

Harley-Davidson

HOG should benefit in 2024 from transformative new model launch

Reiterate Rating: BUY | PO: 50.00 USD | Price: 34.91 USD

4Q EPS ahead as other income offsets gross margin miss

Harley-Davidson (HOG) reported 4Q23 EPS of \$0.18 (versus our -\$0.08 estimate), which included favorable tax benefits, narrower Livewire losses, and higher other/investment income than our model. HOG shipments were above our estimates (29.6K versus our 28.5K), but price per motorcycle of 0.6% was below our 11.1% as HDMC revenue declined -13.8% (below our -5.0% estimate). HDMC gross margin of 22.9% (versus our 26.0% estimate) was down 360bps from last year given lower volume, higher sales incentives, and other manufacturing costs. U.S. retail unit sales decreased -9.1% (versus our -14.0% estimate) “impacted by both the high interest rate environment and the discontinuation of legacy Sportster at the end of 2022...”

Lower C24 EPS on wholesale shipment outlook

We lower our C24 EPS estimate to \$4.05 (from \$4.60) to reflect 164.3K wholesale shipments (from 178.9K), which is down 8.7% from last year as HOG takes a cautious approach to managing inventory to start the year. We expect ~flat price per motorcycle as HOG removed a 3.5% COVID-era surcharge and “fine-tuned” its pricing strategy, which we believe included a 14% reduction in its entry-level Nightster Motorcycle and competitively priced Road Glide/Street Glide models, which are 16% below prior generation ST models that have similar features.

See benefits from new “transformative” model launch

We believe that HOG is well positioned for 2024 given a significant refresh of its popular Road Glide and Street Glide model families. Key changes include the addition the Milwaukee-Eight 117 engine into standard models, new touchscreen infotainment system, and a new front fairing design. We believe that HOG’s last significant product refresh for its touring lineup was Project Rushmore in August 2013, which led to a 16% increase in touring shipments and 6% increase in global retail sales in the year following the launch (264K global retail unit sales) despite the absence of HOG’s popular Road Glide model that year (which we estimate impacted retail by ~7pts).

Expect retail to accelerate as new models ship

We model worldwide unit sales of 165.6K (+1.7% y/y) as HOG expects retail and shipments to move together in 2024. We estimate that dealers sold through ~3,500 legacy sportster models in 2023, implying core retail +4.0%. We believe that January retail started soft due to weather headwinds and the absence of new models but has accelerated significantly in February. We reiterate our Buy rating and raise our PO to \$50 (from \$45) based on 10-11X our revised C25 EPS estimate of \$4.75 (from 9X our C24 EPS estimate) given expected retail benefits from the new model launch.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	4.96	4.87	4.05	4.75	5.42
EPS Change (YoY)	17.8%	-1.8%	-16.8%	17.3%	14.1%
Consensus EPS (Bloomberg)			4.47	5.04	4.60
DPS	0.64	0.64	0.64	0.64	0.64
Valuation (Dec)					
P/E	7.0x	7.2x	8.6x	7.3x	6.4x
Dividend Yield	1.8%	1.8%	1.8%	1.8%	1.8%
EV / EBITDA*	10.8x	12.0x	12.1x	11.3x	10.3x
Free Cash Flow Yield*	33.0%	37.1%	13.4%	16.8%	18.4%

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

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08 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	45.00	50.00
2024E Rev (m)	6,103.3	5,503.8
2025E Rev (m)	6,411.8	5,740.5
2026E Rev (m)	6,888.4	6,109.5
2024E EPS	4.60	4.05
2025E EPS	5.00	4.75
2026E EPS	5.84	5.42

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Stock Data

Price	34.91 USD
Price Objective	50.00 USD
Date Established	8-Feb-2024
Investment Opinion	B-1-7
52-Week Range	25.43 USD - 50.29 USD
Mkt Val (mn) / Shares Out (mn)	4,862 USD / 139.3
Free Float	90.9%
Average Daily Value (mn)	44.98 USD
BofA Ticker / Exchange	HOG / NYS
Bloomberg / Reuters	HOG US / HOG.N
ROE (2024E)	14.7%
Net Dbt to Eqty (Dec-2023A)	175.6%
ESGMeter TM	Medium

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".

