

James Hardie Industries Plc

Lots to pick given high expectations/share price run-up; Cut est./PO down to A\$53.35

Reiterate Rating: UNDERPERFORM | PO: 53.35 AUD | Price: 59.20 AUD

Lower estimates/remain below consensus; PO to A\$53.35

We reiterate Underperform on James Hardie (JHX) post 3QFY24 results & outlook. We cut FY24/FY25/FY26E NPAT by 1%/2%/3% driven mainly by slightly lower volume/margin assumptions for North America (NA) & higher SG&A. We now forecast FY24/FY25/FY26 NA EBIT of \$916mn/\$974mn/\$1040mn (prior: \$922mn/\$992mn/\$1064mn). We forecast 4Q NPAT of \$175mn (guide: \$165-185mn) and 4Q North America volume of 771 mmsf (guide: 750-780 mmsf). We lower our PO to A\$53.35 from A\$54.20 post these changes driven by lower estimates (multiple unchanged). As we highlighted in our downgrade note (see [Solid demand outlook but high bar to beat & JHX priced for perfection; d/g to U/P](#)), we believe positive outlook on US housing is adequately reflected in our estimates. Our estimates call for North America revenues to increase 13%/9%/8% yoy in 4QFY24/FY25/FY26. We are 4%/7% below consensus in FY25/FY26 NPAT.

3Q beat but 4Q guide underwhelming

As we highlighted in our First Take notes (see [Flash: 3Q beat \(NPAT +5% vs cons\); 4Q guide \(NPAT -8% vs cons at mid-point\)](#)), JHX reported solid 3QFY24 results with NPATu of \$180mn (Consensus: \$172mn; pre-release BofAe: \$172m). More importantly, JHX issued 4Q guidance slightly below our (and VA consensus) expectations and expects 4Q NPATu in the range of \$165-185mn range (pre-release BofAe: \$190mn). JHX expects NA volumes to be in the range of 750-780 mmsf (pre-release BofAe: 778 mmsf). On the call, management noted that market share gains in North America will be tougher in FY25 given high comps as JHX made significant market share gains in FY24.

Our Underperform rating on JHX

We believe risk-reward is unfavourable as positive outlook on US housing is adequately reflected in our estimates. We continue to like fiber cement as a product and JHX's competitive positioning, as well as JHX's mix shift towards the resilient R&R market. However, we see several reasons that warrant a more cautious view: (1) Solid US demand outlook reflected in estimates. (2) Rich valuation. (3) Consensus appears optimistic.

Estimates (Mar)	2022A	2023A	2024E	2025E	2026E
Net Profit - Ex. Asbestos Expense (US\$m)	620.70	605.50	708.12	744.86	807.30
Net Profit - Inc. Asbestos Expense (US\$m)	535.14	529.80	632.86	673.11	739.85
EPS - Ex. Asbestos Expense (US\$)	1.392	1.365	1.604	1.703	1.863
EPS Change (YoY)	35.4%	-1.9%	17.5%	6.2%	9.4%
Dividend / Share (US\$)	0.700	0	0	0	0
Free Cash Flow / Share (US\$)	1.120	0.037	0.513	1.301	1.519
Valuation (Mar)					
P/E - Ex. Asbestos Expense	29.5x	26.8x	23.0x	21.6x	19.8x
P/E - Inc. Asbestos Expense	30.4x	27.6x	23.7x	22.3x	20.4x
Dividend Yield	1.6%	0%	0%	0%	0%
EV / EBITDA*	21.2x	19.6x	16.0x	14.6x	13.1x

* For full definitions of *IQmethod*SM measures, see page 6.

