

## PotlatchDeltic Corp.

# Post 4Q: Climate business + real estate supplement 2024 after modest 1Q

Reiterate Rating: NEUTRAL | PO: 55.00 USD | Price: 45.66 USD

## Summary – modest 4Q and 1Q outlook, better trends later

We rate Potlatch (PCH) Neutral based on its relative valuation and catalysts versus other stocks in our coverage. PCH reported op. EPS of \$0.00 and EBITDA of \$41mn in 4Q, below our \$0.04 and ~\$50mn ests, respectively. The composition of 4Q was weaker than we had envisioned in our forecast, as real estate EBITDA was \$7mn ahead of our forecast, while Wood was \$12-13mn below. Timberlands was marginally below us (\$33mn in EBITDA vs. our \$35mn forecast). While the 4Q stepping-off point results in a lower 1Q est., heightened rural land sales in 2Q and initial carbon credit sales in 2H allow for better earnings momentum as the year progresses. Potlatch will participate at our Annual Global Ag & Materials Conference in FL, 2/28-29. Call your BofA rep.

## Key factors leading to a build in mo' later in 2024/25

Key takeaways: (a) Pricing in wood was the biggest source of negative variance – excluding the separately-reported inventory charge of \$3.6mn (we had a \$2.7mn estimate), pricing was down \$18mn from 3Q; (b) PCH is guiding 1Q EBITDA moderately below 4Q's \$41mn (Bloomberg consensus is \$51mn); (c) This forecast includes the company's expectation for positive Wood EBITDA in 1Q, despite current 1Q prices only being modestly above 4Q averages, and pricing headwinds in Timberlands. Net-net, there is some lingering earnings risk for 1Q; (d) Momentum will build starting in 2Q. Rural land sales will include the expected sale of 34k acres for \$58mn in 2Q, Timberlands will benefit from the sale of ~500k carbon credits starting in 3Q (~\$20-30/ton) and the Waldo sawmill project will lead to improved costs and 85mnbf of production when fully ramped in 2025.

## Ests move higher in '24, though slightly lower next year

Given our refinements, our estimates move from \$0.58 in 2024 and \$0.90 in 2025 to \$0.70 and \$0.85, respectively. Our new 2026 estimate is \$0.90. Estimates for the current year benefit from heightened rural land and carbon credit sales. In 2025, we expect lower activity, coupled with lower levels of profitability in wood products and timber -- this leads to the slightly lower 2025 outlook. Our PO moves to \$55 from \$56 on our long-term sum-of-the-parts, cash flow estimates, or dividend yield forecasts.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	4.80	0.43	0.70	0.85	0.90
GAAP EPS	4.58	0.77	0.70	0.85	0.90
EPS Change (YoY)	-22.8%	-91.0%	62.8%	21.4%	5.9%
Consensus EPS (Bloomberg)			0.80	1.44	1.60
DPS	2.72	1.80	1.80	1.80	1.80
Valuation (Dec)					
P/E	9.5x	106.2x	65.2x	53.7x	50.7x
GAAP P/E	10.0x	59.3x	65.2x	53.7x	50.7x
Dividend Yield	6.0%	3.9%	3.9%	3.9%	3.9%
EV / EBITDA*	7.9x	25.5x	18.5x	17.3x	16.9x
Free Cash Flow Yield*	10.1%	1.1%	3.5%	3.9%	4.0%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

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Timestamp: 30 January 2024 06:21PM EST

30 January 2024

## Equity

### Key Changes

(US\$)	Previous	Current
Price Obj.	56.00	55.00
2024E Rev (m)	1,060.9	1,054.9
2025E Rev (m)	1,092.9	1,044.2
2026E Rev (m)	NA	1,046.9
2024E EPS	0.58	0.70
2025E EPS	0.90	0.85
2026E EPS	NA	0.90
2024E EBITDA (m)	220.0	234.0
2025E EBITDA (m)	255.1	250.3
2026E EBITDA (m)	NA	256.0

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## Stock Data

Price	45.66 USD
Price Objective	55.00 USD
Date Established	30-Jan-2024
Investment Opinion	B-2-7
52-Week Range	41.31 USD - 54.44 USD
Mkt Val (mn) / Shares Out (mn)	3,636 USD / 79.6
Free Float	68.0%
Average Daily Value (mn)	21.88 USD
BofA Ticker / Exchange	PCH / NAS
Bloomberg / Reuters	PCH US / PCH.OQ
ROE (2024E)	2.7%
Net Dbt to Eqty (Dec-2023A)	37.0%
ESGMeter <sup>TM</sup>	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".

