

Jabil Inc.

# Navigating a tough operating environment; margins, buybacks keep EPS \$9.00+

Reiterate Rating: BUY | PO: 160.00 USD | Price: 153.19 USD

## Renewables, 5G remain weak end markets

Jabil reports F2Q24 earnings before market opens on Friday March 15<sup>th</sup>. As we head into earnings, we are cognizant of weak end markets. Within Industrial, the renewables market remains weak as is the market for semiconductor capital equipment. In the 5G Wireless & Cloud segment, revenues related to 5G likely remain weak throughout 2024. F24 is a tougher year for automotive sales and during the last earnings call management guided rev growth of 11%/y for the FY, which is meaningfully lower than the 42% y/y growth in FY23. We expect inventory digestion continued in the Networking end market in F2Q and expect overall weak revenues in FY24. Despite these headwinds, we expect margins to remain strong on mix shift to higher margin end markets and cost control. Reiterate Buy on large scale, focus on capital returns, margins, earnings, & cash flow.

## Opportunity to grow in Cloud, Healthcare

In our opinion, Jabil's relationship with Amazon AWS remains strong and we see Jabil gaining from increased artificial intelligence (AI) related workloads where Jabil configures the racks for AWS and provides liquid cooling and pluggable optical transceivers that plug into switches and routers for the datacenters. Over time, we believe Jabil can diversify its business to other customers beyond AWS. We see healthcare revenues remaining strong, and Jabil's acquisition of 14 Johnson & Johnson medical device factories several years ago could, over time, serve as an example for other medical device companies who are looking to outsource manufacturing.

## Lowering estimates on Mobility divestiture

On Dec 29<sup>th</sup>, Jabil completed the sale of its Mobility business to BYD Electronic (International) Company Limited for \$2.2bn in cash. Thus, Jabil saw only 1 month of revenue from the Mobility business in F2Q (Feb quarter). Management expects to generate core earnings of \$9.00+ per diluted share in FY24 along with \$1bn+ of free cash flow. The Mobility divestiture reduces F2Q revenue/EPS by \$400mn/\$0.30.

## Adjusting estimates; PO moves to \$160 (from \$155)

Our F24 rev/EPS move to \$30.4bn/\$9.02. PO moves to \$160 (from \$155) on 15x (prior 14x) our FY25E EPS of \$10.80. We use a slightly higher multiple on higher revenue growth related to AI and Cloud and better mix driving higher margins in F25 and beyond.

Estimates (Aug) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	7.65	8.63	9.02	10.80	12.01
GAAP EPS	6.90	6.02	6.50	9.72	10.92
EPS Change (YoY)	36.4%	12.8%	4.5%	19.7%	11.2%
Consensus EPS (Bloomberg)			9.02	10.67	11.89
DPS	0.32	0.32	0.32	0.32	0.32
Valuation (Aug)					
P/E	20.0x	17.8x	17.0x	14.2x	12.8x
GAAP P/E	22.2x	25.4x	23.6x	15.8x	14.0x
Dividend Yield	0.2%	0.2%	0.2%	0.2%	0.2%
EV / EBITDA*	9.0x	8.6x	9.1x	8.3x	7.7x
Free Cash Flow Yield*	4.1%	5.3%	4.8%	5.9%	6.5%

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

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07 March 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	155.00	160.00
2024E Rev (m)	31,084.7	30,419.6
2025E Rev (m)	33,185.1	32,501.6
2026E Rev (m)	35,264.9	34,524.5
2024E EPS	9.10	9.02
2025E EPS	10.79	10.80

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### Stock Data

Price	153.19 USD
Price Objective	160.00 USD
Date Established	7-Mar-2024
Investment Opinion	B-1-7
52-Week Range	74.16 USD - 155.97 USD
Mrkt Val (mn) / Shares Out (mn)	19,539 USD / 127.5
Free Float	96.2%
Average Daily Value (mn)	161.66 USD
BoFA Ticker / Exchange	JBL / NYS
Bloomberg / Reuters	JBL US / JBLN
ROE (2024E)	55.6%
Net Dbt to Eqty (Aug-2023A)	37.4%
ESGMeter™	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> Jabil Inc.