HDMC = Harley Davidson Motor Company

K: thousand

PO: price objective

iQprofileSM Harley-Davidson

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	5.4%	5.6%	4.1%	4.2%	4.1%
Return on Equity	27.2%	22.0%	14.7%	14.6%	14.6%
Operating Margin	11.9%	28.3%	29.0%	30.0%	32.1%
Free Cash Flow	1,603	1,805	651	818	893

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.4x	2.9x	1.6x	1.7x	1.6x
Asset Replacement Ratio	1.0x	1.6x	1.7x	1.6x	1.5x
Tax Rate	20.6%	19.8%	24.5%	24.5%	24.0%
Net Debt-to-Equity Ratio	189.4%	175.6%	151.2%	130.0%	109.2%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	4,888	5,836	5,504	5,741	6,109
% Change	7.7%	19.4%	-5.7%	4.3%	6.4%
Gross Profit	1,491	2,558	2,506	2,660	2,938
% Change	15.0%	71.6%	-2.0%	6.1%	10.5%
EBITDA	1,061	951	945	1,015	1,116
% Change	7.0%	-10.4%	-0.7%	7.5%	9.9%
Net Interest & Other Income	339	323	274	295	374
Net Income (Adjusted)	741	707	552	620	707
% Change	13.6%	-4.7%	-21.8%	12.2%	14.0%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	739	695	543	612	701
Depreciation & Amortization	152	154	145	152	161
Change in Working Capital	613	324	91	85	77
Deferred Taxation Charge	20	0	0	0	0
Other Adjustments, Net	237	881	122	219	204
Capital Expenditure	(158)	(250)	(250)	(250)	(250)
Free Cash Flow	1,603	1,805	651	818	893
% Change	49.9%	12.6%	-63.9%	25.6%	9.2%
Share / Issue Repurchase	(292)	0	0	1	1
Cost of Dividends Paid	(96)	(93)	(87)	(83)	(83)
Change in Debt	38	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,433	757	914	1,057	1,318
Trade Receivables	252	267	255	264	272
Other Current Assets	3,065	3,402	3,489	3,612	3,748
Property, Plant & Equipment	690	786	890	989	1,078
Other Non-Current Assets	6,052	6,922	7,034	7,245	7,443
Total Assets	11,492	12,134	12,583	13,167	13,859
Short-Term Debt	2,455	2,455	2,455	2,455	2,455
Other Current Liabilities	1,079	1,106	1,090	1,137	1,205
Long-Term Debt	4,484	4,484	4,484	4,484	4,484
Other Non-Current Liabilities	568	568	568	568	568
Total Liabilities	8,586	8,613	8,597	8,644	8,712
Total Equity	2,907	3,521	3,986	4,523	5,147
Total Equity & Liabilities	11,492	12,134	12,583	13,167	13,859

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

Company Sector

Leisure

Company Description

Harley-Davidson is the largest U.S. manufacturer of motorcycles with a dominant market position in the Touring (46.4% of 2022 shipments), Cruiser (30.5%), Sportster/Street (17.5%), and Adventure Touring (5.6%) segments. It generates operating income/loss across its Motorcycle & Related Segment (75% of company EBIT in 2022), Harley-Davidson Financial Services (35% of company EBIT), and Livewire (~10% of company EBIT).

Investment Rationale

We rate HOG shares Buy as we see accelerating brand momentum and new management strategy driving significant increases in unit profitability.

