

## Teck Resources

# Q4'23 coal sales better, pricing light; QB2 production below guide but not a surprise

Reiterate Rating: BUY | PO: 59.00 CAD | Price: 53.58 CAD

## Slightly cut Q4'23 estimates, BofAe above consensus

Teck Resources (TECK) reported Q4'23 coal sales near the high-end of guidance, and above Visible Alpha (VA) and BofAe. However, realized coal pricing was lower than BofAe, partly offset by a positive provisional pricing adjustment. Quebrada Blanca 2 (QB2) Q4'23 copper production was well below guide and VA consensus. However, it was only modestly below BofAe and largely in-line with our take on investor expectations. We slightly lower our Q4'23 estimates but note BofAe EBITDA/EPS are above VA consensus. With QB2 nearing inflection, and attractive copper growth, we maintain our Buy rating.

## Coal sales above BofAe, but pricing lower

TECK's Q4'23 steelmaking coal sales were 6.1 million tonnes (Mt), near the high-end of the guidance range of 5.8-6.2Mt, and above BofAe at 5.8Mt and VA consensus at 5.9Mt. However, the realized coal price of US\$270 per tonne (/t) was below the BofA forecast of \$285/t and VA consensus at \$273/t. TECK noted a positive C\$89 million (mn) steelmaking coal provisional pricing adjustment. Including provisional pricing impacts for copper and zinc, we now expect a net positive Q4'23 pricing adjustment of C\$64mn.

## QB2 Q4 production below guide, but nearing capacity now

QB2 produced 35 thousand tonnes (kt) of copper in Q4'23 (BofAe 38kt; VA consensus 50kt). For 2023, QB2 produced 56.2kt, below the low-end of the guidance range of 80-100kt. Though QB2 operated at or above capacity, achieving consistency took longer than expected. By the end of December, QB2 was operating near design capacity. Construction of the port facilities is on track to be completed by the end of Q1'24 and the molybdenum plant ramp-up is to be completed by the end of Q2'24. QB2 project capex guidance is unchanged at US\$8.6-8.8 billion (bn). We incorporate today's news and mark-to-market for Q4'23 actual copper/zinc pricing. As such, we trim our Q4'23 and 2023E EBITDA/EPS by 6%/7% to C\$1.85bn/C\$1.35 and 2%/2% to C\$6.51bn/C\$5.17.

Estimates (Dec) (C\$)	2021A	2022A	2023E	2024E	2025E
EPS	4.20	9.27	5.17	4.31	3.77
GAAP EPS	5.31	6.18	5.06	4.25	3.71
EPS Change (YoY)	300.0%	120.7%	-44.2%	-16.6%	-12.5%
Consensus EPS (Bloomberg)			5.27	5.86	4.40
DPS	0.20	1.00	1.00	1.78	1.06
EPS (TECK - C\$)	4.20	9.27	5.17	4.31	3.77
DPS (TECK - C\$)	0.20	1.00	1.00	1.78	1.06
<b>Valuation (Dec)</b>					
P/E	12.8x	5.8x	10.4x	12.4x	14.2x
GAAP P/E	10.1x	8.7x	10.6x	12.6x	14.4x
Dividend Yield	0.4%	1.9%	1.9%	3.3%	2.0%
EV / EBITDA*	3.5x	2.4x	3.6x	3.7x	4.3x
Free Cash Flow Yield*	0.1%	8.8%	-5.4%	11.3%	6.6%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

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**Refer to important disclosures on page 6 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.**

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Timestamp: 04 January 2024 12:16PM EST

04 January 2024

## Equity

### Key Changes

(C\$)	Previous	Current
2023E Rev (m)	15,206.6	15,078.3
2025E Rev (m)	11,650.1	11,650.0
2023E EPS	5.27	5.17

