

Huntington Bancshares Inc.

Growth minded

Reiterate Rating: NEUTRAL | PO: 14.00 USD | Price: 12.72 USD

Modestly better PPNR guidance

Huntington (HBAN) shares outperformed peers today (~150bp) after reporting relatively in line 4Q23 results, with core EPS of \$0.27 vs BofA/cons. \$0.27/\$0.26 estimates. Mgmt. laid out its 2024 guide that was modestly positive relative to pre-earnings street estimates – higher net interest income (+2.6%/+1.6% vs. BofA/cons.), lower fees (-0.9%/-0.8%), in line expenses (+0.6%/0.0%), net-net implying stronger pre-provision net revenue (+3.3%/+2.3%). Guidance assumes credit quality remains relatively strong with outlook for net charge-offs to average in the 25-35bp range vs. 31bp reported for 4Q23. Revise FY25e EPS +2.7% to \$1.26. Our \$14 PO (\$13 prior) is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.5x/1.5x multiples respectively (12.5x/1.4x prior).

Upbeat on growth outlook

Average loan balances expected to grow 3-5% YoY driven by the addition of three new industry verticals and the recent expansion into the Carolinas. Mgmt. also upbeat on its outlook for fee revenue growth, driven by capital markets, payments, and wealth (contribute ~63% to fee revenues). FY24 fee income guide +5-7%. We note the relative universal optimism around a pick-up in capital markets activity that we have heard over the last week from both large-cap and mid-cap banks. We forecast FY24/25e fee growth of 6.4%/2.9%. Beyond these, Huntington's footprint should continue to benefit from federal funding such as the investments leading to chipmaker Intel's Ohio plant (\$20bn in investments over the next five years).

Capitalizing on market share opportunities

CEO Steve Steinour in offense mode, looking to capitalize on talent/market share opportunities in a backdrop where several peers have been retrenching (shrinking balance sheets, reducing headcount). While the macro backdrop will likely need to cooperate to a certain degree in order for mgmt. to realize its 2024 growth targets, over the medium-term, we see HBAN as extremely well-positioned to emerge as a winner with market share consolidation (organically and/or via M&A). Stock trading at 11x 2024 P/E vs. 10x super-regional peer median and 1.5x YE24e TBV vs. ~15% return on tangible common equity (ROTCE) forecast. We see the risk/reward as balanced. Reiterate Neutral rating.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.50	1.40	1.16	1.26	1.36
GAAP EPS	1.45	1.27	1.16	1.26	1.36
EPS Change (YoY)	-3.2%	-6.7%	-17.1%	8.6%	7.9%
Consensus EPS (Bloomberg)			1.22	1.34	1.51
DPS	0.62	0.62	0.66	0.69	0.73
Valuation (Dec)					
P/E	8.5x	9.1x	11.0x	10.1x	9.4x
GAAP P/E	8.8x	10.0x	11.0x	10.1x	9.4x
Dividend Yield	4.9%	4.9%	5.2%	5.4%	5.7%

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Timestamp: 19 January 2024 07:08PM EST

19 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	13.00	14.00
2024E Rev (m)	7,362.1	7,371.8
2025E Rev (m)	7,587.0	7,663.0
2026E Rev (m)	7,917.8	7,932.2
2025E EPS	1.22	1.26
2026E EPS	1.35	1.36

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Stock Data

Price	12.72 USD
Price Objective	14.00 USD
Date Established	19-Jan-2024
Investment Opinion	B-2-7
52-Week Range	9.13 USD -15.62 USD
Mrkt Val / Shares Out (mn)	10,111 USD / 794.9
Free Float	98.2%
Average Daily Value	221.11 USD
BofA Ticker / Exchange	HBAN / NAS
Bloomberg / Reuters	HBAN US / HBAN.OQ
ROE (2024E)	9.9%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM Huntington Bancshares Inc.