Stock Data

Average Daily Volume

1,288,585

Quarterly Earnings Estimates

	2023	2024
Q1	2.04A	1.60E
Q2	1.22A	1.14E
Q3	1.38A	1.20E
Q4	0.18A	0.08E







Exhibit 1: HOG quarterly earnings analysis

\$ millions, except per-share data

	ICE Motorcycles & Related			Motorcycles & Related	Financial Services	Financial Services	Financial Services	LiveWire	LiveWire	Non- Operating	Add Back: Incremental	Adjusted Pretax	Adjusted Tax	Adjusted Net	Extra Gain	GAAP Net	Adjusted EPS	GAAP EPS	Diluted Sh O/S
	Revenues	COGS	SG&A	EBIT	Revenue	Expense	EBIT	Revenue	EBIT	(Expense)	Tariffs	Inc		Inc.	(Loss)	Inc.			
Mar-Q1	\$1,303.2	\$895.5	\$204.8	\$202.9	\$192.0	\$105.7	\$86.4	\$10.4	(\$0.2)	\$1.3	\$0.0	\$290.6	\$68.1	\$222.5	\$0.0	\$222.5	\$1.45	\$1.45	153.9
Jun-Q2	\$1,266.5	\$879.7	\$195.1	\$191.7	\$202.6	\$116.7	\$85.9	\$12.5	(\$0.2)	(\$1.2)	\$0.0	\$276.4	\$60.6	\$215.8	(\$0.0)	\$215.8	\$1.46	\$1.46	147.8
Sep-Q3	\$1,437.0	\$946.7	\$232.5	\$257.8	\$211.6	\$130.7	\$81.0	\$14.7	(\$0.2)	\$3.0	\$0.0	\$341.7	\$80.5	\$261.2	\$0.0	\$261.2	\$1.78	\$1.78	147.1
Dec-Q4	\$918.7	\$674.9	\$275.8	(\$32.0)	\$214.4	\$150.1	\$64.3	\$9.2	(\$28.6)	\$18.9	\$0.0	\$22.6	(\$17.1)	\$41.9	\$0.0	\$41.9	\$0.28	\$0.28	149.0
2022	\$4,887.7	\$3,396.8	\$908.2	\$677.1	\$820.6	\$503.1	\$317.5	\$46.8	(\$85.3)	\$22.0	\$0.0	\$931.2	\$192.0	\$741.4	(\$0.0)	\$741.4	\$4.96	\$4.96	149.4
Mar-Q1	\$1,557.8	\$1,000.8	\$221.3	\$335.7	\$223.1	\$164.7	\$58.4	\$7.8	(\$24.5)	\$22.4	\$0.0	\$392.0	\$90.2	\$304.1	\$2.3	\$304.1	\$2.04	\$2.04	148.9
Jun-Q2	\$1,198.1	\$780.7	\$223.1	\$194.3	\$240.4	\$181.4	\$59.0	\$7.0	(\$32.0)	\$10.7	\$0.0	\$232.0	\$58.2	\$178.0	\$0.0	\$178.0	\$1.22	\$1.22	145.8
Sep-Q3	\$1,297.0	\$886.3	\$235.4	\$175.3	\$243.9	\$184.6	\$59.4	\$8.1	(\$25.3)	\$29.0	\$0.0	\$238.3	\$42.2	\$198.7	\$0.0	\$198.7	\$1.38	\$1.38	144.3
Dec-Q4	\$791.6	\$610.3	\$225.5	(\$44.2)	\$246.2	\$188.2	\$58.0	\$15.4	(\$34.9)	\$25.7	\$0.0	\$4.6	(\$18.7)	\$25.8	\$0.0	\$25.8	\$0.18	\$0.18	141.5
2023	\$4,844.6	\$3,278.1	\$905.4	\$661.2	\$953.6	\$718.8	\$234.7	\$38.3	(\$116.8)	\$87.8	\$0.0	\$866.9	\$171.8	\$706.6	\$0.0	\$706.6	\$4.87	\$4.87	145.1
Mar-Q1E	\$1,352.9	\$872.7	\$223.5	\$256.8	\$225.3	\$169.7	\$55.7	\$12.8	(\$30.9)	\$10.7	\$0.0	\$292.2	\$71.6	\$223.1	\$0.0	\$223.1	\$1.60	\$1.60	139.5
Jun-Q2E	\$1,125.5	\$731.6	\$225.4	\$168.6	\$242.8	\$186.4	\$56.4	\$12.0	(\$30.9)	\$10.7	\$0.0	\$204.7	\$50.2	\$157.0	\$0.0	\$157.0	\$1.14	\$1.14	137.5
Sep-Q3E	\$1,240.4	\$833.5	\$235.4	\$171.4	\$250.0	\$189.6	\$60.5	\$13.1	(\$30.9)	\$10.7	\$0.0	\$211.7	\$51.9	\$162.3	\$0.0	\$162.3	\$1.20	\$1.20	135.5
Dec-Q4E	\$756.2	\$559.6	\$225.5	(\$28.9)	\$252.4	\$193.2	\$59.1	\$20.4	(\$30.9)	\$10.7	\$0.0	\$10.0	\$2.4	\$10.0	\$0.0	\$10.0	\$0.08	\$0.08	133.5
2024E	\$4,475.1	\$2,997.4	\$909.8	\$567.9	\$970.5	\$738.8	\$231.6	\$58.3	(\$123.7)	\$42.9	\$0.0	\$718.6	\$176.1	\$552.4	\$0.0	\$552.4	\$4.05	\$4.05	136.5
2025E	\$4,629.7	\$3,080.6	\$937.1	\$612.0	\$1,002.5	\$750.8	\$251.7	\$108.3	(\$95.3)	\$42.9	\$0.0	\$811.2	\$198.7	\$620.1	\$0.0	\$620.1	\$4.75	\$4.75	130.5

