

## Consumer Finance

## Consumer Finance Tidbits: Issue 24-03

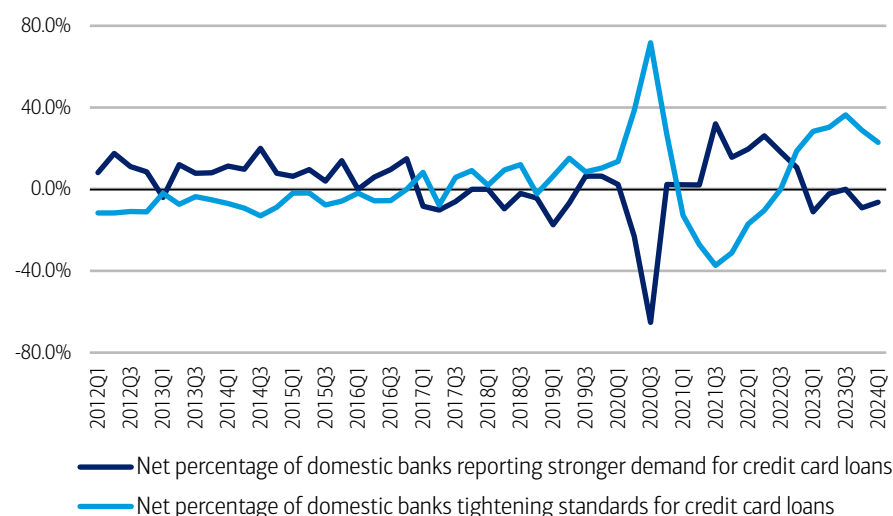
## Industry Overview

## Underwriting standards tighten, card demand falls

The Federal Reserve's January survey on bank lending practices, SLOOS, shows that underwriting standards for credit card, auto loans, and other consumer loans has continued to tighten since October. Notably, demand modestly weakened for credit card loans. That said, loan officers expect demand for credit cards to strengthen over 2024, driven by lower rates and increased spending needs, which we view as a positive sign for loan growth. Loan officers expect to continue tightening underwriting standards throughout the year, primarily due to a weaker economic outlook.

**Exhibit 1: On net, demand for card loans has decreased while underwriting has tightened**

A net share of senior loan officers expect tighter underwriting, but demand increasing through 2024



Source: Federal Reserve Senior Loan Officer Opinion Survey on Bank Lending Practices

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## Building the mosaic: Sector news

**Amex opens ATL lounge:** American Express (AXP) opened its largest Centurion Lounge in the Atlanta International Airport on February 14. Amex also announced it plans to open new lounges at Reagan National Airport (DCA) and Newark Liberty (EWR) emphasizing its focus on premium perks in the travel space.

**Fed finds varied usage of BNPL products:** Liberty Street Economics find that fragile households tend to use BNPL for frequent small purchases vs financially stable consumers who use it to avoid paying interest on a credit purchases. They define "fragile" as a consumer who has a FICO score below 620, has been declined for credit in the last 12 months, or has been delinquent on a loan in the last 12 months. The finding reinforces their argument that BNPL may be used to stretch credit further.

**See page 3 for WEX share buybacks, SYF (Synchrony Financial) preferred share filing, new partnerships for SOFI and AXP, and RDN's (Radian) dividend increase / model update.**

