

Nutrien

Outlook has upside potential; Remain constructive

Reiterate Rating: BUY | PO: 73.00 USD | Price: 53.23 USD

Most businesses recovering, some more than others

Nutrien's 4Q EBITDA of \$1.075bn fell short of our \$1.125bn estimate owing to much weaker than expected offshore potash realizations, slightly lower nitrogen prices, and some deferred customer purchases in Retail. We trim our 2024E EBITDA to \$5,663mn from \$5,962mn (see our new price deck, Exh 2-3), representing a mid-single digit % decline, largely due to the year-ago higher fertilizer pricing. But the trajectory from here looks generally favorable, especially post Q1. While the US fall application season was strong, we look for US growers to continue replenishing depleted P and K soil levels, along with seasonally strong nitrogen demand, and tight channel inventories will require significant shipments in coming months. This same trend could occur in other regions but likely at different rates, as LatAm fertilizer demand near-term could be soft, and India has uncertain subsidies. We trim our PO to \$73 from \$79 on lower 2024 earnings.

Increased potash demand could offset FSU's price drag

Offshore pricing for potash is only marginally above pre-2020 levels in spite of sanctions against nearly half of global supply from Russia and Belarus. Shipments from these latter countries are nearly back to pre-war levels, enabling countries willing to buy potash from the FSU to drive down pricing. We estimate a 10-15mnt shortage of global potash applications in 2022-23, and thus we see upside to NTR's expectation of 2024 potash shipments returning just to 2021 levels. Robust demand could offset weak FSU pricing.

Retail is an under-appreciated asset for Nutrien

Nutrien's Retail segment generated ~25% of company EBITDA in 2023, despite high-cost inventory carryover of fertilizer and crop chemicals. These latter drags are now in the past and we view this business as not just defensive but able to drive steady profit gains. Bolt-on acquisitions are extremely accretive, as it provides NTR's 20+% retail market share in the US more density, and importantly the benefit from NTR's lower cost position and the ability to push high-margin proprietary nutrition and crop protection products. We see significant upside from NTR's \$1bn proprietary products business as there is substantial innovation underway, and NTR has the trusted loyalty of its farmer customers. We note NTR's crop chemical sales are greater than FMC's global revenue.

We are hosting a fireside with NTR at our Global Ag & Materials Conference next week (along with Mosaic and CF).

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	13.19	4.37	4.00	4.10	3.85
GAAP EPS	14.18	2.55	4.00	4.10	3.85
EPS Change (YoY)	111.7%	-66.9%	-8.5%	2.5%	-6.1%
DPS	1.90	2.07	2.16	2.20	2.28
Valuation (Dec)					
P/E	4.1x	12.4x	13.5x	13.2x	14.1x
GAAP P/E	3.8x	21.2x	13.5x	13.2x	14.1x
Dividend Yield	3.5%	3.8%	4.0%	4.1%	4.2%
EV / EBITDA*	3.3x	6.6x	7.1x	7.2x	7.5x
Free Cash Flow Yield*	20.5%	9.0%	7.3%	8.4%	7.2%

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

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Timestamp: 23 February 2024 03:38PM EST

23 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	79.00	73.00
2024E Rev (m)	29,102.3	28,511.8
2025E Rev (m)	29,569.9	28,986.2
2026E Rev (m)	NA	28,844.5
2024E EPS	4.50	4.00
2025E EPS	4.70	4.10
2026E EPS	NA	3.85
2024E DPS	2.24	2.16

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Stock Data

Price	53.23 USD
Price Objective	73.00 USD
Date Established	23-Feb-2024
Investment Opinion	B-1-7
52-Week Range	47.90 USD - 83.29 USD
Mrkt Val (mn) / Shares Out (mn)	26,733 USD / 502.2
Free Float	99.9%
Average Daily Value (mn)	111.60 USD
BofA Ticker / Exchange	NTR / NYS
Bloomberg / Reuters	NTR US / NTR.N
ROE (2024E)	7.8%
Net Dbt to Eqty (Dec-2023A)	40.9%
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 Nutrien

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	9.6%	6.5%	6.1%	6.1%	5.7%
Return on Equity	28.7%	8.5%	7.8%	7.7%	7.1%
Operating Margin	14.5%	13.6%	12.1%	11.9%	11.2%
Free Cash Flow	5,573	2,445	1,986	2,278	1,968

