

Atmus Filtration

Beat & raise 4Q23 as exchange offer launched

Reiterate Rating: BUY | PO: 29.00 USD | Price: 22.06 USD

Revenue & margin upside in 4Q24

4Q23 adj. EBITDA was 11% above our estimate, driven by 6% revenue upside and 90bp of margin upside. 2024 adjusted EBITDA guidance was ~6% above consensus. We reiterate our Buy rating. We raise our price objective by \$3 to \$29, based on 8x (unchanged) our 2025E EBITDA estimate. This is a discount to the 13x peer average on 2024E to reflect below-peer margins and EBITDA growth.

Cummins launches exchange offer for 80.5% of ATMU

Atmus' former parent, Cummins (CMI; covered by Michael Feniger), launched an exchange offer today. CMI currently owns 80.5% of ATMU shares. CMI shareholders have the option to exchange CMI shares for ATMU shares at a 7% discount, subject to certain conditions. The offer expires March 13th. A fully subscribed offer would remove the overhang of parent company control (in our view) and increase ATMU's public float.

Initial 2024 guidance is above consensus

The midpoint of \$1,610-1,675mn 2024 revenue guidance is 3% above \$1,594mn consensus. Adjusted EBITDA margin guidance is 18.25-19.25%. At the midpoints, this implies \$308mn versus \$290mn consensus. 2024 adjusted EPS guidance of \$2.10-2.35 is well above consensus of \$2.05.

Raising our 2024 adj. EBITDA to \$317mn, +5% y/y

We raise our 2024 adj. EBITDA margin by 50bp to 19.1%. This drives our 2024 adjusted EBITDA estimate up by \$17mn to \$317mn. Our adjusted EPS estimate is \$0.18 higher at \$2.25. For 2025, we forecast 4.5% y/y revenue growth and 50bp of y/y EBITDA margin expansion. These assumptions drive our adjusted EBITDA forecast of \$340mn and adjusted EPS of \$2.40.

Adj. EBITDA of \$71mn was \$7mn above Street

Adj. EPS of \$0.49 was \$0.06 above our estimate and \$0.05 above consensus. This includes a \$0.07 operating beat and a \$(0.01) net tailwind from higher tax rate and interest expense. Revenue was 4% above consensus and 6% above our estimate. Adj. EBITDA of \$71mn was \$7mn above consensus and our estimate. Adj. EBITDA margin of 17.9% was 90bp above our estimate and up 400bp y/y.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	2.13	2.31	2.25	2.40	2.57
GAAP EPS	2.05	2.05	2.14	2.40	2.57
EPS Change (YoY)	4.4%	8.5%	-2.6%	6.7%	7.1%
Consensus EPS (Bloomberg)			2.05	2.20	NA
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	10.4x	9.5x	9.8x	9.2x	8.6x
GAAP P/E	10.8x	10.8x	10.3x	9.2x	8.6x
EV / EBITDA*	9.0x	7.2x	6.9x	6.4x	6.1x
Free Cash Flow Yield*	7.0%	7.8%	7.9%	9.9%	10.9%

* For full definitions of *IQmethod*SM measures, see page 8.

15 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	26.00	29.00
2024E Rev (m)	1,616.2	1,657.5
2025E Rev (m)	1,697.0	1,732.1
2026E Rev (m)	NA	1,792.7
2024E EPS	2.07	2.25
2025E EPS	2.17	2.40
2026E EPS	NA	2.57

Andrew Obin
Research Analyst
BofAS
+1 646 855 1817
andrew.obin@bofa.com

David Ridley-Lane, CFA
Research Analyst
BofAS
+1 646 855 2907
david.ridleylane@bofa.com

Sabrina Abrams
Research Analyst
BofAS
+1 646 556 3520
sabrina.abrams@bofa.com

Devin Leonard
Research Analyst
BofAS
+1 646 855 3698
devin.leonard@bofa.com

Stock Data

Price	22.06 USD
Price Objective	29.00 USD
Date Established	15-Feb-2024
Investment Opinion	C-1-9
52-Week Range	18.21 USD - 25.39 USD
Mkt Val (mn) / Shares Out (mn)	1,838 USD / 83.3
Free Float	19.1%
Average Daily Value (mn)	8.84 USD
BofA Ticker / Exchange	ATMU / NYS
Bloomberg / Reuters	ATMU US / ATMU.N
ROE (2024E)	119.4%
Net Dbt to Eqty (Dec-2023A)	NA