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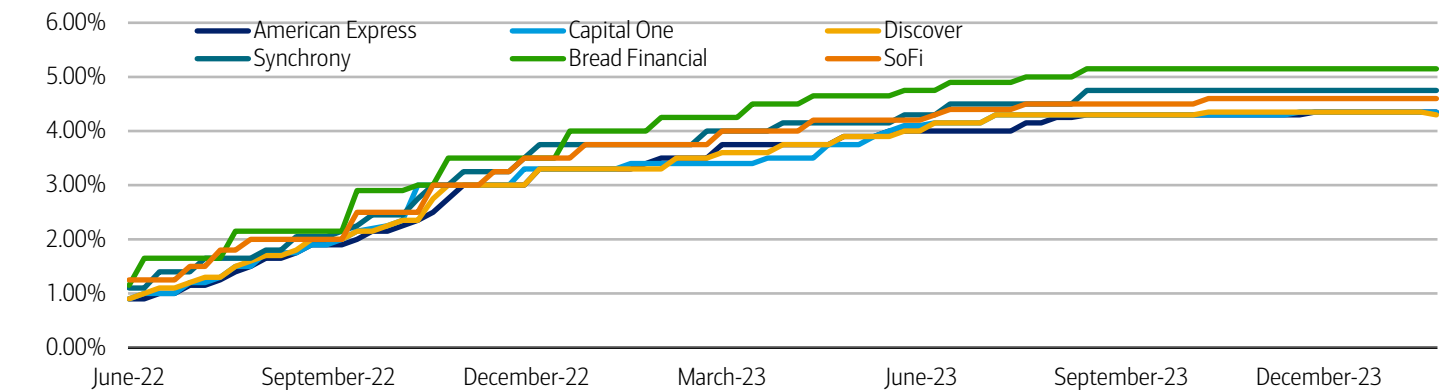
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BNPL: Buy Now, Pay Later

SLOOS: Senior Loan Officer Opinion  
Survey on Bank Lending Practices

**Exhibit 2: Deposit pricing has been relatively stable over the last four months**

Online savings account interest rates

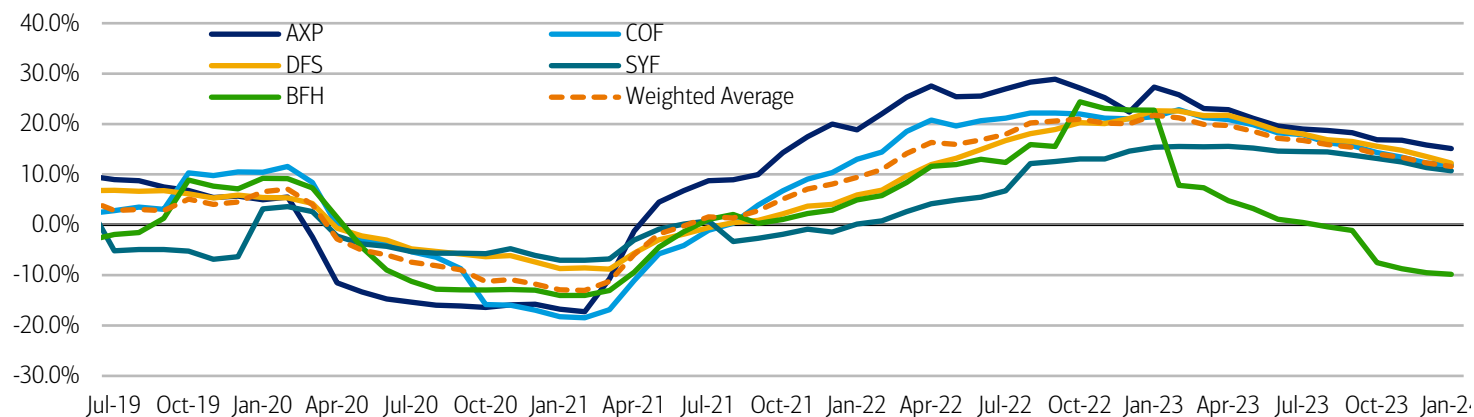


Source: Company websites

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**Exhibit 3: Loan growth remains strong but has begun to slow on a y/y basis, BFH is down y/y**