# iQprofile<sup>SM</sup> PotlatchDeltic Corp.

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	12.7%	1.3%	2.5%	3.0%	3.2%
Return on Equity	18.5%	1.6%	2.7%	3.3%	3.7%
Operating Margin	33.6%	4.8%	10.0%	11.6%	12.1%
Free Cash Flow	369	39	126	141	146

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.3x	4.6x	4.1x	3.3x	3.2x
Asset Replacement Ratio	0.8x	1.0x	0.8x	0.7x	0.7x
Tax Rate	16.4%	NM	20.3%	20.0%	20.0%
Net Debt-to-Equity Ratio	30.4%	37.0%	37.1%	38.8%	40.3%
Interest Cover	16.3x	2.0x	3.7x	4.3x	4.5x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	1,331	1,024	1,055	1,044	1,047
% Change	-0.5%	-23.0%	3.0%	-1.0%	0.3%
Gross Profit	652	277	370	369	375
% Change	-10.2%	-57.5%	33.6%	-0.4%	1.6%
EBITDA	546	170	234	250	256
% Change	-12.8%	-68.9%	37.7%	7.0%	2.3%
Net Interest & Other Income	(38)	(23)	(28)	(28)	(28)
<b>Net Income (Adjusted)</b>	<b>350</b>	<b>35</b>	<b>56</b>	<b>68</b>	<b>72</b>
% Change	-17.0%	-90.0%	62.2%	20.8%	5.8%

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	334	62	56	68	72
Depreciation & Amortization	98	121	129	129	130
Change in Working Capital	9	(26)	(5)	(5)	(5)
Deferred Taxation Charge	(5)	(8)	(4)	(4)	(4)
Other Adjustments, Net	7	10	55	38	38
Capital Expenditure	(75)	(120)	(105)	(85)	(85)
<b>Free Cash Flow</b>	<b>369</b>	<b>39</b>	<b>126</b>	<b>141</b>	<b>146</b>
% Change	-17.4%	-89.3%	220.6%	12.1%	3.3%
Share / Issue Repurchase	(55)	(25)	0	0	0
Cost of Dividends Paid	(208)	(144)	(145)	(145)	(145)
Change in Debt	(26)	0	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	344	230	262	258	259
Trade Receivables	23	22	27	32	37
Other Current Assets	105	125	125	125	125
Property, Plant & Equipment	318	373	272	205	137
Other Non-Current Assets	2,761	2,681	2,662	2,653	2,645
<b>Total Assets</b>	<b>3,551</b>	<b>3,431</b>	<b>3,347</b>	<b>3,273</b>	<b>3,203</b>
Short-Term Debt	40	176	176	176	176
Other Current Liabilities	100	87	87	87	87
Long-Term Debt	993	858	858	858	858
Other Non-Current Liabilities	155	140	146	152	158
<b>Total Liabilities</b>	<b>1,287</b>	<b>1,260</b>	<b>1,266</b>	<b>1,273</b>	<b>1,279</b>
<b>Total Equity</b>	<b>2,263</b>	<b>2,171</b>	<b>2,080</b>	<b>2,000</b>	<b>1,925</b>
<b>Total Equity &amp; Liabilities</b>	<b>3,551</b>	<b>3,431</b>	<b>3,347</b>	<b>3,273</b>	<b>3,203</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Paper Products

## Company Description

With \$1bn in 2023 sales, PotlatchDeltic is one of three publicly traded timber REITs. The company owns around 1.8mn acres of timberland in Idaho, Arkansas, Minnesota, Alabama, Mississippi and Louisiana. As part of its real estate segment, PCH seeks to sell certain non-strategic and higher and better use properties. PCH also has a wood products business with approximately 1.1bbf of lumber capacity.

## Investment Rationale

We rate PCH at Neutral balancing upside to our PO with risks that housing could moderate. That said, the company has a good financial position and its timberlands business offers relative earnings stability vs. other wood products stocks. There is also potential for additional value-return.

## Stock Data

Average Daily Volume

479,268

## Quarterly Earnings Estimates

	2023	2024
Q1	0.23A	-0.01E
Q2	0.06A	0.36E
Q3	0.14A	0.22E
Q4	0A	0.13E

## Model changes and other points

### Exhibit 1: PCH Model Changes

4Q23 EPS of \$0.00 below BofA at \$0.04

Quarterly result:		\$0.00 vs. BofA at \$0.04 and Consensus at \$0.00
<b>Model changes:</b>		
1Q24E		(\$0.01) vs. \$0.14 (old)
2Q24E		\$0.70 vs. \$0.58 (old)
2Q25E		\$0.85 vs. \$0.90 (old)
2Q26E		\$0.90 (new)
Price Objective		\$55 (was \$56)

Note: Consensus estimate per Visible Alpha.