13 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	A\$54.20	A\$53.35
2024E EPS	1.62	1.60
2025E EPS	1.75	1.70
2026E EPS	1.92	1.86
2024E EBITDA (m)	1,141.6	1,125.4
2025E EBITDA (m)	1,227.7	1,202.9
2026E EBITDA (m)	1,327.8	1,297.3

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Stock Data

Price (Common / ADR)	59.20 AUD / 39.21 USD
Price Objective	53.35 AUD / 35.20 USD
Date Established	13-Feb-2024 / 13-Feb-2024
Investment Opinion	B-3-7 / B-3-7
52-Week Range	28.98 AUD-60.04 AUD
Market Value (mn)	16,844 USD
Market Value (mn)	25,793 AUD
Shares Outstanding (mn)	435.7 / 435.7
Average Daily Value (mn)	43.48 USD
Free Float	100.0%
BofA Ticker / Exchange	JHIUF / ASX
BofA Ticker / Exchange	JHX / NYS
Bloomberg / Reuters	JHX AU / JHX.AX
ROE (2024E)	37.0%
Net Dbt to Eqty (Mar-2023A)	58.7%

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Refer to important disclosures on page 7 to 10. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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Timestamp: 12 February 2024 10:29PM EST

iQprofileSM James Hardie Industries Plc

Key Income Statement Data (Mar)

(US\$ Millions)

	2022A	2023A	2024E	2025E	2026E
Sales	3,615	3,777	3,940	4,307	4,650
Operating Expenses	(2,637)	(2,825)	(2,814)	(3,104)	(3,352)
EBITDA	977	952	1,125	1,203	1,297
Depreciation & Amortization	(162)	(173)	(183)	(196)	(209)
EBIT	816	780	942	1,007	1,088
Net Interest & Other income	(39)	(31)	(25)	(33)	(33)
Associates	NA	NA	NA	NA	NA
Pretax Income	776	749	917	974	1,055
Tax (expense) / Benefit	(156)	(144)	(209)	(229)	(248)
Net Profit b/f Abnormals	621	606	708	745	807
Non-Recurring Items	0	(94)	0	0	0
Net Income (Reported)	621	512	708	745	807
Avg F Diluted Shares Outstanding	446	444	442	437	433

Key Cash Flow Statement Data

EBITDA	977	952	1,125	1,203	1,297
Change in Working Capital	24	(91)	0	0	0
Deferred Taxation Charge	16	(6)	33	10	10
Other Adjustments, Net	250	(98)	(115)	(101)	(88)
Cash Flow from Operations	757	608	777	839	928
Capital Expenditure	(258)	(591)	(550)	(270)	(270)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	(90)	(83)	0	0	0
Cash Flow from Investing	(348)	(660)	(550)	(270)	(270)
Shares Issue / (Repurchase)	0	(78)	(100)	(250)	(250)
Cost of Dividends Paid	(484)	(130)	0	0	0
Cash Flow from Financing	(450)	(25)	(100)	(250)	(250)
Free Cash Flow	499	16	227	569	658
Net Debt	752	946	819	500	92
Change in Net Debt	NA	NA	NA	NA	NA

Key Balance Sheet Data

Property, Plant & Equipment	1,457	1,840	2,206	2,280	2,341
Other Non-Current Assets	1,300	1,214	1,214	1,214	1,214
Trade Receivables	398	355	355	355	355
Cash & Equivalents	125	113	240	559	967
Other Current Assets	321	263	263	263	263
Total Assets	4,243	4,479	4,972	5,366	5,835
Long-Term Debt	877	1,059	1,059	1,059	1,059
Other Non-Current Liabilities	1,145	988	873	771	683
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	312	310	310	310	310
Total Liabilities	2,910	2,868	2,753	2,651	2,563
Total Equity	1,333	1,611	2,220	2,714	3,272
Total Equity & Liabilities	4,243	4,479	4,972	5,366	5,835

iQmethodSM - Bus Performance*

Return on Capital Employed	19.6%	17.5%	18.1%	17.2%	17.0%
Return on Equity	51.9%	41.1%	37.0%	30.2%	27.0%
Operating Margin	22.6%	20.6%	23.9%	23.4%	23.4%
EBITDA Margin	27.0%	25.2%	28.6%	27.9%	27.9%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.2x	1.0x	1.1x	1.1x	1.1x
Asset Replacement Ratio	NA	NA	NA	NA	NA
Tax Rate (Reported)	20.0%	19.2%	22.8%	23.5%	23.5%
Net Debt-to-Equity Ratio	56.4%	58.7%	36.9%	18.4%	2.8%
Interest Cover	20.3x	22.3x	37.4x	29.3x	30.9x

Key Metrics

Franking	0%	0%	0%	0%	0%
Asbestos Expense (post tax)	86	76	75	72	67

Note: Income Statement includes annual asbestos cash payment as an operating item. See bottom of table for pre asbestos metrics.