y/y loan growth

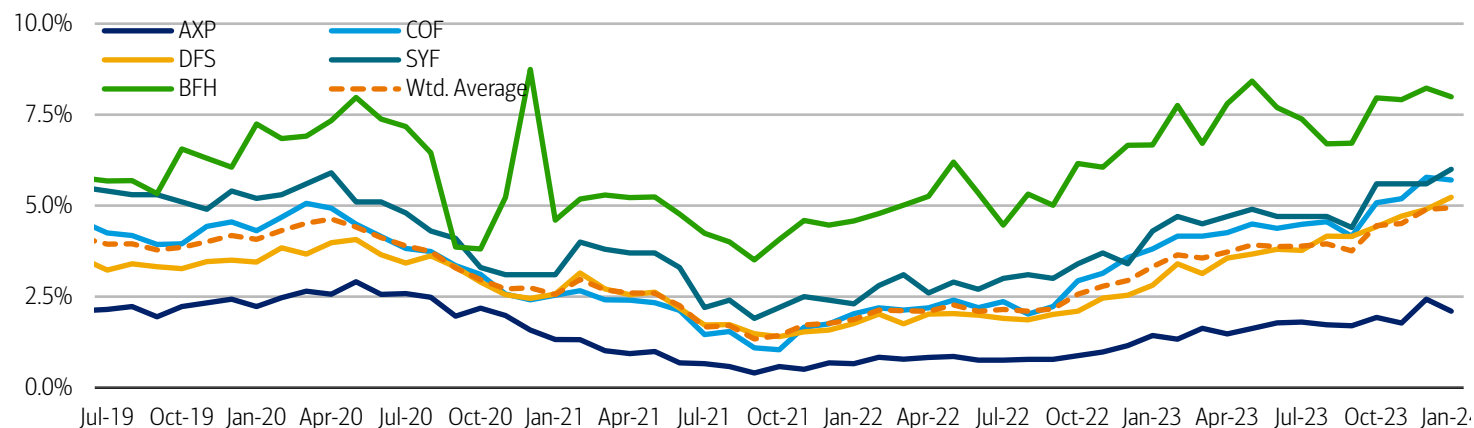


Source: BofA Global Research estimates, company reports

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**Exhibit 4: Net charge-off rates are climbing, AXP remains below pre-pandemic levels**

Net charge-off rates on domestic card loans



Source: BofA Global Research estimates, company reports

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## More sector news

**WEX increases buyback:** WEX announced that its board has authorized an additional \$400M to its repurchase authorization, which brings the amended total to \$1,050M. Given \$478M repurchases to date, WEX has \$572M remaining under the current authorization.

**SYF files to issue preferred shares:** Earlier, Synchrony (SYF) filed to issue 20M of \$25 preferred shares, expected to price at 8.25%. This is in-line with the company's strategy to further develop its capital structure thru the issuance of preferred stock. The indicated ~\$500M issuance would boost SYF's Additional Tier 1 Capital, and is just shy of the approx. \$700M capacity it discussed on the 4Q23 call last month.

**AXP partners with Fyle (B2B):** Fyle, an expense management software provider, has partnered with American Express to issue small business virtual cards thru the Amex network.

**SoFi partners with the NBA:** SoFi announced a multi-year deal to become the official banking partner of the NBA. The logo will be displayed with the NBA Play-In Tournament, in addition to partnering with the NBA's media partners, the G League, and 2K.

We update our Radian (RDN) model to incorporate the dividend raise to \$0.245/share, payable in 1Q24.

## Consumer finance dashboard

In aggregate, consumer finance metrics remain solid by most measures (Exhibit 5). The unemployment rate is currently strong and was flat on a m/m basis in January, which was better than economists forecast (3.8% estimate). However, initial and continuing jobless claims are getting worse m/m. Fed officials and BofA Global Research economists expect a soft landing with a benign unemployment outlook – our economists expect unemployment to peak at 4.2% in 2025. Adjusted retail and food sales and credit card balances are up on a y/y basis as consumers continue to spend amid higher inflation. That said, inflation has been moderating, which has helped drive consumer confidence up on a y/y and m/m basis.