Source: BofA Global Research estimates.

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### Exhibit 2: PCH Relevant Operating Statistics

Segment breakdown in Real Estate, Wood Products & Timberlands

	4Q22	4Q23A	BofA	Key highlights
<b>Sales (\$ mn)</b>				
Timberlands	121.9	97.4	105.6	Pricing was a headwind in both lumber and timber.
Real Estate	11.7	27.9	19.7	
Wood Products	156.8	150.1	154.5	
Intersegment Sales	(37.2)	(20.9)	(25.0)	
Net sales	\$253.2	\$254.5	\$254.8	
<b>Adj. EBITDA (\$ mn)</b>				
Timberlands	50.6	33.3	34.8	Timberlands adj. EBITDA below our estimates due to lower indexed sawlog prices and seasonally lower Northern harvest volumes. 1Q volumes will be down sharply y/y.
Real Estate	7.2	21.9	15.0	Results were above our forecasts due to higher average per acre pricing than our forecast in rural and development land sales.
Wood Products	2.4	(6.5)	6.2	Wood Products adj. EBITDA decreased \$8.9 million from Q4 2022 due to a decrease in the average lumber price and a larger, lower-of-cost-or-market inventory charge. Average price realizations were ~4.5% lower than our model.
<b>Adj. EBITDA Margins</b>				
Timberlands	41.5%	34.2%	33.0%	
Real Estate	61.5%	78.5%	76.0%	
Wood Products	1.6%	-4.3%	4.0%	
Margin %	20.6%	16.0%	21.6%	

Source: Company filings, BofA Global Research estimates.

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## Next up

The table below summarizes details for remaining earnings reports.



**Exhibit 3: Upcoming earnings releases**

Review of upcoming earnings releases for Packaging &amp; Paper/Forest

Report						Earnings						Conference Call		
Date	Time*	Ticker	Price	Rating**	Q-R-Q	Actual	BofA Est.	Year Ago	Street	St. Low	St. High	Date	Time (ET)	Dial-In / Passcode
1/31	BMO	AVY	\$201.69	UP	B-3-7		\$2.11	\$1.65	\$2.16	\$2.11	\$2.24	1/31	1:00 p.m.	800-768-9711
1/31	BMO	SLGN	\$43.70	B	B-1-7		\$0.56	\$0.85	\$0.58	\$0.54	\$0.63	1/31	11:00 a.m.	(888) 256-1007 / 2504193
2/1	BMO	BALL	\$56.78	UP	B-3-7		\$0.81	\$0.44	\$0.75	\$0.63	\$0.81	2/1	11:00 a.m.	877-497-9071
2/5	AMC	CKK	\$90.75	B	B-1-7		\$1.40	\$1.17	\$1.44	\$1.39	\$1.62	2/6	9:00 a.m.	(888) 324-8108 / packaging
2/6	AMC	OI	\$15.22	B	C-1-9		\$0.03	\$0.38	\$0.03	\$0.03	\$0.06	2/7	--	--
2/6	AMC	AMCR	\$9.60	UP	B-3-7		\$0.15	\$0.19	\$0.15	\$0.15	\$0.15	2/6	5:30 p.m.	800 715 9871 / 2761023
2/7	BMO	BERY	\$67.34	B	B-1-7		\$1.30	\$1.30	\$1.31	\$1.25	\$1.37	2/7	10:00 a.m.	--
2/8	AMC	ATR	\$132.60	B	B-1-7		\$1.11	\$0.92	\$1.12	\$1.10	\$1.13	2/9	9:00 a.m.	--
2/14	AMC	SON	\$58.65	B	B-1-7		\$1.08	\$1.27	\$1.08	\$1.05	\$1.12	2/15	--	--
2/22	BMO	AMBP	\$3.83	N	B-2-8		\$0.04	\$0.05	\$0.04	\$0.04	\$0.05	2/22	9:00 a.m.	--
2/27	AMC	PTVE	\$15.03	B	B-1-7		\$0.08	\$0.15	\$0.20	\$0.08	\$0.27	--	--	--
	BMO	SEE	\$36.04	B	B-1-7		\$0.58	\$0.99	\$0.63	\$0.58	\$0.74	2/27	10:00 a.m.	--
	AMC	GEF	\$64.28	N	B-2-7		\$0.68	\$1.06	\$0.65	\$0.54	\$0.72	--	--	--
	BMO	BRC	\$61.32	B	B-1-7		\$0.92	\$0.81	\$0.95	\$0.92	\$0.97	--	--	--
Total Packaging							\$10.85	\$11.23	\$11.09	\$10.40	\$11.88			