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Timestamp: 15 February 2024 05:00AM EST

iQprofileSM Atmus Filtration

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	32.4%	33.3%	26.5%	23.2%	20.7%
Return on Equity	40.2%	71.8%	119.4%	62.5%	42.8%
Operating Margin	13.6%	17.0%	16.7%	16.8%	17.1%
Free Cash Flow	128	143	145	183	200

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.9x	1.0x	1.1x	1.1x	1.1x
Asset Replacement Ratio	1.7x	2.1x	1.9x	1.3x	1.3x
Tax Rate	19.6%	24.5%	24.0%	24.3%	24.5%
Net Debt-to-Equity Ratio	0%	NM	129.5%	34.6%	-5.8%
Interest Cover	NM	10.7x	7.4x	8.0x	8.8x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	1,562	1,628	1,658	1,732	1,793
% Change	8.6%	4.2%	1.8%	4.5%	3.5%
Gross Profit	359	433	445	467	485
% Change	2.8%	20.5%	2.8%	4.9%	3.9%
EBITDA	243	302	317	340	361
% Change	1.8%	24.2%	4.9%	7.2%	6.1%
Net Interest & Other Income	8	(22)	(28)	(22)	(14)
Net Income (Adjusted)	178	193	190	204	221
% Change	4.4%	8.3%	-1.4%	7.7%	8.0%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	178	193	190	204	221
Depreciation & Amortization	22	22	30	34	34
Change in Working Capital	(21)	11	(4)	(8)	(7)
Deferred Taxation Charge	(13)	(10)	0	0	0
Other Adjustments, Net	0	(26)	(13)	(4)	(4)
Capital Expenditure	(38)	(46)	(58)	(43)	(43)
Free Cash Flow	128	143	145	183	200
% Change	-27.4%	11.7%	1.3%	26.0%	9.4%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	600	(8)	(23)	(30)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	0	168	286	426	576
Trade Receivables	236	247	254	267	279
Other Current Assets	264	278	282	293	302
Property, Plant & Equipment	148	175	202	212	221
Other Non-Current Assets	219	221	221	221	221
Total Assets	867	1,089	1,244	1,419	1,599
Short-Term Debt	0	8	0	0	0
Other Current Liabilities	331	368	372	386	398
Long-Term Debt	0	593	593	570	540
Other Non-Current Liabilities	81	40	43	45	48
Total Liabilities	412	1,008	1,007	1,002	986
Total Equity	456	81	237	417	613
Total Equity & Liabilities	867	1,089	1,244	1,419	1,599

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Industrials/Multi-Industry

Company Description

Atmus is a leading commercial vehicle filtration company with offerings in on-highway (59% of revenue) and off-highway (41%) markets. Atmus offerings include fuel filters (43% of revenue), lube filters (20%), air filters (17%), and other filtration and chemical products (20%). Atmus generated \$1.6bn in revenue in 2022.

Investment Rationale

Our Buy rating reflects Atmus' below-peer valuation and improving FCF. We see right-sizing costs following the May 2023 spin-off as a tailwind for margins.