### Exhibit 5: Consumer finance dashboard

Key metrics for employment, income, spending, and lending are mixed

Item	Most recent	Reading	YoY Change	MoM Change
<b>Employment</b>				
Unemployment Rate	1/31/2024	3.7%	+30bps	+0bps
Initial Jobless Claims	2/2/2024	218	-0.9%	7.4%
Continuing Jobless Claims	1/26/2024	1,871	10.8%	2.1%
Non-Farm Payrolls (000s)	1/31/2024	157,700	1.9%	0.2%
<b>Income</b>				
Average Hourly earnings (y/y change)	1/31/2024	4.50%	-10bps	+20bps
Personal Income	12/31/2023	23,359	+470bps	+26bps
New Bankruptcy Cases - Nonbusiness filings	12/31/2023	109,377	19.0%	NA
<b>Spending and lending</b>				
Adj. Retail and Food Service Sales	12/31/2023	710	+560bps	+60bps
Consumer Confidence	1/31/2024	79	21.7%	13.3%
Revolving credit balances (\$B)	1/31/2024	1,048	9.0%	-1.5%
<b>Rates</b>				
30yr Mortgage rate	2/13/2024	7.25%	+12bps	+5bps
30yr Mortgage rate - MBS coupon spread	2/14/2024	0.66%	-42bps	-19bps

Source: BofA Global Research, Bloomberg, Census Bureau, Federal Reserve, Labor Department, Administrative office of US Courts

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## EPS forecasts vs consensus

Exhibit 6 and Exhibit 7 highlight BofA forecasts versus consensus for the current quarter and 2024. For 1Q24, our estimates are above consensus for card issuers on a lower reserve rate. For SYF, our estimate is well above consensus due to the sale of Pets Best. For 4Q23, our estimates are below consensus for WEX and FLT (FleetCor) on lower revenue contribution from Fuel. For mortgage insurers, our estimates are mixed versus



consensus due to reserve assumptions. Our estimate for RKT (Rocket Companies) is in line with consensus.

### Exhibit 6: Next quarter forecast

BofA vs consensus

Ticker	BofAe Current Q	Bloomberg Current Q	BofA-Bb
<b>Credit Card Issuers</b>			
AXP	\$2.95	\$2.99	(\$0.04)
COF	\$3.99	\$3.39	\$0.60
DFS	\$3.09	\$3.08	\$0.01
SYF	\$1.83	\$1.64	\$0.19
BFH	\$3.25	\$3.42	(\$0.17)
<b>Mortgage Insurers</b>			
ACT	\$0.94	\$0.95	(\$0.01)
ESNT	\$1.56	\$1.60	(\$0.04)
MTG	\$0.63	\$0.60	\$0.03
NMIH	\$1.01	\$0.98	\$0.03
RDN	\$0.75	\$0.85	(\$0.10)
<b>Fleet Cards</b>			
FLT	\$4.10	\$4.14	(\$0.04)
WEX	\$3.45	\$3.47	(\$0.02)
<b>Other</b>			
OMF	\$1.65	\$1.39	\$0.26
SOFI	\$0.00	\$0.01	(\$0.01)
<b>Mortgage Originators</b>			
RKT	(\$0.05)	(\$0.05)	\$0.00

Source: BofA Global Research estimates, Bloomberg

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### Exhibit 7: 2024 forecast

BofA vs consensus

Ticker	BofAe 2024	Bloomberg 2024	BofA-Bb
<b>Credit Card Issuers</b>			
AXP	\$12.91	\$12.86	\$0.05
COF	\$13.89	\$13.89	(\$0.00)
DFS	\$11.22	\$11.08	\$0.14
SYF	\$5.59	\$5.57	\$0.02
BFH	\$8.60	\$7.30	\$1.31
<b>Mortgage Insurers</b>			
ACT	\$3.83	\$3.77	\$0.06
ESNT	\$6.63	\$6.62	\$0.01
MTG	\$2.48	\$2.45	\$0.03
NMIH	\$4.21	\$4.05	\$0.17
RDN	\$3.09	\$3.42	(\$0.33)
<b>Fleet Cards</b>			
FLT	\$19.30	\$19.41	(\$0.11)
WEX	\$16.24	\$16.23	\$0.01
<b>Other</b>			
OMF	\$6.47	\$5.87	\$0.61
SOFI	\$0.06	\$0.10	(\$0.04)
<b>Mortgage Originators</b>			
RKT	\$0.32	\$0.29	\$0.03

