

Consumer Finance

Consumer Finance Tidbits: Issue 23-24

Price Objective Change

Mortgage insurers may benefit from lower rates

In our view, mortgage insurers (MIs) are a somewhat overlooked beneficiary of the expected rate cuts in 2024. While lower rates may be a slight headwind to persistency, we believe this is outweighed by the impact it will have on book value. MIs have generally traded at book value and we see potential for book value growth to exceed earnings growth given the gap between book value and book value ex-AOCI.

Falling rates would increase the fair value of MI investment portfolios, which should reduce the gap between book value and book value ex-AOCI. The higher duration portfolios would receive outsized benefits from these rate adjustments as a theoretical 100bps move will increase/(decrease) fair value by the average duration represented as a percentage (i.e. 3yr duration = 3% fair value adjustment). Lower rates could also spur mortgage demand, potentially boosting new insurance written.

Exhibit 1: The gap from book value to book value ex-AOCI should shrink as rates fall

Mortgage insurer price, book value, and average duration of investment portfolio

Ticker	Price	BV	BV ex-AOCI	Duration
ACT	\$28.44	\$27.86	\$30.36	3.5 years
ESNT	\$51.05	\$44.98	\$49.06	3.4 years
MTG	\$18.95	\$17.37	\$19.15	4.1 years
NMIH	\$28.23	\$21.94	\$24.56	3.7 years
RDN	\$27.88	\$26.69	\$30.04	3.0 years

Source: BofA Global Research, company reports, Bloomberg

BofA GLOBAL RESEARCH

Building the mosaic: Sector news

Corpay One and Mastercard: FleetCor (FLT) launched a new business credit card under Corpay One running on the Mastercard network. The corporate card combines the offerings of the tradition fuel card and business card offerings such as flexible vendor payment options and an expense management platform.

Bread Financial (BFH) bond offering upsized: Bread announced earlier that its bond offering was upsized to \$600M from \$500M previously and was priced at 9.75%. The additional dollars will likely enable BFH to paydown more of its Term Loan facility and improves BFH's capital optionality.

Bill introduced to cap APRs to 36%: A bill was introduced to Congress that would limit the interest rate on consumer loans to 36% for all consumers. We don't think this will have a large effect on our coverage as most companies already limit APR to below 36%, however this could be a potentially material headwind for some subprime lenders.

See inside for estimate changes for Rocket Companies (RKT) and PO changes SoFi Technologies (SOFI: to \$10 from \$9) and OneMain Financial (OMF: to \$54 from \$47).

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 11 to 13. Analyst Certification on page 9. Price Objective Basis/Risk on page 5.

12638237

Timestamp: 17 December 2023 11:00AM EST

17 December 2023

Equity
United States
Consumer Finance

Mihir Bhatia
Research Analyst
BofAS
+1 415 436 3553
mihir.bhatia@bofa.com

Jason Kupferberg
Research Analyst
BofAS
jason.kupferberg@bofa.com

Nathaniel Richam-Odoi
Research Analyst
BofAS
+1 646 855 1607
nate.richam-odoi@bofa.com

