

Qualcomm

Another solid performance driven by improving handset shipments

Reiterate Rating: BUY | PO: 173.00 USD | Price: 148.51 USD

Strong results as handset demand continues to improve

Strong automotive and handset semiconductor revenues in 1Q drove better than expected results. Revenues of \$9.92bn beat Street's \$9.54bn. Gross and operating margins of 57%/37% also came in above Street's 56%/33%, respectively, with the topline beat and strong margins driving a 39c EPS beat. On the positive side, Qualcomm saw higher demand for smartphones related to the recent launch of Samsung's flagship S24 device, as well as solid overall demand across the Android ecosystem. However, the guidance was somewhat lackluster, calling for flat handset trends in both 2Q and 3Q. We also flag Huawei re-entering the Chinese 5G handset market as a key risk factor. Overall, we believe the global handset market should recover in 2024, with AI having a positive impact on demand and ASPs over the long-term. We reiterate our Buy and \$173 PO.

Handset and autos growth drive strong QCT and QTL revs

QCT (semis) revenues grew 7% YoY, vs. Street's 2%, driven by smartphone strength, mostly on Samsung's S24 launch. The autos segment was surprisingly strong, up 31% YoY vs. Street's 14% expectations, with the strength tied to timing of car launches where Qualcomm dominates the communications market and has a growing position in digital cockpit. QTL (licensing) revenues were also strong, at \$1.46bn, vs. Street's \$1.42bn, supported by improving channel inventory levels and better smartphone demand. On the other hand, the IoT QCT business remains depressed and declined -32% YoY to \$1.1bn in 1Q due to continued macro headwinds.

Mixed 2Q guidance and with 3Q also expected to be soft

2Q guidance and 3Q indications were less impressive. 2Q QCT revenues were guided to decline ~6% QoQ with management expecting flat Android demand in 2Q, and another flat quarter in 3Q due to lack of major handset launches. The autos segment to weaken from the strong 1Q, but management believes it is on target to achieve its \$4bn revenue target in 2026. IoT started 2024 slowly, battling both weak demand and excess channel inventories in 1Q, but should grow 8% QoQ in 2Q and see additional sequential improvement throughout the year. Lastly, Qualcomm renewed its licensing agreement with Apple and two key OEMs, with no significant change in QTL revenue run rate. We update estimates and model QTL revenues of \$5.45bn in 2024, vs. \$5.31bn in 2023.

Estimates (Sep) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	12.53	8.43	9.84	10.76	11.62
GAAP EPS	11.02	6.80	8.69	9.53	10.31
EPS Change (YoY)	46.7%	-32.7%	16.7%	9.3%	8.0%
Consensus EPS (Bloomberg)			9.37	10.80	11.86
DPS	2.86	3.12	3.22	3.24	1.68
Valuation (Sep)					
P/E	11.9x	17.6x	15.1x	13.8x	12.8x
GAAP P/E	13.5x	21.8x	17.1x	15.6x	14.4x
Dividend Yield	1.9%	2.1%	2.2%	2.2%	1.1%
EV / EBITDA*	11.5x	16.6x	15.0x	14.0x	13.0x
Free Cash Flow Yield*	3.1%	4.5%	5.2%	5.9%	6.4%

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

01 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	37,917.3	38,394.2
2025E Rev (m)	42,657.7	41,450.3
2026E Rev (m)	48,199.4	45,449.9
2024E EPS	9.18	9.84
2025E EPS	10.70	10.76
2026E EPS	11.72	11.62

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Stock Data

Price	148.51 USD
Price Objective	173.00 USD
Date Established	25-Jan-2024
Investment Opinion	B-1-7
52-Week Range	101.47 USD - 157.98 USD
Mrkt Val (mn) / Shares Out (mn)	219,089 USD / 1,475.3
Free Float	99.9%
Average Daily Value (mn)	1209.86 USD
BoFA Ticker / Exchange	QCOM / NAS
Bloomberg / Reuters	QCOM US / QCOM.OQ
ROE (2024E)	45.8%
Net Dbt to Eqty (Sep-2023A)	14.6%
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".