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Income	5,304	5,481	5,361	5,593	5,807
% change	28.5%	3.3%	-2.2%	4.3%	3.8%
Net Fee Income	NA	NA	NA	NA	NA
Securities Gains / (Losses)	0	(7)	0	0	0
Total Operating Income	7,285	7,402	7,372	7,663	7,932
Operating Expenses	(4,106)	(4,292)	(4,482)	(4,621)	(4,712)
% change	12.1%	4.5%	4.4%	3.1%	2.0%
Provisions Expense	(289)	(402)	(545)	(500)	(500)
% change	NA	39.1%	35.6%	-8.3%	0%
Operating Pre-Tax Income	2,890	2,709	2,345	2,542	2,720
Operating Net Income to Comm S/Hold.	2,188	2,034	1,691	1,851	1,999
GAAP Net Income	2,188	2,034	1,691	1,851	1,999

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Assets	182,906	189,368	196,935	200,010	204,789
Average Interest Earning Assets	163,302	171,582	176,976	181,458	185,385
Total Gross Customer Loans	120,052	122,498	129,755	131,897	134,121
% change	6.3%	2.0%	5.9%	1.7%	1.7%
Total Customer Deposits	NA	NA	NA	NA	NA
% change	NA	NA	NA	NA	NA
Tangible Equity	9,877	11,285	12,063	12,943	13,916
Common Shareholders' Equity	15,602	16,959	17,690	18,526	19,455

Key Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Margin	3.25%	3.19%	3.03%	3.08%	3.13%
Effective Tax Rate	19.6%	18.5%	20.5%	20.4%	20.3%
Loan / Deposit Ratio	NA	NA	NA	NA	NA
Tangible Common Equity / Assets	5.4%	6.0%	6.1%	6.5%	6.8%
ROA	1.2%	1.1%	0.9%	0.9%	1.0%
ROE	13.6%	12.7%	9.9%	10.3%	10.6%
RoTE	20.5%	19.4%	14.6%	14.9%	15.0%
Dividend Payout Ratio	40.5%	43.7%	55.9%	54.1%	52.7%
Efficiency Ratio (Cost / Income Ratio)	56.4%	57.9%	60.8%	60.3%	59.4%

Quality of Earnings (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Non-Interest Inc / Operating Inc	27.2%	26.0%	27.3%	27.0%	26.8%
NPLs plus Foreclosed Real Estate / Loans	0.5%	0.6%	0.6%	0.6%	0.6%
Loan Loss Reserves / NPLs	363.81%	321.68%	319.57%	310.35%	295.22%
Loan Loss Reserves / Total Loans	1.77%	1.84%	1.82%	1.83%	1.80%

Company Sector

Banks-US Regionals

Company Description

Huntington Bancshares Incorporated is a bank holding company headquartered in Columbus, Ohio with over \$150 billion of assets. The company operates over 600 branches across a geographic footprint spanning the Midwest and Pennsylvania. The company's lending portfolio focuses primarily on C&I, home equity, and CRE.

Investment Rationale

We believe returns should remain among the best-in-breed and prudent risk / capital management should position HBAN well in the current economic backdrop. However, the lack of any stock specific catalysts keeps us Neutral rated on the stock.