Caroline Latta
Research Analyst
BofAS
caroline.latta@bofa.com

ACT: Enact Holdings

ESNT: Essent Group

MTG: MGIC Investment Corp

NMIH: NMI Holdings

RDN: Radian Group

Estimate and PO changes

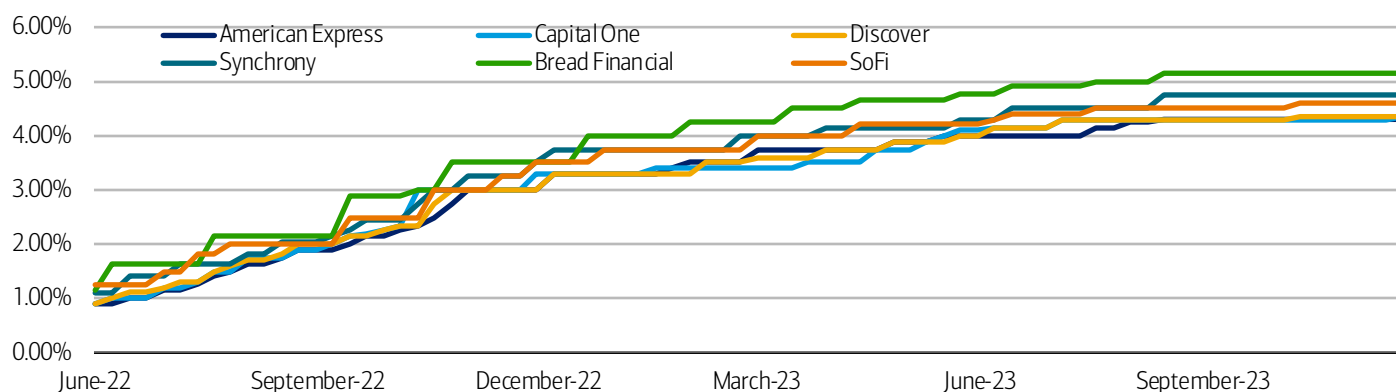
RKT: We change our 2023/2024 adjusted EPS estimates to (\$0.13)/\$0.32 from (\$0.16)/\$0.55 prior as we account for better near-term OpEx control and a smaller mortgage origination outlook. We maintain our \$6 PO based on a 19x multiple to 2024e EPS (10x prior). A 19x multiple is in-line with mortgage peers and reflects the more constructive rate outlook.

SOFI: We tweak our 2024 adj. revs/EBITDA estimate to \$2,671M/\$686M from \$2,514M/\$617M prior as we account for faster growth in Financial Services and Technology, somewhat offset by tempered Lending growth. We increase our PO to \$10 (\$9 prior) based on an unchanged blend of 2x tangible book value and 5x Technology 2024e net revenue.

OMF: We increase our price objective to \$54 from \$47 prior based on a 7.5x multiple to 2024e EPS (6.5x multiple to 2024e prior). We believe a higher multiple is justified given higher confidence in a soft landing and a more constructive rate outlook.

