

Molson Coors Beverage Company

Can the Chill Train maintain its momentum heading into 2024?

Reiterate Rating: NEUTRAL | PO: 72.00 USD | Price: 61.29 USD

Maintaining US market share key to 2024

In 2023 TAP delivered outsized organic sales (+9.4% y/y) and EPS growth (+32.4%) by capitalizing on the opportunity created by the Bud Light boycott. This continued with [4Q earnings which were reported yesterday \(see note\)](#). TAP views U.S. share gains as “structural” and thus expects FY24 organic sales to grow low-single digits and adj. EPS to grow mid-single digits this year. FY24 EPS guidance incorporates a higher effective tax rate (23% to 25%) and the impact of winding down its Pabst co-manufacturing contract. Key considerations for FY24 are 1) sustainability of U.S. sales given upcoming tough comparisons (Superbowl could be a first test of this as Anheuser Busch ramps up marketing efforts 2) TAP sounds optimistic on gaining additional shelf space this upcoming Spring (resets occur between March and July). 3) COGS per hectoliter are expected to be up driven by continued inflation, material conversion costs, premiumization of the portfolio, lower volume leverage and headwind from prior commodity hedges. 4) TAP announced a 5 year \$2bn share repurchase authorization at its Strategy Day in early October. TAP re-purchased about \$145mm worth of stock in 4Q. We are modeling \$400m in FY24.

FY24 modeling highlights

Our FY24 EPS_e of \$5.71 remains unchanged and key drivers include: 1) organic sales up +1.1% with financial volumes -1.1% and price/mix +2.1%. We also expect Americas organic sales to decline -0.2% and this includes the headwind from unwinding of Pabst. 2) Total company gross margins up +40bps with COGS/HL up +1.5%. 3) We expect total MG&A spend to be up +0.6% from last year.

Reiterate Neutral & \$72 PO

Our FY25 and FY26 EPS_e are largely unchanged. We reiterate our Neutral rating and \$72 PO which is based on 11.8x our FY25 EPS estimate. At 11.8x, we value TAP shares below its 10-year average forward price to earnings multiple and a discount to brewer peers. We believe this reflects near term share gains, underlying improvement operations balanced against questions about the sustainability of sales growth and market share over time.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	4.12	5.43	5.71	6.11	6.53
EPS Change (YoY)	-0.7%	31.8%	5.2%	7.0%	6.9%
Consensus EPS (Bloomberg)			5.53	5.80	6.08
DPS	1.52	1.64	1.75	1.88	2.01
Valuation (Dec)					
P/E	14.9x	11.3x	10.7x	10.0x	9.4x
Dividend Yield	2.5%	2.7%	2.9%	3.1%	3.3%
EV / EBITDA*	12.2x	10.2x	10.0x	9.7x	9.4x
Free Cash Flow Yield*	6.2%	10.5%	8.6%	9.6%	9.9%

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

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Timestamp: 14 February 2024 05:00AM EST

14 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	11,666.8	11,826.2
2025E Rev (m)	11,828.1	11,992.0
2026E Rev (m)	11,992.3	12,160.9
2025E EPS	6.10	6.11
2026E EPS	6.52	6.53
2024E DPS	1.76	1.75

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Stock Data

Price	61.29 USD
Price Objective	72.00 USD
Date Established	4-Oct-2023
Investment Opinion	B-2-7
52-Week Range	49.32 USD - 70.90 USD
Mrkt Val (mn) / Shares Out (mn)	13,459 USD / 219.6
Free Float	90.8%
Average Daily Value (mn)	96.64 USD
BoFA Ticker / Exchange	TAP / NYS
Bloomberg / Reuters	TAP US / TAP.N
ROE (2024E)	9.0%
Net Dbt to Eqty (Dec-2023A)	39.9%
ESGMeter TM	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"](#).

iQprofileSM Molson Coors Beverage Company

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	4.5%	5.7%	5.8%	6.0%	6.0%
Return on Equity	6.8%	9.1%	9.0%	9.1%	9.1%
Operating Margin	12.3%	14.5%	15.0%	15.3%	15.5%
Free Cash Flow	841	1,408	1,163	1,290	1,336

