

# Definitive Healthcare Corp

## Awaiting cRPO stabilization

Reiterate Rating: BUY | PO: 10.50 USD | Price: 9.20 USD

### Positive qualitative commentary as retention improves

Definitive Health initiated a generally in-line guide, reiterating 2024 revenue growth of 5-7% and slightly raising adjusted EBITDA guidance, highlighting the embedded operating leverage in the model. cRPO growth of 2% was below trend and puts at risk the idea that the revenue growth rate is stabilizing in the mid-to-high single digit range. The company's explanation that 2% cRPO growth should drive 5-7% revenue growth is encouraging and reflects some of the evolution of the model (new opt-out clauses from M&A and growth in Transaction services that do not flow into cRPO). Given the slowdown in growth over the past two years, we think investors should remain focused on these forward growth indicators and we continue to view DH as an execution story. On the positive side, DH is still seeing strong top of funnel demand for products and is seeing signs of retention stabilization, two positives as demand from life sciences may begin to inflect if capital markets improve. Reiterate Buy and reduce our PO to \$10.50 from \$11.50, now based on 18x 2024E EV/EBITDA (21x prior) with the lower multiple driven by slower revenue growth.

### FY24 revenue below and adj. EBITDA above consensus

DH expects FY24 revenue of \$263.0-\$269.0MM, below Visible Alpha consensus estimates of \$270.2MM and bracketing BofA's estimate of \$266.6MM. DH expects FY24 adj. EBITDA of \$84.0-\$88.0MM, above the Street's estimate of \$81.8MM and BofA's estimate of \$83.7MM. This compares to DH's prelim FY24 revenue guidance of 5-7% growth and 200bps of adj. EBITDA expansion (implying \$83.1-\$84.7MM based on 31.5% margins). For 1Q'24, DH expects revenue of \$63.0-\$65.0MM, below the Street's estimate of \$65.7MM and adj. EBITDA of \$19.5-\$20.5MM, above the Street's estimate of \$19.0MM.

### Adjusting estimates following 4Q

We are slightly increasing our FY24 revenue estimate from \$266.6MM to \$267.2MM and decreasing FY25 from \$291.2MM to \$284.3MM, with the increase in FY24 reflecting updated guidance and decrease in FY25 reflecting elongated sales cycles and limited upsell opportunities in the uncertain macro environment. We increase our adj. EBITDA estimates for FY24 from \$83.7MM to \$86.5MM and increase FY25 from \$94.7MM to \$95.7MM to reflect greater operating leverage.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.23	0.30	0.38	0.41	0.42
GAAP EPS	(0.10)	(1.78)	0.15	0.16	0.17
EPS Change (YoY)	109.1%	30.4%	26.7%	7.9%	2.4%
Consensus EPS (Bloomberg)			0.25	0.38	0.45
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	40.0x	30.7x	24.2x	22.4x	21.9x
GAAP P/E	NM	NM	61.3x	57.5x	54.1x
EV / EBITDA*	27.1x	23.2x	20.0x	18.1x	17.0x
Free Cash Flow Yield*	1.9%	2.7%	5.2%	5.3%	5.5%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 9.

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28 February 2024

#### Equity

##### Key Changes

(US\$)	Previous	Current
Price Obj.	11.50	10.50
2024E EPS	0.34	0.38
2025E EPS	0.38	0.41
2024E EBITDA (m)	83.7	86.5
2025E EBITDA (m)	94.7	95.7
2026E EBITDA (m)	105.8	101.6

**Allen Lutz, CFA**  
Research Analyst  
BofAS  
+1 646 855 4380  
[allen.lutz@bofa.com](mailto:allen.lutz@bofa.com)

**Hanna Lee**  
Research Analyst  
BofAS  
+1 646 855 3682  
[hanna.y.lee@bofa.com](mailto:hanna.y.lee@bofa.com)

**Dev Weerasuriya**  
Research Analyst  
BofAS  
+1 646 855 5707  
[dev.weerasuriya@bofa.com](mailto:dev.weerasuriya@bofa.com)

#### Stock Data

Price	9.20 USD
Price Objective	10.50 USD
Date Established	28-Feb-2024
Investment Opinion	C-1-9
52-Week Range	5.53 USD - 12.46 USD
Mkt Val (mn) / Shares Out (mn)	1,423 USD / 154.7
Free Float	28.4%
Average Daily Value (mn)	5.54 USD
BofA Ticker / Exchange	DH / NAS
Bloomberg / Reuters	DH US / DH.OQ
ROE (2024E)	4.9%
Net Dbt to Eqty (Dec-2023A)	9.3%
<b>ESGMeter<sup>TM</sup></b>	<b>NLA</b>

