

KeyCorp

Light at the end of the tunnel

Reiterate Rating: BUY | PO: 16.00 USD | Price: 13.20 USD

FY24 NII guidance weighs on EPS outlook

Stock underperformed peers (by ~400bp) on the back of mgmt's FY24 net interest income (NII) guidance for down 2-5% YoY vs. pre-4Q +1% cons. forecast. The stock had outperformed coming into today's print (by ~1000bp since 10/31), hence some profit-taking on what remains a challenging EPS growth outlook (at least for 1H24) not surprising. We revise our FY24e EPS by -11% to \$1.16 on a lower NII outlook. FY25e EPS revised modestly -1.5% lower to \$1.72 as the benefit from a higher net interest margin (NIM) is offset by a smaller balance sheet. Negative EPS revisions and change in multiples (50%/50% weighting 15.0x/1.5x 2024e EPS/2024e TBV from 16.5x/1.7x) drive PO to \$16 (from \$18). KEY reported 4Q23 core EPS of \$0.25 that topped expectations. TBV grew 16% QoQ to \$10/shr on lower MTM losses on the bond book.

Core elements of constructive thesis still in place

Despite a disappointing update, the core elements supporting our positive thesis on the stock remain in place. NII should see a lift from the roll-off in swaps/USTs (ex. the drag from these mgmt. pegged core NIM at ~2.80%+ vs. 2.07% reported for 4Q23) driving the NIM to 2.40-2.50% by 4Q24 and closer to the 2.80% level during FY25. KEY also well positioned for a pick-up in investment banking and all indications suggest that activity is beginning to pick-up in recent weeks. However, we recognize that investors may need to see evidence that the revenue story is translating into improved EPS before revisiting the stock. At 1.3x YE24e TBV vs. 16% FY25 BofAe ROTCE forecast and 11.4x/7.7x 2024/25e EPS we see risk/reward as attractive. Reiterate Buy rating.

Fees, credit defensibility should boost ROTCE

Mgmt. guided for FY24 fees to grow 5%+ YoY on expectations for a normalization in capital markets activity. Growth opportunities also in payments and wealth management (\$55bn AUM) with recently launched Key Private Client. We forecast fee revenue growth of 4.9% YoY which assumes investment banking revenue of \$620mn or +14% YoY. On the credit front, net charge-offs expected in the 30-40bp range or below the through-the-cycle range of 40-60bp (21bp in FY23). Mgmt. acknowledged credit defensibility as an important factor for KEY to get closer to its long-term return on tangible common equity (ROTCE) target of 16-19% (vs. 9.6% FY23). We forecast credit provisioning costs of \$440mn vs. \$489mn in FY23.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.92	1.10	1.16	1.72	1.80
GAAP EPS	1.92	0.88	1.16	1.72	1.80
EPS Change (YoY)	-26.5%	-42.5%	4.8%	48.5%	4.5%
Consensus EPS (Bloomberg)			1.32	1.71	NA
DPS	0.79	0.82	0.82	0.82	0.82
Valuation (Dec)					
P/E	6.9x	12.0x	11.4x	7.7x	7.3x
GAAP P/E	6.9x	15.0x	11.4x	7.7x	7.3x
Dividend Yield	6.0%	6.2%	6.2%	6.2%	6.2%

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Timestamp: 18 January 2024 09:22PM EST

18 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	18.00	16.00
2024E Rev (m)	6,588.5	6,435.1
2025E Rev (m)	7,284.3	7,220.8
2026E Rev (m)	7,640.2	7,545.5
2024E EPS	1.30	1.16
2025E EPS	1.75	1.72
2026E EPS	1.89	1.80

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Stock Data

Price	13.20 USD
Price Objective	16.00 USD
Date Established	18-Jan-2024
Investment Opinion	C-1-8
52-Week Range	8.54 USD -20.30 USD
Mrkt Val / Shares Out (mn)	11,032 USD / 835.8
Free Float	99.6%
Average Daily Value	206.17 USD
BofA Ticker / Exchange	KEY / NYS
Bloomberg / Reuters	KEY US / KEY.N
ROE (2024E)	8.8%
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".