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	20.3%	21.5%	22.8%	28.1%	27.4%
Return on Equity	48.2%	44.1%	55.6%	88.4%	61.1%
Operating Margin	4.6%	5.0%	5.5%	5.7%	5.9%
Free Cash Flow	810	1,026	945	1,144	1,269

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.5x	1.5x	1.5x	1.5x	1.5x
Asset Replacement Ratio	0.8x	0.8x	0.8x	0.8x	0.8x
Tax Rate	19.2%	19.0%	20.0%	21.0%	22.0%
Net Debt-to-Equity Ratio	57.0%	37.4%	212.5%	122.4%	27.8%
Interest Cover	8.8x	6.1x	6.5x	7.2x	8.0x

## Income Statement Data (Aug)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	33,478	34,702	30,420	32,502	34,525
% Change	14.3%	3.7%	-12.3%	6.8%	6.2%
Gross Profit	2,632	2,867	2,667	2,961	3,217
% Change	11.6%	8.9%	-7.0%	11.0%	8.6%
EBITDA	2,545	2,657	2,496	2,753	2,966
% Change	20.2%	4.4%	-6.1%	10.3%	7.7%
Net Interest & Other Income	(175)	(286)	(257)	(256)	(256)
<b>Net Income (Adjusted)</b>	<b>1,105</b>	<b>1,172</b>	<b>1,127</b>	<b>1,259</b>	<b>1,388</b>
<b>% Change</b>	<b>29.6%</b>	<b>6.1%</b>	<b>-3.8%</b>	<b>11.7%</b>	<b>10.3%</b>

## Free Cash Flow Data (Aug)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	996	818	812	1,133	1,263
Depreciation & Amortization	1,002	924	830	904	930
Change in Working Capital	(347)	(8)	88	(178)	(151)
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	0	0	(80)	0	0
Capital Expenditure	(841)	(708)	(705)	(714)	(773)
<b>Free Cash Flow</b>	<b>810</b>	<b>1,026</b>	<b>945</b>	<b>1,144</b>	<b>1,269</b>
<b>% Change</b>	<b>26.6%</b>	<b>26.7%</b>	<b>-7.9%</b>	<b>21.1%</b>	<b>10.9%</b>
Share / Issue Repurchase	(695)	(472)	(2,505)	(620)	0
Cost of Dividends Paid	(48)	(45)	(41)	(37)	(37)
Change in Debt	(123)	(157)	(42)	0	(498)

## Balance Sheet Data (Aug)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,478	1,804	353	840	1,574
Trade Receivables	3,995	3,647	3,917	4,096	4,162
Other Current Assets	8,435	9,279	9,676	10,023	10,549
Property, Plant & Equipment	3,954	3,137	2,940	2,751	2,594
Other Non-Current Assets	1,855	1,557	1,626	1,626	1,626
<b>Total Assets</b>	<b>19,717</b>	<b>19,424</b>	<b>18,512</b>	<b>19,336</b>	<b>20,504</b>
Short-Term Debt	300	0	0	0	0
Other Current Liabilities	13,397	12,695	13,559	13,907	14,348
Long-Term Debt	2,575	2,875	2,875	2,875	2,377
Other Non-Current Liabilities	993	987	972	972	972
<b>Total Liabilities</b>	<b>17,265</b>	<b>16,557</b>	<b>17,406</b>	<b>17,754</b>	<b>17,697</b>
<b>Total Equity</b>	<b>2,452</b>	<b>2,867</b>	<b>1,187</b>	<b>1,662</b>	<b>2,888</b>
<b>Total Equity &amp; Liabilities</b>	<b>19,717</b>	<b>19,424</b>	<b>18,593</b>	<b>19,416</b>	<b>20,585</b>

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

## Company Sector

Electronics Manufacturing Services

## Company Description

Jabil is one of the world's largest electronic manufacturing services providers, producing PCB assemblies and full system assemblies using a highly automated manufacturing process. JBL also provides design, test, repair and warranty services, as well as direct order fulfillment capabilities for OEMs.

## Investment Rationale

Our Buy rating is based on investment positives, including tailwind from secular growth in Automotive (EV), healthcare, industrial (renewables), recovery in semiconductor capital equipment, and growing Cloud business, which outweigh risks from continuing uncertain macro, component shortages and supply-chain challenges, and unfavorable mix that can offset margin improvement.