**Paper/Forest - 4Q23 Earnings Calendar**

Report						Earnings						Conference Call		
Date	Time	Ticker	Price	Rating**	Q-R-Q	Actual	BofA Est.	Year Ago	Street	St. Low	St. High	Date	Time (ET)	Dial-in / Passcode
1/24	AMC	PKG	\$169.86	N	B-2-7	\$2.13	\$1.83	\$2.35	\$1.82	\$1.75	\$1.94	1/25	--	--
1/25	AMC	WY	\$33.02	B	B-1-7	\$0.16	\$0.12	\$0.23	\$0.14	\$0.12	\$0.16	1/26	--	--
1/29	AMC	PCH	\$45.80	N	B-2-7	(\$0.00)	\$0.04	\$0.12	(\$0.00)	(\$0.09)	\$0.04	1/30	--	--
2/1	BMO	IP	\$36.51	UP	B-3-7		\$0.35	\$0.87	\$0.34	\$0.27	\$0.38	2/1	8:00 a.m.	844-291-5494 / 3266705
2/1	BMO	WRK	\$41.44	B	B-1-7		\$0.30	\$0.55	\$0.35	\$0.30	\$0.37	--	--	--
2/14	BMO	LPX	\$67.98	UP	C-3-7		\$0.54	\$0.78	\$0.55	\$0.44	\$0.65	2/14	11:00 a.m.	--
2/15	BMO	SLVM	\$48.44	B	C-1-7		\$0.81	\$2.14	\$0.84	\$0.81	\$0.86	2/15	10:00 a.m.	877-336-4440 / 763504
2/20	BMO	GPK	\$25.96	B	B-1-7		\$0.62	\$0.59	\$0.69	\$0.62	\$0.78	2/21	--	--
	AMC	BCC	\$138.00	UP	B-3-7		\$2.37	\$2.97	\$2.55	\$2.33	\$2.92	--	--	--
Total Paper/Forest						\$2.29	\$6.97	\$10.60	\$7.27	\$6.55	\$8.10			

**Source:** Bloomberg, BofA Global Research estimates. Priced on 1/30/24.

Bloomberg estimates as of 1/30/24. GEF, WRK, BERY, AMCR and BRC upcoming quarters reflect F1Q, F1Q, F2Q and F2Q respectively. Full-year estimates calendarized. \*Time: after market close (AMC), before market open (BMO), to be determined (TBD). \*\*Ratings: Buy (B), Neutral (N), Underperform (UP); No Rating (NR)

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## Price objective basis & risk

### PotlatchDeltic Corp. (PCH)

Our \$55 PO is based on: (a) an assumed mid-cycle dividend yield of 3% and dividend of \$1.80-2.00/share, (b) a 21-25x mid-cycle AFFO multiple, and (c) a sum-of-the-parts (SOTP) value. Our SOTP model values PCH's Resources business based on our estimates of the per acre values for its timberlands, and values its Wood Products business based on our forecast for mid-cycle EBITDA and applying a 5x EV/EBITDA multiple. Meanwhile, we value its Real Estate operations based on the average premium generated over time, and assuming properties sold are ultimately replaced with other timberlands.

Risks to our PO being achieved are: (1) Flattening yield curve, (2) Housing market weakness, which can impact PCH's Wood Products and Real Estate operations, as well as timberland profits, (3) Broader housing and economic trends, which can impact timberland and REIT valuations, including the threat of deflation, (4) Risk that synergies with CatchMark is not realized (5) Dividend trends, (6) Demand, supply chain and other risks created by the Covid-19 pandemic, (7) Regulations on tax status of REITs. Upside risks to our PO are better-than-expected improvement in the housing market and dividend trends.

While we have tried to be conservative in our modeling, certain fundamental trends could wind up worse than expected, causing further downside to the shares relative to our price objective. Similarly, PCH performance could prove better than our forecast, lifting the shares above our PO.