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Building Materials

Company Description

James Hardie is the largest fibre cement manufacturer in NA. Majority of JHX's products are used for exterior siding (c. 88% of NA volume in FY22), while the remaining products are used in interiors (e.g. backerboards). JHX is domiciled in Ireland but derives majority of its earnings from the US, Europe, and APAC (mainly Australia). Roughly two-thirds of JHX's NA volumes are driven by R&R and the remaining one-third by new construction. JHX sells c. 80% of its NA volumes to its top 20 customers.

Investment Rationale

We are Underperform on JHX. While we have a positive view on fiber cement and repair & remodel end-markets, we believe risk-reward is unfavourable with a cautious view given: (1) Solid US demand outlook reflected in estimates. (2) Rich valuation. (3) Consensus appears optimistic.

Stock Data

Shares / ADR	1.00
Price to Book Value	7.6x

Key Changes

(US\$)	Previous	Current
Price Obj.	35.80	35.20
2024E EPS	1.62	1.60
2025E EPS	1.75	1.70
2026E EPS	1.92	1.86

Estimate changes summary & PO revision

Lower estimates/remain below consensus; PO to A\$53.35

We reiterate Underperform on JHX post 3QFY24 results & outlook. We cut FY24/FY25/FY26 NPAT estimates by 1%/2%/3% driven mainly by slightly lower volume/margin assumptions for North America (NA) & higher SG&A. We now forecast FY24/FY25/FY26 NA EBIT of \$916mn/\$974mn/\$1040mn (prior: \$922mn/\$992mn/\$1064mn). We forecast 4Q NPAT of \$175mn (guide: \$165-185mn) and 4Q North America volume of 771 mmsf (guide: 750-780 mmsf). We lower our PO to A\$53.35/US\$35.20 from A\$54.20/US\$35.80 post these changes driven by lower estimates. As we highlighted in our downgrade note (see [Solid demand outlook but high bar to beat & JHX priced for perfection; d/g to U/P](#)), we believe positive outlook on US housing is adequately reflected in our estimates. Our estimates call for North America revenues to increase 13%/9%/8% yoy in 4QFY24/FY25/FY26. Our PO is based on 17.3x target EV/EBIT multiple applied to an average of FY24E and FY25E EBIT (multiple unchanged).

Exhibit 1: JHX summary of estimate changes

We cut our FY24 net profit estimates by 1%

	New			Old			New vs Old		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Revenue (US\$m)	3,940	4,307	4,650	3,867	4,242	4,584	2%	2%	1%
EBITDA (US\$m)	1,125	1,203	1,297	1,142	1,228	1,328	-1%	-2%	-2%
EBIT (US\$m)	942	1,007	1,088	958	1,032	1,119	-2%	-2%	-3%
Net profit (US\$m)	708	745	807	715	764	831	-1%	-2%	-3%

Source: BofA Global Research estimates

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Exhibit 2: JHX P&L summary

We forecast FY24E Net profit of \$708mn

P&L summary	2021A	2022A	2023A	2024E	2025E	2026E
Revenue	2,909	3,615	3,777	3,940	4,307	4,650
- growth	12%	24%	4%	4%	9%	8%
Operating costs	2,145	2,637	2,825	2,814	3,104	3,352
EBITDA	764	977	952	1,125	1,203	1,297
- Margin	26%	27%	25%	29%	28%	28%
- growth	21%	28%	-3%	18%	7%	8%
D&A	135	162	173	183	196	209
EBIT	629	816	780	942	1,007	1,088
- Margin	22%	23%	21%	24%	23%	23%
- growth	26%	30%	-4%	21%	7%	8%
Net interest income/(expense)	48	39	31	25	33	33
Profit before tax	581	776	749	917	974	1,055
Income tax benefit/(expense)	123	156	144	209	229	248
NPAT (Underlying)	458	621	606	708	745	807
NPAT (Reported)	263	621	512	708	745	807
EPS (cps)	86	120	119	143	170	186
- growth	36%	40%	0%	20%	19%	9%

Source: Company Data, BofA Global Research estimates

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Exhibit 3: JHX divisional summary

