4%
Reported Book Value per Share	3.8%	8.8%	0.1%	6.3%	7.7%

Performance Metrics (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Operating ROE	15.8%	16.4%	17.8%	19.5%	20.2%
Operating ROE (Ex FAS 115)	15.8%	16.3%	17.7%	19.4%	20.2%
Operating Return on Average Assets	4.9%	5.0%	5.2%	5.5%	5.7%
Operating Margin	4.0%	3.8%	3.4%	3.6%	3.6%
Long Term Debt to Cap Ratio (Ex FAS 115)	38.5%	37.8%	38.8%	38.3%	37.5%
Net Income % Operating Income	68.7%	89.4%	82.7%	84.4%	85.7%
Amtz of DAC % Pretax Profit bef Amtz of DAC	0%	0%	0%	0%	0%

Company Sector

Managed Health Care

Company Description

CIGNA is one of the largest Managed Care Organizations and Pharmacy Benefit Managers in the US. The company also offers Global Supplemental Benefits. CI focuses on the commercial population, particularly within ASO but is rapidly expanding in Medicare Advantage and the ACA Exchanges, while attempting to diversify further into higher margin healthcare services at Evernorth.

Investment Rationale

Over the NT we see stronger than average growth outlook for commercial and PBMs. Commercial growth should be supported by the resumption of Medicaid redeterminations. Meanwhile, biosimilars entering the market could be an accelerant to the PBM earnings starting in 2H 2023. Finally, as rates rise we see a general rotation from growth to value benefiting CI, while higher rates could also be an EPS tailwind. In our view, these tailwinds argue for multiple expansion in the near to medium term.

Stock Data

Average Daily Volume	1,589,240

Quarterly Earnings Estimates

	2023	2024
Q1	5.41A	6.09E
Q2	6.13A	6.73E
Q3	6.77A	7.62E
Q4	6.79A	7.89E

Fischbeck Focus: CI's Medicare exit

In the Fischbeck Focus section, we choose a theme to explore in more detail, either in response to recent investor questions or because of an unexpected development in the quarter. This quarter, we focus on CI's Medicare exit: what it signals about incumbents, implications for the future of the MA market, and CI's M&A strategy from here. While we are bullish on MA given the market overreaction to the pressures it is facing, the exit makes sense given CI has lost market share over time and is below target margins (CI denied reports that it is losing money in MA, but clearly it isn't making much). There are concerns that the MA market is acting irrationally as CVS has grown rapidly. However, we think CI's exit shows discipline and may be a sign of the market acting more rational (along with a few other companies exiting/shrinking MA). Finally, the key question is if the divestiture is paving the way for CI to potentially acquire a larger MA platform, and with multiples for MA focused names down over the past 4 months, any such deals could look potentially accretive.

Background on the sale

Last week, CI announced it will sell its Medicare Advantage (MA) business to Health Care Service Corporation (HCSC). Alongside the MA business, the company will also divest 450k Medicare Supplemental lives, 2.5m Part D lives, and a VBC asset serving 450k lives for $3.7b ($3.3b purchase price + $0.4b freed up capital). Of note, the VBC asset is tied to MA; CI will keep the broader VBC assets such as the VillageMD investment. The transaction is expected to close in 1Q25. CI will continue to be the PBM for the Medicare businesses (the main value of the Part D lives to CI was PBM purchasing scale). The company will use a majority of the proceeds for share repo (~3% accretive).