## Analyst Certification

I, George L. Staphos, 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 - Paper and Packaging Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	AptarGroup Inc.	ATR	ATR US	George L. Staphos
	Berry Global	BERY	BERY US	George L. Staphos
	Brady Corp. - CI A	BRC	BRC US	Cashen Keeler
	Crown Holdings Inc.	CCK	CCK US	George L. Staphos
	Graphic Packaging	GPK	GPK US	George L. Staphos
	O-I Glass Inc	OI	OI US	George L. Staphos
	Pactiv Evergreen	PTVE	PTVE US	George L. Staphos
	Sealed Air Corp.	SEE	SEE US	George L. Staphos
	Silgan Holdings Inc.	SLGN	SLGN US	George L. Staphos
	Sonoco Products Co.	SON	SON US	George L. Staphos
	Sylvamo Corp.	SLVM	SLVM US	George L. Staphos
	WestRock	WRK	WRK US	George L. Staphos
	Weyerhaeuser Co.	WY	WY US	George L. Staphos
<b>NEUTRAL</b>				
	Ardagh Metal Packaging S.A.	AMBP	AMBP US	George L. Staphos
	Greif Inc.	GEF	GEF US	George L. Staphos
	Packaging Corp. of America	PKG	PKG US	George L. Staphos
	PotlatchDeltic Corp.	PCH	PCH US	George L. Staphos
<b>UNDERPERFORM</b>				
	Amcor Plc	AMCCF	AMC AU	George L. Staphos
	Amcor PLC	AMCR	AMCR US	George L. Staphos
	Avery Dennison Corp.	AVY	AVY US	George L. Staphos
	Ball Corp.	BALL	BALL US	George L. Staphos
	Boise Cascade Company	BCC	BCC US	George L. Staphos



## US - Paper and Packaging Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	International Paper Co.	IP	IP US	George L. Staphos
	Louisiana-Pacific Corp.	LPX	LPX US	George L. Staphos

**iQmethod<sup>SM</sup> Measures Definitions**

<b>Business Performance</b>	<b>Numerator</b>	<b>Denominator</b>
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	$\text{Cash Flow From Operations} - \text{Total Capex}$	N/A
<b>Quality of Earnings</b>	<b>Numerator</b>	<b>Denominator</b>
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	$\text{Net Debt} = \text{Total Debt} - \text{Cash \& Equivalents}$	Total Equity
Interest Cover	EBIT	Interest Expense
<b>Valuation Toolkit</b>	<b>Numerator</b>	<b>Denominator</b>
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	$\text{Cash Flow From Operations} - \text{Total Capex}$	$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	$\text{Basic EBIT} + \text{Depreciation} + \text{Amortization}$

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 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.

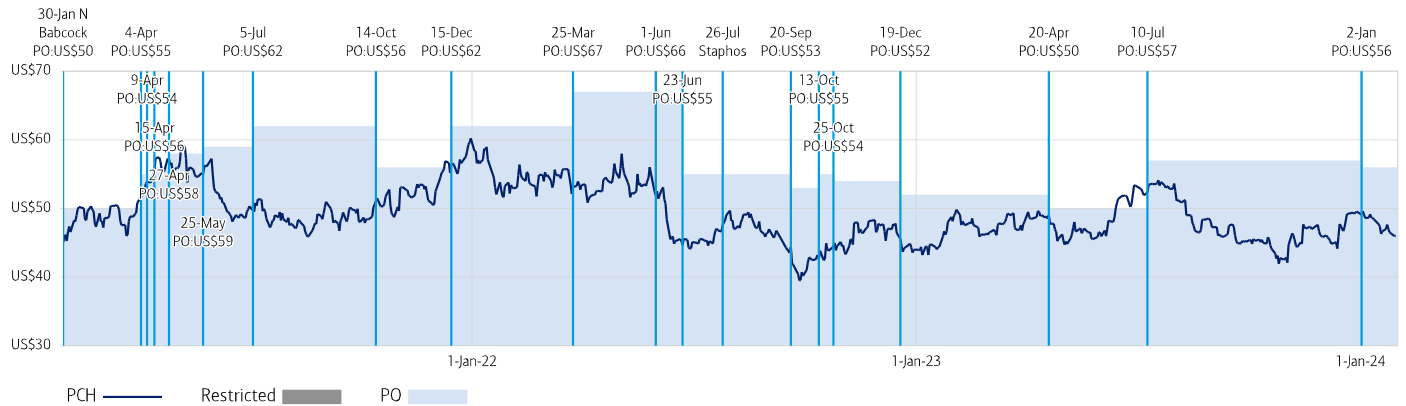
iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

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# Disclosures

## Important Disclosures

### PotlatchDeltic Corp (PCH) 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: Paper/Forest Products Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	9	45.00%	Buy	8	88.89%
Hold	2	10.00%	Hold	1	50.00%
Sell	9	45.00%	Sell	5	55.56%

### 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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