iQprofileSM KeyCorp

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Income	4,554	3,943	3,845	4,562	4,802
% change	11.1%	-13.4%	-2.5%	18.6%	5.3%
Net Fee Income	NA	NA	NA	NA	NA
Securities Gains / (Losses)	0	0	0	0	0
Total Operating Income	7,272	6,413	6,435	7,221	7,545
Operating Expenses	(4,410)	(4,459)	(4,461)	(4,629)	(4,813)
% change	-0.4%	1.1%	0%	3.8%	4.0%
Provisions Expense	(502)	(489)	(440)	(400)	(450)
% change	NA	-2.6%	-10.0%	-9.1%	12.5%
Operating Pre-Tax Income	2,360	1,465	1,534	2,192	2,282
Operating Net Income to Comm S/Hold.	1,784	1,022	1,057	1,591	1,664
GAAP Net Income	1,793	1,030	1,085	1,610	1,683

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Assets	189,813	188,281	182,274	184,309	187,516
Average Interest Earning Assets	168,464	175,630	168,442	167,062	169,683
Total Gross Customer Loans	120,357	113,089	113,050	115,448	117,603
% change	15.1%	-6.0%	0%	2.1%	1.9%
Total Customer Deposits	142,595	145,587	141,029	144,349	148,279
% change	-6.5%	2.1%	-3.1%	2.4%	2.7%
Tangible Equity	8,108	9,384	9,729	10,590	11,505
Common Shareholders' Equity	10,954	12,191	12,508	13,350	14,265

Key Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Margin	2.70%	2.25%	2.28%	2.73%	2.83%
Effective Tax Rate	19.0%	19.9%	20.0%	20.0%	20.0%
Loan / Deposit Ratio	84.4%	77.7%	80.2%	80.0%	79.3%
Tangible Common Equity / Assets	4.3%	5.0%	5.3%	5.7%	6.1%
ROA	1.0%	0.5%	0.6%	0.9%	0.9%
ROE	14.0%	7.4%	8.8%	12.5%	12.2%
RoTE	17.2%	11.8%	11.3%	15.9%	15.2%
Dividend Payout Ratio	40.3%	72.1%	70.8%	47.7%	45.6%
Efficiency Ratio (Cost / Income Ratio)	60.6%	69.5%	69.3%	64.1%	63.8%

Quality of Earnings (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Non-Interest Inc / Operating Inc	37.4%	38.5%	40.2%	36.8%	36.4%
NPLs plus Foreclosed Real Estate / Loans	0.3%	0.5%	0.5%	0.5%	0.5%
Loan Loss Reserves / NPLs	271.50%	262.72%	249.12%	223.44%	207.11%
Loan Loss Reserves / Total Loans	0.92%	1.33%	1.32%	1.20%	1.14%

Company Sector

Banks-US Regionals

Company Description

KEY is a large cap regional bank based in Cleveland, OH, with a branch network primarily in the Pac-NW, Mid-West and NE. KEY has approx. 1,000 branches across 16 states. The company's lending portfolio focuses primarily on commercial and home equity.

Investment Rationale

We believe that management's laser focus on organic growth (seven industry verticals, West Coast) and preparing KEY for a digital first banking world is not fully appreciated by the investor community. Improved visibility on growth potential should drive a secular re-rating in stock valuation, in our opinion.