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## Stock Data

Price (TOR / NYS)	53.58 CAD / 40.21 USD
Price Objective	59.00 CAD / 43.00 USD
Date Established	20-Nov-2023 / 20-Nov-2023
Investment Opinion	B-1-7 / C-1-7
52-Week Range	44.66 CAD - 66.04 CAD
Market Value (mn)	27,450 CAD
Free Float	98.7%
Average Daily Value	78.42 USD
Shares Outstanding (mn)	512.3 / 512.3
BofA Ticker / Exchange	YTECK / TOR
BofA Ticker / Exchange	TECK / NYS
Bloomberg / Reuters	TECK/B CN / TECKb.TO
ROE (2023E)	10.1%
Net Dbt to Eqty (Dec-2022A)	22.1%

ESGMeter™

High

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# iQprofile<sup>SM</sup> Teck Resources

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

(C\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	7.7%	9.6%	6.1%	5.4%	4.9%
Return on Equity	10.4%	20.1%	10.1%	7.9%	6.5%
Operating Margin	36.0%	32.6%	30.9%	31.6%	33.5%
Free Cash Flow	25	2,427	(1,480)	3,093	1,822

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

(C\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.1x	1.6x	1.8x	2.8x	1.7x
Asset Replacement Ratio	3.0x	3.1x	3.0x	1.7x	0.9x
Tax Rate	34.9%	28.7%	38.3%	38.3%	38.3%
Net Debt-to-Equity Ratio	27.9%	22.1%	21.4%	-24.2%	-24.1%
Interest Cover	22.6x	27.3x	16.7x	16.7x	15.9x

## Income Statement Data (Dec)

(C\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	13,481	18,628	15,078	13,908	11,650
% Change	50.7%	38.2%	-19.1%	-7.8%	-16.2%
Gross Profit	5,081	8,891	5,177	4,858	4,328
% Change	281.2%	75.0%	-41.8%	-6.2%	-10.9%
EBITDA	6,573	9,570	6,509	6,243	5,342
% Change	155.8%	45.6%	-32.0%	-4.1%	-14.4%
Net Interest & Other Income	(70)	739	(349)	(188)	(97)
<b>Net Income (Adjusted)</b>	<b>2,238</b>	<b>4,883</b>	<b>2,676</b>	<b>2,215</b>	<b>1,841</b>
<b>% Change</b>	<b>298.9%</b>	<b>118.2%</b>	<b>-45.2%</b>	<b>-17.3%</b>	<b>-16.9%</b>

## Free Cash Flow Data (Dec)

(C\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	3,067	4,873	2,676	2,223	1,841
Depreciation & Amortization	1,583	1,778	2,034	1,850	1,444
Change in Working Capital	(874)	(135)	(518)	1,305	(221)
Deferred Taxation Charge	768	1,135	586	801	0
Other Adjustments, Net	194	332	(88)	(8)	0
Capital Expenditure	(4,713)	(5,556)	(6,171)	(3,077)	(1,243)
<b>Free Cash Flow</b>	<b>25</b>	<b>2,427</b>	<b>-1,480</b>	<b>3,093</b>	<b>1,822</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>-41.1%</b>
Share / Issue Repurchase	50	(1,158)	(29)	(687)	(1,369)
Cost of Dividends Paid	(106)	(532)	(516)	(913)	(519)
Change in Debt	1,055	(897)	(652)	(404)	(403)

## Balance Sheet Data (Dec)

(C\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,427	1,883	1,035	13,970	13,536
Trade Receivables	1,981	1,527	1,815	974	1,181
Other Current Assets	2,695	4,883	3,342	1,884	1,996
Property, Plant & Equipment	37,382	40,095	45,036	34,416	34,181
Other Non-Current Assets	3,883	3,971	4,052	4,052	4,052
<b>Total Assets</b>	<b>47,368</b>	<b>52,359</b>	<b>55,279</b>	<b>55,296</b>	<b>54,946</b>
Short-Term Debt	340	748	679	679	679
Other Current Liabilities	3,420	5,116	4,971	3,976	4,075
Long-Term Debt	7,728	6,990	6,542	6,138	5,735
Other Non-Current Liabilities	12,107	12,994	14,125	14,926	14,926
<b>Total Liabilities</b>	<b>23,595</b>	<b>25,848</b>	<b>26,317</b>	<b>25,719</b>	<b>25,415</b>
<b>Total Equity</b>	<b>23,773</b>	<b>26,511</b>	<b>28,962</b>	<b>29,578</b>	<b>29,531</b>
<b>Total Equity &amp; Liabilities</b>	<b>47,368</b>	<b>52,359</b>	<b>55,279</b>	<b>55,296</b>	<b>54,946</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Non-Ferrous-Mining

## Company Description

Teck is a diversified mining and metals company focused on the production and project development of copper and zinc mines, and holds an interest in tier-one steelmaking coal assets. Headquartered in Vancouver, Canada, the company's shares are listed on the TSX under the symbols TECK/A and TECK/B and the NYSE under the symbol TECK. Teck's key operating and development assets are in North and South America.