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.7x	1.8x	1.6x	1.6x	1.6x
Asset Replacement Ratio	1.0x	1.0x	1.1x	1.0x	1.0x
Tax Rate	19.1%	22.5%	24.0%	24.0%	24.0%
Net Debt-to-Equity Ratio	46.2%	39.9%	35.8%	31.1%	26.4%
Interest Cover	5.4x	8.1x	8.4x	8.7x	9.0x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	10,701	11,702	11,826	11,992	12,161
% Change	4.1%	9.4%	1.1%	1.4%	1.4%
Gross Profit	3,881	4,468	4,561	4,649	4,739
% Change	1.6%	15.1%	2.1%	1.9%	1.9%
EBITDA	2,021	2,423	2,470	2,550	2,610
% Change	-0.8%	19.9%	2.0%	3.2%	2.4%
Net Interest & Other Income	(214)	(162)	(175)	(175)	(175)
Net Income (Adjusted)	893	1,179	1,212	1,257	1,303
% Change	-1.1%	32.1%	2.8%	3.7%	3.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	893	1,179	1,212	1,257	1,303
Depreciation & Amortization	685	683	700	720	720
Change in Working Capital	662	80	1	13	13
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	(737)	136	0	0	0
Capital Expenditure	(661)	(672)	(750)	(700)	(700)
Free Cash Flow	841	1,408	1,163	1,290	1,336
% Change	-20.0%	67.4%	-17.4%	11.0%	3.6%
Share / Issue Repurchase	(48)	(198)	(400)	(400)	(400)
Cost of Dividends Paid	(329)	(355)	(373)	(386)	(401)
Change in Debt	(512)	(398)	(500)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	600	869	759	1,263	1,798
Trade Receivables	866	879	889	901	914
Other Current Assets	1,172	1,100	1,104	1,112	1,121
Property, Plant & Equipment	4,223	4,445	4,495	4,475	4,455
Other Non-Current Assets	19,008	19,082	19,082	19,082	19,082
Total Assets	25,868	26,375	26,328	26,833	27,370
Short-Term Debt	397	912	912	912	912
Other Current Liabilities	2,978	3,181	3,194	3,228	3,263
Long-Term Debt	6,165	5,312	4,812	4,812	4,812
Other Non-Current Liabilities	3,413	3,535	3,535	3,535	3,535
Total Liabilities	12,953	12,940	12,454	12,488	12,523
Total Equity	12,915	13,435	13,874	14,345	14,847
Total Equity & Liabilities	25,868	26,375	26,328	26,833	27,370

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

Company Sector

Brewers

Company Description

Molson Coors is one of the world's largest brewers (>3% global share) with core brands Coors Light, Miller Lite, Carling, Molson Canadian and Staropramen. Molson and Coors merged in Feb 2005, added StarBev in 2012 and serves markets incl the United States, Canada, Eastern Europe and the UK/Ireland, with exposure to other markets through its Molson Coors International (MCI) division. It acquired the remainder (58%) of the US JV (MillerCoors) in mid October 2016.

Investment Rationale

We rate TAP shares Neutral. Recent U.S. mkt. share gains related to the Bud Light boycott have lasted long enough to positively impact sales & earnings. In addition, TAP has made progress on elements of the revitalization plan which has resulted in a stronger balance sheet and more reliable profit growth. However, TAP still mainly competes in the domestic beer category which has been growth impaired for years. In addition, we are skeptical of the company's long term sales potential.