We cut our North America FY24E EBIT to \$916mn

Divisional summary	2021A	2022A	2023A	2024E	2025E	2026E
North America						
Volume	2,713	3,112	3,039	3,058	3,238	3,398
- Volume yoy	9%	15%	-2%	1%	6%	5%
Pricing yoy	3%	9%	12%	3%	3%	3%
Revenue	2,040	2,551	2,788	2,890	3,161	3,426
- growth	12%	25%	9%	4%	9%	8%
EBITDA	677	856	894	1,052	1,121	1,198
- Margin	33%	34%	32%	36%	35%	35%
- growth	21%	26%	4%	18%	7%	7%
EBIT	588	741	768	916	974	1,040
- Margin	29%	29%	28%	32%	31%	30.3%
- growth	25%	26%	4%	19%	6%	7%
APAC						
Revenue	458	575	539	570	604	645
- growth	10%	25%	-6%	6%	6%	7%
EBITDA	142	174	158	183	184	196
- Margin	31%	30%	29%	32%	30%	30%
- growth	32%	23%	-10%	16%	0%	7%
EBIT	128	161	143	168	168	181
- Margin	28%	28%	26%	30%	28%	28%
- growth	35%	25%	-11%	18%	0%	7%
Europe						
Revenue	410	489	450	480	543	579
- growth	10%	19%	-8%	7%	13%	7%
EBITDA	71	93	55	70	78	82
- Margin	17%	19%	12%	15%	14%	14%
- growth	26%	31%	-41%	29%	11%	6%
EBIT	43	63	27	41	47	51
- Margin	10%	13%	6%	9%	9%	9%
- growth	40%	47%	-58%	54%	16%	8%

Source: Company Data, BofA Global Research

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Q3 FY24 results and call summary

As we highlighted in our First Take notes (see [Flash: 3Q beat \(NPAT +5% vs cons\); 4Q guide \(NPAT -8% vs cons.at mid-point\)](#)), JHX reported solid 3QFY24 results with NPATu of \$180mn (Consensus: \$172mn; pre-release BofAe: \$172m). More importantly, JHX issued 4Q guidance slightly below our (and VA consensus) expectations and expects 4Q NPATu in the range of \$165-185mn range (pre-release BofAe: \$190mn). JHX expects NA volumes to be in the range of 750-780 mmsf (pre-release BofAe: 778 mmsf). On the call, management noted that market share gains in North America will get tougher in FY25 given high comps as JHX made significant market share gains in FY24.

Exhibit 4: JHX 3QFY24 results BofA and consensus estimates

JHX reported Net Income (adjusted) of \$180mn vs Cons. at \$172mn vs pre-release BofAe at \$172mn

Results summary (US\$m)	3QFY23	3QFY24	3QFY24 v 3QFY23 y/y	3QFY24 BofAe	3QFY24 consensus	3QFY24 vs BofAe	3QFY24 vs consensus
Total Revenue	861	978	14%	915	951	7%	3%
Net Income (adjusted)	129	180	39%	172	172	5%	5%
Net Income margin	15.0%	18.4%	338 bps	18.8%	18.1%	-37 bps	31 bps

Source: Visible Alpha, BofA Global Research, Company Data

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Price objective basis & risk

James Hardie Industries Plc (JHIUF / JHX)

Our 12-month PO of A\$53.35/US\$35.20 is based on 17.3x target multiple applied to an average of FY24E and FY25E EBIT. Our target multiple is 0.5 standard deviation above JHX's long term historical mean. We believe a higher multiple versus mean is warranted given the improving earnings profile.

Upside/downside risks are: (1) Stronger-than-expected/weaker-than-expected R&R and new construction activity. (2) Lower-than-expected/higher-than-expected costs. (3) Markets share gains/losses for fiber cement or versus competitors. (4) Favourable/unfavourable FX.

Analyst Certification

I, Shaurya Visen, 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.