Stock Data

Average Daily Volume 17,382,536

Quarterly Earnings Estimates

	2023	2024
Q1	0.42A	0.25E
Q2	0.35A	0.27E
Q3	0.36A	0.30E
Q4	0.27A	0.33E

Exhibit 1: HBAN Variance Table

New vs old EPS estimates, assumptions

KEY FORECAST VARIABLES:	Actual 4Q23	Estimate 4Q23E	Variance	New 2024E	Old 2024E	Variance	New 2025E	Old 2025E	Variance
EOP Loans	121,982	121,926	0.05%	129,239	124,354	3.93%	131,381	126,458	3.89%
Average Loans	121,800	121,992	-0.16%	126,187	124,208	1.59%	130,826	126,009	3.82%
Average Earning Assets	171,360	170,509	0.50%	176,976	173,014	2.29%	181,458	176,240	2.96%
Net Interest Margin (%)	3.07	3.07	0bp	3.03	3.09	-6bp	3.08	3.11	-2bp
Net Interest Income (FTE)	1,327.0	1,318.3	0.66%	5,361.1	5,340.7	0.38%	5,593.5	5,473.5	2.19%
Loan Loss Provision	126.0	125.0	0.80%	545.0	550.0	-0.91%	500.0	500.0	0.00%
Tot. Revenue	1,732	1,797	-3.62%	7,372	7,362	0.13%	7,663	7,587	1.00%
Staff Expenses	645.0	646.9	-0.29%	2,602.6	2,610.2	-0.29%	2,680.7	2,688.5	-0.29%
Total Expenses	1,122.0	1,118.5	0.31%	4,481.5	4,459.5	0.50%	4,620.7	4,597.8	0.50%
Pre-Tax Income (FTE)	484.0	553.5	-12.56%	2,345.3	2,352.6	-0.31%	2,542.3	2,489.2	2.13%
FTE Tax Rate (%)	12.0	21.4	-9pp	20.5	21.3	-1pp	20.4	21.2	-1pp
Net Income	426.0	435.2	-2.12%	1,864.0	1,852.2	0.64%	2,023.6	1,961.7	3.16%
Available For Common	385.0	398.0	-13mn	1,703.0	1,704.1	-1mn	1,862.6	1,813.7	49mn
Op. EARNINGS PER SHARE (F.D.)	\$0.27	\$0.27	1%	\$1.16	\$1.16	0%	\$1.26	\$1.22	3%
GAAP EPS (F.D.)	\$0.15	\$0.14	6%	\$1.16	\$1.16	0%	\$1.26	\$1.22	3%
Book Value Per Share	\$11.71	\$11.03	\$0.69	\$12.22	\$11.53	\$0.69	\$12.79	\$12.08	\$0.72
Tangible Book Value Per Share	\$7.79	\$7.11	\$0.68	\$8.33	\$7.65	\$0.68	\$8.94	\$8.22	\$0.72
Dividends Per Share	\$0.16	\$0.17	(\$0.01)	\$0.66	\$0.66	\$0.00	\$0.69	\$0.69	\$0.00
Average Fully-Diluted Shares	1,469.0	1,480.7	-12mn	1,473.1	1,473.1	0mn	1,480.7	1,480.7	0mn
CAPITAL RATIOS:									
EOP Common Equity/Assets (%)	8.96	8.48	48bp	8.98	8.71	27bp	9.26	8.88	38bp
Tang. Common Equity/Assets (%)	6.14	5.64	51bp	6.31	5.95	35bp	6.66	6.22	43bp
Tangible Common Equity/RWA (%)	8.02	7.38	64bp	8.25	7.80	45bp	8.71	8.16	55bp
Tier 1 Common/RWA (%)	10.10	10.16	-6bp	10.21	10.50	-28bp	10.28	10.41	-14bp
Tier 1/RWA (%)	11.81	11.95	-14bp	11.86	12.25	-40bp	11.89	12.12	-23bp
PROFITABILITY RATIOS:									
Return On Assets (%)	0.90	0.92	-2bp	0.96	0.97	-1bp	1.02	1.01	1bp
Return On Common Equity (%)	9.39	9.88	-49bp	9.98	10.58	-60bp	10.40	10.73	-33bp
Return On Tangible Common Equity (%)	14.81	15.71	-90bp	14.98	16.34	-137bp	15.18	16.09	-91bp
Operating Expenses/Revenues (%)	64.67	62.24	243bp	60.79	60.57	22bp	60.30	60.60	-30bp
BALANCE SHEET ITEMS:									
EOP Total Deposits	151,230	149,445	1.19%	153,450	152,947	0.33%	157,071	156,581	0.31%
AVG Total Deposits	149,654	149,156	0.33%	152,271	151,086	0.78%	155,261	154,764	0.32%
EOP Total Assets	189,368	188,311	0.56%	196,935	191,681	2.74%	200,010	196,834	1.61%
EOP Equity	19,353	18,449	4.90%	20,084	19,181	4.71%	20,920	19,969	4.77%
EOP Preferred Equity	2,394	2,484	-3.62%	2,394	2,484	-3.62%	2,394	2,484	-3.62%
EOP Common Equity	16,959	15,965	6.22%	17,690	16,697	5.95%	18,526	17,485	5.96%
EOP Tangible Common Equity	11,285	10,295	9.61%	12,063	11,074	8.93%	12,943	11,906	8.72%
CREDIT QUALITY INDICATORS:									
Net Charge-Offs	94	100	-6.00%	440	550	-20.00%	450	500	-10.00%
% Average Loans	0.31	0.33	-2bp	0.35	0.44	-9bp	0.34	0.40	-5bp
Nonperforming Assets	711	664	7.14%	751	702	7.01%	794	743	6.95%
% EOP Loans + OREO	0.58	0.54	4bp	0.58	0.56	2bp	0.60	0.58	2bp
Nonperforming Loans	701	650	7.91%	739	684	7.94%	777	720	7.88%
% EOP Loans (excl. OREO)	0.57	0.53	4bp	0.57	0.55	2bp	0.59	0.57	2bp
Loan Loss Reserve	2,255	2,233	0.99%	2,360	2,233	5.69%	2,410	2,233	7.93%
% EOP Loans	1.85	1.83	2bp	1.83	1.80	3bp	1.83	1.77	7bp
% Nonperforming Loans	321.68	343.75	0bp	319.57	326.38	0bp	310.35	310.21	0bp