Stock Data

Average Daily Volume 15,619,298

Quarterly Earnings Estimates

	2023	2024
Q1	0.30A	0.22E
Q2	0.27A	0.25E
Q3	0.29A	0.30E
Q4	0.25A	0.39E

Exhibit 1: KEY Variance Table

New vs. old EPS estimates, assumptions

KEY FORECAST VARIABLES:	3Q23	Actual 4Q23	Estimate 4Q23E	Variance	New 2024E	Old 2024E	Variance	New 2025E	Old 2025E	Variance
EOP Loans	115,544	112,606	113,894	-1.13%	113,050	113,301	-0.22%	115,448	115,686	-0.21%
Average Loans	118,983	114,643	115,449	-0.70%	112,614	114,368	-1.53%	114,249	114,494	-0.21%
Average Earning Assets	176,288	170,905	170,271	0.37%	168,442	170,993	-1.49%	167,062	179,568	-6.96%
Net Interest Margin (%)	0.00	0.00	2.13	-213bp	0.00	2.37	-237bp	0.00	2.59	-259bp
Net Interest Income (FTE)	923.0	928.0	912.8	1.67%	3,845.3	4,046.3	-4.97%	4,561.8	4,642.3	-1.73%
Loan Loss Provision	81.0	102.0	100.0	2.00%	440.0	440.0	0.00%	400.0	450.0	-11.11%
Tot. Revenue	1,566	1,538	1,512	1.73%	6,435	6,589	-2.33%	7,221	7,284	-0.87%
Total Expenses	1,110.0	1,097.0	1,112.9	-1.43%	4,460.7	4,481.1	-0.45%	4,629.0	4,650.2	-0.46%
Pre-Tax Income (FTE)	375.0	339.0	298.9	13.40%	1,534.4	1,667.5	-7.98%	2,191.8	2,184.1	0.35%
FTE Tax Rate (%)	17.7	17.5	18.0	-1pp	20.0	18.5	1pp	20.0	18.5	1pp
Net Income	302.0	274.0	245.1	11.78%	1,227.5	1,359.0	-9.67%	1,753.4	1,780.0	-1.49%
Available For Common	266.0	239.0	207.1	32mn	1,084.5	1,213.0	-128mn	1,610.4	1,634.0	-24mn
Op. EARNINGS PER SHARE (F.D.)	\$0.29	\$0.25	\$0.22	11%	\$1.16	\$1.30	-11%	\$1.72	\$1.75	-1%
GAAP EPS (F.D.)	\$0.29	\$0.03	\$0.07	-52%	\$1.16	\$1.30	-11%	\$1.72	\$1.75	-1%
Book Value Per Share	\$11.65	\$13.02	\$11.67	\$1.35	\$13.35	\$12.15	\$1.21	\$14.25	\$13.07	\$1.18
Tangible Book Value Per Share	\$8.64	\$10.02	\$8.67	\$1.35	\$10.39	\$9.18	\$1.21	\$11.31	\$10.12	\$1.18
Dividend Per Share	\$0.21	\$0.21	\$0.21	\$0.00	\$0.82	\$0.82	\$0.00	\$0.82	\$0.82	\$0.00
Average Fully-Diluted Shares	931.7	934.0	936.2	-2mn	936.6	936.2	0mn	936.6	936.2	0mn
CAPITAL RATIOS:										
EOP Common Equity/Assets (%)	5.81	6.47	5.89	58bp	6.86	5.95	92bp	7.24	6.10	114bp
Tang. Common Equity/Assets (%)	4.37	5.06	4.45	61bp	5.42	4.56	86bp	5.83	4.79	104bp
Tangible Common Equity/RWA (%)	5.56	6.43	5.65	78bp	6.89	5.80	109bp	7.42	6.10	132bp
Tier 1 Common/RWA (%)	9.83	10.64	9.97	67bp	7.56	6.44	112bp	8.04	6.67	137bp
Tier 1/RWA (%)	8.79	9.65	8.92	73bp	10.19	8.94	124bp	10.64	9.06	158bp
PROFITABILITY RATIOS:										
Return On Assets (%)	0.62	0.58	0.52	6bp	0.66	0.73	-6bp	0.96	0.91	5bp
Return On Common Equity (%)	7.63	7.04	7.53	-49bp	8.83	10.95	-212bp	12.46	13.84	-139bp
Return On Tangible Common Equity (%)	12.40	11.62	10.14	148bp	11.43	14.63	-321bp	15.85	18.09	-224bp
Operating Expenses/Revenues (%)	70.88	71.33	73.61	-229bp	68.88	67.59	130bp	63.84	63.58	27bp
BALANCE SHEET ITEMS:										
EOP Total Deposits	144,291	145,587	146,826	-0.84%	141,029	155,322	-9.20%	144,349	159,244	-9.35%
AVG Total Deposits	144,825	145,076	145,559	-0.33%	142,084	148,708	-4.45%	145,381	152,401	-4.61%
EOP Total Assets	187,851	188,281	185,357	1.58%	182,274	191,200	-4.67%	184,309	200,601	-8.12%
EOP Equity	13,356	14,637	13,371	9.47%	14,954	13,817	8.23%	15,796	14,683	7.58%
EOP Preferred Equity	2,446	2,446	2,446	0.00%	2,446	2,446	0.00%	2,446	2,446	0.00%
EOP Common Equity	10,910	12,191	10,925	11.59%	12,508	11,371	10.00%	13,350	12,237	9.10%
EOP Tangible Common Equity	8,093	9,384	8,118	15.59%	9,729	8,592	13.23%	10,590	9,477	11.75%
CREDIT QUALITY INDICATORS:										
Net Charge-Offs	71	76	100	-24.00%	460	460	0.00%	500	500	0.00%
% Average Loans	0.24	0.26	0.34	-8bp	0.41	0.40	1bp	0.44	0.44	0bp
Nonperforming Assets	471	591	482	22.52%	614	501	22.54%	638	521	22.56%
% EOP Loans + OREO	0.41	0.52	0.42	10bp	0.54	0.44	10bp	0.55	0.45	10bp
Nonperforming Loans	455	574	466	23.08%	597	485	23.08%	621	505	23.08%
% EOP Loans (excl. OREO)	0.39	0.51	0.41	0bp	0.53	0.43	0bp	0.54	0.44	0bp
Loan Loss Reserve	1,488	1,508	1,488	1.34%	1,488	1,468	1.36%	1,388	1,418	-2.12%
% EOP Loans	1.28	1.33	1.30	4bp	1.32	1.30	2bp	1.20	1.23	-2bp
% Nonperforming Loans	327.03	262.72	319.06	-5634bp	249.12	302.49	-5337bp	223.44	280.95	-5751bp