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Timestamp: 01 February 2024 01:00AM EST

iQprofileSM Qualcomm

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	44.1%	25.0%	25.4%	24.4%	23.0%
Return on Equity	101.9%	47.9%	45.8%	40.2%	35.1%
Operating Margin	38.6%	32.0%	34.1%	34.6%	33.9%
Free Cash Flow	6,834	9,849	11,449	12,948	13,938

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.6x	1.2x	1.1x	1.1x	1.1x
Asset Replacement Ratio	1.3x	0.8x	0.5x	0.4x	0.4x
Tax Rate	14.1%	14.3%	14.6%	15.0%	15.0%
Net Debt-to-Equity Ratio	39.7%	14.6%	-8.0%	-29.1%	-44.9%
Interest Cover	36.3x	29.3x	NM	NM	NM

Income Statement Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	44,170	35,831	38,394	41,450	45,450
% Change	32.0%	-18.9%	7.2%	8.0%	9.6%
Gross Profit	25,807	20,184	21,863	23,815	26,159
% Change	32.5%	-21.8%	8.3%	8.9%	9.8%
EBITDA	19,594	13,607	15,104	16,175	17,442
% Change	37.5%	-30.6%	11.0%	7.1%	7.8%
Net Interest & Other Income	(470)	(391)	(140)	(140)	(140)
Net Income (Adjusted)	14,251	9,486	11,070	12,058	12,964
% Change	45.3%	-33.4%	16.7%	8.9%	7.5%

Free Cash Flow Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	12,532	7,655	9,777	10,675	11,499
Depreciation & Amortization	1,762	1,809	1,861	2,073	2,272
Change in Working Capital	(4,167)	600	9	(497)	(803)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(1,031)	1,235	658	1,553	1,826
Capital Expenditure	(2,262)	(1,450)	(856)	(856)	(856)
Free Cash Flow	6,834	9,849	11,449	12,948	13,938
% Change	-21.0%	44.1%	16.3%	13.1%	7.6%
Share / Issue Repurchase	(145)	87	(370)	0	0
Cost of Dividends Paid	(3,212)	(3,491)	(3,580)	(3,580)	(3,580)
Change in Debt	0	0	0	0	0

Balance Sheet Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	6,382	11,324	16,706	24,244	32,780
Trade Receivables	5,643	3,183	3,536	3,823	4,206
Other Current Assets	8,699	7,957	7,946	8,463	9,295
Property, Plant & Equipment	5,168	5,042	4,125	2,909	1,492
Other Non-Current Assets	23,122	23,534	23,789	23,789	23,789
Total Assets	49,014	51,040	56,101	63,228	71,562
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	11,866	9,628	9,398	10,101	11,097
Long-Term Debt	13,537	14,484	14,566	14,566	14,566
Other Non-Current Liabilities	5,598	5,347	5,342	5,341	5,341
Total Liabilities	31,001	29,459	29,306	30,008	31,004
Total Equity	18,013	21,581	26,795	33,219	40,558
Total Equity & Liabilities	49,014	51,040	56,101	63,228	71,562

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

Company Sector

Telecom Equipment-Wireless/Cellular

Company Description

Qualcomm (QCOM) designs, develops, and supplies semiconductors and collects royalties on wireless handheld devices and infrastructure based on its dominant position in CDMA and other related technology patents. In addition Qualcomm provides systems software and components to wireless handset vendors and promotes applications and services that run on high speed wireless networks. The company operates primarily through two segments: CDMA Technologies and Technology Licensing.

Investment Rationale

We believe that Qualcomm is a long-term beneficiary of growing 3G/4G/5G smartphone, tablet and cellular enabled machine to machine adoption worldwide. QCT shipments should benefit from smartphone upgrades and IoT devices coming online, while ASPs are expected to increase due to higher-ASP 5G modems as well as growing RF front-end solution attach rates. Last, one of the biggest risks (Apple dispute) for QTL has been removed.