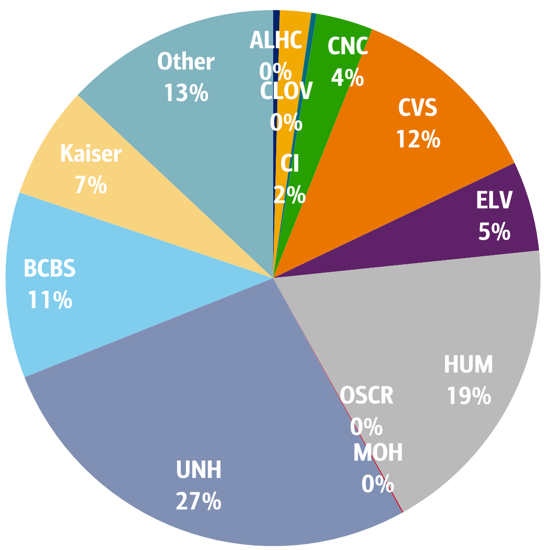
Exit highlights the power of the entrenched incumbents

Notably, a prior article talked about CI losing money on its Medicare business in 2023 and is projected to lose money again in 2024. On our conversations with the company, the denied these reports but clearly the MA business is not earning much of a margin today. It is unlikely CI would sell if it believed it had a clear path towards taking market share (which it has failed to do despite targeting 2x market growth) and getting back to target margin. CI acquired its way into MA through the HealthSpring deal in 2012, and has slowly lost market share from 4% to 2% today and has had inconsistent performance on stars. Meanwhile over that time, UNH and HUM combined have expanded from 37% to 47%, highlighting the defendable market power of the entrenched incumbents.

Blues have largely failed to replicate MA success

The buyer of the divested Medicare Advantage business is Health Care Services Corporation (HCSC) which only had ~139k MA lives, vs CI's ~600k, meaning its combined MA market share is still less than 3%. Notably, HCSC is part of the non-profit Blue Cross Blue Shield (BCBS) system which as a whole has dominant 32% market share in commercial across 33 distinct health plans in the country, but has largely failed to replicate its success in MA, with just 11% national market share and below average margins.

Exhibit 1: BCBS excluding ELV only has 11% market share in MA
4Q22 MA enrollment market share broken down by major platforms



Source: AIS, BofA Global Research

BofA GLOBAL RESEARCH

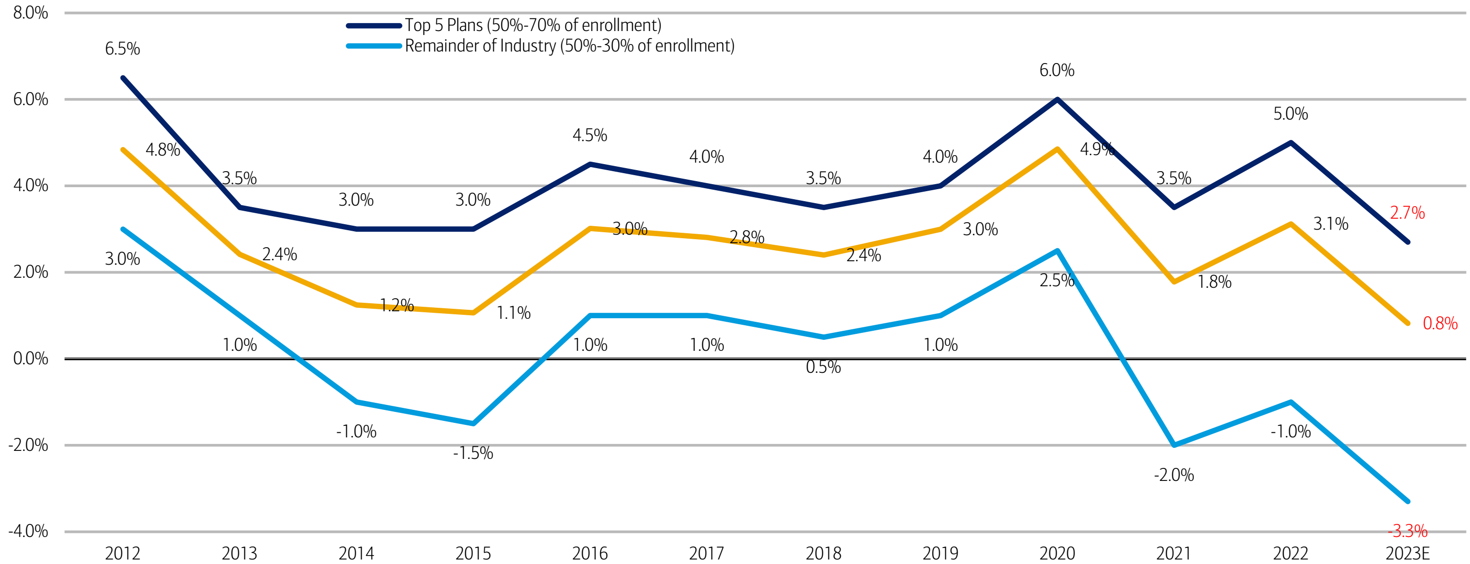
Exit indicates market may be acting more rationally