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

Online savings account interest rates

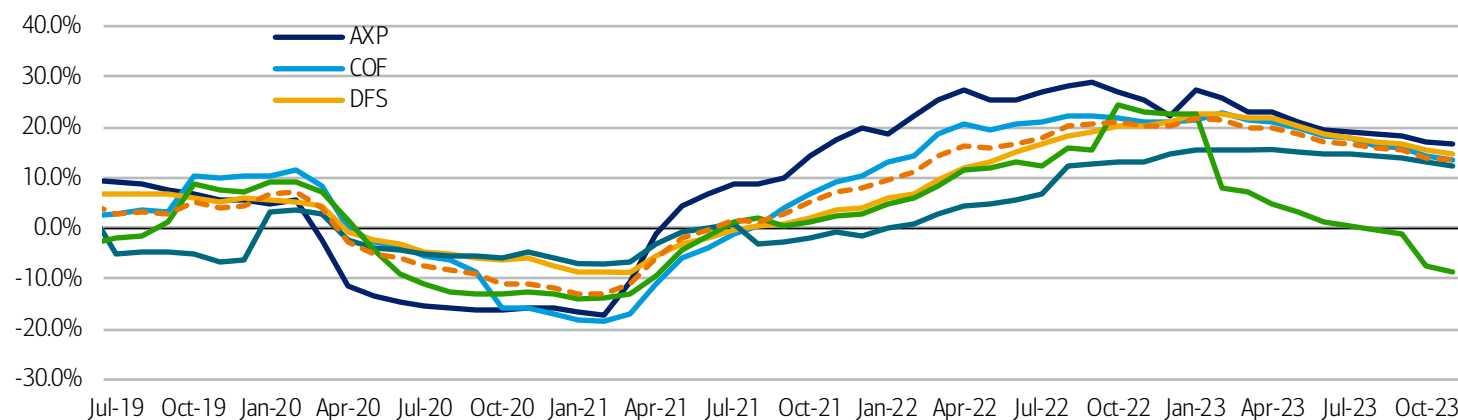


Source: Company websites

BofA GLOBAL RESEARCH

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

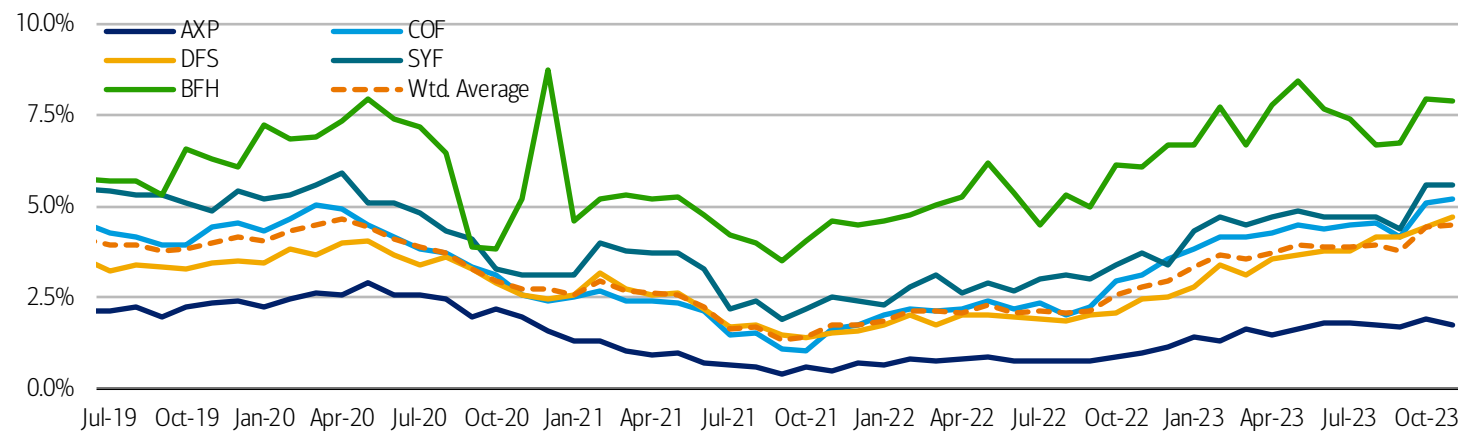


Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 4: Net charge-off rates are slightly down m/m, AXP remains below pre-pandemic levels

Net charge-off rates on domestic card loans



Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Consumer finance dashboard

In aggregate, consumer finance metrics remain solid by most measures (Exhibit 4) but are beginning to weaken. Employment indicators have deteriorated on a y/y basis, but improved m/m. Positively, inflation is tempering and the Fed has opened the door for potential rate cuts in 2024. BofA Global Research expects a later and softer downturn in the US economy with unemployment peaking in 1Q25 at 4.4%. Adjusted retail and food sales and credit card balances are up on a y/y basis as consumers continue to spend amid higher inflation. Separately, the mortgage backdrop has become progressively more difficult, and higher interest rates are leading to lower originations overall and worsening affordability.

Exhibit 5: Consumer finance dashboard

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

Item	Most recent	Reading	YoY Change	MoM Change
Employment				
Unemployment Rate	11/30/2023	3.7%	+10bps	-20bps
Initial Jobless Claims	12/8/2023	202	-1.9%	-13.3%
Continuing Jobless Claims	12/1/2023	1,876	17.2%	0.8%
Non-Farm Payrolls (000s)	11/30/2023	157,087	1.8%	0.1%
Income				
Average Hourly earnings (y/y change)	11/30/2023	4.00%	-100bps	+0bps
Personal Income	10/31/2023	23,243	+450bps	+25bps
New Bankruptcy Cases - Nonbusiness filings	9/30/2023	111,811	13.9%	NA
Spending and lending				
Adj. Retail and Food Service Sales	11/30/2023	706	+410bps	+30bps
Consumer Confidence	11/30/2023	61	8.1%	-3.9%
Revolving credit balances (\$B)	11/29/2023	1,057	10.3%	3.5%
Rates				
30yr Mortgage rate	12/14/2023	7.21%	+8bps	-9bps
30yr Mortgage rate - MBS coupon spread	12/15/2023	1.34%	-3bps	+12bps