**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".**

KPI – key performance indicator

cRPO – current remaining performance obligations

M&A – mergers & acquisitions

# iQprofile<sup>SM</sup> Definitive Healthcare Corp

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	2.0%	2.6%	3.5%	3.7%	3.8%
Return on Equity	2.4%	3.5%	4.9%	5.0%	5.1%
Operating Margin	26.9%	27.8%	30.1%	30.8%	30.9%
Free Cash Flow	27	38	74	75	79

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.0x	0.9x	1.4x	1.2x	1.2x
Asset Replacement Ratio	3.1x	1.3x	2.7x	1.4x	1.4x
Tax Rate	32.7%	32.0%	25.6%	25.6%	25.6%
Net Debt-to-Equity Ratio	7.3%	9.3%	6.5%	3.9%	1.3%
Interest Cover	7.2x	44.1x	46.3x	50.5x	NM

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	223	251	267	284	301
% Change	34.0%	12.9%	6.3%	6.4%	5.8%
Gross Profit	198	218	230	247	262
% Change	34.5%	10.1%	5.8%	7.3%	5.8%
EBITDA	64	74	87	96	102
% Change	13.9%	16.8%	16.2%	10.6%	6.2%
Net Interest & Other Income	(7)	0	1	1	1
<b>Net Income (Adjusted)</b>	<b>36</b>	<b>47</b>	<b>60</b>	<b>65</b>	<b>69</b>
<b>% Change</b>	<b>168.6%</b>	<b>30.2%</b>	<b>27.6%</b>	<b>8.6%</b>	<b>6.2%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	36	47	60	65	69
Depreciation & Amortization	3	2	2	4	4
Change in Working Capital	(22)	(30)	20	15	14
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	19	22	(2)	(3)	(3)
Capital Expenditure	(8)	(3)	(7)	(6)	(6)
<b>Free Cash Flow</b>	<b>27</b>	<b>38</b>	<b>74</b>	<b>75</b>	<b>79</b>
<b>% Change</b>	<b>47.5%</b>	<b>40.2%</b>	<b>94.8%</b>	<b>1.3%</b>	<b>4.3%</b>
Share / Issue Repurchase	(2)	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(7)	(9)	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	147	131	160	191	224
Trade Receivables	59	59	63	67	71
Other Current Assets	208	204	205	206	207
Property, Plant & Equipment	4	4	9	12	15
Other Non-Current Assets	1,703	1,428	1,473	1,518	1,563
<b>Total Assets</b>	<b>2,121</b>	<b>1,826</b>	<b>1,909</b>	<b>1,993</b>	<b>2,080</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	133	171	170	191	196
Long-Term Debt	256	243	243	243	243
Other Non-Current Liabilities	246	213	224	239	253
<b>Total Liabilities</b>	<b>634</b>	<b>627</b>	<b>637</b>	<b>672</b>	<b>691</b>
<b>Total Equity</b>	<b>1,487</b>	<b>1,199</b>	<b>1,258</b>	<b>1,321</b>	<b>1,389</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,121</b>	<b>1,826</b>	<b>1,895</b>	<b>1,993</b>	<b>2,080</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 9.

## Company Sector

Healthcare Technology & Distribution

## Company Description

DH provides commercial intelligence for companies looking to sell products and services into the healthcare industry. The DH platform combines provider data, sales intelligence, and healthcare market analytics for customers to develop insights on competitive dynamics, market sizing, and targeted product adoption. Core customers include life sciences and other healthcare vertical companies along with diversified non-healthcare companies. As of 11/30/22 the company had more than 3,000 customers.

## Investment Rationale

We view Definitive Health as a leader in the healthcare commercial intelligence space. While end markets have remained challenged through 2023, we view the recent stabilization in core Key Performance Indicators (KPIs) and improving enterprise customer growth as positioning the company for stable growth over the next few years.