Stock Data

Average Daily Volume 1,576,771

Quarterly Earnings Estimates

	2023	2024
Q1	0.54A	0.68E
Q2	1.78A	1.82E
Q3	1.92A	1.89E
Q4	1.19A	1.32E

Income statement

Exhibit 1: TAP income statement

BofA forecasting FY24 EPS of \$5.71

	31-Dec-21	31-Dec-22	31-Dec-23	31-Mar-24	30-Jun-24	30-Sep-24	31-Dec-24	31-Dec-24	31-Dec-25	31-Dec-26
	FY21	FY22	FY23	1Q24E	2Q24E	3Q24E	4Q24E	FY24E	FY25E	FY26E
Financial volume (HL)	84.0	82.3	83.8	17.6	22.7	22.8	19.8	82.9	82.7	82.2
Net sales	\$10,281.6	\$10,701.0	\$11,702.1	\$2,489.1	\$3,227.5	\$3,260.2	\$2,849.4	\$11,826.2	\$11,992.0	\$12,160.0
COGS	6,462.9	6,820.0	7,234.4	1,602.9	1,948.1	1,950.2	1,764.2	7,265.3	7,342.9	7,422.0
Gross profit	\$3,818.7	\$3,881.0	\$4,467.7	\$886.3	\$1,279.4	\$1,310.0	\$1,085.2	\$4,560.9	\$4,649.1	\$4,738.0
MG&A	2,552.3	2,562.1	2,774.5	644.4	720.8	732.7	692.7	2,790.6	2,819.4	2,848.0
Operating income	\$1,266.4	\$1,318.9	\$1,693.2	\$241.9	\$558.6	\$577.3	\$392.5	\$1,770.3	\$1,829.7	\$1,890.0
Interest expense	(258.3)	(246.3)	(208.6)	(52.5)	(52.5)	(52.5)	(52.5)	(210.0)	(210.0)	(210.0)
Other income/expense, non-core	41.4	27.5	34.6	2.8	5.1	1.3	25.4	34.6	34.6	34.6
Equity income	-	4.7	12.0	-	-	-	-	-	-	-
Adjusted pretax	\$1,049.5	\$1,104.8	\$1,531.2	\$192.2	\$511.2	\$526.1	\$365.4	\$1,594.9	\$1,654.3	\$1,714.0
Income tax	144.6	211.3	344.3	46.1	122.7	126.3	87.7	382.8	397.0	411.0
Net income from continuing operations	\$904.9	\$893.5	\$1,186.9	\$146.1	\$388.5	\$399.8	\$277.7	\$1,212.1	\$1,257.3	\$1,303.0
Non-controlling interests	(2.8)	(0.9)	(7.5)	-	-	-	-	-	-	-
Adjusted net income	\$902.1	\$892.6	\$1,179.4	\$146.1	\$388.5	\$399.8	\$277.7	\$1,212.1	\$1,257.3	\$1,303.0
Charges/gains/other	103.6	(1,067.9)	(185.7)	-	-	-	-	-	-	-
GAAP net income	\$1,005.7	(\$175.3)	\$993.7	\$146.1	\$388.5	\$399.8	\$277.7	\$1,212.1	\$1,257.3	\$1,303.0
Diluted shares outstanding	217.6	216.9	217.3	214.9	213.3	211.6	209.9	212.4	205.8	199.0
Adj Diluted EPS	\$4.15	\$4.10	\$5.43	\$0.68	\$1.82	\$1.89	\$1.32	\$5.71	\$6.11	\$6.54
Dividend per share	\$0.68	\$1.52	\$1.64	\$0.44	\$0.44	\$0.44	\$0.44	\$1.75	\$1.88	\$2.01
Dividend growth YoY	19%	124%	8%	7%	7%	7%	7%	7%	7%	7%
Payout ratio (as a % of EPS)	16%	37%	30%	65%	24%	23%	33%	31%	31%	31%
Payout ratio (as a % of trailing EBITDA)	7%	16%	15%	-	-	-	-	15%	15%	15%
NON-GAAP EBITDA analysis										
Adj. operating profit	\$1,266.4	\$1,318.9	\$1,693.2	\$241.9	\$558.6	\$577.3	\$392.5	\$1,770.3	\$1,829.7	\$1,890.0
D&A	\$786.1	\$684.8	\$682.8	\$175.0	\$175.0	\$175.0	\$175.0	\$700.0	\$720.0	\$720.0
Adjustments to arrive at adj. EBITDA	\$25.2	\$17.0	\$46.6	-	-	-	-	\$0.0	\$0.0	\$0.0
Adj. EBITDA	\$2,077.7	\$2,020.7	\$2,422.6	\$416.9	\$733.6	\$752.3	\$567.5	\$2,470.3	\$2,549.7	\$2,610.0
Underlying income before income taxes bridge										
Reported income before income taxes	\$1,049.5	\$1,104.8	\$1,531.2	\$192.2	\$511.2	\$526.1	\$365.4	\$1,594.9	\$1,654.3	\$1,714.0
FX impact	-	-\$24.0	\$19.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Underlying income before income taxes		\$1,128.8	\$1,512.1	\$192.2	\$511.2	\$526.1	\$365.4	\$1,594.9	\$1,654.3	\$1,714.0
Underlying income before income taxes			36.9%	21.8%	1.8%	0.1%	5.7%	4.2%	3.7%	3.6%
FX headwind										
Margin analysis										
Gross margin	37.1%	36.3%	38.2%	35.6%	39.6%	40.2%	38.1%	38.6%	38.8%	39.0%
MG&A as a % of net sales	24.8%	23.9%	23.7%	25.9%	22.3%	22.5%	24.3%	23.6%	23.5%	23.4%
Operating margins	12.3%	12.3%	14.5%	9.7%	17.3%	17.7%	13.8%	15.0%	15.3%	15.5%
Adjusted pretax	10.2%	10.3%	13.1%	7.7%	15.8%	16.1%	12.8%	13.5%	13.8%	14.1%
Adj EBITDA margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax rate	13.8%	19.1%	22.5%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Share of pre-tax profits	100.0%	100.0%	100.0%	12.0%	32.1%	33.0%	22.9%	100.0%	100.0%	103.6%
YoY % change										
Financial volume (HL)	-0.5%	-2.1%	1.8%	3.5%	-3.1%	-3.1%	-0.2%	-1.1%	-0.2%	-0.2%
Sales/HL	6.7%	6.3%	7.4%	2.5%	2.0%	2.0%	2.3%	2.2%	1.6%	1.6%
Net sales	6.2%	4.1%	9.4%	6.1%	-1.2%	-1.2%	2.1%	1.1%	1.4%	1.4%
COGS/HL	8.9%	7.8%	4.2%	1.6%	1.3%	1.4%	1.5%	1.5%	1.3%	1.3%
COGS/HL on a underlying basis	6.9%	11.0%	4.2%	-	-	-	-	-	-	-
COGS	8.3%	5.5%	6.1%	5.2%	-1.9%	-1.7%	1.4%	0.4%	1.1%	1.1%
Gross profit	2.7%	1.6%	15.1%	7.8%	-0.2%	-0.3%	3.3%	2.1%	1.9%	1.9%
MG&A	4.8%	0.4%	8.3%	5.4%	-1.8%	-1.8%	1.4%	0.6%	1.0%	1.0%
Operating income	-1.3%	4.1%	28.4%	14.6%	2.0%	1.7%	6.9%	4.6%	3.4%	3.3%
Interest expense	-4.8%	-4.6%	-15.3%	-11.2%	-3.8%	7.6%	13.9%	0.7%	0.0%	0.0%
Adjusted pretax number	-0.2%	5.3%	38.6%	21.8%	1.8%	0.1%	5.7%	4.2%	3.7%	3.6%