Stock Data

Average Daily Volume 400,524

Quarterly Earnings Estimates

	2023	2024
Q1	0.67A	0.57E
Q2	0.63A	0.60E
Q3	0.52A	0.55E
Q4	0.49A	0.53E

Takeaways from 4Q23 results

- **2024 guidance details.** Management's 2024 guidance assumes 0-3% y/y growth in aftermarket revenue (81% of total) and (5)-(14)% y/y decline in first-fit (19% of total). Given the destocking headwinds in 2023, we expect aftermarket to grow towards the upper end of the guidance range. Management expects pricing to moderate to ~1% and ~1pt from market share gains in 2024.
- **Progress on separation from Cummins.** In 2023, Atmus opened technical centers in China and India. Atmus transitioned four two warehouses (Brazil, Mexico, Texas, and Kentucky), with only four facilities still shared with Cummins. Atmus is on track to fully move off Cummins' logistics, IT, human resources systems by year-end 2024.
- **Capital return.** After the Cummins exchange offer, the company plans to revisit capital returns to shareholders. Management's approach to M&A is to be programmatic, with most targets in the \$50mn of revenue range. This should allow the company to balance growth capital with capital return, in our view.
- **Price/cost normalizing.** Pricing was up 4.3% y/y, with volumes down (2.1)% y/y and FX a 1.6% y/y tailwind. Commodity & freight costs were down \$(12)mn y/y in 4Q. Management expect commodity & freight costs to be flattish in 2024. We forecast pricing to be up 1.5% y/y in 2024 with volume growth of 0.5% y/y.

Cummins exchange offer details

Cummins is the former parent of Atmus. Cummins currently owns 67.1mn ATMU shares, or 80.5% of total. On 2/14, Cummins launched an exchange offer for ATMU. Cummins' shareholders have the option to exchange CMI shares for ATMU shares at a 7% discount, subject to 1) the exchange offer distributing at least 33.5mn ATMU shares and 2) legal opinion of tax-free treatment for CMI shareholders. The offer expires March 13th. A fully subscribed offer would remove the overhang of parent company control and increase ATMU's public float.

The final exchange ratio will be based on the average volume-weighted average prices on March 7, 8, and 11. Cummins has set an upper limit of 13.3965 ATMU shares per CMI share tendered. If the exchange offer is oversubscribed, CMI shares will be exchanged on a pro rata basis. If the offer is undersubscribed, Cummins intends to distribute remaining ATMU shares to its shareholders in the form of a stock dividend.

Based on 2/14/24 closing prices, and applying a 7% discount to the ATMU share price, implies an exchange ratio of 12.7x. At this exchange ratio, investors would need to tender 5.3mn CMI shares for the offer to be fully subscribed. This represents ~4% of CMI shares outstanding. To be clear, this exchange ratio is only indicative and will vary based on ATMU and CMI share prices and the upper limit of 13.3965.

Exhibit 1: Exchange offer calculations (based on 2/14/24 closing prices)

We estimate ~4% of CMI shares need to be tendered for the offering to be fully subscribed

CMI share price	\$260.47	ATMU shares owned by Cummins (in mns)	67.1
ATMU share price	\$22.06	Ratio after 7% discount	12.7x
ATMU share price - 7% discount	\$20.52	Equivalent CMI shares (in mns)	5.3
Ratio after 7% discount	12.7x	CMI shares outstanding (in mns)	141.9
		% of CMI shares needed to be tendered	3.7%

Source: BofA Global Research, company filings

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Raising our 2024 adj. EBITDA by 6% to \$317mn

We raise our 2024 revenue forecast by 110bp to 1.8% y/y. We raise our adjusted EBITDA margin by 50bp to 19.1%. Combined with lower interest expense, these assumptions drive our 2024 adjusted EPS estimate up \$0.18 to \$2.25. For 2025, we forecast 4.5% y/y revenue growth and 50bp of y/y adjusted EBITDA margin expansion to 19.6%. These assumptions drive our 2025 adjusted EBITDA up 7% to \$340mn. Our adjusted EPS estimate is \$0.23 higher at \$2.40. For 1Q24, we forecast adjusted EBITDA of \$80mn and adjusted EPS of \$0.57.

