

Dominion Energy

Bull/Bear Feedback and Regulatory Update. Waiting for Offshore Sale Still

Maintain Rating: UNDERPERFORM | PO: 40.00 USD | Price: 45.64 USD

Detailing the arguments on both sides of the debate

We maintain Underperform on shares of diversified utility and energy company Dominion Energy (D) and provide investor feedback to our latest deep dive ahead of the Investor Day business review conclusion. See details thoughts here: [The Final Countdown: Will Business Review End in 1Q24? Offshore Wind Key. 29 January 2024](#)

Bulls: Re-rate to a premium with above-average growth

The bulls in our investor conversations outnumber the bears by a wide margin. The core positive arguments are (1) that Dominion will require less equity than BofA \$1.5Bn annual 2026-2028, leading to a 6-7% or higher EPS growth rate; (2) ability to re-rate to a premium vs the sector with the 'halo' of data center growth in its Virginia service territory; (3) ~5.9% dividend yield, one of the highest for a regulated utility; and (4) hopefully more conservative earnings assumptions embedded in the new guidance, leading to less risk. *The ability to deliver premium regulated EPS growth via more rate base growth and/or less equity dilution will be key for us in the business review.*

Bears: Above-average risk and below-average growth

More cautious investors generally agree with our view that Dominion warrants a large discount for its lower regulated earnings mix with ~20% pension income & unregulated nuclear plus offshore wind construction. Additionally, these investors we speak to believe that Dominion's pro-forma business update will disappoint and be below the generally expected \$3.45-3.50 2025 adjusted EPS base, off which it would see 6-7% subsequent growth. Within the bearish community, there is a view that Dominion's offshore wind project will face setbacks such as cost increases and/or inability to find a minority partner. This is *not* our view: see full report below for our latest on D.

Regulatory refresh: Offshore wind and generation plans

We detail recent Virginia regulatory developments including (1) Dominion reaffirming its offshore wind construction cost & budget while changing the onshore timing; and (2) the SCC regulator not voting to approval the integrated resource plan as reasonable and prudent with Chair Hudson not voting in support. The Virginia legislative session has been fairly quiet-to-date, consistent with our expectations and a positive for Dominion.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	3.86	2.17	2.15	2.86	3.40
GAAP EPS	3.95	0.50	1.30	2.86	3.40
EPS Change (YoY)	9.0%	-43.8%	-0.9%	33.0%	18.9%
Consensus EPS (Bloomberg)			2.56	3.07	3.43
DPS	2.52	2.67	2.67	2.68	2.68
Valuation (Dec)					
P/E	11.8x	21.0x	21.2x	16.0x	13.4x
GAAP P/E	11.6x	91.3x	35.1x	16.0x	13.4x
Dividend Yield	5.5%	5.9%	5.9%	5.9%	5.9%
EV / EBITDA*	20.4x	21.1x	19.4x	16.1x	14.6x
Free Cash Flow Yield*	-5.0%	-10.2%	-6.4%	-14.6%	-12.1%

* For full definitions of *IQmethod*SM measures, see page 7.

05 February 2024

Equity

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Stock Data

Price	45.64 USD
Price Objective	40.00 USD
Date Established	29-Jan-2024
Investment Opinion	B-3-7
52-Week Range	39.18 USD - 61.84 USD
Mkt Val (mn) / Shares Out (mn)	38,192 USD / 836.8
Free Float	99.8%
Average Daily Value (mn)	210.99 USD
BofA Ticker / Exchange	D / NYS
Bloomberg / Reuters	D US / D.N
ROE (2023E)	6.9%
Net Dbt to Eqty (Dec-2022A)	162.6%
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"](#).