## Stock Data

Average Daily Volume 1,055,273

## Quarterly Earnings Estimates

	2023	2024
Q1	2.31A	2.60A
Q2	1.88A	1.63E
Q3	1.99A	2.13E
Q4	2.45A	2.66E

# Model

**Figure 1: JBL Income Statement**

We model F24 rev/EPS of \$30.4bn/\$9.02

JBL (\$ in millions except per share data)	F2024E				F2025E				F2022	F2023	F2024E	F2025E	F2026E
	1Q24A	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E					
<b>Sales</b>	8,387	6,732	7,402	7,898	7,947	7,272	8,353	8,931	33,478	34,702	30,420	32,502	34,525
Cost of Sales	7,612	6,191	6,770	7,179	7,243	6,623	7,594	8,081	30,846	31,835	27,752	29,541	31,308
<b>Gross Profit</b>	<b>775</b>	<b>541</b>	<b>632</b>	<b>719</b>	<b>703</b>	<b>649</b>	<b>758</b>	<b>850</b>	<b>2,632</b>	<b>2,867</b>	<b>2,667</b>	<b>2,961</b>	<b>3,217</b>
SG&A	266	214	235	250	262	240	276	295	1,056	1,100	965	1,073	1,139
R&D	10	8	9	9	9	9	10	11	33	34	36	39	41
<b>Core Operating Earnings</b>	<b>499</b>	<b>320</b>	<b>388</b>	<b>459</b>	<b>432</b>	<b>400</b>	<b>473</b>	<b>545</b>	<b>1,543</b>	<b>1,733</b>	<b>1,666</b>	<b>1,849</b>	<b>2,036</b>
Interest Income/(Expense) & Other	(70)	(62)	(63)	(62)	(64)	(64)	(64)	(64)	(175)	(286)	(257)	(256)	(256)
<b>Pretax Income</b>	<b>429</b>	<b>258</b>	<b>325</b>	<b>397</b>	<b>368</b>	<b>336</b>	<b>409</b>	<b>481</b>	<b>1,368</b>	<b>1,447</b>	<b>1,409</b>	<b>1,593</b>	<b>1,780</b>
Taxes	86	52	65	79	77	71	86	101	263	275	282	335	392
Tax Rate	20%	20%	20%	20%	21%	21%	21%	21%	19%	19%	20%	21%	22%
Minority Interest Income/(Expense)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net income before FAS 123R</b>	<b>343</b>	<b>206</b>	<b>260</b>	<b>318</b>	<b>290</b>	<b>266</b>	<b>323</b>	<b>380</b>	<b>1,105</b>	<b>1,172</b>	<b>1,127</b>	<b>1,259</b>	<b>1,388</b>
<b>Non GAAP EPS</b>	<b>\$2.60</b>	<b>\$1.63</b>	<b>\$2.13</b>	<b>\$2.66</b>	<b>\$2.46</b>	<b>\$2.28</b>	<b>\$2.78</b>	<b>\$3.28</b>	<b>\$7.65</b>	<b>\$8.63</b>	<b>\$9.02</b>	<b>\$10.80</b>	<b>\$12.01</b>
<b>Net income including FAS 123R</b>	<b>297</b>	<b>189</b>	<b>235</b>	<b>292</b>	<b>264</b>	<b>241</b>	<b>297</b>	<b>354</b>	<b>1,024</b>	<b>1,077</b>	<b>1,013</b>	<b>1,157</b>	<b>1,287</b>
<b>EPS including FAS 123R</b>	<b>\$2.25</b>	<b>\$1.50</b>	<b>\$1.92</b>	<b>\$2.44</b>	<b>\$2.24</b>	<b>\$2.06</b>	<b>\$2.56</b>	<b>\$3.06</b>	<b>\$7.09</b>	<b>\$7.93</b>	<b>\$8.10</b>	<b>\$9.92</b>	<b>\$11.13</b>