PERCENTAGE CHANGE

	Motorcycles & Related Revenues	Financial Services Revenue	Adjusted SG&A	Financial Services Expense	Motorcycles & Related EBIT	Financial Services EBIT	Adjusted EPS	ICE Motorcycles Gross Margin	X-Tariff Gross Margin	SG&A Ratio	HDFS Expense Ratio	ICE Motorcycles EBIT Margin	X-Tariff EBIT Margin	HDFS EBIT Margin	Tax Rate	Net Margin
Mar-Q1	5.8%	0.8%	5.9%	47.2%	-10.7%	-27.2%	-15.1%	31.3%	31.3%	15.7%	55.0%	15.6%	15.6%	45.0%	23.4%	14.9%
Jun-Q2	-4.9%	1.0%	-11.5%	10.2%	2.7%	-9.2%	3.4%	30.5%	30.5%	15.4%	57.6%	15.1%	15.1%	42.4%	21.9%	14.7%
Sep-Q3	23.8%	3.4%	9.6%	33.3%	162.5%	-24.1%	51.0%	34.1%	34.1%	16.2%	61.7%	17.9%	17.9%	38.3%	23.6%	15.8%
Dec-Q4	12.6%	7.0%	6.3%	42.8%	-68.1%	-32.6%	87.3%	26.5%	26.5%	30.0%	70.0%	-3.5%	-3.5%	30.0%	-75.8%	3.7%
2022	7.7%	3.1%	2.6%	32.1%	64.5%	-23.5%	17.8%	30.5%	30.5%	18.6%	61.3%	13.9%	13.9%	38.7%	20.6%	13.0%
Mar-Q1	19.5%	16.2%	8.1%	55.9%	65.5%	-32.4%	41.3%	35.8%	35.8%	14.2%	73.8%	21.6%	21.6%	26.2%	23.0%	17.1%
Jun-Q2	-5.4%	18.6%	14.4%	55.4%	1.4%	-31.4%	-16.4%	34.8%	34.8%	18.6%	75.5%	16.2%	16.2%	24.5%	25.1%	12.4%
Sep-Q3	-9.7%	15.3%	1.2%	41.3%	-32.0%	-26.7%	-22.5%	31.7%	31.7%	18.2%	75.7%	13.5%	13.5%	24.3%	17.7%	12.9%
Dec-Q4	-13.8%	14.8%	-18.2%	25.4%	38.0%	-9.8%	-35.1%	22.9%	22.9%	28.5%	76.5%	-5.6%	-5.6%	23.5%	-409.5%	2.5%
2023	-0.9%	16.2%	-0.3%	42.9%	-2.4%	-26.1%	-1.9%	32.3%	32.3%	18.7%	75.4%	13.6%	13.6%	24.6%	19.8%	12.2%
Mar-Q1E	-13.2%	1.0%	1.0%	3.0%	-23.5%	-4.7%	-21.7%	35.5%	35.5%	16.5%	75.3%	19.0%	19.0%	24.7%	24.5%	14.1%
Jun-Q2E	-6.1%	1.0%	1.0%	2.8%	-13.3%	-4.4%	-6.5%	35.0%	35.0%	20.0%	76.8%	15.0%	15.0%	23.2%	24.5%	11.5%
Sep-Q3E	-4.4%	2.5%	0.0%	2.7%	-2.2%	1.8%	-13.0%	32.8%	32.8%	19.0%	75.8%	13.8%	13.8%	24.2%	24.5%	10.9%
Dec-Q4E	-4.5%	2.5%	0.0%	2.7%	-34.6%	2.0%	-58.9%	26.0%	26.0%	29.8%	76.6%	-3.8%	-3.8%	23.4%	24.5%	1.0%
2024E	-7.6%	1.8%	0.5%	2.8%	-14.1%	-1.3%	-16.9%	33.0%	33.0%	20.3%	76.1%	12.7%	12.7%	23.9%	24.5%	10.1%
2025E	3.5%	3.3%	3.0%	1.6%	7.8%	8.6%	17.4%	33.5%	33.5%	20.2%	74.9%	13.2%	13.2%	25.1%	24.5%	11.0%

Source: BofA Global Research Estimates, Company Filings. COGS = cost of goods sold. Sh O/S = shares outstanding

BofA GLOBAL RESEARCH

Price objective basis & risk

Harley-Davidson (HOG)

Our \$50 PO is based on 10-11x our F25 adj. EPS of \$4.75 (including Livewire), in line with powersports peers: (1) potential EPS upside on new model launches, (2) accelerating brand momentum, supported by a reset to a "Pull" market strategy (under new CEO Jochen Zeitz), (3) newly established leadership in Electric motorcycles and the creation of a dedicated EV division, and (4) the long-term opportunities for motorcycle division EBIT margin recovery to peak 15%+ and stronger International growth (including China).

