BofA SECURITIES

# Envista

## Spark growth offset by challenging macro

**Reiterate Rating: BUY | PO: 37.00 USD | Price: 22.99 USD**

01 November 2023

Equity

### Macro challenges a near-term dynamic; LT still positive

Coming into the print, expectations across our dental coverage was lowest for NVST as a steep 4Q ramp came up against a deteriorating macro. 3Q Rev/Adj. EBITDA missed consensus/BofA estimates and the FY23 rev growth/Adj. EBITDA margin guide was cut. However, management remains committed to FY26 HSD growth and 22% adj. EBITDA margin target. Outside of macro, NVST is facing near-term headwinds from North American (NA) distribution challenges across Ortho and equipment sales (NA makes up ~70% of equipment sales). Ex-macro, commentary around long-term China consumer sentiment being hard to gauge and required catchup in the NA Ortho business reflect near-term challenges while the long-term story remains intact: (1) Spark continues to grow (50% y/y) with management hitting the target to triple the business by 2024 a year early and now intending to double it by 2026, (2) IOS saw y/y unit growth (although pressured on pricing) in a challenging backdrop, and China continued HSD growth. While macro and distribution challenges remain a concern near-term, we continue to view the composition of the overall portfolio conducive to MSD growth with consistent execution on margin expansion supportive of the bottom-line. We reiterate our Buy rating but reduce our PO to $37 (from $45), now on a 13.2x CY24E EV/EBITDA multiple (vs 14x prior) to reflect peer group multiple compression and softer growth/margin profile.

### Reducing estimates across the board

Following results, we are reducing our FY23 EBITDA estimates from $532.7MM to $480.8MM and we are reducing our FY24 EBITDA estimates from $599.4MM to $536.1MM, respectively. We are reducing FY23 estimates based on a more challenging macro and near-term weakness in the implants & equipment business in NA.

### Key themes: Macro, E&C, and CFO

We look for updates on end-market demand for base consumables along with signs of dental office volumes and purchasing trends as indications of stabilization/improvement could be a key driver for the FY24 outlook. We also look to monitor the distributor channel and execution in NA ortho and equipment markets. Further, given a strong balance sheet with a recent infusion from the convertible offering, we look for any movement on potential M&A as the Envista portfolio should provide a chassis to bolt-on additional capabilities. Lastly, news on filling the vacant CFO seat could be incremental.

| **Estimates (Dec) (US$)** | **2021A** | **2022A** | **2023E** | **2024E** | **2025E** |
|---|---|---|---|---|---|
| EPS | 1.80 | 1.94 | 1.65 | 1.90 | 2.20 |
| GAAP EPS | 1.76 | 1.62 | 1.34 | 1.56 | 1.85 |
| EPS Change (YoY) | 150.0% | 7.8% | -14.9% | 15.2% | 15.8% |
| Consensus EPS (Bloomberg) | | | 1.85 | 2.07 | 2.29 |
| DPS | 0 | 0 | 0 | 0 | 0 |
| **Valuation (Dec)** | | | | | |
| P/E | 12.8x | 11.9x | 13.9x | 12.1x | 10.5x |
| GAAP P/E | 13.1x | 14.2x | 17.2x | 14.7x | 12.4x |
| EV / EBITDA* | 9.7x | 9.2x | 9.9x | 8.9x | 8.0x |
| Free Cash Flow Yield* | 8.5% | 2.7% | 8.9% | 9.6% | 11.4% |

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

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**Refer to important disclosures on page 11 to 13. Analyst Certification on page 9. Price Objective Basis/Risk on page 9.** **12621032**

Timestamp: 02 November 2023 12:02AM EDT

**Key Changes**

| **(US$)** | **Previous** | **Current** |
|---|---|---|
| Price Obj. | 45.00 | 37.00 |
| 2023E EPS | 1.90 | 1.65 |
| 2024E EPS | 2.18 | 1.90 |
| 2025E EPS | 2.54 | 2.20 |
| 2023E EBITDA (m) | 532.7 | 480.8 |
| 2024E EBITDA (m) | 599.4 | 536.1 |
| 2025E EBITDA (m) | 679.5 | 599.8 |

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**Stock Data**

| | |
|---|---|
| Price | 22.99 USD |
| Price Objective | 37.00 USD |
| Date Established | 1-Nov-2023 |
| Investment Opinion | B-1-9 |
| 52-Week Range | 22.59 USD - 43.29 USD |
| Mrkt Val (mn) / Shares Out (mn) | 3,941 USD / 171.4 |
| Average Daily Value (mn) | 48.36 USD |
| BofA Ticker / Exchange | NVST / NYS |
| Bloomberg / Reuters | NVST US / NVST.N |
| ROE (2023E) | 6.8% |
| Net Dbt to Eqty (Dec-2022A) | 18.4% |
| 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".