Exhibit 2: How our estimates have changed

We are raising our 2024 adj. EBITDA by 6%

(\$mn)	2024			Guidance	2025		
	Current	Prior	Change		Current	Prior	Change
Revenue	1,658	1,616	2.6%	1,610-1,675	1,732	1,697	2.1%
Adj. EBITDA	317	300	5.5%		340	317	7.2%
Adj. EBITDA margin	19.1%	18.6%	50 bp	18.25-19.25%	19.6%	18.7%	90 bp
GAAP EPS	\$2.14	\$1.96	9%		\$2.40	\$2.17	11%
Adj. EPS	\$2.25	\$2.07	9%	\$2.10-2.35	\$2.40	\$2.17	11%
FCF	145	134	9%		183	168	9%
Adj. FCF	160	154	4%		183	168	9%

Source: BofA Global Research estimates, company filings

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Variance analysis

Exhibit 3: Variance analysis

Adj. EBITDA was \$7mn above our estimate

	Actual	Reported	BofA Estimate		Variation vs. BofA Est.		
	4Q22A	4Q23A	y/y %	4Q23E	y/y %	Dollar	% EPS
<i>(in US\$ mn, except per share data)</i>							
Key metrics							
Revenue	385	400	3.8%	377	-2.2%	23	6%
Adj. EBITDA	53	71	33.7%	64	20.2%	7	11%
Adj. EBITDA margin	13.9%	17.9%		17.0%		90 bp	
Net sales	385	400	3.8%	377	-2.2%	23	6%
Cost of sales	303	294	-2.8%	294	-2.9%	0	0%
Gross profit	83	106	27.7%	83	0.2%	23	27%
SG&A	36	40	11.7%	19	-46.8%	21	110%
Research & development	9	9	4.5%	12	32.9%	(3)	-21%
Equity/royalty (income)/expense	(6)	(9)	36.1%	(5)	-27.3%	(4)	87%
Other op. (income)/expense	1	1	-57.1%	0	-71.4%	0	50%
Operating profit	43	64	49.9%	56	31.0%	8	14%
Interest expense	0	11	N/A	10	N/A	1	9%
Other (income)/expense, net	(5)	(2)	N/A	-	N/A	(2)	#DIV/0!
Pre-tax income	48	55	16.0%	47	-2.6%	9	19%
Income taxes	6	15	136.5%	11	73.5%	4	36%
Tax rate	13.2%	26.9%		23.5%			
Operating net income	41	41	-2%	36	-14%	5	14%
Adj. EPS	\$0.50	\$0.49	-2.6%	\$0.43	-14.6%	\$0.06	14.0%
Diluted shares outstanding	83	84	0.3%	84	0.4%	(0)	--
	Actual	Reported	Estimated		Variation (b.p.)		
Margin Analysis	2Q22	4Q23A	4Q23E		BofA Est	y/y	
Gross Margin	21.5%	26.4%	22.0%		440 bp	490 bp	
SG&A as % revenue	9.3%	10.0%	5.1%		490 bp	70 bp	
Operating Margin	11.2%	16.1%	14.9%		120 bp	490 bp	
Adj. EBITDA margin	13.9%	17.9%	17.0%		90 bp	400 bp	

Source: BofA Global Research estimates, company filings

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Valuation

We base our \$29 price objective on 8x our 2025E EBITDA estimate. This is a discount to the peer average of 13x on 2024 estimates. Our target multiple reflects below-average EBITDA growth and margins.

Exhibit 4: Selected valuation metrics for comparable companies

ATMU trades at a discount to peers

Company	Ticker	Stock Price	P/E		EV/EBITDA		P/FCF		EBITDA Margin		EBITDA Growth		Net Debt/EBITDA	
		2/14/2024	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Donaldson Company	DCI	\$66.42	20.0 x	18.0 x	12.9 x	11.5 x	20.5 x	19.4 x	18.0%	18.4%	7%	8%	0.4 x	-0.1 x
Graco Inc.	GGG	\$88.34	28.1 x	26.4 x	19.1 x	17.7 x	29.1 x	26.8 x	33.4%	33.9%	5%	6%	-1.1 x	-1.3 x
Nordson Corp.	NDSN	\$263.72	26.1 x	24.3 x	18.3 x	16.2 x	24.6 x	23.1 x	31.5%	32.4%	8%	8%	1.0 x	0.3 x
The Timken Co.	TKR	\$81.07	13.2 x	11.7 x	8.7 x	7.9 x	13.5 x	12.3 x	18.6%	19.5%	-8%	8%	1.9 x	1.6 x
Sensata Technologies	ST	\$32.74	8.8 x	8.0 x	9.7 x	8.8 x	16.8 x	23.7 x	19.1%	19.6%	3%	8%	3.4 x	3.0 x
Helios Technologies	HLIO	\$40.84	<u>15.7 x</u>	<u>13.2 x</u>	<u>10.3 x</u>	<u>8.3 x</u>	<u>16.9 x</u>	<u>12.6 x</u>	<u>20.5%</u>	<u>22.4%</u>	<u>11%</u>	<u>17%</u>	<u>2.6 x</u>	<u>1.8 x</u>
Peer average			18.6 x	16.9 x	13.2 x	11.7 x	20.3 x	19.6 x	23.5%	24.4%	4%	9%	1.4 x	0.9 x
Atmus		\$22.06	9.8 x	9.2 x	6.8 x	6.4 x	12.8 x	10.3 x	19.1%	19.6%	5%	7%	1.0 x	0.9 x
Atmus at PO		\$29.00	12.9 x	12.1 x	8.7 x	8.1 x	16.9 x	13.5 x	19.1%	19.6%	5%	7%	1.0 x	0.9 x