Based on company disclosures, unless utilization comes in extremely favorably vs industry expectations, it's clear that MCOs won't be earning target underwriting margins in 2024 and assuming a 2 year repricing, we are likely looking at 2026 before margins normalize. Given it is the second year in a row of margin compression, and CVS is aggressive on taking market share, the bear view on MA is that the sector is too competitive and margin compression is the new normal.

Indeed, margins appear to be at all-time lows in 2023/2024 – see Exhibit 2. Looking back at a Deloitte study of insurance statutory filings (since insurers don't disclose directly to investors), the underwriting margin of MA MCOs has consistently fluctuated between 1%-5% as an industry, with an average spread of +4% between the top 5 insurers (UNH, HUM, CVS, ELV, Kaiser) which have been shockingly consistent in their competitive positionings since 2012. We point this out as normally if a company doesn't earn a margin, it brings into question if they can do it in the future. However, in this case the industry has a very long track record (particularly the top 5 insurers) of operating well above the current levels. For example, if we overlay the public company weighted average increase in MLR of 230bps, it implies the industry is now operating at the lowest level on record (0.8%) while the bottom 30% of enrollment is deeply in the red, which is only likely to worsen in 2024.

However, in our view, CI exiting the business shows discipline and may be a sign of the market acting more rationally. Along with CI's exit, we see several indications that the market is firming. Some of the mid-sized plans with high growth ambitions like CNC are slated to shrink its membership 15%+, while MOH and CLOV have also talking about having priced for margin. Meanwhile, some companies such as BHG and OSCR are on track to exit the MA market entirely as they concluded (after sinking billions of dollars in M&A/statutory capital) that they cannot compete with the more scaled incumbents.

Exhibit 2: 2023 margins are likely all time lows, mirroring experiences from ACA implementation, which eventually rebounded
MA underwriting margins over time. Top 5 plans are UNH, HUM, CVS, ELV, Kaiser. 2023 is extrapolated based on MLR guidance updates from UNH, HUM and CVS



Source: Deloitte, NAIC, CADMHC, BofA Global Research

BofA GLOBAL RESEARCH

What's next?

Medicare divestiture itself could be 3% accretive

With $3.7b proceeds, CI has the ability to buy back 4.1% of its stock. Consensus is currently calling for CI to generate $10.3b of MA premiums in 2025. Assuming the MA business would have been marginally profitable in 2025 if CI kept it and that by selling there are some dis-synergies/stranded overhead, it would imply 3% of EPS accretion when combined with the share repo. Interestingly, even if we assumed a normalized pre-tax margin of 5% for the MA business, $3.3b would still only imply a 9x normalized P/E multiple. This is lower than what we'd expect MA companies to be valued at (closer to 15x we'd expect), though HCSC would potentially need to cut benefits to reach a target margin, possibly sacrificing membership in the process.

Outside of share repo, CI noted that its capital deployment priorities are: 1) Investing in business, 2) evaluate M&A – criteria has to be A) strategic, B) financially attractive, C) path to clarity – and 3) return capital to shareholders.

Is there a step 2?