HSD – high-single digit

MSD – mid-single digit

# *iQprofile*[SM] Envista

*iQ*method [SM] – **Bus Performance***

| (US$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|
| Return on Capital Employed | 5.8% | 6.4% | 6.1% | 6.5% | 7.2% |
| Return on Equity | 8.2% | 8.4% | 6.8% | 7.4% | 8.0% |
| Operating Margin | 18.3% | 18.8% | 17.3% | 18.3% | 19.3% |
| Free Cash Flow | 337 | 107 | 352 | 378 | 449 |

*iQ*method [SM] – **Quality of Earnings***

| (US$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|
| Cash Realization Ratio | 1.2x | 0.5x | 1.4x | 1.3x | 1.3x |
| Asset Replacement Ratio | 0.4x | 0.5x | 0.5x | 0.5x | 0.5x |
| Tax Rate | 24.9% | 23.1% | 22.5% | 20.0% | 20.0% |
| Net Debt-to-Equity Ratio | 6.0% | 18.4% | 12.8% | 8.3% | 3.8% |
| Interest Cover | 13.1x | 12.6x | 6.6x | 7.1x | 8.6x |

**Income Statement Data (Dec)**

| (US$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|
| Sales | 2,509 | 2,569 | 2,567 | 2,718 | 2,897 |
| % Change | 30.1% | 2.4% | -0.1% | 5.9% | 6.6% |
| Gross Profit | 1,456 | 1,498 | 1,478 | 1,555 | 1,663 |
| % Change | 38.0% | 2.9% | -1.3% | 5.2% | 7.0% |
| EBITDA | 494 | 517 | 481 | 536 | 600 |
| % Change | 95.1% | 4.7% | -7.1% | 11.5% | 11.9% |
| Net Interest & Other Income | (33) | (35) | (66) | (68) | (63) |
| **Net Income (Adjusted)** | **320** | **345** | **293** | **344** | **397** |
| **% Change** | **172.7%** | **7.8%** | **-15.2%** | **17.3%** | **15.7%** |

**Free Cash Flow Data (Dec)**

| (US$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|
| Net Income from Cont Operations (GAAP) | 341 | 243 | 220 | 267 | 320 |
| Depreciation & Amortization | 124 | 138 | 135 | 132 | 134 |
| Change in Working Capital | (173) | (243) | 26 | 11 | 23 |
| Deferred Taxation Charge | NA | NA | NA | NA | NA |
| Other Adjustments, Net | 101 | 45 | 34 | 34 | 36 |
| Capital Expenditure | (55) | (76) | (64) | (65) | (64) |
| **Free Cash Flow** | **337** | **107** | **352** | **378** | **449** |
| **% Change** | **42.5%** | **-68.2%** | **228.8%** | **7.5%** | **18.7%** |

**Balance Sheet Data (Dec)**

| (US$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|
| Cash & Equivalents | 1,074 | 607 | 928 | 577 | 919 |
| Trade Receivables | 332 | 394 | 379 | 365 | 372 |
| Other Current Assets | 430 | 424 | 423 | 418 | 439 |
| Property, Plant & Equipment | 264 | 294 | 320 | 359 | 406 |
| Other Non-Current Assets | 4,474 | 4,869 | 4,914 | 5,018 | 5,163 |
| **Total Assets** | **6,574** | **6,587** | **6,965** | **6,738** | **7,299** |
| Short-Term Debt | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 775 | 727 | 736 | 743 | 796 |
| Long-Term Debt | 1,316 | 1,381 | 1,500 | 971 | 1,113 |
| Other Non-Current Liabilities | 425 | 273 | 267 | 262 | 272 |
| **Total Liabilities** | **2,516** | **2,380** | **2,504** | **1,976** | **2,181** |
| **Total Equity** | **4,058** | **4,207** | **4,461** | **4,762** | **5,118** |
| **Total Equity & Liabilities** | **6,574** | **6,587** | **6,965** | **6,738** | **7,299** |

* For full definitions of *iQmethod* [SM] measures, see page 10.