Source: BofA Global Research, Bloomberg

Note: Timken covered by Michael Feniger and Sensata covered by Wamsi Mohan. All other are Bloomberg consensus.

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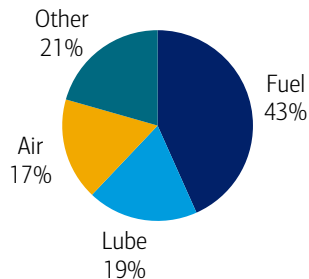


Overview of Atmus

Atmus' comprehensive product portfolio includes fuel, lube, air, and other filtration and chemical products for the on-highway and off-highway vehicle markets. International operations generate half of total revenue.

Exhibit 5: Revenue by product line (2023A)

Comprehensive offerings across different filtration media

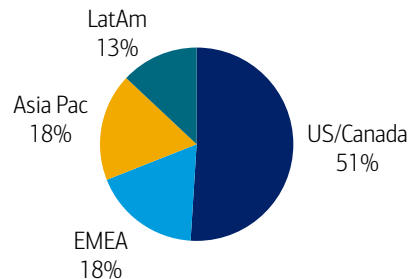


Source: BofA Global Research, company filings

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Exhibit 6: Revenue by geography (2023A)

Strong geographic diversification



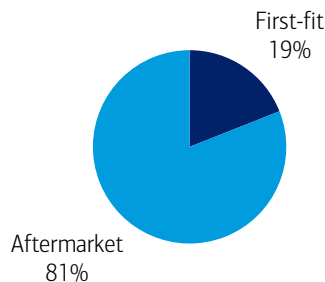
Source: BofA Global Research, company filings

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The large installed base generates strong aftermarket revenues which comprised 84% of 2022 revenue. On-highway end markets include transportation (e.g., Class 8 trucks), but also buses and other vocational vehicles. Off-highway end markets include agriculture, construction, mining, oil & gas, and power generation.

Exhibit 7: Revenue by first fit and aftermarket (2023A)

Installed base generates majority of revenue

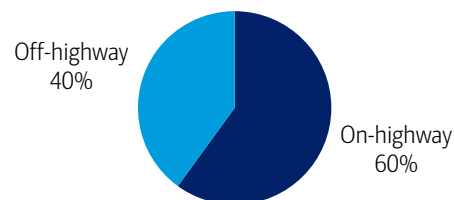


Source: BofA Global Research, company filings

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Exhibit 8: Revenue by end market (2023A)

Diversified revenue across end markets



Source: BofA Global Research, company filings

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Price objective basis & risk

Atmus Filtration (ATMU)

We base our \$29 price objective on 8x our 2025E EBITDA estimate. This is a discount to the peer average of 13x on 2024E to reflect below-peer margins and EBITDA growth.

Downside risks to our price objective are 1) acquisition selection and integration risks, 2) the loss of a major customer, 3) economic recession resulting in lower aftermarket volumes, 4) faster-than-expected transition to battery electric commercial vehicles, 5) pending exchange offer by Cummins.