Glossary

SCC: State Corporation Commission
IRP: Integrated Resource Plan

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Timestamp: 05 February 2024 06:15AM EST

iQprofileSM Dominion Energy

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	2.9%	2.1%	2.9%	3.8%	4.2%
Return on Equity	12.7%	7.0%	6.9%	9.3%	10.9%
Operating Margin	21.6%	18.1%	23.4%	27.9%	29.7%
Free Cash Flow	(1,923)	(3,891)	(2,444)	(5,568)	(4,617)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.3x	2.0x	4.2x	2.5x	2.4x
Asset Replacement Ratio	2.2x	2.4x	3.2x	3.4x	3.2x
Tax Rate	13.7%	26.3%	18.1%	20.0%	21.7%
Net Debt-to-Equity Ratio	138.9%	162.6%	170.2%	123.7%	136.1%
Interest Cover	2.2x	2.5x	1.7x	2.3x	3.0x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	13,964	15,257	14,769	15,981	16,871
% Change	-1.5%	9.3%	-3.2%	8.2%	5.6%
Gross Profit	10,443	9,914	10,796	11,961	12,802
% Change	-5.0%	-5.1%	8.9%	10.8%	7.0%
EBITDA	5,497	5,318	5,774	6,969	7,710
% Change	7.4%	-3.3%	8.6%	20.7%	10.6%
Net Interest & Other Income	(1,354)	(1,108)	(1,983)	(1,970)	(1,685)
Net Income (Adjusted)	3,121	1,813	1,798	2,403	2,893
% Change	6.1%	-41.9%	-0.8%	33.6%	20.4%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	3,288	538	1,170	2,546	3,181
Depreciation & Amortization	2,768	3,113	3,165	3,356	3,536
Change in Working Capital	(2,174)	(3,336)	1,300	0	0
Deferred Taxation Charge	487	9	1,379	346	343
Other Adjustments, Net	(332)	3,376	579	(284)	(245)
Capital Expenditure	(5,960)	(7,591)	(10,037)	(11,532)	(11,432)
Free Cash Flow	-1,923	-3,891	-2,444	-5,568	-4,617
% Change	-142.5%	-102.3%	37.2%	-127.9%	17.1%
Share / Issue Repurchase	192	1,866	97	168	750
Cost of Dividends Paid	(2,036)	(2,209)	(2,233)	(2,244)	(2,277)
Change in Debt	4,586	3,526	1,452	(12,406)	5,499

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	408	341	290	307	318
Trade Receivables	2,568	3,357	1,921	2,046	2,137
Other Current Assets	4,293	6,152	6,738	6,885	6,993
Property, Plant & Equipment	59,774	63,460	67,188	55,231	63,293
Other Non-Current Assets	32,547	30,933	29,633	29,633	29,633
Total Assets	99,590	104,243	105,770	94,101	102,374
Short-Term Debt	3,155	6,764	3,568	2,629	3,045
Other Current Liabilities	5,518	6,686	5,749	5,822	5,876
Long-Term Debt	37,426	38,914	43,562	32,095	37,177
Other Non-Current Liabilities	24,573	23,998	25,377	25,723	26,957
Total Liabilities	70,672	76,362	78,256	66,269	73,055
Total Equity	28,918	27,881	27,514	27,832	29,319
Total Equity & Liabilities	99,590	104,243	105,770	94,101	102,374

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Electric Utilities

Company Description

Dominion Energy is a predominately regulated utility holding company focused on Virginia and South Carolina utilities plus unregulated nuclear in Connecticut. The company announced a comprehensive business in 2022. In September 2023 Dominion announced an agreement to sell local distribution gas utilities to Enbridge to reduce parent company leverage.

Investment Rationale

We rate Dominion Energy shares as Underperform, as we see risks outweighing opportunities. Our long-term adjusted EPS forecast is below Consensus and materially lower than the company's last long-term guidance. Dominion has regulatory, legislative, capital markets/M&A, and construction uncertainty that warrants a discount. We also expect minimal dividend growth (sub-1%) for the company. We think investors are underappreciating the degree of earnings rebase and uncertainty in 2024 and beyond.