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.1x	2.3x	2.1x	2.2x	2.3x
Asset Replacement Ratio	NA	NA	1.0x	0.9x	0.9x
Tax Rate	25.5%	29.0%	25.0%	25.0%	25.0%
Net Debt-to-Equity Ratio	38.0%	40.9%	40.7%	39.9%	40.7%
Interest Cover	9.5x	5.0x	4.5x	4.6x	4.3x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	36,686	29,009	28,512	28,986	28,844
% Change	35.3%	-20.9%	-1.7%	1.7%	-0.5%
Gross Profit	15,424	8,402	7,903	8,026	7,801
% Change	63.9%	-45.5%	-5.9%	1.6%	-2.8%
EBITDA	12,170	6,058	5,663	5,607	5,370
% Change	70.8%	-50.2%	-6.5%	-1.0%	-4.2%
Net Interest & Other Income	(701)	(863)	(805)	(816)	(741)
Net Income (Adjusted)	7,124	2,172	1,962	1,954	1,784
% Change	100.2%	-69.5%	-9.7%	-0.4%	-8.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	7,714	1,314	2,007	1,996	1,824
Depreciation & Amortization	0	0	2,244	2,229	2,223
Change in Working Capital	(1,148)	507	(141)	74	(60)
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	1,544	3,245	77	79	80
Capital Expenditure	(2,537)	(2,621)	(2,200)	(2,100)	(2,100)
Free Cash Flow	5,573	2,445	1,986	2,278	1,968
% Change	160.3%	-56.1%	-18.8%	14.7%	-13.6%
Share / Issue Repurchase	(4,352)	(1,014)	(630)	(730)	(730)
Cost of Dividends Paid	(1,031)	(1,032)	(1,059)	(1,048)	(1,056)
Change in Debt	1,013	394	(500)	(500)	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	901	941	439	139	21
Trade Receivables	6,194	5,398	5,845	6,353	6,717
Other Current Assets	9,247	7,831	7,209	7,812	7,549
Property, Plant & Equipment	21,767	22,461	22,417	22,289	22,166
Other Non-Current Assets	16,477	16,118	16,118	16,118	16,118
Total Assets	54,586	52,749	52,028	52,710	52,570
Short-Term Debt	2,684	2,327	2,327	2,327	2,327
Other Current Liabilities	11,596	9,794	9,478	10,663	10,705
Long-Term Debt	8,040	8,913	8,413	7,913	7,913
Other Non-Current Liabilities	6,403	6,514	6,514	6,514	6,514
Total Liabilities	28,723	27,548	26,732	27,417	27,459
Total Equity	25,863	25,201	25,296	25,293	25,112
Total Equity & Liabilities	54,586	52,749	52,028	52,710	52,570

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

Company Sector

Chemicals-Major

Company Description

Nutrien was formed from a merger of equals between Agrium and Potash Corp and is the world's largest provider of crop nutrients, inputs, and services with 2023 sales of \$29bn. The company sells more than 25 million tonnes annually of potash, nitrogen and phosphate products for agricultural, industrial, and feed customers worldwide. Nutrien's Retail business has 1,500 locations across North America, Australia, and South America with annual sales of around \$12bn.

Investment Rationale

We rate Nutrien Buy. We believe US agriculture will improve due to lower corn acres and increased demand, which would particularly impact NTR. Prices for all three nutrients have likely troughed given that strong demand is expected through 2024. Nutrien's Retail segment should remain strong amid improved organic volumes and continued M&A.