## Company Sector

Healthcare Technology & Distribution

## Company Description

Envista is one of the largest dental manufacturers globally, with a focus on both traditional consumables and equipment as well as market-leading positions in orthodontics and implants. The company generates a significant amount of revenue from its global reach, with about 25% of revenue from high-growth markets. NVST was recently spun-out from Danaher, where it represented the entire dental business.

## Investment Rationale

We think the ongoing launch of new products should help return to mid-single-digit organic growth (potentially higher post-divestitures), with operational efficiencies supporting ongoing margin expansion. Given these factors and appealing upside potential on the pullback, as well as implied valuation vs. distributors, we see risk/reward as appealing, and thus we rate Envista Buy.

## Stock Data

| | |
|---|---|
| Average Daily Volume | 2,180,518 |

## Quarterly Earnings Estimates

| | 2022 | 2023 |
|---|---|---|
| Q1 | 0.47A | 0.38A |
| Q2 | 0.48A | 0.43A |
| Q3 | 0.47A | 0.43A |
| Q4 | 0.52A | 0.41E |

# 3Q'23 call takeaways

**Prepared Remarks**

- 3Q:
    - Outperformance in orthodontics offset headwinds
    - Proactively changing imaging business to de-emphasize products/geographies with lower competitive advantages
    - Global implant business positioned well long-term
    - Higher-end full arc restorations impacted, with North America (NA) impacted
- Macro:
    - Made targeted investments to focus on NA to support clinical community to reinvigorate growth and grow in line with the market in 2024
    - Globally market is dynamic, macro and geopolitical risks
    - Slowdown in higher-end cases – adult ortho down
    - More challenging operating environment in the short-term, in long-term confident that patients will prioritize dental care
- Spark:
    - Spark still performing well, on track to triple Spark revenue ahead of schedule
    - Envista Business Initiatives (EBS) drives the Spark growth formula – increasing case volumes, rev per case, and doctors
    - By end of 2026, intend to double spark business from here
    - In Q3 – received regulatory approval to develop Spark out of Czech Republic and can help expand margins in EU
    - On top of opening the new factory, looking to make investments in automation. Spark margins below fleet, but expect it to be up
- Sequential adj. EBITDA margin expansion of 50bps with EBS to manage margins
    - Expense controls, structure cost reductions
    - Performance in China – despite Value based procurement (VBP) pressure, able to expand local margins and streamline performance.
- 4Q and onwards – looking to maintain a balanced approach to margin improvement and growth – investments in Spark and automation. While it may impact margins near-term, it will be supportive of long-term margin expansion
- Focused on building a growth-oriented portfolio – shifting portfolio to most attractive segments of the market

- Shifting imaging to diagnostics portion of the business – Dexis provides diagnostic confidence
- Launched range of new products:
    - Dexis I3 wired Intra-oral scanner (IOS)
    - Artificial Intelligence (AI) solution to detect 2D images
    - Clinic studio was awarded best in class for 3rd year in a row
- Excited about the strategic move, see additional opportunities to organically and inorganically expand portfolio
- 3Q Financials:
    - Sales of $631MM with a slight q/q increase. Specialty products growth offset by Equipment reduction
        - NA declined y/y, but China grew while Russia declines y/y due to harder comps and licensing challenges
        - In Q4 expect China and Russia to grow, but be down slightly y/y
        - Declining gross margin impact from unfavorable product mix, VBP in China, and investments
    - Reduction in EPS was driven by higher interest expense
    - Specialty products and technologies:
        - Orthodontic DD growth with Spark leading, bracket/wires decline low single digits
        - Western Europe performed well, while China grew y/y despite challenges
    - Equipment and Consumables business:
        - Core sales down
        - Led by emerging markets
        - Equipment business – decline high-single digits as global demand for larger imaging equipment was down
        - Emerging markets saw large decline in the quarter. De-emphasizing some markets here
        - IOS business saw y/y growth in units, robust unit growth, but ASPs have fallen faster than expected. Think prices will stabilize here
        - Adjusted operating profit was 26.6%, 100bps decline due to lower equipment sales/margin
- Capital structure
    - Exchanged 75% of prior 2.375% convertibles