Stock Data

Average Daily Volume 8,017,686

Quarterly Earnings Estimates

	2023	2024
Q1	2.37A	2.75A
Q2	2.15A	2.30E
Q3	1.87A	2.22E
Q4	2.02A	2.56E

Financial highlights

Exhibit 1: Actual versus estimated results

Qualcomm beat our expectations across the board

\$mn	1Q23	2Q23	3Q23	4Q23	1Q24	BofA Est	Delta	QoQ
QTL (Licensing) Revs	\$1,524	\$1,290	\$1,230	\$1,262	\$1,460	\$1,403	\$57	15.7%
QoQ % Chg	5.8%	-15.4%	-4.7%	2.6%	15.7%	11.1%		
YoY % Chg	-16.2%	-18.4%	-19.0%	-12.4%	-4.2%	-8.0%		
QCT (Chip business) Revs	\$7,892	\$7,942	\$7,174	\$7,374	\$8,423	\$8,003	\$420	14.2%
QoQ % Chg	-20.3%	0.6%	-9.7%	2.8%	14.2%	8.5%		
YoY % Chg	-10.8%	-16.8%	-23.5%	-25.5%	6.7%	1.4%		
Total Revenues	9,456	9,268	8,442	8,665	9,922	\$9,435	\$487	14.5%
QoQ % Chg	-17.0%	-2.0%	-8.9%	2.6%	14.5%	8.9%		
YoY % Chg	-11.6%	-16.9%	-22.7%	-23.9%	4.9%	-0.2%		
Gross Profit	5,483	5,166	4,702	4,833	5,671	\$5,331	\$340	17.3%
Gross Margin	58.0%	55.7%	55.7%	55.8%	56.5%	56.5%	-	72 bps
Opex:								
R&D	\$1,745	\$1,710	\$1,717	\$1,659	\$1,590	\$1,659	-\$69	-4.2%
SG&A	\$461	\$462	\$464	\$505	\$461	\$505	-\$44	-8.7%
Operating Expenses	\$2,206	\$2,172	\$2,181	\$2,164	\$2,051	\$2,164	-\$113	-5.2%
Opex/Sales Ratio	23.3%	23.4%	25.8%	25.0%	20.7%	22.9%	(226) bps	-17.2%
Operating Income	3,277	2,994	2,521	2,669	3,620	3,167	\$453	35.6%
Operating Margin %	34.7%	32.3%	29.9%	30.8%	36.5%	33.6%	292 bps	568 bps
QTL EBT Margin	73.3%	67.5%	65.9%	65.7%	74.0%	72.0%		828 bps
QCT EBT Margin	27.7%	26.5%	24.3%	25.6%	30.8%	27.0%		517 bps
Financial/Other Inc	-\$111	-\$137	-\$91	-\$52	-\$35	-\$52	\$17	-32.7%
Income Tax	-\$482	-\$437	-\$325	-\$340	-\$484	-\$467	-\$17	42.4%
Tax Rate	15.2%	15.3%	13.4%	13.0%	13.5%	15.0%	(150) bps	3.9%
Net Income (loss)	\$2,684	\$2,420	\$2,105	\$2,277	\$3,101	\$2,648	\$453	36.2%
Non-GAAP EPS	\$2.37	\$2.15	\$1.87	\$2.02	\$2.75	\$2.35	\$0.40	35.9%
GAAP EPS	\$2.03	\$1.52	\$1.52	\$1.80	\$2.52	\$2.12	\$0.40	40.2%
FD Share count	1,131,000	1,123,000	1,124,000	1,125,000	1,127,000	1,124,888	2,113	0.2%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 2: Summary of model changes

We tweak our estimates to reflect management's latest guidance targets and market outlook

	BofA SALES			BofA Pro Forma -EPS		
	Old	New	Delta	Old	New	Delta
FY23E (Sep-2023)						
1Q23	\$9,456	\$9,456	\$0	\$2.37	\$2.37	\$0.00
2Q23	\$9,268	\$9,268	\$0	\$2.15	\$2.15	\$0.00
3Q23	\$8,442	\$8,442	\$0	\$1.87	\$1.87	\$0.00
4Q23	\$8,665	\$8,665	\$0	\$2.02	\$2.02	\$0.00
Total	\$35,831	\$35,831	\$0	\$8.43	\$8.43	\$0.00
FY24E (Sep-2024)						
1Q24	\$9,435	\$9,922	\$487	\$2.35	\$2.75	\$0.40
2Q24E	\$9,290	\$9,287	(\$3)	\$2.20	\$2.30	\$0.10
3Q24E	\$9,205	\$9,200	(\$5)	\$2.14	\$2.22	\$0.08
4Q24E	\$9,988	\$9,986	(\$2)	\$2.48	\$2.56	\$0.08
Total	\$37,917	\$38,394	\$477	\$9.18	\$9.84	\$0.65
FY25E (Sep-2025)						
1Q25E	\$10,343	\$10,231	(\$112)	\$2.66	\$2.70	\$0.03
2Q25E	\$10,560	\$10,284	(\$275)	\$2.66	\$2.67	\$0.01
3Q25E	\$10,532	\$10,138	(\$393)	\$2.58	\$2.56	(\$0.01)
4Q25E	\$11,223	\$10,796	(\$427)	\$2.80	\$2.84	\$0.04
Total	\$42,658	\$41,450	(\$1,207)	\$10.70	\$10.76	\$0.07