Exhibit 1: TAP income statement

BofA forecasting FY24 EPS of \$5.71

	31-Dec-21	31-Dec-22	31-Dec-23	31-Mar-24	30-Jun-24	30-Sep-24	31-Dec-24	31-Dec-24	31-Dec-25	31-Dec-25
Net income from continuing operations	5.8%	-1.3%	32.8%	24.8%	-0.6%	-4.7%	7.0%	2.1%	3.7%	3.6%
Underlying net income	5.9%	-1.1%	32.1%	25.6%	0.3%	-4.5%	7.9%	2.8%	3.7%	3.6%
Adj EPS	5.6%	-1.1%	32.4%	27.0%	2.5%	-1.8%	11.3%	5.1%	7.1%	6.8%
Total EBITDA	-2.6%	-2.7%	19.9%	7.3%	1.2%	1.3%	0.3%	2.0%	3.2%	2.4%

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH



Price objective basis & risk

Molson Coors Beverage Company (TAP)

Our PO of \$72 is based on a 11.8x multiple of our FY25 EPS estimate. At 11.8x, we value TAP shares below its 10-year average forward price to earnings multiple and a discount to brewer peers. We believe this reflects near term share gains, underlying improvement operations balanced against questions about the sustainability of sales growth and market share over time.

Upside risks to our PO: 1) Beer trends in the US pick up. 2) Stronger price realization. 3) Initiatives related to the revitalization plan have a meaningful impact on sales growth.

Downside risks to our PO: 1) Continued lackluster trends in the US and Canada. 2) Revitalization plan is unable to put the business in a better position for the future. 3) Consumer preference for other types of alcohol products (hard seltzers, wine & spirits) grows.