Australia - Materials & Industrials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY	29Metals Limited	XMLNF	29M AU	James Redfern
	AGL Energy	AGLNF	AGL AU	Reinhardt van der Walt
	APA Group	APAJF	APA AU	Reinhardt van der Walt
	BHP Group Limited	BHPLF	BHP AU	James Redfern
	BHP Group Limited	ZBHPLF	BHP LN	James Redfern
	BHP Group-ADR	BHP	BHP US	James Redfern
	BlueScope	BLSFF	BSL AU	Chen Jiang
	Boral Ltd	BOALF	BLD AU	Shaurya Visen
	Boss Energy	BQSSF	BOE AU	Cameron Taylor
	Brambles Limited	BMBLF	BXB AU	Reinhardt van der Walt
	Champion Iron	CIAFF	CIA AU	Chen Jiang
	Champion Iron	YCIA	CIA CN	Chen Jiang
	Coronado	CODQL	CRN AU	Chen Jiang
	Evolution Mining	CAHPF	EVN AU	Meredith Schwarz
	Gold Road Resources	ELKMF	GOR AU	Meredith Schwarz
	GWA Group	GWAXF	GWA AU	Shaurya Visen
	Incitec Pivot	ICPVF	IPL AU	Reinhardt van der Walt
	Mineral Resources	MALRF	MIN AU	Matt Chalmers, CFA
	Monadelphous	MDPHF	MND AU	Josephine Forde
	Nickel Industries	NICMF	NIC AU	Cameron Taylor
	Northern Star Resources	NESRF	NST AU	Meredith Schwarz
	NRW Holdings	NRWWF	NWH AU	Josephine Forde
	Nufarm	NUFMF	NUF AU	Reinhardt van der Walt
	Orica	OCLDF	ORI AU	Reinhardt van der Walt
	Origin Energy	OGFGF	ORG AU	Reinhardt van der Walt
	Orora	ORRAF	ORA AU	Roy Harrison
	Paladin Energy	PALAF	PDN AU	Cameron Taylor
	Regis Resources	RGRNF	RRL AU	Meredith Schwarz
	Reliance Worldwide Corporation Limited	RLLWF	RWC AU	Shaurya Visen
	Rio Tinto Ltd	RTNTF	RIO AU	James Redfern
	Seven Group Holdings	XSEVF	SWW AU	Shaurya Visen
	South32 Ltd	SHTLF	S32 AU	James Redfern
	South32 Ltd	XKTPF	S32 LN	James Redfern
	South32 Ltd	XMWTF	S32 SJ	James Redfern
	Ventia	VXVGF	VNT AU	Roy Harrison
	Whitehaven Coal Limited	WHITF	WHC AU	Chen Jiang
	Worley Limited	WYGPF	WOR AU	Cameron Taylor
NEUTRAL	Codan	CODAF	CDA AU	Sriharsh Singh



Australia - Materials & Industrials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	CSR Limited	CSRLF	CSR AU	Shaurya Visen
	Deterra Royalties	DETRF	DRR AU	Chen Jiang
	Downer EDI Limited	DNERF	DOW AU	Roy Harrison
	Fletcher Building	FRCEF	FBU NZ	Shaurya Visen
	Fletcher Building	YFLBF	FBU AU	Shaurya Visen
	Pilbara Minerals	PILBF	PLS AU	Matt Chalmers, CFA
	Qube Holdings	QUBHF	QUB AU	Reinhardt van der Walt
	Reece Limited	REECF	REH AU	Shaurya Visen
	Sandfire Resources	SFRRF	SFR AU	Matt Chalmers, CFA
	Sims Limited	SMUPF	SGM AU	Chen Jiang
	Transurban Group	XTRAF	TCL AU	Reinhardt van der Walt
	Transurban Group	TRAUF	TRAUF US	Reinhardt van der Walt

UNDERPERFORM

	ALS Limited	CPBLF	ALQ AU	Reinhardt van der Walt
	Alumina Limited	AWCMF	AWC AU	Chen Jiang
	Atlas Arteria Ltd	MAQAF	ALX AU	Reinhardt van der Walt
	Cleanaway Waste Management	TSPCF	CWY AU	Reinhardt van der Walt
	Fortescue Ltd.	FSUMF	FMG AU	James Redfern
	IGO	IPGDF	IGO AU	Matt Chalmers, CFA
	James Hardie Industries Plc	JHIUF	JHX AU	Shaurya Visen
	James Hardie Industries Plc	JHX	JHX US	Shaurya Visen
	Vulcan Steel Limited	XVULF	VSL AU	Shaurya Visen
	Vulcan Steel Limited	XVSTF	VSL NZ	Shaurya Visen

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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 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.