Stock Data

Average Daily Volume 4,572,919

Quarterly Earnings Estimates

	2022	2023
Q1	1.18A	0.45A
Q2	0.79A	0.54A
Q3	0.94A	0.77A
Q4	0.60A	0.40E

Virginia does not issue unanimous order on IRP

The Virginia State Corporation Commission (SCC) did **not** declare Virginia Electric Power Company's (VEPCO, Dominion subsidiary) integrated resource plan (IRP) as reasonable and in the public interest, a setback for the company (Docket PUR-2023-00066). On February 1st the SCC filed a notification that "The State Corporation Commission, having not reached a majority decision in this matter, will not 'make a determination within nine months after the date of filing' as set forth in Code" with a concurrent filing by Commissioner Dimitri that he would have found the IRP reasonable and in the public interest. The notification cites a lack of "majority decision", indicating that the other permanent Commissioner and current Chair Jehmal Hudson did not vote to support the IRP, leading to a 1-1 draw.

This is not a surprising development after the Hearing Examiner found Dominion's IRP as not reasonable related to the natural gas buildout. The Hearing Examiner recommended that the SCC find the IRP as not in the public interest but would not require Dominion to refile its IRP because it is required to file a new IRP by October 15th, 2024. The core issue and concern identified by the Hearing Examiner was that the Dominion includes 970MW natural gas combustion turbines (CTs) in 2028 but the VCEA "created a default presumption, albeit rebuttable, that new carbon-emitting generation shall not be approved unless statutory conditions are established." Further, the Hearing Examiner states that Dominion did not include detailed information that the company has considered alternatives such as third-party assets.

We do not believe that lack of SCC determination of a reasonable IRP will change Dominion's investment plans in the short-term, but this will lead to additional uncertainty in the certificate of public convenience and need (CPCN) filings. This could have impacts on the quantum of owned generation vs power purchase agreements for Dominion.

See background here: [US Utilities & IPPs: Load Growth in PJM: Is it real? Yes, but overwhelmingly data centers 11 December 2023](#)

Onshore component of offshore wind shifted to April

On February 1st Dominion filed its quarterly offshore wind construction report which detailed recent permitting approvals (Docket PUR-2023-00195). Dominion stated that the project remains on-budget at \$9,805Mn. **The onshore construction guidance has changed to April 2026** with the offshore turbines installation and commissioning still targeting YE26. Dominion did not explicitly state the prior onshore target was but April 2026 should still provide latitude to have full in-service by the end of 2026.

Cost contingency minimally changed QoQ

More significant offshore construction is guided to begin this month (February). Monopile delivery started in 4Q23 and installation is targeted to begin 2Q24. The latest contingency is \$351Mn, declining from ~\$370Mn as of November 1st quarterly filing.

VA legislature does not take up offshore competition bill

In a *positive* development, the draft proposed legislation to have competitive procurement for subsequent Virginia offshore wind was tabled until the 2025 legislative session. The bill was Senate Bill 578 and it was continued to 2025 in the Senate Commerce and Labor Committee by a 15-0 vote on January 29th. Senator Deeds (Dem.) who sponsored the bill stated that he did not have enough support to pass the bill and is optimistic that the Commission on Electric Utility Regulation will opine in the future. Per media statements, Dominion opposed the draft legislation and offshore wind development competitor Avangrid (AGR) supported the potential bill.

BofA Global Research Reports

Title: Subtitle

[Dominion Energy: The Final Countdown: Will Business Review End in 1Q24? Offshore Wind Key.](#)
[Dominion Energy: Raining on the Dominion Holiday Parade: Why we are still Underperform after rally](#)
[Dominion Energy: First Take on Gas LDC Sales: Disappointing Valuation, Business Review Delayed to 4Q](#)
[Dominion Energy: Preparing for the Eventful Business Review Investor Day in Less Than 50 Days](#)
[Dominion Energy: First asset sale announced: Cove Point proceeds slight miss. What is next?](#)
[Dominion Energy: Preparing for the 3Q Investor Day: Why We are Still Bearish on Catalysts Ahead](#)
[Dominion Energy: Lowering Expectations Again: Reiterate Underperform with Execution Questions](#)