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

BofA GLOBAL RESEARCH

EPS forecasts vs consensus

Exhibit 6 and 7 highlight BofA forecasts versus consensus for the current quarter and 2023. For card issuers we are below mostly on higher reserve assumptions. For WEX we are below on lower revenues and slightly higher sales and marketing spend. We are above on FLT on better OpEx control. For mortgage insurers, we are mixed due to reserve assumptions. And we are in-line for RKT.

Exhibit 6: Next quarter forecast

BofA vs consensus

Ticker	BofAe Current Q	Bloomberg Current Q	BofA-Bb
Credit Card Issuers			
AXP	\$2.57	\$2.64	(\$0.07)
COF	\$2.23	\$2.73	(\$0.50)
DFS	\$2.49	\$2.55	(\$0.06)
SYF	\$0.83	\$0.96	(\$0.13)
BFH	(\$1.44)	(\$0.66)	(\$0.78)
Mortgage Insurers			
ACT	\$0.90	\$0.93	(\$0.03)
ESNT	\$1.63	\$1.60	\$0.03
MTG	\$0.56	\$0.57	(\$0.01)
NMIH	\$0.97	\$0.96	\$0.01
RDN	\$0.82	\$0.89	(\$0.07)
Fleet Cards			
FLT	\$4.54	\$4.44	\$0.10
WEX	\$3.67	\$3.72	(\$0.05)
Other			
OMF	\$1.35	\$1.38	(\$0.03)
SOFI	(\$0.00)	\$0.01	(\$0.02)
Mortgage Originators			
RKT	(\$0.05)	(\$0.05)	(\$0.00)

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 7: 2023 forecast

BofA vs consensus

Ticker	BofAe 2023	Bloomberg 2023	BofA-Bb
Credit Card Issuers			
AXP	\$11.16	\$11.21	(\$0.05)
COF	\$12.51	\$12.95	(\$0.44)
DFS	\$12.19	\$12.27	(\$0.08)
SYF	\$4.98	\$5.08	(\$0.10)
BFH	\$12.02	\$12.81	(\$0.79)
Mortgage Insurers			
ACT	\$4.04	\$4.11	(\$0.07)
ESNT	\$6.49	\$6.49	\$0.00
MTG	\$2.41	\$2.43	(\$0.02)
NMIH	\$3.80	\$3.78	\$0.02
RDN	\$3.74	\$3.81	(\$0.07)
Fleet Cards			
FLT	\$17.02	\$16.96	\$0.06
WEX	\$14.66	\$14.72	(\$0.06)
Other			
OMF	\$5.40	\$5.42	(\$0.02)
SOFI	(\$0.40)	(\$0.33)	(\$0.07)
Mortgage Originators			
RKT	(\$0.13)	(\$0.13)	(\$0.00)