The immediate thought in investors' minds when it was announced late last year that CI would be divesting its Medicare business entirely, was that it could have been done to 'clear the way' for a larger transaction. Within weeks of the news of a possible divestiture, the Wall Street Journal reported that CI had been in talks to acquire HUM. Those talks subsequently fell apart after the two companies could not agree on price. However, in our view, the very existence of those discussions at the time that CI was looking to sell its MA business shows that CI hasn't completely closed the door on getting bigger in MA.

On the earnings call, CI reiterated that it sees MA as an "attractive growth market", given its ability to provide good benefits to seniors over time. However, keeping the business would require sustained focus, capital and resources that were disproportionate to the size of the business within the portfolio to keep it growing, leading to the decision to sell. The sale included the VBC assets tied to MA (will keep the broader VBC assets such as VillageMD investment) as well as the Medicare supplemental and the Part D businesses. Evernorth will continue to serve the membership for the next few years, so it doesn't see negative deleveraging from that.

The company also reiterated its capital deployment priorities: 1) Investing in the business, 2) evaluate M&A – criteria has to be A) strategic, B) financially attractive, C) path to clarity – and 3) return capital to shareholders. Overall, we believe these comments leave the door open for a potential deal in MA, but it would likely have to be a company with scale.

Conclusion

While these Medicare businesses were a small part of CI, it represented upside optionality and a potential way to diversify the company into faster organic growth businesses. As a result, exiting a potentially faster growing business and using the proceeds for repo (last on its list of 3 stated objectives for capital deployment), while accretive, isn't likely to help improve the multiple. However, from the industry perspective, the decision to exit the business is a sign that the MA Market is starting to get more rational and reinforces our view that names with scale (UNH, HUM) are best positioned for MA success.

Abbreviations

ALHC = Alignment Healthcare

BCBS = Blue Cross Blue Shield

CI = Cigna

CLOV = Clover Health

CNC = Centene

CVS = CVS Health

ELV = Elevance Health

HC = Health care

HCSC = Health Care Service Corporation

HUM = Humana

MA = Medicare Advantage

MCO = Managed care organization

MLR = Medical loss ratio

MOH = Molina

OSCR = Oscar Health

UNH = UnitedHealth Group

VBC = Value based care

Price objective basis & risk

The Cigna Group (CI)

Our $400 PO is based on 14.1x our 2024 EPS estimate, a premium to the average NTM PE ratio since the Express Scripts (ESRX) deal closed (10x). We see this as justified as over the next few years we expect an acceleration in commercial enrollment, PBM earnings (from biosimilars and CNC contract win), and rotation from growth stocks to value. All of these factors should lead to modest multiple expansion in the near term.

Upside risks to our PO are a faster-than-expected recovery from COVID, commercial/PBM market share gains, and stronger-than-expected growth in government or high margin service oriented businesses. Additionally, there is potential upside from capital deployment.

Downside risks are recessionary risks, market share losses, commercial MLR pressure, low visibility into growth.