Analyst Certification

I, Bryan D. Spillane, 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 - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	BellRing Brands Inc	BRBR	BRBR US	Bryan D. Spillane
	Coca-Cola Europacific Partners plc	CCEP	CCEP US	Bryan D. Spillane
	Colgate-Palmolive Company	CL	CL US	Bryan D. Spillane
	Constellation Brands	STZ	STZ US	Bryan D. Spillane
	Coty Inc.	COTY	COTY US	Anna Lizzul
	e.l.f. Beauty	ELF	ELF US	Anna Lizzul
	Freshpet, Inc.	FRPT	FRPT US	Bryan D. Spillane
	Kenvue Inc.	KVUE	KVUE US	Anna Lizzul
	Keurig Dr Pepper	KDP	KDP US	Bryan D. Spillane
	Kraft Heinz Company	KHC	KHC US	Bryan D. Spillane
	Lamb Weston Holdings Inc	LW	LW US	Peter T. Galbo, CFA
	McCormick & Co.	MKC	MKC US	Peter T. Galbo, CFA
	Mondelez International	MDLZ	MDLZ US	Bryan D. Spillane
	Monster Beverage Corporation	MNST	MNST US	Peter T. Galbo, CFA
	PepsiCo	PEP	PEP US	Bryan D. Spillane
	Philip Morris International	PM	PM US	Lisa K. Lewandowski
	Pilgrim's Pride Corp.	PPC	PPC US	Peter T. Galbo, CFA
	The Coca Cola Company	KO	KO US	Bryan D. Spillane
	The Procter & Gamble Company	PG	PG US	Bryan D. Spillane
NEUTRAL				
	Altria Group	MO	MO US	Lisa K. Lewandowski
	Celsius Holdings Inc	CELH	CELH US	Jonathan Keypour
	Church & Dwight	CHD	CHD US	Anna Lizzul
	Clorox	CLX	CLX US	Anna Lizzul
	Conagra Brands, Inc.	CAG	CAG US	Peter T. Galbo, CFA
	Estee Lauder Companies Inc.	EL	EL US	Bryan D. Spillane
	General Mills	GIS	GIS US	Bryan D. Spillane
	JM Smucker Company	SJM	SJM US	Peter T. Galbo, CFA
	Kellanova	K	K US	Peter T. Galbo, CFA
	Molson Coors Beverage Company	TAP	TAP US	Bryan D. Spillane
	The Hershey Company	HSY	HSY US	Bryan D. Spillane
	Tyson Foods, Inc.	TSN	TSN US	Peter T. Galbo, CFA
	Utz Brands	UTZ	UTZ US	Peter T. Galbo, CFA
	WK Kellogg Co	KLG	KLG US	Peter T. Galbo, CFA



US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEE	WEED CN	Lisa K. Lewandowski
	Canopy Growth	CGC	CGC US	Lisa K. Lewandowski
	Cronos Group	YCRON	CRON CN	Lisa K. Lewandowski
	Cronos Group	CRON	CRON US	Lisa K. Lewandowski
	Dole plc	DOLE	DOLE US	Bryan D. Spillane
	Herbalife Nutrition Ltd	HLF	HLF US	Anna Lizzul
	Hormel Foods Corp.	HRL	HRL US	Peter T. Galbo, CFA
	Kimberly-Clark	KMB	KMB US	Anna Lizzul
	The Duckhorn Portfolio, Inc.	NAPA	NAPA US	Peter T. Galbo, CFA
RSTR				
	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane

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

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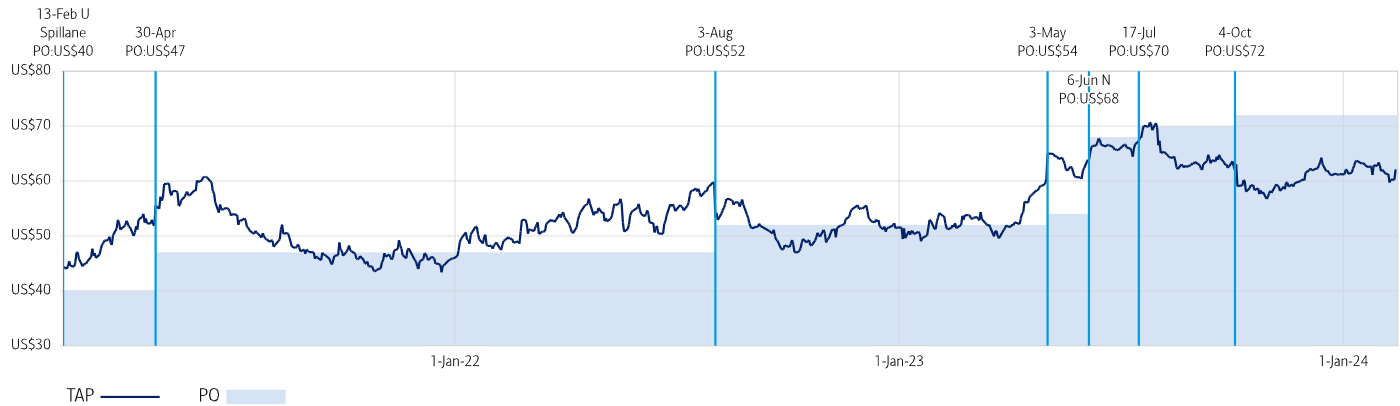
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Molson Coors (TAP) Price Chart



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

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Equity Investment Rating Distribution: Beverages - Alcoholic Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	22	61.11%	Buy	15	68.18%
Hold	6	16.67%	Hold	4	66.67%
Sell	8	22.22%	Sell	2	25.00%

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%

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