Stock Data

Average Daily Volume 2,096,512

Quarterly Earnings Estimates

	2023	2024
Q1	1.11A	0.35E
Q2	2.53A	2.23E
Q3	0.35A	0.67E
Q4	0.37A	0.75E

Exhibit 1: NTR Income Statement Summary

We trimmed our 2024 EBITDA estimate to \$5,663mn from \$5,962mn

	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23	4Q23	2023	2024E	2025E	2026E
Net Sales													
Retail	\$3,861	\$9,422	\$3,980	\$4,087	\$21,350	\$3,422	\$9,128	\$3,490	\$3,502	\$19,542	\$19,724	\$19,803	\$19,891
Potash	1,944	2,745	2,052	1,458	8,199	1,077	1,116	1,110	863	4,166	3,977	4,187	4,033
Nitrogen	1,595	2,029	1,667	1,702	6,993	1,418	1,371	828	1,039	4,656	4,146	4,234	4,178
Phosphate and Sulfate	628	563	614	486	2,291	572	488	450	554	2,064	1,894	1,793	1,773
Other / Eliminations	(633)	(624)	(422)	(468)	(2,147)	(342)	(453)	(261)	(363)	(1,419)	(1,230)	(1,030)	(1,030)
Total	\$7,395	\$14,135	\$7,891	\$7,265	\$36,686	\$6,147	\$11,650	\$5,617	\$5,595	\$29,009	\$28,512	\$28,986	\$28,844
Change	64%	47%	33%	3%	35%	-17%	-18%	-29%	-23%	-21%	-2%	2%	0%
Adjusted EBITDA													
Retail	\$240	\$1,427	\$235	\$391	\$2,293	(\$34)	\$1,067	\$197	\$229	\$1,459	\$1,815	\$1,856	\$1,906
Potash	1,406	2,027	1,378	958	5,769	676	654	611	463	2,404	2,160	2,383	2,203
Nitrogen	995	1,240	855	841	3,931	676	569	294	391	1,930	1,537	1,389	1,304
Phosphate and Sulfate	239	184	143	28	594	137	113	90	130	470	471	314	291
Other / Eliminations	(265)	115	(144)	(123)	(417)	(34)	75	(108)	(138)	(205)	(320)	(335)	(335)
Total	\$2,615	\$4,993	\$2,467	\$2,095	\$12,170	\$1,421	\$2,478	\$1,084	\$1,075	\$6,058	\$5,663	\$5,607	\$5,370
Margin	35.4%	35.3%	31.3%	28.8%	33.2%	23.1%	21.3%	19.3%	19.2%	20.9%	19.9%	19.3%	18.6%
Net Interest Expense	109	130	136	188	563	170	204	206	213	793	775	746	741
Equity (Income) / Loss	0	0	0	0	0	0	(64)	42	(7)	(29)	0	0	0
Dividend (income)	0	0	0	0	0	0	0	0	0	0	0	0	0
FX (Gain)/Loss	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Expense / (Income)	1	(8)	10	135	138	(62)	66	7	88	99	30	70	70
Pretax Income	2,045	4,358	1,805	1,387	9,595	755	1,718	326	297	3,096	2,645	2,633	2,406
Income Taxes	543	1,117	452	333	2,445	189	455	146	109	899	661	658	601
Tax Rate	26.6%	25.6%	25.0%	24.0%	25.5%	25.0%	26.5%	44.8%	36.7%	29.0%	25.0%	25.0%	25.0%
Minority Interest	7	8	6	6	27	5	8	7	4	24	23	21	20
Income Before Nonrecurring items	1,495	3,233	1,347	1,048	7,123	561	1,255	173	184	2,173	1,961	1,954	1,784
Nonrecurring Items	(117)	360	230	64	537	10	(807)	(98)	(12)	(907)	0	0	0
Net Income	1,378	3,593	1,577	1,112	7,660	571	448	75	172	1,266	1,961	1,954	1,784
Diluted EPS Before Nonrecurring													
Change Before Gains/(Charges)	\$2.70	\$5.85	\$2.51	\$2.02	\$13.19	\$1.11	\$2.53	\$0.35	\$0.37	\$4.37	\$4.00	\$4.10	\$3.85
	833%	181%	82%	-18%	112%	-59%	-57%	-86%	-82%	-67%	-9%	3%	-6%
Diluted Shares Outstanding (Million)	555	552	536	518	540	502	496	495	495	497	491	477	463
Segment Sales Growth													
Retail	30%	25%	19%	5%	20%	-11%	-3%	-12%	-14%	-8%	1%	0%	0%
Potash	170%	203%	58%	-2%	86%	-45%	-59%	-46%	-41%	-49%	-5%	5%	-4%
Nitrogen	133%	77%	52%	7%	54%	-11%	-32%	-50%	-39%	-33%	-11%	2%	-1%
Phosphate and Sulfate	54%	40%	33%	-18%	23%	-9%	-13%	-27%	14%	-10%	-8%	-5%	-1%
Segment EBITDA Margin													
Retail	6.2%	15.1%	5.9%	9.6%	10.7%	-1.0%	11.7%	5.6%	6.5%	7.5%	9.2%	9.4%	9.6%
Potash	72.3%	73.8%	67.2%	65.7%	70.4%	62.8%	58.6%	55.0%	53.7%	57.7%	54.3%	56.9%	54.6%
Nitrogen	62.4%	61.1%	51.3%	49.4%	56.2%	47.7%	41.5%	35.5%	37.6%	41.5%	37.1%	32.8%	31.2%
Phosphate and Sulfate	38.1%	32.7%	23.3%	5.8%	25.9%	24.0%	23.2%	20.0%	23.5%	22.8%	24.9%	17.5%	16.4%