  - Reduced current and future dilution related to convertibles and bolster balance sheet
  - Intention is to be disciplined in deployment
- FY23 guide
  - FY core growth down slightly with adj. EBITDA of 18-19%
  - Reflects in macroeconomic risk in developed markets, Russia, and additional impact from
  - Israel is a $20M market and commercial production site for Nobel BioCare
  - Investments in Spark/implants in NA to continue into 2024
- 2024
  - Focused on delivering growth and some margin expansion into next year
- Closing note:
  - Implant business focused on short term execution in NA
  - In diagnostics focused on streamlining focus and digitizing dental offices, while penetrating IOS globally
  - In consumables – driving above market growth by offering a complete portfolio of restorative, endodontic, and infection prevention solutions

**Q&A**

- Comments on the macro environment through October? About 8 weeks ago you reiterated guidance for the FY, what caused the changed?
  - Tremendous insight from talking to customers – mindful of what's going on in current macroeconomics. Stability in general in restorative care, weakness in higher dental procedures, full arc restorations and adult ortho
  - Cautious about inventory management
  - Dental Service Organization (DSO) more cautious on expansion here impacting equipment
  - Implants – seeing stable demand but high-end is really challenged. In NA – seeing challenges, started in 2Q and into 3Q and continuing
  - Ortho generally resilient for teens
  - Diagnostics – concerns around higher-interest rates
  - Consumables resilient
  - China

        - Rapid pent-up demand after COVID and value-based procurement (VBP). Key issue is that consumer sentiment is hard to gauge
    - Emerging markets
        - Demand is stable, but recent challenges in Israel has caused commercial execution and manufacturing issues for NVST
    - Changes in last 8 weeks
        - Macro environment is increasingly volatile
        - Geopolitical complexity has become even more challenging than 10 weeks ago
        - Expected to see a ramp up, but not seeing that in NA or Europe
        - NA distribution challenges is limiting visibility in near-term
        - Taking opportunity to drive growth in Spark – higher growth here, but margins are lower than fleet
        - In order to build a foundation for growth and investment is what is impacting margin guidance also

- Equipment and Consumables expected to be down on a core growth basis, down last year, and down pre-COVID as well. Maybe slower growth than market most of those years. Can you be at market? Or something structurally disadvantaged when market improves?
    - Went through a radical transformation in equipment and consumable business. First 2-3 years was a lot of transformation – moving away from products and geographies, moving away from animal healthcare
    - Last 9 months vs. 2022 – If you take exits on geographies, about 2/3 of consumer/equipment business is in NA. At or above sell-out in every category. In the quarter today, consumables at or above sell out, and imaging at or above sell out
    - Imaging – think be in a good place starting in 2024. Put a new category OP 3D LX (name of product), new IOS scanner, Federal Drug Administration (FDA) approved Artificial Intelligence (AI), combination of go to market and EBS work will put this market at or above market moving forward
    - Relationships with distributors is better as well
- North American implant business, a gap in premium-minus category ($300-$400) price point. Maybe this is more appealing to some docs as macro challenges persist?
    - In past 6-9 months looked at pre-COVID and 2022/23. On the premium side, pricing has not dropped that much, value side has dropped more. Volume on value side has increased a bit faster. On the dollar spent – premium continues to be an important part of the equation.