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Glossary

QTL: Qualcomm Technology Licensing

QCT: Qualcomm CDMA Technology

IoT: Internet of Things

TAM: Total Addressable Market



Exhibit 3: Income statement

We model FY24 revenues/EPS to reach \$38.4bn/\$9.84, respectively

(\$mn except per share values)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E		F2023	F2024E	F2025E
QCT Revenues	7,892	7,942	7,174	7,374	8,423	7,945	7,869	8,548	8,715	8,879	8,714	9,255		30,382	32,786	35,564
YoY Growth	-10.8%	-16.8%	-23.5%	-25.5%	6.7%	0.0%	9.7%	15.9%	3.5%	11.8%	10.7%	8.3%		-19.4%	7.9%	8.5%
QTL Revenues	1,524	1,290	1,230	1,262	1,460	1,303	1,291	1,399	1,477	1,366	1,385	1,502		5,306	5,453	5,730
YoY Growth	-16.2%	-18.4%	-19.0%	-12.4%	-4.2%	1.0%	5.0%	10.8%	1.2%	4.9%	7.3%	7.4%		-16.5%	2.8%	5.1%
Total Revenues	9,456	9,268	8,442	8,665	9,922	9,287	9,200	9,986	10,231	10,284	10,138	10,796		35,831	38,394	41,450
YoY Growth	-11.6%	-16.9%	-22.7%	-23.9%	4.9%	0.2%	9.0%	15.2%	3.1%	10.7%	10.2%	8.1%		-18.9%	7.2%	8.0%
Gross Profits	5,483	5,166	4,702	4,833	5,671	5,284	5,216	5,692	5,863	5,893	5,819	6,240		20,184	21,863	23,815
Gross Margin	58.0%	55.7%	55.7%	55.8%	56.5%	56.9%	56.7%	57.0%	57.3%	57.3%	57.4%	57.8%		56.3%	56.9%	57.5%
Total Opex	2,206	2,172	2,181	2,164	2,051	2,201	2,242	2,270	2,270	2,338	2,411	2,471		8,723	8,763	9,489
Operating Income	3,277	2,994	2,521	2,669	3,620	3,084	2,974	3,422	3,593	3,555	3,408	3,770		11,461	13,100	14,326
Operating Margin	34.7%	32.3%	29.9%	30.8%	36.5%	33.2%	32.3%	34.3%	35.1%	34.6%	33.6%	34.9%		32.0%	34.1%	34.6%
Financial Income (Expense)	-111	-137	-91	-52	-35	-35	-35	-35	-35	-35	-35	-35		-391	-140	-140
Income Tax Expense	-482	-437	-325	-340	-484	-457	-441	-508	-534	-528	-506	-560		-1,584	-1,890	-2,128
Net Income	2,684	2,420	2,105	2,277	3,101	2,591	2,498	2,879	3,024	2,992	2,867	3,174		9,486	11,070	12,058
Non-GAAP EPS	\$2.37	\$2.15	\$1.87	\$2.02	\$2.75	\$2.30	\$2.22	\$2.56	\$2.70	\$2.67	\$2.56	\$2.84		\$8.43	\$9.84	\$10.76
GAAP EPS	\$1.98	\$1.47	\$1.60	\$1.75	\$2.47	\$2.02	\$1.93	\$2.27	\$2.39	\$2.36	\$2.25	\$2.52		\$6.80	\$8.69	\$9.53
Diluted share count	1,131	1,123	1,124	1,125	1,127	1,126	1,125	1,123	1,122	1,121	1,120	1,118		1,126	1,125	1,120
Operating Cash Flow	3,095	1,457	2,657	4,090	2,949	3,405	2,954	2,998	3,403	3,483	3,468	3,451		11,299	12,305	13,804
OCF Margin	32.7%	15.7%	31.5%	47.2%	29.7%	36.7%	32.1%	30.0%	33.3%	33.9%	34.2%	32.0%		31.5%	32.1%	33.3%
Free Cash Flow	2,697	1,004	2,351	3,797	2,735	3,191	2,740	2,784	3,189	3,269	3,254	3,237		9,849	11,449	12,948