Avg. Diluted Shares Outstanding (MM) - Non GAAP	132	126	122	120	118	117	116	116	144	136	125	117	116
Gaap Net Income	194	103	229	286	258	235	291	348	996	818	812	1,133	1,263
<b>GAAP EPS</b>	<b>\$1.47</b>	<b>\$0.82</b>	<b>\$1.87</b>	<b>\$2.39</b>	<b>\$2.19</b>	<b>\$2.01</b>	<b>\$2.51</b>	<b>\$3.01</b>	<b>\$6.90</b>	<b>\$6.02</b>	<b>\$6.50</b>	<b>\$9.72</b>	<b>\$10.92</b>
<b>Dividend per share</b>	<b>\$0.08</b>	<b>\$0.08</b>	<b>\$0.08</b>	<b>\$0.08</b>	<b>\$0.08</b>	<b>\$0.08</b>	<b>\$0.08</b>	<b>\$0.08</b>	<b>\$0.32</b>	<b>\$0.32</b>	<b>\$0.32</b>	<b>\$0.32</b>	<b>\$0.32</b>
<b>As % of Revenue</b>													
Cost of Sales	90.8%	92.0%	91.5%	90.9%	91.1%	91.1%	90.9%	90.5%	92.1%	91.7%	91.2%	90.9%	90.7%
Gross Profit	9.2%	8.0%	8.5%	9.1%	8.9%	8.9%	9.1%	9.5%	7.9%	8.3%	8.8%	9.1%	9.3%
SG&A	3.2%	3.2%	3.2%	3.2%	3.3%	3.3%	3.3%	3.3%	3.2%	3.2%	3.2%	3.3%	3.3%
R&D	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Goodwill/Intangible Amortization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Core Operating Earnings	5.9%	4.7%	5.2%	5.8%	5.4%	5.5%	5.7%	6.1%	4.6%	5.0%	5.5%	5.7%	5.9%
Interest Income/(Expense)	-0.8%	-0.9%	-0.9%	-0.8%	-0.8%	-0.9%	-0.8%	-0.7%	-0.5%	-0.8%	-0.8%	-0.8%	-0.7%
Pretax Income	5.1%	3.8%	4.4%	5.0%	4.6%	4.6%	4.9%	5.4%	4.1%	4.2%	4.6%	4.9%	5.2%
Taxes	11.1%	9.5%	10.3%	11.1%	11.0%	10.9%	11.3%	11.9%	10.0%	9.6%	10.6%	11.3%	12.2%
Minority Interest Income/(Expense)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income	4.1%	3.1%	3.5%	4.0%	3.7%	3.7%	3.9%	4.3%	3.3%	3.4%	3.7%	3.9%	4.0%
<b>Year-Over-Year Growth</b>													
Sales	-13%	-17%	-13%	-7%	-5%	8%	13%	13%	14%	4%	-12%	7%	6%
Cost of Sales	-14%	-17%	-13%	-7%	-5%	7%	12%	13%	15%	3%	-13%	6%	6%
Gross Profit	4%	-18%	-9%	-6%	-9%	20%	20%	18%	12%	9%	-7%	11%	9%
SG&A	-3%	-19%	-18%	-11%	-1%	12%	17%	18%	-3%	4%	-12%	11%	6%
R&D	11%	0%	10%	5%	-5%	8%	13%	13%	-3%	3%	7%	7%	6%
Core Operating Earnings	8%	-18%	-4%	-4%	-13%	25%	22%	19%	24%	12%	-4%	11%	10%
Interest Income/(Expense)	4%	-17%	-14%	-13%	-9%	3%	2%	3%	24%	63%	-10%	0%	0%
Pretax Income	9%	-18%	-2%	-2%	-14%	31%	26%	21%	24%	6%	-3%	13%	12%
Taxes	15%	-14%	5%	2%	-10%	37%	32%	27%	6%	5%	3%	19%	17%
Minority Interest Income/(Expense)	NM	NM	NM	NM	NM	NM	NM	NM	-100%	NM	NM	NM	NM
Net Income	8%	-20%	-3%	-3%	-15%	29%	24%	19%	30%	6%	-4%	12%	10%
Diluted EPS	12%	-13%	7%	9%	-5%	39%	31%	24%	36%	13%	5%	20%	11%
Avg. Diluted Shares Outstanding (MM)	-4%	-7%	-10%	-11%	-11%	-8%	-5%	-3%	-5%	-6%	-8%	-7%	-1%