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 8: Relative valuation

Comp sheet

Ticker	Rating	12/15/2023 Stock Price	PO	QRQ	Upside / Downside	Div. yield	BofAe P/E 2022	BofAe P/E 2023	BofAe P/E 2024	'22-'24 Rev CAGR	'22-'24 EPS CAGR	Current P/BV	Current P/TBV	2023 ROE
Credit card issuers														
AXP	Buy	\$180.45	\$198.00	B-1-7	9.7%	1.0%	18.3x	16.2x	14.6x	12%	12%	4.8x	N/A	30%
COF	Buy	\$129.37	\$146.00	B-1-7	12.9%	2.0%	7.3x	10.3x	9.3x	5%	-11%	0.9x	1.5x	9%
DFS	Buy	\$106.07	\$117.00	B-1-7	10.3%	1.8%	6.9x	8.7x	8.6x	12%	-11%	1.9x	1.9x	21%
SYF	Neutral	\$37.02	\$39.00	B-2-7	5.4%	2.4%	6.0x	7.4x	6.9x	7%	-7%	1.2x	1.4x	16%
BFH	Neutral	\$33.56	\$34.00	C-2-7	1.3%	2.5%	7.5x	2.8x	4.0x	4%	37%	0.6x	0.8x	22%
Mortgage Insurers														
ACT	Buy	\$28.44	\$30.00	B-1-7	5.5%	4.3%	6.6x	7.0x	7.6x	7%	-7%	1.0x	N/A	15%
ESNT	Buy	\$51.05	\$58.00	B-1-7	13.6%	1.4%	6.6x	7.9x	7.5x	4%	-6%	1.1x	N/A	15%
MTG	Buy	\$18.95	\$19.00	B-1-7	0.3%	1.5%	6.5x	7.9x	8.0x	1%	-10%	1.1x	N/A	15%
NMIH	Buy	\$28.83	\$34.00	B-1-9	17.9%	0.0%	8.5x	7.6x	6.8x	11%	12%	1.3x	N/A	18%
RDN	U/P	\$27.88	\$26.00	B-3-7	-6.7%	2.0%	5.7x	7.5x	8.7x	5%	-19%	1.0x	1.0x	18%
Fleet Cards														
FLT	Buy	\$275.61	\$288.00	B-1-9	4.5%	0.0%	17.1x	16.2x	13.9x	10%	11%	6.6x	N/A	36%
WEX	Buy	\$188.87	\$229.00	B-1-9	21.3%	0.0%	13.9x	12.9x	11.9x	9%	8%	4.8x	N/A	36%
Other														
OMF	Buy	\$48.45	\$54.00	C-1-7	11.4%	19.7%	6.7x	9.0x	6.7x	4%	-1%	1.9x	4.1x	21%
SOFI	Neutral	\$9.35	\$10.00	C-2-9	7.0%	0.0%	-23.2x	-23.3x	593.8x	26%	N/A	1.8x	2.7x	0%
Mortgage Originators														
RKT	U/P	\$13.71	\$6.00	C-3-9	-56.2%	8.1%	171.3x	-85.7x	24.9x	-4%	162%	3.2x	1.4x	-4%

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Price objective basis & risk

American Express Company (AXP)



Our \$198 price objective is based on a 16x multiple to our 2024 EPS forecast. An 16x PE multiple is on the higher end of the historical range (12-18x) for AXP, which we think is appropriate given the faster 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 \$34 PO is based on a 4x PE multiple to '24e EPS. A 4x PE multiple is below peers currently trading at 7x and the typical range for card issuers (7-12x), reflecting the hostile macro backdrop and BFH's outsized exposure to the subprime consumer relative to peers.

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 \$117 PO based on an 9.5x PE multiple to our 2024 EPS forecast. A 9.5x multiple is at the lower end of DFS's recent historical range (7-12x) and reflects the more optimistic macro outlook, resilient consumer balance sheets, and strong business fundamentals, partially offset by compliance issues.

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 \$30 PO is based on an 8x PE multiple to our 2024 EPS forecast. An 8 PE multiple is in-line with the recent range for mortgage insurance stocks (6.5-8.5x).

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 \$58 PO is based on a 8.5x PE multiple to our 2024 EPS forecast. An 8.5x PE is within the recent range for mortgage insurers (6.5-8.5x forward PE) and reflects ESNT's cost discipline, lower tax rate, and strong capital position.