FCF Margin	28.5%	10.8%	27.8%	43.8%	27.6%	34.4%	29.8%	27.9%	31.2%	31.8%	32.1%	30.0%		27.5%	29.8%	31.2%
Cash and equivalents	8,238	6,676	8,631	11,324	12,054	13,891	15,276	16,706	18,542	20,457	22,359	24,244		11,324	16,706	24,244
Total debt	16,877	15,985	15,444	15,398	15,480	15,480	15,480	15,480	15,480	15,480	15,480	15,480		15,398	15,480	15,480
Net cash	-8,639	-9,309	-6,813	-4,074	-3,426	-1,589	-204	1,226	3,062	4,977	6,879	8,764		-4,074	1,226	8,764
Margin Analysis																
Gross Margin	58.0%	55.7%	55.7%	55.8%	57.2%	56.9%	56.7%	57.0%	57.3%	57.3%	57.4%	57.8%		56.3%	56.9%	57.5%
Research & Development	18.5%	18.5%	20.3%	19.1%	16.0%	18.1%	18.3%	16.9%	16.5%	16.9%	17.6%	16.8%		19.1%	17.3%	16.9%
Selling, General and Administrative	4.9%	5.0%	5.5%	5.8%	4.6%	5.5%	6.0%	5.9%	5.7%	5.9%	6.2%	6.1%		5.3%	5.5%	6.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Total Opex	23.3%	23.4%	25.8%	25.0%	20.7%	23.7%	24.4%	22.7%	22.2%	22.7%	23.8%	22.9%		24.3%	22.8%	22.9%
Operating Income	34.7%	32.3%	29.9%	30.8%	36.5%	33.2%	32.3%	34.3%	35.1%	34.6%	33.6%	34.9%		32.0%	34.1%	34.6%
Tax Rate	15.2%	15.3%	13.4%	13.0%	13.5%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%		14.3%	14.6%	15.0%
Non-GAAP Net Income	28.4%	26.1%	24.9%	26.3%	31.3%	27.9%	27.2%	28.8%	29.6%	29.1%	28.3%	29.4%		26.5%	28.8%	29.1%
YoY % Growth																
Revenues	-11.6%	-16.9%	-22.7%	-23.9%	4.9%	0.2%	9.0%	15.2%	3.1%	10.7%	10.2%	8.1%		-18.9%	7.2%	8.0%
Total Opex	9.3%	-0.8%	-0.2%	-7.8%	-7.0%	1.3%	2.8%	4.9%	10.7%	6.2%	7.6%	8.9%		-0.2%	0.5%	8.3%
Operating Income	-26.1%	-31.6%	-37.1%	-37.3%	10.5%	3.0%	18.0%	28.2%	-0.7%	15.3%	14.6%	10.1%		-32.8%	14.3%	9.4%
EPS	-26.5%	-32.9%	-36.7%	-35.4%	15.9%	6.8%	18.6%	26.6%	-2.0%	16.0%	15.3%	10.7%		-32.8%	16.8%	9.4%
QoQ % Growth																
Revenues	-17.0%	-2.0%	-8.9%	2.6%	14.5%	-6.4%	-0.9%	8.5%	2.5%	0.5%	-1.4%	6.5%				
Total Opex	-6.0%	-1.5%	0.4%	-0.8%	-5.2%	7.3%	1.9%	1.2%	0.0%	3.0%	3.1%	2.5%				
Operating Income	-23.0%	-8.6%	-15.8%	5.9%	35.6%	-14.8%	-3.5%	15.1%	5.0%	-1.0%	-4.1%	10.6%				
EPS	-24.2%	-9.2%	-13.1%	8.1%	35.9%	-16.3%	-3.5%	15.4%	5.1%	-0.9%	-4.1%	10.8%				

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Price objective basis & risk

Qualcomm (QCOM)

Our \$173 PO is based on roughly 16x our FY25E P/E. Our multiple is largely in-line with mobile/large cap semiconductor peers (14x), which we believe is warranted given the stability of Qualcomm's high-margin royalty business and relative strength of the company's QCT business beyond smartphones, as well as its high 5G baseband market share and 5G RF front-end content market share.