Source: BofA Global Research estimates, Bloomberg

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### Exhibit 8: Relative valuation

Comp sheet

Ticker	Rating	2/15/2024 Stock Price	PO	QRQ	Upside / Downside	Div. yield	BofAe P/E 2023	BofAe P/E 2024	BofAe P/E 2025	'23-'25 Rev CAGR	'23-'25 EPS CAGR	Current P/BV	Current P/TBV	2023 ROE
<b>Credit card issuers</b>														
AXP	Buy	\$212.60	\$224.00	B-1-7	5.4%	0.8%	19.0x	16.5x	14.2x	10%	15%	5.5x	N/A	31%
COF	Buy	\$136.41	\$146.00	B-1-7	7.0%	1.9%	10.9x	9.8x	8.5x	5%	14%	0.9x	1.4x	8%
DFS	Buy	\$110.62	\$118.00	B-1-7	6.7%	1.7%	9.8x	9.9x	7.6x	3%	13%	1.9x	1.9x	20%
SYF	Neutral	\$39.81	\$41.00	B-2-7	3.0%	2.2%	7.7x	7.1x	6.2x	5%	11%	1.2x	1.4x	16%
BFH	Neutral	\$37.61	\$40.00	C-2-7	6.4%	2.2%	2.6x	4.4x	3.4x	-3%	-12%	0.6x	0.9x	26%
<b>Mortgage Insurers</b>														
ACT	Buy	\$27.34	\$34.00	B-1-7	24.4%	4.5%	6.7x	7.1x	7.1x	3%	-3%	1.0x	N/A	15%
ESNT	Buy	\$53.38	\$60.00	B-1-7	12.4%	1.3%	8.2x	8.1x	7.2x	12%	6%	1.1x	N/A	15%
MTG	Buy	\$19.49	\$22.50	B-1-7	15.4%	1.4%	7.7x	7.9x	7.6x	3%	1%	1.0x	N/A	15%
NMIH	Buy	\$29.88	\$38.00	B-1-9	27.2%	0.0%	7.8x	7.1x	6.5x	11%	9%	1.3x	N/A	18%
RDN	U/P	\$28.20	\$28.00	B-3-7	-0.7%	1.9%	7.3x	9.1x	9.0x	3%	-10%	1.0x	1.0x	19%
<b>Fleet Cards</b>														
FLT	Buy	\$275.46	\$326.00	B-1-9	18.3%	0.0%	16.3x	14.3x	12.2x	8%	15%	6.1x	N/A	43%
WEX	Buy	\$223.63	\$267.00	B-1-9	19.4%	0.0%	15.1x	13.8x	12.2x	7%	11%	5.2x	N/A	37%
<b>Other</b>														
OMF	Buy	\$47.58	\$51.00	C-1-7	7.2%	20.1%	8.7x	7.4x	6.0x	6%	21%	1.8x	3.8x	21%
SOFI	Neutral	\$8.51	\$9.50	C-2-9	11.6%	0.0%	-23.6x	144.4x	19.7x	22%	N/A	1.6x	2.4x	0%
<b>Mortgage Originators</b>														
RKT	U/P	\$11.74	\$6.00	C-3-9	-48.9%	9.5%	-90.3x	36.7x	23.9x	14%	N/A	2.7x	1.2x	-3%

Source: BofA Global Research estimates, Bloomberg

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## Price objective basis & risk

### American Express Company (AXP)

Our \$224 price objective is based on a 15x multiple to our 2025 EPS forecast. The 15x PE multiple is the middle of the historical range (12-18x) for AXP, which we think is appropriate given the growth outlook and strong operating momentum it is experiencing.

Downside risks to our PO are weaker-than-expected macroeconomic conditions, softer consumer and business spending, weaker loan growth, increasing competition, weaker US consumer credit performance, disruptions in capital markets, or an increasing regulatory burden.