Analyst Certification

I, Kevin Fischbeck, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Acadia Healthcare	ACHC	ACHC US	Kevin Fischbeck, CFA
	Addus HomeCare	ADUS	ADUS US	Joanna Gajuk
	Agilon Health	AGL	AGL US	Adam Ron
	Chemed Corporation	CHE	CHE US	Joanna Gajuk
	Elevance Health Inc	ELV	ELV US	Kevin Fischbeck, CFA
	Encompass Health	EHC	EHC US	Kevin Fischbeck, CFA
	HCA	HCA	HCA US	Kevin Fischbeck, CFA
	Humana Inc	HUM	HUM US	Kevin Fischbeck, CFA
	Option Care Health	OPCH	OPCH US	Joanna Gajuk
	Oscar Health	OSCR	OSCR US	Adam Ron
	Privia Health	PRVA	PRVA US	Adam Ron
	Select Medical Corp.	SEM	SEM US	Kevin Fischbeck, CFA
	Service Corp.	SCI	SCI US	Joanna Gajuk
	Surgery Partners, Inc	SGRY	SGRY US	Kevin Fischbeck, CFA
	Tenet Healthcare	THC	THC US	Kevin Fischbeck, CFA
	The Cigna Group	CI	CI US	Kevin Fischbeck, CFA
	UnitedHealth Group	UNH	UNH US	Kevin Fischbeck, CFA
	Universal Health Services	UHS	UHS US	Kevin Fischbeck, CFA
	US Physical Therapy	USPH	USPH US	Joanna Gajuk
NEUTRAL				
	Alignment Healthcare	ALHC	ALHC US	Adam Ron
	AMN Healthcare	AMN	AMN US	Kevin Fischbeck, CFA
	Apollo Medical	AMEH	AMEH US	Adam Ron
	Brookdale	BKD	BKD US	Joanna Gajuk
	Centene Corporation	CNC	CNC US	Kevin Fischbeck, CFA
	Molina Healthcare, Inc.	MOH	MOH US	Kevin Fischbeck, CFA
UNDERPERFORM				
	AdaptHealth Corp.	AHCO	AHCO US	Joanna Gajuk
	Agiliti Health Inc	AGTI	AGTI US	Kevin Fischbeck, CFA
	Cross Country Healthcare	CCRN	CCRN US	Kevin Fischbeck, CFA
	DaVita Inc	DVA	DVA US	Kevin Fischbeck, CFA
	Enhabit Home Health & Hospice	EHAB	EHAB US	Joanna Gajuk
	Pediatrix Medical Group, Inc.	MD	MD US	Kevin Fischbeck, CFA

US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst

*iQ*method℠ Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A

Quality of Earnings	Numerator	Denominator
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt – Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense

Valuation Toolkit	Numerator	Denominator
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

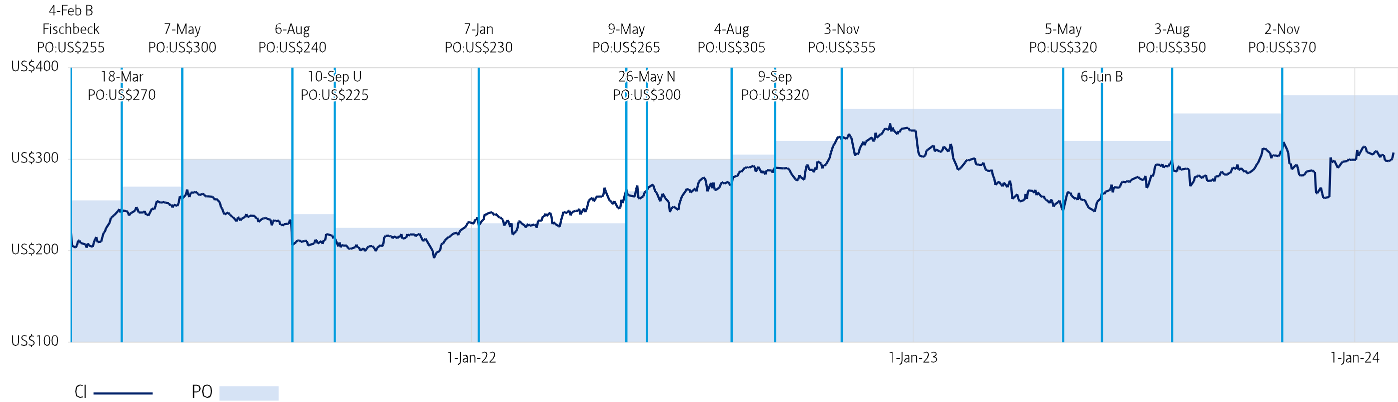
iQmethod℠ is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase® 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.

Disclosures

Important Disclosures

The Cigna Group (CI) Price Chart



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

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: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

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.

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BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: The Cigna Group.
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