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29 January 2024
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06 September 2023
14 August 2023
11 July 2023
10 July 2023
15 May 2023



Price objective basis & risk

Dominion Energy (D)

We value Dominion Energy at \$40 using a 2026E sum-of-the-parts analysis. For the utilities we apply the comparable 13.5x electric peer multiples which we gross-up by 5% to reflect capital appreciation across the sector. We apply -1.5x discount for base Virginia and -1.0x for South Carolina. We apply discount adjustments to lower value utility sources in South Carolina (NND nuclear and bill credits). The pension income is valued 4x P/E, consistent with the 12/31/22 valuation levels.

Contracted assets are valued using 2026 EV/EBITDA: 5x Millstone (13% FCF Yield), and 5x for renewables. For remaining debt beyond that allocated to state utilities, we include a 50% weight towards a straight netting of leverage, with the remaining 50% using a P/E multiple on associated interest expense, in line with the methodology employed for diversified utilities with relatively higher levers of leverage. The interest rate hedge is valued at the stated \$1Bn value 9/30/23 less tax.

Risk to achievement of the Price Objective are 1) regulatory, legislative, and political actions, 2) ability to earn or exceed the regulatory allowed ROE, 3) capital markets and equity requirements, 4) changes to the capital expenditure and rate base forecast for both regulated & unregulated segments, 5) volatility in interest rates and pension returns, 6) changes in commodity prices, 7) natural disasters, nuclear accidents, and weather, 8) nuclear performance, 9) inflation, & 10) offshore wind construction.

Analyst Certification

I, Paul Zimbardo, 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 - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Julien Dumoulin-Smith
	Nextrackr Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Energy Group	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Corp	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Paul Zimbardo
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Paul Zimbardo
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Julien Dumoulin-Smith
UNDERPERFORM				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

iQmethodSM 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 & 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

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.

iQdatabase[®] 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.

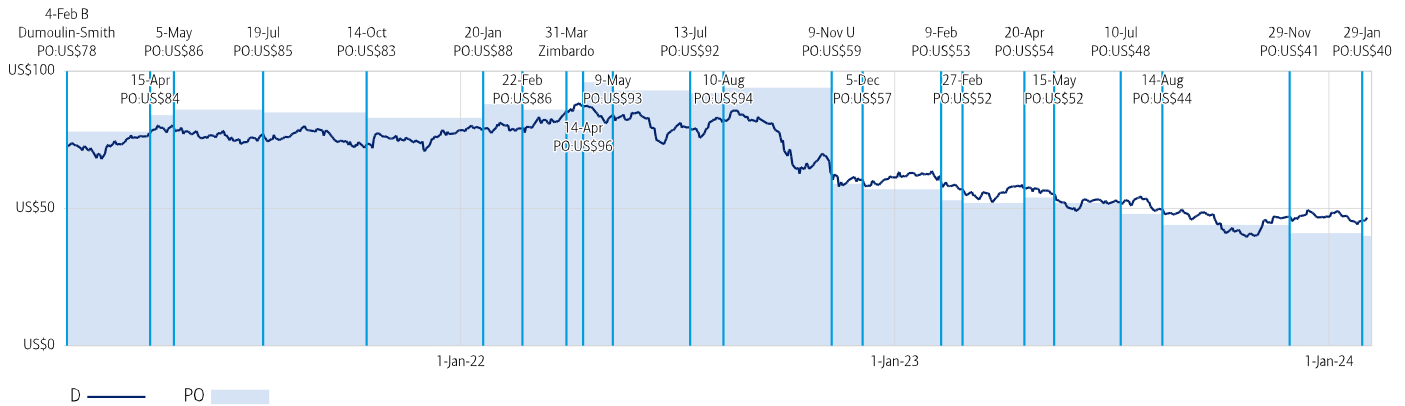
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Disclosures

Important Disclosures

Dominion Energy (D) 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: Utilities Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

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.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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%

^{R2} 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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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