Analyst Certification

I, Andrew Obin, 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 - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	APi Group	APG	APG US	Andrew Obin
	AspenTech	AZPN	AZPN US	Andrew Obin
	Atmus Filtration	ATMU	ATMU US	Andrew Obin
	Dover Corp	DOV	DOV US	Andrew Obin
	Eaton Corp PLC	ETN	ETN US	Andrew Obin
	Emerson Electric Co	EMR	EMR US	Andrew Obin
	Flowserve	FLS	FLS US	Andrew Obin
	General Electric Company	GE	GE US	Andrew Obin
	Honeywell International Inc.	HON	HON US	Andrew Obin
	ITT Inc.	ITT	ITT US	Andrew Obin
	Montrose Environmental Group, Inc.	MEG	MEG US	Andrew Obin
	Parker Hannifin Corporation	PH	PH US	Andrew Obin
	PTC Inc.	PTC	PTC US	Andrew Obin
	Rush	RUSHA	RUSHA US	Andrew Obin
	Vertiv	VRT	VRT US	Andrew Obin
	Vontier	VNT	VNT US	Andrew Obin
NEUTRAL				
	3M Company	MMM	MMM US	Andrew Obin
	AMETEK Inc	AME	AME US	Andrew Obin
	Fortive Corporation	FTV	FTV US	Andrew Obin
	Johnson Controls International PLC	JCI	JCI US	Andrew Obin
	Pentair plc	PNR	PNR US	Andrew Obin
	Rockwell	ROK	ROK US	Andrew Obin
	Trane Technologies PLC	TT	TT US	Andrew Obin
UNDERPERFORM				
	Allegion	ALLE	ALLE US	Andrew Obin
	Carrier Global Corp.	CARR	CARR US	Andrew Obin
	Core & Main	CNM	CNM US	Andrew Obin
	Illinois Tool Works	ITW	ITW US	Andrew Obin
	John Bean Technologies	JBT	JBT US	Andrew Obin
	Keysight	KEYS	KEYS US	David Ridley-Lane, 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

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

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.

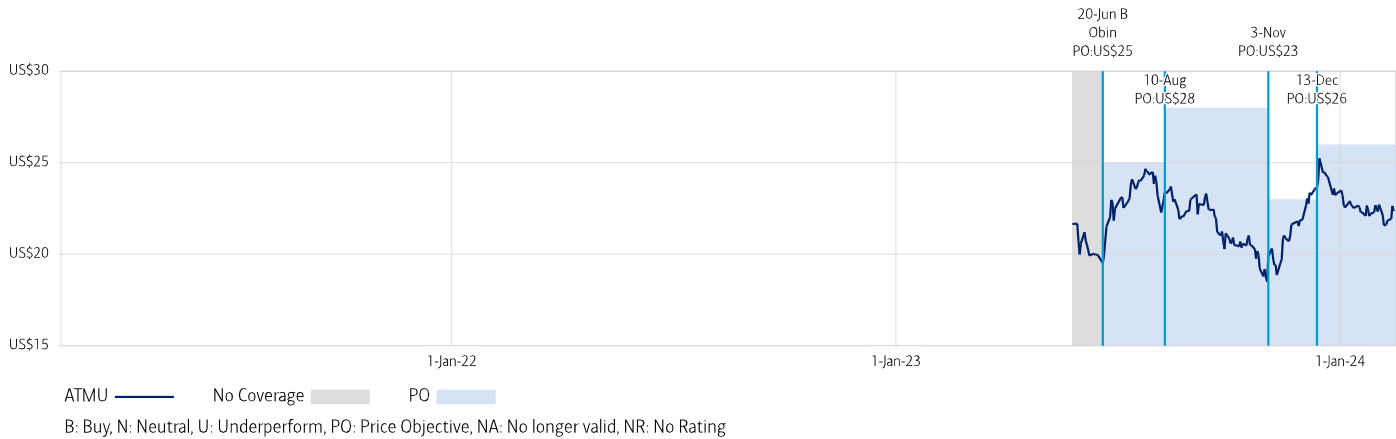
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Atmus (ATMU) Price Chart



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Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

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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