## Stock Data

Average Daily Volume 602,195

## Quarterly Earnings Estimates

	2023	2024
Q1	0.06A	0.08E
Q2	0.08A	0.10E
Q3	0.09A	0.10E
Q4	0.07A	0.10E

# 4Q'23 call takeaways

## Prepared Remarks

- 4Q recap:
  - Strong top of the funnel demand, but longer sales cycles in key markets
  - Late in the quarter – saw meaningful increase in customer retention in the business – expect this to continue in 2023
  - Added 12 new enterprise clients – now account for 61% of annual recurring revenue (ARR)
  - Life science (half of ARR) – remains pressured. Customer churn remained elevated, and demand was softer
- Number of wins:
  - A Swiss robotics company, focused on minimally invasive surgery,
  - A New Jersey-based biopharma company, focused on oncology therapies
- Plan to expand Populi solution to other end-markets – key win in the health system segment included one of the largest non-profit health systems in Massachusetts,
- Diversified customers (44% of ARR) –
  - Commercial real-estate win
  - Integrating with Snowflake
- Expecting to drive 200bps improve in adj. EBITDA margin in 2024
- Restructuring announcement in January:
  - Streamlined marketing team – allocating more resources to largest clients
  - Shift in research allocation to enterprise clients to build deeper relationships
  - Reallocated resourced in product teams to more claims analytics, data science, and artificial intelligence.
  - Invested in Bangalore team – should help with efficiency longer-term
- 2024 focus:
  - Investing in core and proprietary data – expanding breadth of data. Non-standard affiliations – independent provider associations, data on cancer claims
  - Expanding Populi – have seen more expansion and retention in provider business
  - Expect value for life science partners – expected to launch by Q2



- Use of AI: Using AI to become more efficient, deriving new data with AI, geographic proxy and impact of scientific activity are examples of use cases.
- Completed Carevoyance – used by sales and marketing teams in MedTech. Small from revenue standpoint. Early feedback good and already integrating to core asset
- Focusing on client retention – enhancement of core and Populi will support churn
- 4Q'23 results:
  - 9% revenue growth y/y
  - Revenue includes \$3.2MM of professional services work, organic growth was 7% in 4Q and 11% in FY23
  - 565 Enterprise customers – increase of nearly 30 customers and 5% y/y
  - Total clients of 2,900- down 150 from Q4'22
  - Net dollar retention (NDR) was 93% for enterprise customers and 91% overall
  - Expect NDR improvement of at least 200 bps by end of 2024
  - Gross margin improvement y/y due to incremental data sources and impact of Populi – expect FY24 gross margins to be consistent with 4Q'23
  - Sales and marketing % of sales decrease driven by efficiencies – expect 200-300bps of leverage in 1Q'24 y/y and for it to build through the year
  - Will continue to invest across multiple opportunities – expect FY24 product development as % of sales to be consistent with FY23 – about 100bps of leverage from 4Q'23
  - Expect operating leverage of 100-200bps in general and administrative (G&A) spend in 2024 and build throughout the year
  - Net income margin improvement driven by sales and marketing leverage y/y in 4Q
  - Expect to reallocate some of the savings – expect EBITDA margins to build throughout the year
  - cRPO grew more slowly than revenue
- FY24 guidance:
  - Revenue is expected to be in the range of \$263.0 – \$269.0MM, a 5-7% increase from the prior year at the midpoint.
  - Adjusted Operating Income is expected to be in the range of \$78.0 – \$82.0MM

- Adjusted EBITDA is expected to be in the range of \$84.0 – \$88.0MM.
  - Adjusted Net Income is expected to be \$59.0 – \$63.0MM
  - Adjusted Net Income Per Diluted Share is expected to be \$0.37 – \$0.40 per share on approximately 159.3MM weighted-average shares outstanding.
- 1Q'24 guidance:
  - Assuming current macro pressures to continue into Q1
  - Revenue is expected to be in the range of \$63.0 – \$65.0MM, a 6-10% increase year over year.
  - Adjusted Operating Income is expected to be in the range of \$18.0 – \$19.0MM
  - Adjusted EBITDA is expected to be in the range of \$19.5 – \$20.5MM.
  - Adjusted Net Income is expected to be \$12.0 – \$13.0MM
  - Adjusted Net Income Per Diluted Share is expected to be \$0.07 – \$0.08 per share on approximately 157.4MM weighted-average shares outstanding.
- Believe current remaining performance obligations (cRPO) growth understates revenue growth
  - Discretionary opt out clauses don't show up in cRPO – w/o these contracts, cRPO would be up 4%
  - Expect to grow in transactional and services work
  - Bridge the gap between cRPO and revenue growth

## Q/A

- What products are you excited about?
  - Populi acquisition – claims management solutions. How to identify physicians, invest resources on geographic standpoint
  - Expect drive value in clients outside
- Recent Change outage put a bid out there for data firms? Any opportunity?
  - Too easy to say, focused on what is under control
- Improved retention late in the quarter and into January? Color on end-markets?
  - Effect was later in the quarter – across the entire customer base
  - Driven by – spent a lot of effort in 2H of year to improve deliverability on claims analytics (big focus)
  - Productized Populi platform with new analytics/visualizations
  - High quality data/high-service high touch will benefit through 2024