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 2: Updated annual fertilizer price deck

We have lowered our Tampa ammonia forecasts

			2021A	2022A	2023A	2024E			2025E			2026E		
						Prior	New	%	Prior	New	%	Prior	New	%
Nitrogen	Ammonia	Cornbelt	USD/st	759	1276	630	563	573	2%	538	538	0%		513
	Ammonia	Tampa	USD/st	548	1052	466	481	439	-9%	500	475	-5%		450
	Urea	Cornbelt	USD/st	535	667	434	416	421	1%	398	398	0%		385
	Urea	NOLA	USD/st	492	601	354	354	361	2%	348	348	0%		335
	UAN	Cornbelt	USD/st	372	561	300	281	279	-1%	271	271	0%		266
	UAN	NOLA	USD/st	341	543	266	253	251	0%	246	246	0%		241
Potash	Granular	Cornbelt	USD/mt	569	799	466	445	436	-2%	418	418	0%		398
	Standard	Southeast Asia	USD/mt	393	781	380	329	325	-1%	330	330	0%		320
	Granular	Brazil	USD/mt	539	850	391	341	323	-5%	361	354	-2%		339
Phosphate	DAP	NOLA	USD/mt	668	846	606	570	584	2%	515	515	0%		495
	DAP	US Gulf/Tampa	USD/mt	644	894	560	521	524	0%	483	483	0%		473
	MAP	Brazil	USD/mt	694	906	557	521	523	0%	483	483	0%		463

Source: CRU, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 3: Updated 2024 quarterly fertilizer price deck

Urea, Midwest ammonia estimates raised, Tampa ammonia lowered

				1Q24E			2Q24E			3Q24E			4Q24E		
				Prior	New	%	Prior	New	%	Prior	New	%	Prior	New	%
Nitrogen	Ammonia	Cornbelt	USD/st	550	590	7%	575	575	0%	550	550	0%	575	575	0%
	Ammonia	Tampa	USD/st	475	428	-10%	450	404	-10%	475	450	-5%	525	500	-5%
	Urea	Cornbelt	USD/st	390	405	4%	430	435	1%	415	415	0%	430	430	0%
	Urea	NOLA	USD/st	320	350	9%	370	370	0%	355	355	0%	370	370	0%
	UAN	Cornbelt	USD/st	285	275	-4%	290	290	0%	265	265	0%	285	285	0%
	UAN	NOLA	USD/st	250	245	-2%	260	260	0%	240	240	0%	260	260	0%
Potash	Granular	Cornbelt	USD/mt	445	410	-8%	440	440	0%	440	440	0%	455	455	0%
	Standard	Southeast Asia	USD/mt	325	315	-3%	330	325	-2%	330	330	0%	330	330	0%
	Granular	Brazil	USD/mt	320	295	-8%	325	315	-3%	360	340	-6%	360	340	-6%
Phosphate	DAP	NOLA	USD/mt	600	635	6%	560	580	4%	580	580	0%	540	540	0%
	DAP	US Gulf/Tampa	USD/mt	540	550	2%	520	520	0%	520	520	0%	505	505	0%
	MAP	Brazil	USD/mt	550	550	0%	520	525	1%	520	520	0%	495	495	0%

Source: CRU, BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Nutrien (NTR)

Our \$73 price objective is based on SoTP analysis using a 9x 2024E EBITDA multiple for Retail, 7.5x for Potash, 7.5x for Phosphates, and 8x for Nitrogen. The 7.5x multiple for potash and phosphates is at the midpoint of the company's historical trading range of 6-9x. We use slightly higher multiples of 8x for nitrogen due to the clean energy growth potential, and 9x for Retail for its defensiveness and pricing power.

Upside risks are stronger than expected demand and pricing in key fertilizer markets, supported by potential for lower grains stocks-to-use ratios, rising demand for protein in developing markets, and increases in farm income.

Downside risks are price deflation in Retail from new entrants, lower than expected demand and pricing in key fertilizer markets, higher production costs, reduced farm income, a near-term resolution to the Russia/Ukraine conflict, significantly lower than expected demand, and increased use of bacteria-sourced ammonia.