### Bread Financial Holdings Inc (BFH)

Our \$40 PO is based on a 0.9x multiple to current book value. We believe more investors are looking at BFH through a book value lens given potential profitability challenges if the CFPB's late fee rule was to come into effect. We view a book value of <1.0 as appropriate in such a backdrop.

Downside risks to our price objective are: an economic downturn, which could lead to elevated loan loss rates, increased defaults, higher credit costs and slower loan growth. Deteriorating economic conditions would likely hurt investor sentiment and drive valuations lower. Loss of retail partners also poses a risk to growth and the earnings outlook.

### Capital One Financial (COF)

Our \$146 PO is based on a 10.5x PE multiple to our 2024 EPS forecast. A 10.5x PE multiple is in the middle of the historical range (7-12x) which we think is appropriate given the more optimistic macro outlook and strong loan growth, partially offset by rising credit costs.

Downside risks are: slower than expected revolving credit growth, faltering economic recovery and rising loan losses, which could drive earnings below our estimates, and result in valuation compression. Cybersecurity and regulations are also risks.

### Discover Financial (DFS)

We calculate a \$118 PO based on an 10.5x PE multiple to our 2024 EPS forecast. A 10.5x multiple is in the middle of DFS's recent historical range (7-12x) and reflects the more optimistic macro outlook, resilient consumer balance sheets, and strong business fundamentals.

Downside risks to our price objective are: if the economy falls into a recession, credit costs could rise rapidly and compress margins more than our current forecast. Deteriorating economic conditions would likely hurt sentiment and drive DFS's valuation lower.

### Enact Holdings (ACT)

Our \$34 PO is based on a 9x PE multiple to our 2024 EPS forecast. A 9x PE multiple is at the high-end of the historical range for mortgage insurers (6x-11x) and reflects the current favorable backdrop for housing credit, as well as, ACT's strong book value growth, and the more resilient business model.

Downside risks to our price objective are an economic downturn, which could lead to elevated defaults on mortgages and fewer mortgage originations, increased competitive pressures and price competition from private and / or government competitors. Changes to the regulatory environment could also impact future returns. Genworth's large concentrated ownership stake limits float and could be a risk.



**Essent Group (ESNT)**

Our \$60 PO is based on a 9x PE multiple to our 2024 EPS forecast. A 9x PE is at the high end of recent range for mortgage insurers (6-11x forward PE) and reflects ESNT's cost discipline, lower tax rate, strong capital position, and the favorable housing backdrop.

Downside risks to our price objective are an economic downturn, which could lead to elevated defaults on mortgages and fewer mortgage originations, increased competitive pressures and price competition from private and / or government competitors. Changes to the regulatory environment could also impact future returns. Successful M&A integration could also be a risk.

**FleetCor Technologies Inc. (FLT)**

We calculate our price objective of \$326 based on a 14.5x multiple to our 2025 non-GAAP EPS estimate. Our PE multiple is approximately a 20% discount to the S&P, which we view as warranted given fuel exposure and potential for idiosyncratic risks, slightly offset by FleetCor's strong fundamentals and upside potential from capital deployment.

Downside risks to our price objective are 1) weakening macro environment reduces demand for trucking/fuel, 2) increased competition, and 3) large fluctuations in fuel prices/foreign exchanges rates.

**MGIC Investment Corp. (MTG)**

Our \$22.50 PO is based on a 9x PE multiple to our 2024 EPS forecast. A 9x PE multiple is at the high-end of the historical range for mortgage insurers (6x-11x) and reflects the current favorable backdrop for housing credit, as well as, MTG's strong book value growth and capital return potential.

Downside risks to our price objective are an economic downturn, which could lead to elevated defaults on mortgages and fewer mortgage originations, increased competitive pressures and price competition from private and / or government competitors. Changes to the regulatory environment could also impact future returns.