- Year of growth in 2024?
  - Change in the mindset – more about growth in 2024 vs. profitability in 2023
  - Restructuring was designed to put more resources with enterprise clients (lower churn, more opportunity for growth)
- Net dollar retention (NDRs) improving 100-200bps by end of the year?
  - Yes – annual disclosure so December to December
- On acquisitions – how much revenue?
  - Both tuck in acquisitions and considered in guidance
- Diversified segment has been an area of outperformance? Why has it been so durable? How meaningful is contribution to 2024?
  - Software/Diversified together is 40%
  - Within that – has been good performing segment
- Improvement in retention in 4Q, any win-back expectations embedded in 2024?
  - Nothing outsized for this year
  - Making an effort to win back customers that churned (especially if budget related)
  - Factored some of it into guidance – hard to predict how much is in 2024 vs. 2025 and beyond
- Why should revenue growth exceed cRPO growth? As you think about the things you called out? Is any of that different from how cRPO was reported in 2023? If cRPO growth remained at 2% would it be 5%?
  - Early in 2023 or end of 2022- had fewer opt out clauses. Those can come disproportionately through acquisitions
  - Activation products – helps people complete last mile of delivering marketing (Provider) new through Populi and acquisition of Carevoyance (early 2024) and contemplated in guidance
- Has there been changes in valuations in companies for M&A?
  - Price is coming back to more reasonable levels – vary in the markets
  - A+ assets still have a very high price. Expect more opportunities in the future.
  - Focusing on tuck-in assets
- North of 200bps of margin expansion in 2024, but lots of one-off dynamics, what does multi-year look like?
  - Value growth and profitability – continuing to reinvest
  - Overtime – would expect margins to continue and expand

- Any datapoints you can share, compare/contrast into 2023?
  - Had strong demand in 2023 – top of the funnel
  - Customers need to have products to grow, 2023 was a year of customers worrying more about costs than growth
  - Top of the funnel demand is still extremely high
- Have seen some competitors with slower study starts – curious if any impact from that? IQVIA and other names noting lower study starts
  - No short to medium term impact – mostly phase 2 and forward
  - Little bit on early stage- smaller Bio-techs struggling this year that had an impact
  - Not core part of the business
- Salesforce integration updates?
  - Integration with client workflow is big part of strategy – want to
  - Databricks, Snowflake, Salesforce
  - Over 50% of clients have some sort of integrations
  - Investing in connectors to make integrations more seamlessly – PowerBI and Tableau
- Seeing fund raising cycles circle back, what does Life science pipeline look like?
  - Top of the funnel demand is strong
  - Life science is biggest total addressable market
  - Lot of enterprise clients are in Lifesciences
  - Most of product investments are focused on Lifesciences – claims analytics, data science and AI
- Square retention commentary with continued erosion of net dollar retention (NDR)? Clients are staying, but mixing down on average dollars?
  - NDR presented is annual – increasing churn in early part of year, late in 4Q saw a strong rebound. Too late to offset NDR y/y, but given improvement late in year and early in 2024, expecting it to go up

## Price objective basis & risk

### Definitive Healthcare Corp (DH)

Our \$10.50 price objective for Definitive Healthcare (DH) represents about 18x CY24E EV/EBITDA, above the health IT peer group average of approximately 15x. We believe that DH should trade at a premium to health IT peers on a revenue and EBITDA multiple basis, given faster revenue growth and higher EBITDA margins.

Downside risks to achieving the PO are increased customer churn, elongated sales cycle, and growing competitive threats from other commercial intelligence players. Upside risks to our PO are expanding subscriptions of new and existing customer contracts, improved customer retention and improving end market conditions.

## 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
<b>BUY</b>				
	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
	Definitive Healthcare Corp	DH	DH US	Allen Lutz, CFA
	dentalcorp	YDNTL	DNTL CN	Allen Lutz, CFA
	Envista	NVST	NVST 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
	Omniceil Inc.	OMCL	OMCL US	Allen Lutz, CFA
	Patterson Companies	PDCO	PDCO US	Allen Lutz, CFA
	Progyny	PGNY	PGNY US	Allen Lutz, CFA
<b>NEUTRAL</b>				
	Cardinal Health	CAH	CAH US	Allen Lutz, CFA
	Dentsply Sirona, Inc.	XRAY	XRAY US	Allen Lutz, CFA
	Doximity Inc	DOCS	DOCS US	Allen Lutz, CFA
	Teladoc Health	TDOC	TDOC US	Allen Lutz, CFA
<b>UNDERPERFORM</b>				
	GoodRx	GDRX	GDRX 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



## iQmethod<sup>SM</sup> 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 &amp; 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

iQmethod<sup>SM</sup> 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<sup>®</sup> 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.

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# Disclosures

## Important Disclosures

### Definitive Hlthcare. (DH) 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 <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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

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

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