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH



Price objective basis & risk

KeyCorp (KEY)

Our \$16 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 15.0x/1.5x multiples, respectively, above the bank's 5 year pre pandemic median of 11.9x/1.4x given expected tailwinds from asset repricing, owing to the macro backdrop. Downside risks to our PO: higher for longer interest rate environment increasing deposit costs, greater than expected expenses, inability to maximize balance sheet efficiency, and the announcement of expensive deals. Upside risks: lower than expected credit losses and better than expected PPNR growth.

Analyst Certification

I, Ebrahim H. Poonawala, 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 - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSLX	TSLX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Annaly Capital Management	NLY	NLY US	Derek Hewett

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
UNDERPERFORM				
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman

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

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

Valuation Toolkit

Numerator

Denominator

*iQmethod*SM 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.

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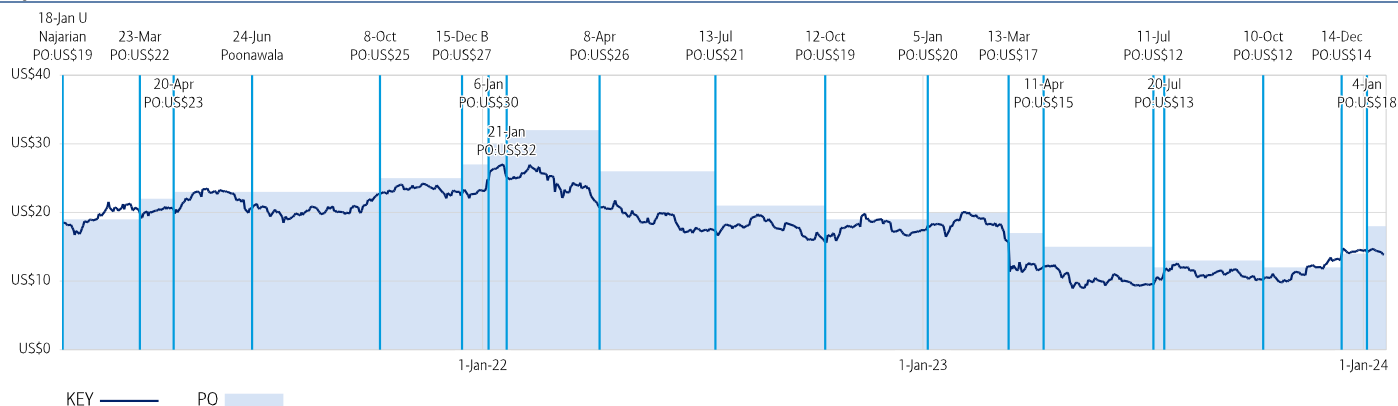
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Disclosures

Important Disclosures

KeyCorp (KEY) 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: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

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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