Downside risks to our price objective are 1) worse-than-expected resolution terms with Huawei, 2) low adoption rate of smartphones worldwide due to global economic pressure, 3) pressure on semiconductor pricing or market share as the company grows presence in emerging markets, 4) increased semiconductor competition, 5) ability to maintain the royalty rate when the market expands to different types of devices, such as tablets and other mobile wireless devices, or different technology generations, 6) any future negative trade policies related to China.

Analyst Certification

I, Tal Liani, 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 - Telecom and Data Networking Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Akamai	AKAM	AKAM US	Madeline Brooks
	Amdocs	DOX	DOX US	Tal Liani
	Arista Networks	ANET	ANET US	Tal Liani
	Check Point Software Technologies	CHKP	CHKP US	Tal Liani
	Ciena	CIEN	CIEN US	Tal Liani
	CrowdStrike Holdings Inc.	CRWD	CRWD US	Tal Liani
	CyberArk	CYBR	CYBR US	Tal Liani
	Fastly	FSLY	FSLY US	Madeline Brooks
	Fortinet	FTNT	FTNT US	Tal Liani
	Gen Digital, Inc.	GEN	GEN US	Jonathan Eisenson
	InterDigital, Inc.	IDCC	IDCC US	Tal Liani
	Motorola Solutions	MSI	MSI US	Tomer Zilberman
	Qualcomm	QCOM	QCOM US	Tal Liani
	Zscaler	ZS	ZS US	Tal Liani
NEUTRAL				
	Cellebrite	CLBT	CLBT US	Tal Liani
	Cisco Systems	CSCO	CSCO US	Tal Liani
	Palo Alto Networks	PANW	PANW US	Tal Liani
	SentinelOne, Inc.	S	S US	Tal Liani
UNDERPERFORM				
	Cloudflare	NET	NET US	Madeline Brooks
	CommScope	COMM	COMM US	Tal Liani
	F5 Inc	FFIV	FFIV US	Tal Liani
	Okta Inc	OKTA	OKTA US	Madeline Brooks
	SecureWorks	SCWX	SCWX US	Tal Liani



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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

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

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

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

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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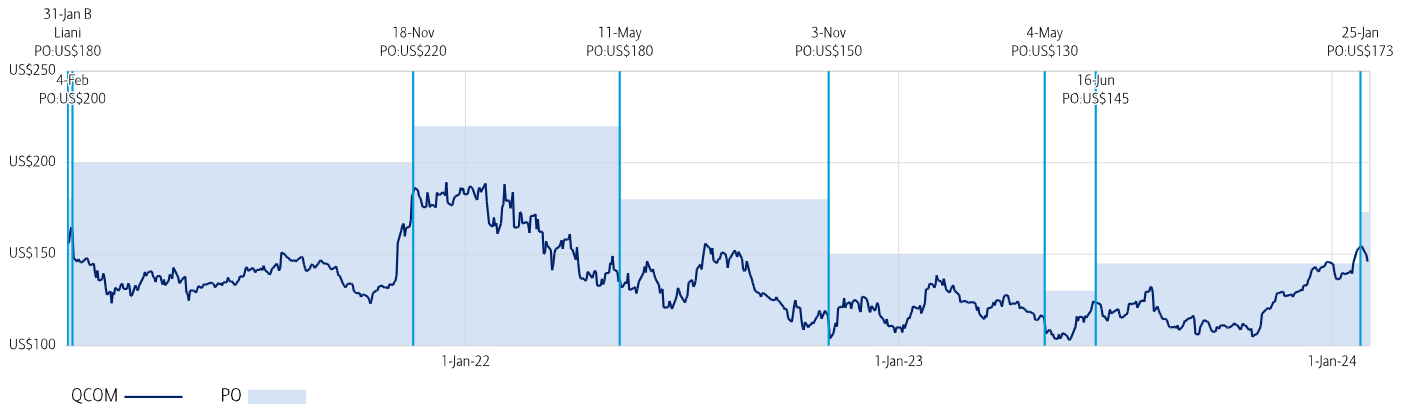
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Important Disclosures

Qualcomm (QCOM) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

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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