Risks are that (1) aggregate on-highway new motorcycle units have been challenged historically, (2) the timing of a launch of a premium low displacement motorcycle for China remains uncertain, (3) rider safety remains a top concern for new joiners, and (4) HOG global dealerships are declining.

Analyst Certification

I, Alexander Perry, 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 - Broadlines, Hardlines, Food Retailers & Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Academy Sports + Outdoors	ASO	ASO US	Robert F. Ohmes, CFA
	BJ's Wholesale Club Holdings	BJ	BJ US	Robert F. Ohmes, CFA
	Costco Wholesale Corporation	COST	COST US	Robert F. Ohmes, CFA
	Fox Factory Holding Corp	FOXF	FOXF US	Alexander Perry
	Grocery Outlet Holding Corp.	GO	GO US	Robert F. Ohmes, CFA
	Harley-Davidson	HOG	HOG US	Alexander Perry
	Life Time	LTH	LTH US	Alexander Perry
	Planet Fitness, Inc.	PLNT	PLNT US	Alexander Perry
	Sysco Corporation	SY	SY US	Kendall Toscano
	Target Corp.	TGT	TGT US	Robert F. Ohmes, CFA
	The Kroger Co.	KR	KR US	Robert F. Ohmes, CFA
	Topgolf Callaway Brands Corp	MODG	MODG US	Alexander Perry
	Walmart Inc	WMT	WMT US	Robert F. Ohmes, CFA
NEUTRAL				
	Dick's Sporting Goods	DKS	DKS US	Robert F. Ohmes, CFA
	Xponential Fitness	XPOF	XPOF US	Alexander Perry
	YETI Holdings, Inc.	YETI	YETI US	Robert F. Ohmes, CFA
UNDERPERFORM				
	Canada Goose Holdings Inc	YGOOS	GOOS CN	Alexander Perry
	Canada Goose Holdings Inc	GOOS	GOOS US	Alexander Perry
	Columbia Sportswear	COLM	COLM US	Alexander Perry
	Dollar General Corporation	DG	DG US	Robert F. Ohmes, CFA
	Dollar Tree, Inc.	DLTR	DLTR US	Robert F. Ohmes, CFA
	Hibbett Sports, Inc.	HIBB	HIBB US	Alexander Perry
	National Vision	EYE	EYE US	Robert F. Ohmes, CFA
	Sprouts Farmers Market, Inc.	SFM	SFM US	Robert F. Ohmes, CFA

iQmethodSM 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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

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

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

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

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

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.

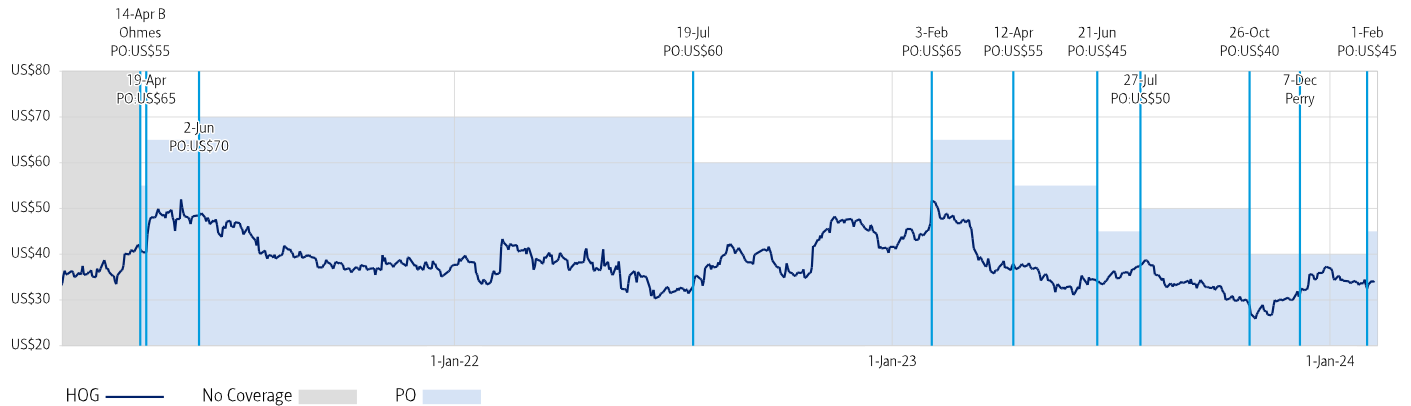
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Disclosures

Important Disclosures

Harley-Davidson (HOG) 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: Leisure Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	16	55.17%	Buy	9	56.25%
Hold	7	24.14%	Hold	5	71.43%
Sell	6	20.69%	Sell	4	66.67%

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.

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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.

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