Source: BofA Global Research estimates, company filings



Price objective basis & risk

Huntington Bancshares Inc. (HBAN)

Our \$14 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV.

We assign 13.5x/1.5x multiples, respectively, in-line with/below the bank's 5 year pre pandemic median of 12.5x/1.8x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop. Downside risks to our PO: higher for longer interest rate environment increasing deposit costs, greater than expected expenses.

Upside risks: better than expected PPNR growth.

Analyst Certification

I, Ebrahim H. Poonawala, 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.

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSLX	TSLX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett

UNDERPERFORM

	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

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

Denominator

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

Quality of Earnings

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

Numerator

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

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Valuation Toolkit

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

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

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 valuations. 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.

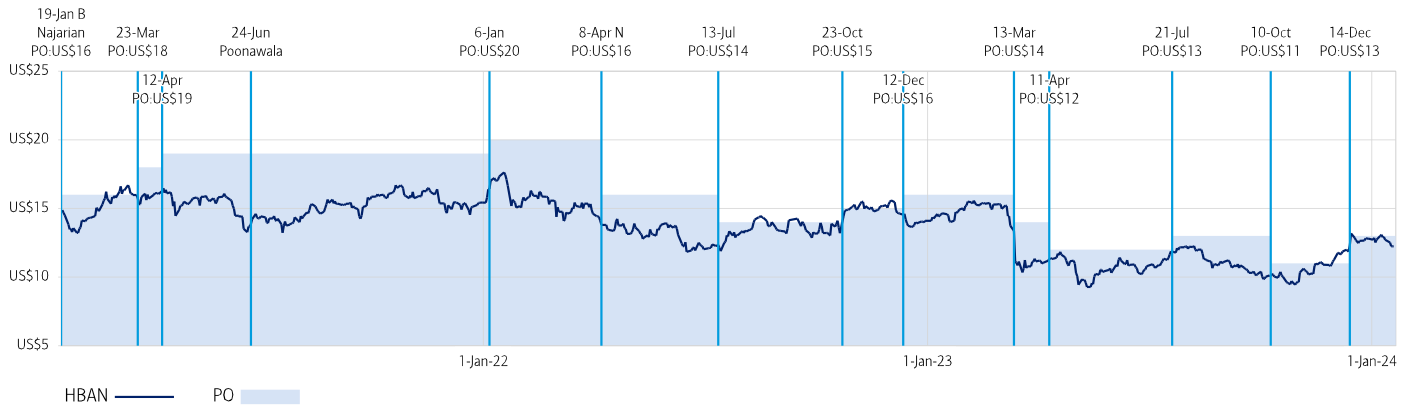
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Disclosures

Important Disclosures

Huntington (HBAN) 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: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

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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