Analyst Certification

I, Steve Byrne, 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 - Chemicals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Air Products	APD	APD US	Steve Byrne, CFA
	Axalta Coating Systems	AXTA	AXTA US	Steve Byrne, CFA
	Bunge Limited	BG	BG US	Salvator Tiano, CFA
	CF Industries	CF	CF US	Steve Byrne, CFA
	Dow Inc	DOW	DOW US	Steve Byrne, CFA
	Eastman Chemical Co	EMN	EMN US	Salvator Tiano, CFA
	Element Solutions Inc.	ESI	ESI US	Steve Byrne, CFA
	Green Plains	GPPE	GPPE US	Salvator Tiano, CFA
	Huntsman Corp	HUN	HUN US	Salvator Tiano, CFA
	Linde	LIN	LIN US	Steve Byrne, CFA
	Linde	LINGY	LIN GY	Steve Byrne, CFA
	Nutrien	NTR	NTR US	Steve Byrne, CFA
	Olin Corp	OLN	OLN US	Steve Byrne, CFA
	PPG Industries Inc.	PPG	PPG US	Steve Byrne, CFA
	Sigma Lithium	SGML	SGML US	Steve Byrne, CFA
	The Mosaic Company	MOS	MOS US	Steve Byrne, CFA
NEUTRAL				
	Albemarle	ALB	ALB US	Steve Byrne, CFA
	Archer-Daniels-Midland Company	ADM	ADM US	Salvator Tiano, CFA
	Corteva	CTVA	CTVA US	Steve Byrne, CFA
	Ecolab Inc	ECL	ECL US	Steve Byrne, CFA
	International Flavors & Fragrances	IFF	IFF US	Salvator Tiano, CFA
	LyondellBasell Industries	LYB	LYB US	Steve Byrne, CFA
	Origin Materials	ORGN	ORGN US	Steve Byrne, CFA
UNDERPERFORM				
	Celanese Corporation	CE	CE US	Salvator Tiano, CFA
	DuPont	DD	DD US	Steve Byrne, CFA
	FMC Corporation	FMC	FMC US	Steve Byrne, CFA
	RPM International Inc	RPM	RPM US	Steve Byrne, CFA
	Sherwin-Williams Company	SHW	SHW US	Steve Byrne, CFA
	Westlake Chemical Partners, LP	WLKP	WLKP US	Steve Byrne, CFA
	Westlake Corp	WLK	WLK US	Steve Byrne, CFA



US - Chemicals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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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

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 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.

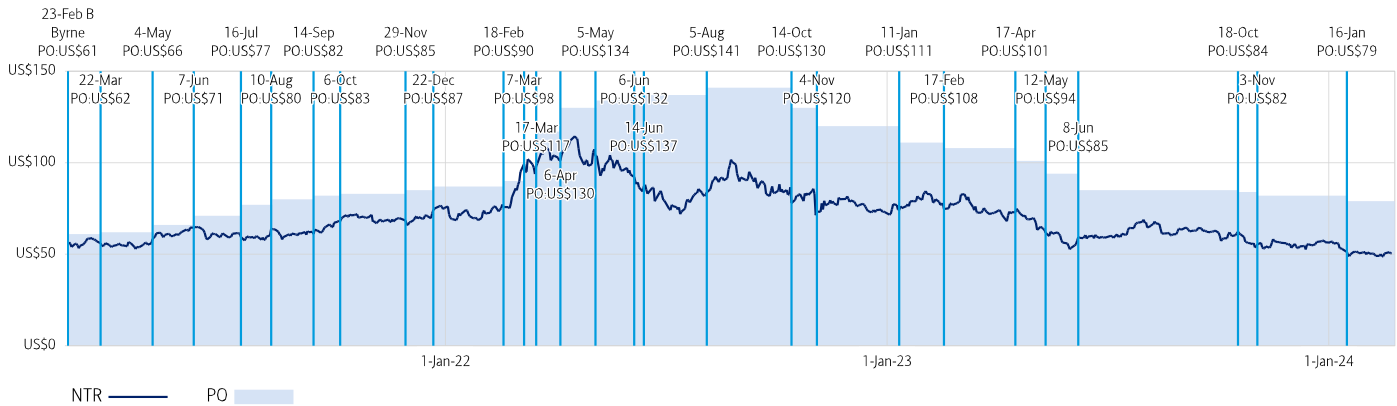
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Nutrien (NTR) Price Chart



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

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	66	47.83%	Buy	33	50.00%
Hold	33	23.91%	Hold	16	48.48%
Sell	39	28.26%	Sell	20	51.28%

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%
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^{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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