  - Has not changed radically. Price of replacing one implant from 2016 to today, the prices have gone up. Charging more now than before. Healthy business with high margins.
  - After COVID – pent-up demand caused misread of reality. Commercial execution, education, VBP in China – over 50% of business outside N.A is above proxy or at proxy. In N.A – the value proposition for each segment was different (DSO, General practitioners (GP), Specialists). Need to be more localized and focused with referral networks. Need to build a community in NA
  - Wanted to see what happens before investing further here, and now confident to do so. Adding resources and this will create a different performance moving forward
- Are long term margins still intact for 2026?
  - We put a guidance out in long-run to get to High-single digit (HSD) growth in 2026 with 22% EBITDA margins
  - Intention is to double Spark – significant opportunity for growth in this area
  - Margin of Spark is below fleet average – every quarter has improved margins from EBS to get Spark to fleet average. This will make the equation work on margins
  - Implant business – has been performed below market proxy, but planning to get this to market proxy and this will make a huge different.
  - Diagnostics – course corrected on geo/product rationalization. Equipment and Consumables (E&C) has had higher margins in the last few years q/q. Execution across all of this will get to the long-term goal
  - In the short-term have to make some trade-offs to make investments for the long-term. 450bps of operating margin improvement and can do that again
- Seems like the major implant share giver over the last few years, and getting back to market growth in 2024, if 40% is growing at market growth Mid-single digit MSD, and Spark gets to double digit (DD growth) – then hard not to get to Mid-single digit (MSD) growth in 2024?
  - 40% of implant – 50% or 20% operate at market proxy. Other 20% of implant business, NA at below proxy.
  - What is causing that – not committing to take share in the near-term but focused on stopping the bleeding.
  - Result of 2023 some geographies are above proxy. Haven't committed to 2024 guidance, but will give color in February
- Henry Schein has been impacted by order management, what is the impact from that?  Israel a swing factor or in guidance?

    - Henry Schein – have reached out and offered support to help them. Unfortunate situation. Schein is largest distributor in NA, and 2/3rds of equipment business in NA. Visibility is very difficult
    - Directly impacting us
    - ABT (business name) part of Biocare – about a $20M business in Israel, not expecting to see anything there, but also manufacturing business that sells to LATAM and NA
    - 4Q – expecting continued Spark growth, but tempered by some macro weakness, continued underperformance in 4Q for implants in NA, and on E&C – planned exits/de-emphasis a modest headwind to growth. Uncertainty around the NA distribution channel and lumpiness of sales which impact low-single digit decline.

- On EBITDA margin for the year, last 9 months message has been around EBS and improvement in 2H margin expansion. Now today, it's a different message. Can you help with cadence of messaging margins?
    - Mix play a very important role. Spark growing much faster than expansion but impacting margins.
    - Implants not expecting a radical shift, but continuous improvement. Uncertainty around NA distribution plays an important role. If you cannot execute on this, it impacts margin b/c this is a high margin business
    - Imaging business getting more profitable q/q, and consumables at a good place
    - Want to do a balance of investment and margin expansion. Investing in Spark, and Nobel NA activities to help achieve 2026 targets. Think this is the right time to make these tough decisions
- How much are the distribution challenges impacting?
    - Not providing segment specific impacts. But revised forecast to adjust for this issue
    - Have milestones for 2026 and goals are in place to achieve this unless macro deteriorates

# Price objective basis & risk

**Envista (NVST)**

Our PO of $37 is based on roughly 13x our CY24 EBITDA estimate. Since NVST is a pure-play dental company, we use the dental comp group as our primary peer group. We believe NVST should trade at a premium to the peer group of 8-12x CY24 EBITDA due to faster revenue growth and higher EBITDA margins supported by a strong core of product offerings. However, we note that its most important comp trades at a premium to NVST despite divergent organic growth profiles.

Downside risks are a slowdown in total demand tied to the COVID outbreak, a lack of rebound in its various new growth drivers (in particular demand from its newly-introduced products in aligners and implants), ongoing softness in global dental demand (particularly China and Russia), pricing pressure related to the growth of dental service organizations purchasing scale, and a lack of pull-through on cost savings targets. Upside risks are faster-than-anticipated adoption of the Spark clear aligner system, incremental contributions to total margin expansion, and unexpected attractive M&A that supplements core growth.

# Analyst Certification

I, Allen Lutz, 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 - Healthcare Technology & Distribution Coverage Cluster**