**NMI Holdings (NMIH)**

Our \$38 price objective is based on a 9x P/E multiple to our 2024 EPS forecast. A 9x multiple is at the higher end of the range for MI companies (6-11x) reflecting the favorable housing credit backdrop.

Downside risks to our price objective are an economic downturn, a weaker housing credit backdrop, increased competitive intensity, and regulatory changes.

**OneMain Holdings, Inc. (OMF)**

Our \$51 price objective is based on a 6.5x multiple of our 2025 EPS forecast. The 6.5x PE multiple is in the middle of the historical range (4-8x), which is an approximate 20% discount to peers trading at 8x. We think that this valuation is justified given OMF's subprime exposure heading into a weakening macro environment.

Downside risks to our price objective are deterioration in credit, execution risk on the credit card portfolio, macroeconomic risk, regulatory risk, and a dividend cut.

**Radian Group Inc (RDN)**

Our \$28 PO is based on a 9x PE multiple to our 2024 EPS forecast. A 9x PE multiple is in line with the recent range for mortgage insurance (MI) stocks (6-11x) and reflects the solid operating backdrop for mortgage insurance, somewhat offset by execution risk from the homegenius segment.

Upside risks to our price objective are stronger than expected economic growth, fewer

loan delinquencies and strong housing credit performance which could lead to elevated new business written and fewer mortgage defaults. Execution in the homegenius segment could also be better than forecast and lead to higher / faster profit growth.

Downside risks to our price objective are an economic downturn, which could lead to elevated defaults on mortgages and fewer mortgage originations, increased competitive pressures and price competition from private and / or government competitors. Changes to the regulatory environment could also impact future returns. Successful M&A integration could also be a risk.

#### **Rocket Companies, Inc. (RKT)**

Our \$6 PO is based on a 19x PE multiple to our 2024 EPS forecast. A 19x PE multiple is in-line with mortgage comps currently trading at 19x, which we think is warranted by RKT's superior technology and brand, somewhat offset by a smaller refinance market.

Downside risks to our PO are: 1) lower-than-forecast origination volumes or gain-on-sale margins, 2) macroeconomic risk from a weaker-than-expected recovery or a downturn in the housing market, 3) regulatory changes, 4) execution risk, and 5) complex ownership structure and limited float.

Upside risks to our PO are: higher-than-forecast mortgage origination volumes or gain-on-sale margins, a stronger-than-expected housing market backdrop, and faster market share gains than expected. There is also risk RKT utilizes its strong balance sheet for M&A, dividends, and buybacks, which could improve sentiment and valuation for the shares.

#### **SoFi Technologies Inc (SOFI)**

Our \$9.50 price objective is based on a sum-of-the-parts of 2x current tangible book value and 6x on Technology segment's 2024 net revenue. 2x TBV reflects SOFI's faster growth and 6x to Technology net revenue is in-line with its closest peer.

Risks are dependence on volatile gain-on-sale (GoS) margins, execution risk, consumer credit / recession risk, customer concentration risk and regulation / consumer data privacy concerns.

#### **Synchrony Financial (SYF)**

Our \$41 PO is based on a 6.5x P/E multiple on 2025E EPS. Our multiple is on the low end of the typical trading range for SYF (6-12x), which we think is appropriate given the relatively uncertain macro backdrop and rising credit costs, somewhat balanced by the potential for high capital returns.

Downside risks to our price objective are an economic downturn, which could lead to elevated loan loss rates, increased defaults, higher credit costs and slower loan growth. Deteriorating economic conditions would likely hurt investor sentiment and drive valuations lower. Loss of retail partners also poses a risk to growth and earnings outlook.

Upside risks are: Consumer balance sheets continue to hold strength and credit metrics remain strong. Increased visibility in peak loss rates shifts investor sentiment. Federal reserve achieves a soft landing. Outsized capital return.

#### **WEX Inc. (WEX)**

We calculate our price objective of \$267 based on 14.5x our 2025 non-GAAP EPS estimate. Our PE multiple is a 20% discount to the S&P, which we view as warranted given fuel exposure and potential for business cyclicality slightly offset by WEX's strong fundamentals and favorable long-term trends.