## Investment Rationale

Our Buy rating reflects a nearing growth inflecting from QB2, and a more copper-focused mix post the announced cash sale of its steelmaking coal business. Valuation looks attractive given growth inflecting via QB2 and 3 expansions, plus early-stage copper growth options.

## Stock Data

Average Daily Volume	1,954,016
Shares / Common - Dual Listed	1.00

## Quarterly Earnings Estimates

	2022	2023
Q1	3.02A	1.81A
Q2	3.30A	1.24A
Q3	1.79A	0.77A
Q4	1.09A	1.35E

## Key Changes

(C\$)	Previous	Current
2023E EPS	5.27	5.17

# Q4'23 model update

## Exhibit 1: Teck Resources Q4'23 estimates

TECK reported Q4'23 coal sales was higher than BofAe, but pricing was lower. We also increase our QB2 production cost estimates.

Quarterly Results (C\$mn, C\$/sh)	Q4 2023E	Q4 2022A	YoY	Q3 2023A	QoQ	BofA prior Q4'23E	Var.	Bloomberg	Var.	VA	Var.
Sales	4,175	3,140	33%	3,599	16%	4,304	-3%	4,319	-3%	4,170	0%
<b>Adjusted EBITDA</b>	<b>1,845</b>	<b>1,333</b>	38%	<b>1,213</b>	52%	<b>1,954</b>	-6%	<b>1,720</b>	7%	<b>1,665</b>	11%
Depreciation	651	384	70%	529	23%	651	0%	549	19%	533	22%
Adjusted earnings	704	558	26%	399	77%	757	-7%	675	4%	NA	NM
<b>Adjusted EPS</b>	<b>1.35</b>	<b>1.09</b>	24%	<b>0.77</b>	76%	<b>1.46</b>	-7%	<b>1.37</b>	-1%	<b>1.30</b>	4%
Cash flow from ops	1,732.7	930.0	86%	736	135%	1,695	2%	1,312	32%	na	nm
Capex	1,709.0	1,761.0	-3%	1,382	24%	1,715	0%	1,246	37%	na	nm
FCF	23.7	(831.0)	nm	(646)	nm	(21)	nm	66	nm	(258)	nm
Net (cash) / debt	6,186	5,855	6%	6,153	1%	6,231	-1%	6,076	2%	6,775	-9%
<b>Copper Production (kt)</b>	<b>Q4 2023E</b>	<b>Q4 2022A</b>	<b>YoY</b>	<b>Q3 2023A</b>	<b>QoQ</b>	<b>BofA prior Q4'23E</b>	<b>Var.</b>	<b>Bloomberg</b>	<b>Var.</b>	<b>VA</b>	<b>Var.</b>
HVC	29.1	28	4%	20.5	42%	33.7	-14%	30.9	-6%	31.2	-7%
Antamina	23.4	24	-4%	22.5	4%	23.4	0%	23.8	-1%	24.0	-2%
QB1	4.8	2	109%	1.3	269%	4.8	0%				
QB2	35.0	0	nm	18.3	91%	38.2	-8%	24.4	44%	50.3	-30%
Andacollo	11.1	11	2%	9.3	19%	11.1	0%	11.2	-1%	11.3	-1%
Other	0.0	0	nm	0.1	nm	0.0	nm	28.9		0.0	
<b>Total</b>	<b>103.5</b>	<b>65</b>	59%	<b>72.0</b>	44%	<b>111.3</b>	-7%	<b>119.1</b>	-13%	<b>116.8</b>	-11%
Sales	103.5	64	62%	69.0	50%	111.3	-7%	103.2	0%	106.8	-3%
<b>Met coal (Mt)</b>	<b>Q4 2023E</b>	<b>Q4 2022A</b>	<b>YoY</b>	<b>Q3 2023A</b>	<b>QoQ</b>	<b>BofA prior Q4'23E</b>	<b>Var.</b>	<b>Bloomberg</b>	<b>Var.</b>	<b>VA</b>	<b>Var.</b>
<b>Production</b>	<b>5.7</b>	<b>4.9</b>	16%	<b>5.5</b>	4%	<b>5.7</b>	<b>0%</b>	<b>5.9</b>	-4%	<b>5.9</b>	<b>-3%</b>
Sales	6.1	4.3	42%	5.2	17%	5.8	5%	5.9	3%	5.9	4%
Realized coal price (US\$/t)	270	278	-3%	229	18%	285	-5%	247	9%	273	-1%
<b>Zinc in concentrate (kt)</b>	<b>Q4 2023E</b>	<b>Q4 2022A</b>	<b>YoY</b>	<b>Q3 2023A</b>	<b>QoQ</b>	<b>BofA prior Q4'23E</b>	<b>Var.</b>	<b>Bloomberg</b>	<b>Var.</b>	<b>VA</b>	<b>Var.</b>
<b>Production</b>	<b>190.9</b>	<b>143.7</b>	33%	<b>152.8</b>	25%	<b>190.9</b>	<b>0%</b>	<b>180.7</b>	6%	<b>259.2</b>	<b>-26%</b>
Sales	169.7	164.7	3%	296.5	-43%	169.7	0%	130.2	30%	244.2	-31%
<b>Net cash costs</b>	<b>Q4 2023E</b>	<b>Q4 2022A</b>	<b>YoY</b>	<b>Q3 2023A</b>	<b>QoQ</b>	<b>BofA prior Q4'23E</b>	<b>Var.</b>	<b>Bloomberg</b>	<b>Var.</b>	<b>VA</b>	<b>Var.</b>
Copper (US\$/lb)	\$2.09	\$1.75	19%	\$1.86	12%	\$1.91	9%	1.84	13%	1.94	7%
Met coal (C\$/t)	\$145	\$147	-1%	\$152	-4%	\$145	0%	na	nm	146	-1%
Zinc (US\$/lb)	\$0.52	\$0.31	70%	\$0.31	66%	\$0.51	3%	na	nm	0.65	-19%