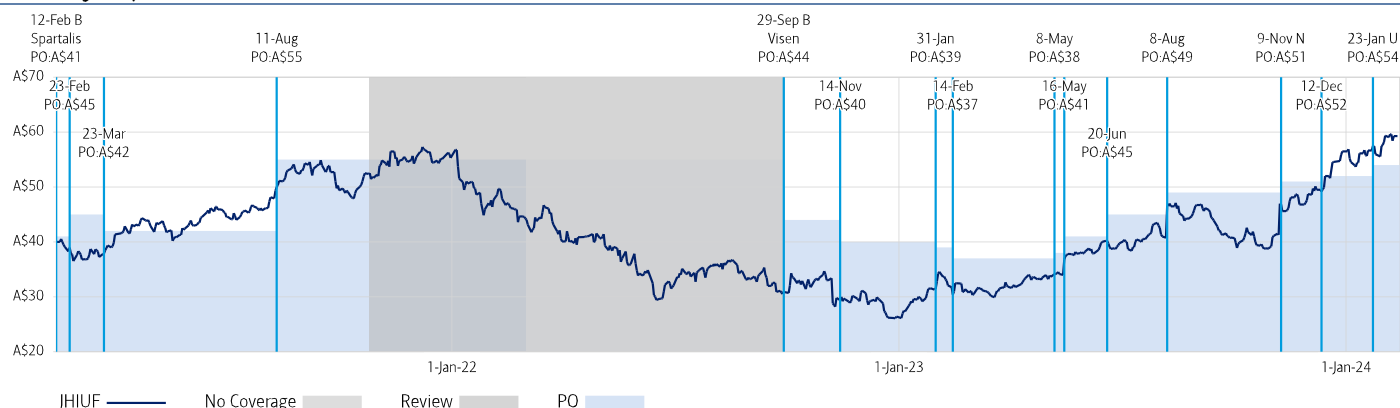
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Disclosures

Important Disclosures

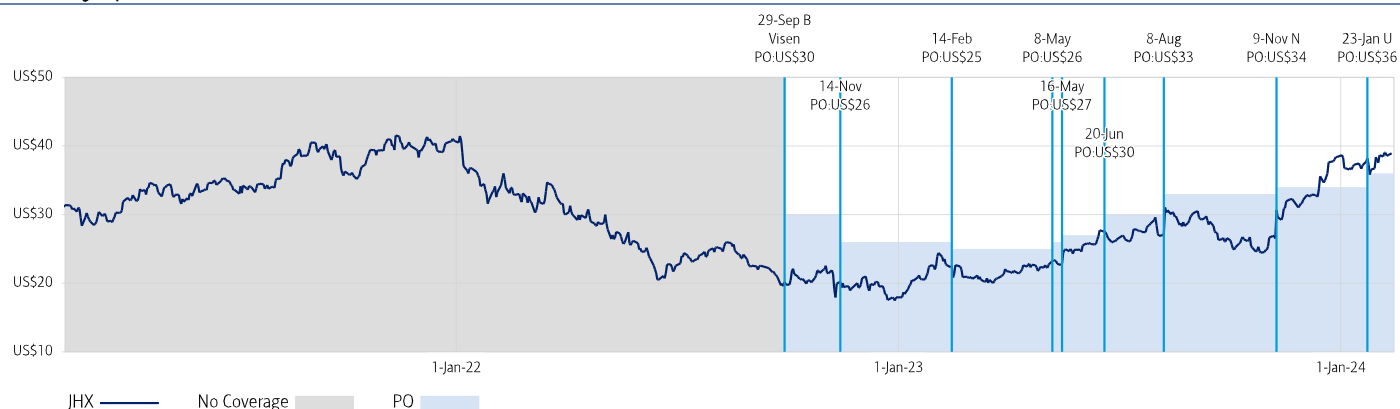
James Hardie (JHIUF) Price Chart



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.

James Hardie (JHX) 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: Building Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	39	44.83%	Buy	22	56.41%
Hold	18	20.69%	Hold	11	61.11%
Sell	30	34.48%	Sell	8	26.67%

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.

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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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