Downside risks to our price objective are 1) weakening macro environment reduces



demand for trucking/fuel, 2) increased competition, 3) large fluctuations in fuel prices/foreign exchanges rates, 4) travel volumes remain muted.

## **Analyst Certification**

I, Mihir Bhatia, 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 - Payments, Processors, Specialty Finance and IT services Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Accenture Plc	ACN	ACN US	Jason Kupferberg
	American Express Company	AXP	AXP US	Mihir Bhatia
	Block Inc	SQ	SQ US	Jason Kupferberg
	Capital One Financial	COF	COF US	Mihir Bhatia
	Discover Financial	DFS	DFS US	Mihir Bhatia
	Enact Holdings	ACT	ACT US	Mihir Bhatia
	Essent Group	ESNT	ESNT US	Mihir Bhatia
	Fidelity National Information Services	FIS	FIS US	Jason Kupferberg
	Fiserv Inc	FI	FI US	Jason Kupferberg
	FleetCor Technologies Inc.	FLT	FLT US	Mihir Bhatia
	Flywire	FLYW	FLYW US	Jason Kupferberg
	Global Payments Inc	GPN	GPN US	Jason Kupferberg
	Jack Henry & Associates	JKHY	JKHY US	Jason Kupferberg
	Marqeta	MQ	MQ US	Cassie Chan
	Mastercard Inc	MA	MA US	Jason Kupferberg
	MGIC Investment Corp.	MTG	MTG US	Mihir Bhatia
	NMI Holdings	NMIH	NMIH US	Mihir Bhatia
	Nuvei	NVEI	NVEI US	Jason Kupferberg
	Nuvei	YNVEI	NVEI CN	Jason Kupferberg
	OneMain Holdings, Inc.	OMF	OMF US	Mihir Bhatia
	Shift4 Payments, Inc	FOUR	FOUR US	Jason Kupferberg
	Telus International	TIXT	TIXT US	Cassie Chan
	Telus International	YTIXT	TIXT CN	Cassie Chan
	Visa Inc.	V	V US	Jason Kupferberg
	WEX Inc.	WEX	WEX US	Mihir Bhatia
<b>NEUTRAL</b>				
	ADP	ADP	ADP US	Jason Kupferberg
	Affirm Holdings	AFRM	AFRM US	Jason Kupferberg
	Bread Financial Holdings Inc	BFH	BFH US	Mihir Bhatia
	DLocal	DLO	DLO US	Jason Kupferberg
	Globant SA	GLOB	GLOB US	Jason Kupferberg
	PayPal Holdings Inc	PYPL	PYPL US	Jason Kupferberg
	SoFi Technologies Inc	SOFI	SOFI US	Mihir Bhatia
	Synchrony Financial	SYF	SYF US	Mihir Bhatia
	Thoughtworks	TWKS	TWKS US	Jason Kupferberg
	Toast	TOST	TOST US	Jason Kupferberg
	TTEC Holdings	TTEC	TTEC US	Cassie Chan
<b>UNDERPERFORM</b>				
	CGI Inc.	GIB	GIB US	Jason Kupferberg
	CGI Inc.	YGIBA	GIB/A CN	Jason Kupferberg
	Cognizant Technology Solutions	CTSH	CTSH US	Jason Kupferberg
	Coinbase	COIN	COIN US	Jason Kupferberg
	DXC Technology	DXC	DXC US	Jason Kupferberg
	EPAM Systems	EPAM	EPAM US	Jason Kupferberg
	Paychex	PAYX	PAYX US	Jason Kupferberg
	Radian Group Inc	RDN	RDN US	Mihir Bhatia
	Rocket Companies, Inc.	RKT	RKT US	Mihir Bhatia
	TaskUs	TASK	TASK US	Cassie Chan
	Western Union	WU	WU US	Jason Kupferberg

## Disclosures

### Important Disclosures

**Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%



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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

**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%

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