Source: Company reports, BofA Global Research, Bloomberg, Visible Alpha

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## Price objective basis & risk

### Teck Resources (YTECK / TECK)

We set our price objective (PO) for TECK at \$43 per share (C\$59 per share). This is based on 6.0x 2024E EBITDA, 5.5x 2025E EV/EBITDA and 1.0x NAV for the base metals business, plus 1x cash price offered for the Elk Valley Resources segment by Glencore. The 6.0x EV/EBITDA target multiple is near the middle of the range of 4.0-9.0x used to value the copper producers, but just below copper producer median target EV/EBITDA multiple of around 6.5x. The lower than median target multiple is to reflect execution issues at its QB2 copper project in Chile, and some conservatism. Given TECK's copper volume growth, its suite of additional organic copper production growth options, and relatively attractive jurisdictional exposure, the market could assign a higher multiple to the base metal business. We assume CADUSD = 1.37.

Downside risks to our price objective are: 1) global economic weakness, specifically in China and India, 2) excess supply given China's position and recent elevated prices, 3) unplanned Teck operating disruptions, 4) stricter regulatory or environmental measures, 5) other factors pressuring prices of the commodities it produces.

Upside risks to our price objective are: the potential to monetize its copper projects, especially if copper prices exceed our expectations, and potentially greater success in its cost-savings/efficiency initiatives.

## Analyst Certification

I, Lawson Winder, 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.