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH



## Price objective basis & risk

### Jabil Inc. (JBL)

Our \$160 price objective for the shares of JBL is based on the stock trading 15x our FY25E EPS of \$10.80. This multiple compares to the last five year range of 6x-14x and median of 9x. JBL is a cyclical company, and in our opinion, this multiple is justified. We use a higher multiple as we see earnings growing over the next few years as Jabil shifts its portfolio mix to higher growth, higher margin end markets. We think that this multiple balances short-term concerns surrounding a weaker macro and component shortages against the medium to long-term growth opportunity.

Downside risks to our PO are weaker-than-expected end markets, weaker-than-anticipated end demand in Communications or Semicap or slowing outsourcing trends leading to slower revenue growth, unfavorable mix that can offset margin improvement, higher-than-expected DMS segment investments and longer-than-expected product ramp-ups, deceleration at any of the large (or close to 10%) customers, and lower-than-expected growth in medical.

Upside risks are higher-than-expected growth from new ramps in healthcare, 5G and Cloud, higher than expected revenue from components that go into Apple products, and unexpected share gains.

## Analyst Certification

I, Ruplu Bhattacharya, 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 - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Amphenol	APH	APH US	Wamsi Mohan
	Apple Inc.	AAPL	AAPL US	Wamsi Mohan
	Corning Inc.	GLW	GLW US	Wamsi Mohan
	Dell Technologies Inc.	DELL	DELL US	Wamsi Mohan
	Flex Ltd.	FLEX	FLEX US	Ruplu Bhattacharya
	HP Inc.	HPQ	HPQ US	Wamsi Mohan
	International Business Machines Corp.	IBM	IBM US	Wamsi Mohan
	Jabil Inc.	JBL	JBL US	Ruplu Bhattacharya
	Nutanix Inc	NTNX	NTNX US	Wamsi Mohan
	Roku, Inc.	ROKU	ROKU US	Ruplu Bhattacharya
	Seagate Technology	STX	STX US	Wamsi Mohan
	Super Micro Computer Inc.	SMCI	SMCI US	Ruplu Bhattacharya
	TD Synnex Corp	SNX	SNX US	Ruplu Bhattacharya
	TE Connectivity Ltd.	TEL	TEL US	Wamsi Mohan
	Western Digital Corporation	WDC	WDC US	Wamsi Mohan
<b>NEUTRAL</b>				
	Arrow Electronics Inc.	ARW	ARW US	Ruplu Bhattacharya
	Avnet Inc.	AVT	AVT US	Ruplu Bhattacharya
	CDW Corp	CDW	CDW US	Ruplu Bhattacharya
	Concentrix Corporation	CNXC	CNXC US	Ruplu Bhattacharya
	Hewlett-Packard Enterprise	HPE	HPE US	Wamsi Mohan
	Pure Storage	PSTG	PSTG US	Wamsi Mohan
	Sensata Technologies Holdings Plc	ST	ST US	Wamsi Mohan
	Teradata Corporation	TDC	TDC US	Wamsi Mohan
<b>UNDERPERFORM</b>				
	DigitalOcean	DOCN	DOCN US	Wamsi Mohan
	NetApp Inc.	NTAP	NTAP US	Wamsi Mohan
	Sanmina Corporation	SANM	SANM US	Ruplu Bhattacharya

## US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Vishay Intertechnology, Inc.	VSH	VSH US	Ruplu Bhattacharya

**iQmethod<sup>SM</sup> 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

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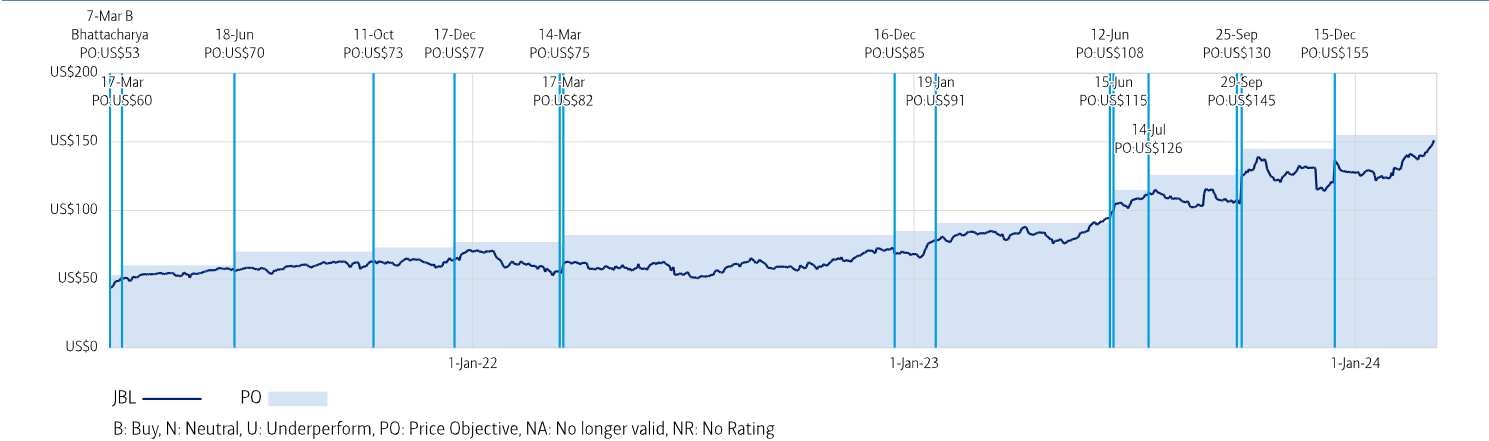
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Jabil Inc. (JBL) Price Chart



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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	32	54.24%	Buy	13	40.63%
Hold	11	18.64%	Hold	3	27.27%
Sell	16	27.12%	Sell	4	25.00%

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%

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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>
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Underperform	N/A	≥ 20%

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