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---|---|---|---|---|
| **BUY** | | | | |
| | Accolade | ACCD | ACCD US | Allen Lutz, CFA |
| | American Well Corp | AMWL | AMWL US | Allen Lutz, CFA |
| | Cencora Inc | COR | COR US | Allen Lutz, CFA |
| | CVS Health | CVS | CVS US | Allen Lutz, CFA |
| | dentalcorp | YDNTL | DNTL CN | Allen Lutz, CFA |
| | Envista | NVST | NVST US | Allen Lutz, CFA |
| | GoodRx | GDRX | GDRX US | Allen Lutz, CFA |
| | HealthEquity Inc | HQY | HQY US | Allen Lutz, CFA |
| | Hims & Hers | HIMS | HIMS US | Allen Lutz, CFA |
| | McKesson | MCK | MCK US | Allen Lutz, CFA |
| | Omnicell Inc. | OMCL | OMCL US | Allen Lutz, CFA |
| | Patterson Companies | PDCO | PDCO US | Allen Lutz, CFA |
| | Progyny | PGNY | PGNY US | Allen Lutz, CFA |
| | R1 RCM | RCM | RCM US | Allen Lutz, CFA |
| | Sonendo Inc | SONX | SONX US | Allen Lutz, CFA |
| **NEUTRAL** | | | | |
| | Cardinal Health | CAH | CAH US | Allen Lutz, CFA |
| | Definitive Healthcare Corp | DH | DH US | Allen Lutz, CFA |
| | Dentsply Sirona, Inc. | XRAY | XRAY US | Allen Lutz, CFA |
| | Teladoc Health | TDOC | TDOC US | Allen Lutz, CFA |
| **UNDERPERFORM** | | | | |
| | Doximity Inc | DOCS | DOCS US | Allen Lutz, CFA |
| | Henry Schein | HSIC | HSIC US | Allen Lutz, CFA |
| | Owens & Minor | OMI | OMI US | Allen Lutz, CFA |
| | Premier, Inc. | PINC | PINC US | Allen Lutz, CFA |
| | Walgreens Boots Alliance | WBA | WBA US | Allen Lutz, CFA |

## *iQ*method SM 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 |

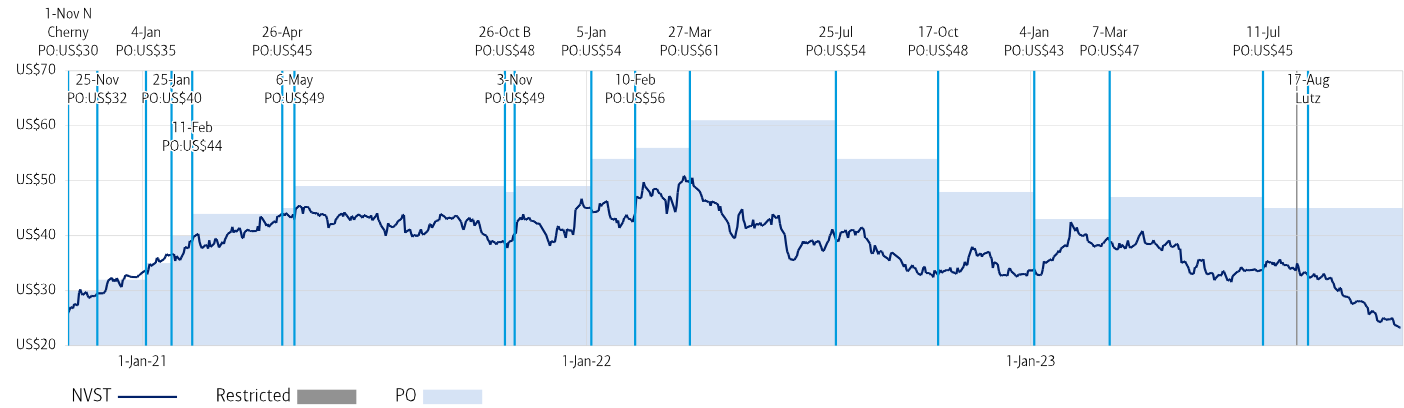
*iQmethod* SM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines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

**Envista (NVST) 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 30 Sep 2023)**

| Coverage Universe | Count | Percent | Inv. Banking Relationships [R1] | Count | Percent |
|---|---|---|---|---|---|
| Buy | 233 | 60.21% | Buy | 113 | 48.50% |
| Hold | 83 | 21.45% | Hold | 33 | 39.76% |
| Sell | 71 | 18.35% | Sell | 25 | 35.21% |

**Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)**

| Coverage Universe | Count | Percent | Inv. Banking Relationships [R1] | Count | Percent |
|---|---|---|---|---|---|
| Buy | 1869 | 53.48% | Buy | 1046 | 55.97% |
| Hold | 828 | 23.69% | Hold | 461 | 55.68% |
| Sell | 798 | 22.83% | Sell | 370 | 46.37% |

[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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