### North America - Metals and Mining Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Agnico Eagle Mines	AEM	AEM US	Lawson Winder, CFA
	B2Gold Corp	YBTO	BTO CN	Harmen Puri
	B2Gold Corp	BTG	BTG US	Harmen Puri
	Barrick Gold	GOLD	GOLD US	Lawson Winder, CFA
	Cameco Corporation	YCCO	CCO CN	Lawson Winder, CFA
	Cameco Corporation	CCJ	CCJ US	Lawson Winder, CFA
	Commercial Metals	CMC	CMC US	Lawson Winder, CFA
	Endeavour Mining	YEDV	EDV CN	Harmen Puri
	Endeavour Mining	EDVMF	EDVMF US	Harmen Puri
	Endeavour Mining PLC	XEDVF	EDV LN	Harmen Puri
	Franco-Nevada	YFNV	FNV CN	Lawson Winder, CFA
	Franco-Nevada	FNV	FNV US	Lawson Winder, CFA
	IAMGOLD	YIMG	IMG CN	Lawson Winder, CFA
	IAMGOLD Corp.	IAG	IAG US	Lawson Winder, CFA
	Ivanhoe Mines	YIVN	IVN CN	Lawson Winder, CFA
	Ivanhoe Mines	IVPAF	IVPAF US	Lawson Winder, CFA
	Lundin Mining	XLPRF	LUMI SS	Lawson Winder, CFA
	Lundin Mining Corp	YLUN	LUN CN	Lawson Winder, CFA
	Lundin Mining Corp	LUNMF	LUNMF US	Lawson Winder, CFA
	MP Materials	MP	MP US	Lawson Winder, CFA
	Newmont Corporation	NEM	NEM US	Lawson Winder, CFA
	Newmont Corporation	XNCRF	NEM AU	Lawson Winder, CFA
	Nucor	NUE	NUE US	Lawson Winder, CFA
	Pan American Silver	PAAS	PAAS US	Lawson Winder, CFA
	Teck Resources	YTECK	TECK/B CN	Lawson Winder, CFA
	Teck Resources Ltd	TECK	TECK US	Lawson Winder, CFA

## North America - Metals and Mining Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Triple Flag Precious Metals Corp.	YTFPM	TFPM CN	Lawson Winder, CFA
	Triple Flag Precious Metals Corp.	TFPM	TFPM US	Lawson Winder, CFA
	Wheaton Precious Metals	WPM	WPM US	Lawson Winder, CFA
<b>NEUTRAL</b>				
	Alamos Gold	YAGI	AGI CN	Harmen Puri
	Alamos Gold	AGI	AGI US	Harmen Puri
	Alcoa Corporation	AA	AA US	Lawson Winder, CFA
	Cleveland-Cliffs	CLF	CLF US	Lawson Winder, CFA
	First Quantum	FQVLF	FQVLF US	Lawson Winder, CFA
	First Quantum Minerals	YFM	FM CN	Lawson Winder, CFA
	Freeport-McMoRan	FCX	FCX US	Lawson Winder, CFA
	Hudbay Minerals	YHBM	HBM CN	Lawson Winder, CFA
	HudBay Minerals	HBM	HBM US	Lawson Winder, CFA
	Reliance Steel & Aluminum	RS	RS US	Lawson Winder, CFA
	Steel Dynamics	STLD	STLD US	Lawson Winder, CFA
<b>UNDERPERFORM</b>				
	Centerra Gold	YCG	CG CN	Lawson Winder, CFA
	Centerra Gold	CGAU	CGAU US	Lawson Winder, CFA
	Eldorado Gold	EGO	EGO US	Harmen Puri
	Eldorado Gold	YELD	ELD CN	Harmen Puri
	Kinross Gold	KGC	KGC US	Lawson Winder, CFA
	New Gold Inc.	YNGD	NGD CN	Harmen Puri
	New Gold Inc.	NGD	NGD US	Harmen Puri
	Nexa Resources	NEXA	NEXA US	Lawson Winder, CFA
	Royal Gold	RGLD	RGLD US	Lawson Winder, CFA
	SSR Mining Inc.	SSRM	SSRM US	Lawson Winder, CFA
	SSR Mining Inc.	YSSRM	SSRM CN	Lawson Winder, CFA

**IQmethod<sup>SM</sup> 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 &amp; 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