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 \$288 based on an approx. 14.5x multiple to our 2024 non-GAAP EPS estimate. Our PE multiple is approximately a 20% discount to the S&P, which we view as warranted given lower peer multiples and some abating 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 \$19 PO is based on an 8x PE multiple to our 2024 EPS forecast. An 8x PE multiple is within the recent range for mortgage insurers (6.5-8.5x) and reflects MTG's earnings growth, historic expense discipline, 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 \$34 price objective is based on an 8x P/E multiple to our 2024 EPS forecast. An 8x multiple is in the middle of the range for MI companies (6.5-8.5x) 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 \$54 price objective is based on a 7.5x multiple of our 2024 EPS forecast. A 7.5x PE multiple at the higher end of historical range (4-8x), it is also an approx. 20% discount to peers trading at 9.5x. We think 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 \$26 PO is based on an 8x PE multiple to our 2024 EPS forecast. An 8x PE multiple is in line with the recent range for mortgage insurance (MI) stocks (6.5-8.5x) and reflects the solid operating backdrop for mortgage insurance, somewhat offset by execution risk from the homegenius segment.

Upside risks to our Price Objective include 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 \$10 price objective is based on a sum-of-the-parts of 2x current tangible book value and 5x on Technology segment's 2024 net revenue. 2x TBV reflects SOFI's faster growth and 5x 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 \$39 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 \$229 based on 14.5x our 2024 non-GAAP EPS estimate. Our PE multiple is a 20% discount to the S&P, which we view as warranted given lower peer multiples and increased recession risk 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
BUY				
	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
	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
NEUTRAL				
	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
	Marqeta	MQ	MQ 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
UNDERPERFORM				
	ADP	ADP	ADP US	Jason Kupferberg
	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
RSTR				
	EngageSmart	ESMT	ESMT US	Jason Kupferberg

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Financial Services Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.24%	Buy	94	60.26%
Hold	79	26.96%	Hold	52	65.82%
Sell	58	19.80%	Sell	32	55.17%

Equity Investment Rating Distribution: Technology Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	204	51.52%	Buy	104	50.98%
Hold	95	23.99%	Hold	45	47.37%
Sell	97	24.49%	Sell	27	27.84%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

^{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.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: American Express, Bread Financial, Capital One, Discover Finl, Enact, Essent Group, FleetCor, MGIC Investment, NMI Holdings, OneMain Holdings, Radian Group, Rocket Companies, SoFi Technologies, Synchrony Financial, WEX Inc.

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Amer Express, Capital One, Discover Finl, Synchrony Financial.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Amer Express, Bread Financial, Capital One, Discover Finl, Enact, Essent Group, FleetCor Technologie, MGIC Investment Corp, OneMain Holdings, Radian Group, Rocket Companies, SoFi Technologies, Synchrony Financial, WEX Inc.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Amer Express, Bread Financial, Capital One, Discover Finl, Enact, Essent Group, FleetCor Technologie, OneMain Holdings, Radian Group, Rocket Companies, SoFi Technologies, Synchrony Financial, WEX Inc.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Amer Express, Bread Financial, Capital One, Discover Finl, Enact, Essent Group, FleetCor Technologie, OneMain Holdings, Radian Group, Rocket Companies, SoFi Technologies, Synchrony Financial, WEX Inc.

BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Amer Express, Capital One, Discover Finl, Enact, Essent Group, FleetCor Technologie, OneMain Holdings, Radian Group, Rocket Companies, Synchrony Financial, WEX Inc.

BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Amer Express, Capital One, Synchrony Financial, WEX Inc.

BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: American Express, Bread Financial, Capital One, Discover Finl, Enact, Essent Group, FleetCor, MGIC Investment, NMI Holdings, OneMain Holdings, Radian Group, Rocket Companies, SoFi Technologies, Synchrony Financial, WEX Inc.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Amer Express, Bread Financial, Capital One, Discover Finl, Enact, Essent Group, FleetCor Technologie, Radian Group, Rocket Companies, SoFi Technologies, Synchrony Financial, WEX Inc.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.



Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofA or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofA and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofA Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofA India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofA Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofA India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to "Wholesale" clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

BofA ESGMeter Methodology:

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BofA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating.

ESGMeter is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

Copyright and General Information:

Copyright 2023 Bank of America Corporation. All rights reserved. iQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.