**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 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.

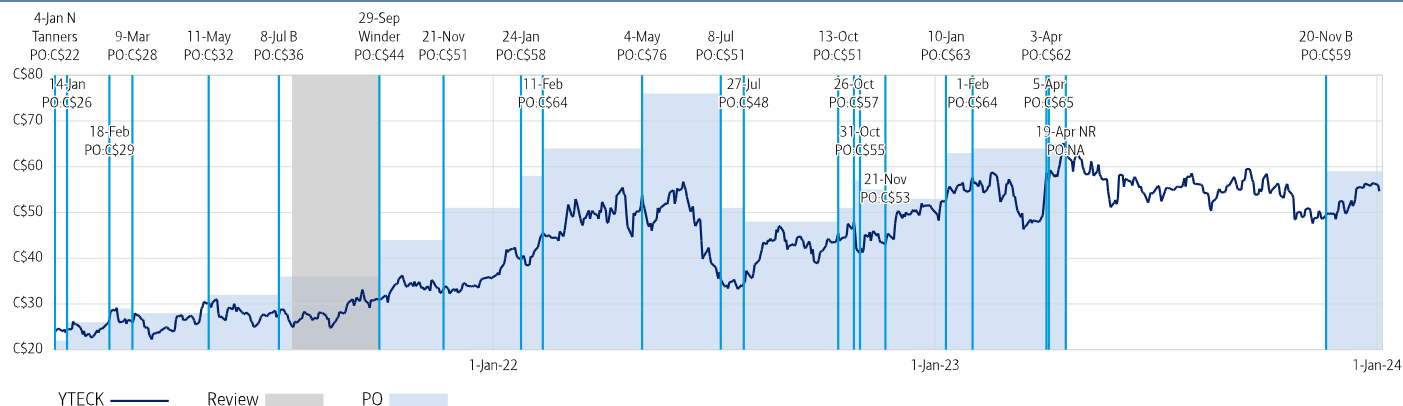
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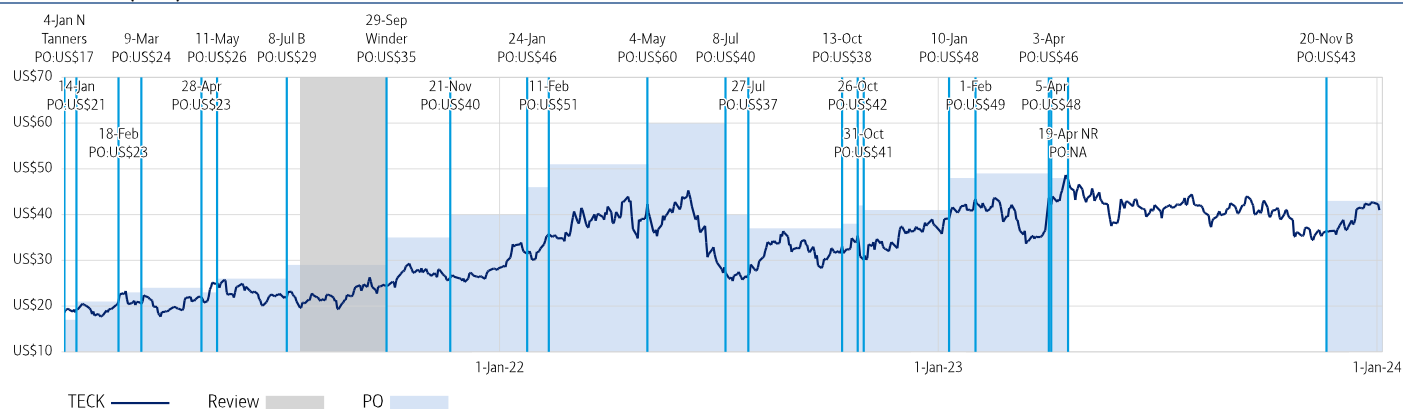
### Teck Resources (YTECK) Price Chart



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.

### Teck Resources Ltd (TECK) 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: Non-Ferrous Metals/Mining & Minerals Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	58	53.70%	Buy	26	44.83%
Hold	24	22.22%	Hold	10	41.67%
Sell	26	24.07%	Sell	13	50.00%

### 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.

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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.

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