

BHP Group Limited

A conversation with BHP

Maintain Rating: BUY | PO: 52.00 AUD | Price: 44.30 AUD

Interesting post results meeting feedback

Today we attended a post results sell-side meeting with BHP. Attending from BHP were David Lamont (CFO), Vandita Pant (Chief Commercial Officer and CFO Designate) and Caroline Cox (Chief Legal Governance and EA Officer). We summarise the analyst Q&A and discussion on pages 3-5. Topics discussed include BHP's positive outlook for coking coal; views on nickel (bearish) and lithium (still not for BHP); options to grow South Australia Copper to >500 ktpa longer term; a sharp decline at Escondida from FY27-28e; confidence iron ore will continue to be a cash cow; Samarco; and the possible fate of Nickel West. We maintain our Buy rating on BHP with a A\$52.0/sh price objective.

Maintain Buy and \$52.00/sh price objective

We maintain our Buy on BHP and see 23% potential TSR to our \$52.00/share price objective. BHP provides quality exposure to higher for longer iron ore and coking coal prices and an expected increase in copper prices. Our BofA Metals Strategist forecasts copper prices to increase by 20% to \$10,000/t in the next 12 months. BHP offers a 5-6% FCF and dividend yield in CY24e and trades on 5.3x EV/EBITDA (CY24e), below Fortescue on 6.2x EV/EBITDA.

1H FY24 results recap, \$14bn EBITDA in line

BHP reported 1H FY24 results earlier this week with underlying EBITDA of \$13.9bn (+5% vs pc), in line with expectations for \$14.0bn. At the divisional level, all segments were in line with few surprises. BHP declared an interim dividend of 72 UScps (56% payout) vs consensus of 70 UScps (54% payout) and BofAe of 74 UScps. FY24 guidance for unit costs, production and capex is also unchanged as is capex guidance for FY25 and the medium term. See [1H FY24 results in line. Future of nickel and copper growth options in focus](#). Last week, BHP also flagged it would take a \$5.7bn impairment in its 1H FY24 results (see [Samarco settlement moving closer? \\$5.7bn impairment for Nickel and Samarco](#)).

Estimates (Jun)	2022A	2023A	2024E	2025E	2026E
EPS (Reported b/f exceptionals - US\$)	4.434	2.579	3.213	2.484	2.357
EPS (Reported b/f exceptionals - A\$)	6.380	3.902	4.991	3.854	3.672
Dividend / Share (US\$)	3.250	1.700	1.774	1.366	1.296
Dividend / Share (A\$)	4.676	2.572	2.756	2.120	2.020
Valuation (Jun)					
P/E	7.1x	11.7x	9.4x	12.1x	12.8x
Dividend Yield	10.8%	5.6%	5.9%	4.5%	4.3%
EV / EBITDA*	3.9x	5.6x	5.1x	5.6x	5.8x
Free Cash Flow Yield*	15.2%	7.6%	6.3%	6.6%	6.4%

* For full definitions of *IQmethod*SM measures, see page 9.

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Refer to important disclosures on page 10 to 13. Analyst Certification on page 7. Price Objective Basis/Risk on page 7.

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Stock Data

Price (ASX Ord / ADR / UK Ord)	44.30 AUD / 57.76 USD / 2,283 GBp
Price Objective	52.00 AUD / 65.00 USD / 2,650 GBp
Date Established	20-Feb-2024 / 15-Feb-2024 / 20-Feb-2024
Investment Opinion	B-1-7 / B-1-7 / B-1-7
52-Week Range	41.66 AUD-50.84 AUD
Market Value (mn)	146,591 USD
Market Value (mn)	224,025 AUD
Shares Outstanding (mn)	5,057.0 / 2,528.5 / 5,057.0
Average Daily Value (mn)	256.98 USD
Free Float	100.0%
BofA Ticker / Exchange	BHPLF / ASX
BofA Ticker / Exchange	BHP / NYS
BofA Ticker / Exchange	ZBHPF / LSE
Bloomberg / Reuters	BHP AU / BHPAX
ROE (2024E)	35.4%
Net Dbt to Eqty (Jun-2023A)	20.4%

iQprofileSM BHP Group Limited

Key Income Statement Data (Jun)	2022A	2023A	2024E	2025E	2026E
(US\$ Millions)					
Sales	66,050	54,211	58,716	53,534	52,668
Operating Expenses	-26,688	-26,812	-34,042	-25,191	-25,370
EBITDA	40,634	27,956	30,974	28,083	27,058
Depreciation & Amortization	-5,683	-5,061	-5,326	-5,634	-5,442
EBIT	34,951	22,895	25,648	22,449	21,616
Net Interest & Other income	-969	-1,531	-1,663	-1,524	-1,482
Pretax Income	34,089	21,401	18,150	21,878	21,102
Tax (expense) / Benefit	-10,737	-7,077	-6,166	-7,494	-6,999
Minorities	-2,155	-1,403	-1,355	-1,805	-2,167
Net Income (Reported b/f Exceptionals)	21,197	12,921	10,629	12,578	11,936
Exceptional Items (After Tax)	107	37	-5,835	952	968

Key Cash Flow Statement Data					
Net Income (Reported)	31,852	12,921	10,629	12,578	11,936
Depreciation & Amortization	-5,683	-5,061	-5,326	-5,634	-5,442
Change in Working Capital	-841	-263	-1,450	411	85
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	1,339	-552	4,610	424	115
Cash Flow from Operations	29,285	18,701	19,646	19,844	18,381
Capital Expenditure	-6,111	-7,083	-10,001	-9,722	-8,676
(Acquisition) / Disposal of Investments	-537	-6,720	-948	0	0
Other Cash inflow / (Outflow)	1,675	738	1,109	333	333
Cash Flow from Investing	-4,973	-13,065	-9,840	-9,388	-8,343
Shares Issue / (Repurchase)	NA	NA	NA	NA	NA
Cost of Dividends Paid	-17,851	-13,268	-7,691	-9,171	-6,605
Cash Flow from Financing	-22,734	-10,315	-10,408	-10,560	-8,816
Free Cash Flow	23,174	11,618	9,645	10,122	9,705
Net Debt	333	9,917	9,195	9,300	8,078
Change in Net Debt	-5,404	9,584	-722	105	-1,222

Key Balance Sheet Data					
Cash & Equivalents	17,236	12,428	11,826	11,721	12,943
Other Current Assets	1,067	1,109	1,109	1,109	1,109
Property, Plant & Equipment	61,295	71,818	69,357	72,726	75,233
Investments	802	1,115	1,115	1,115	1,115
Total Assets	95,166	101,296	102,000	104,178	108,117
Short-Term Debt	2,594	7,173	7,173	7,173	7,173
Other Current Liabilities	14,325	11,870	11,691	11,194	11,234
Long-Term Debt	14,975	15,172	13,848	13,848	13,848
Other Non-Current Liabilities	14,506	18,555	17,862	16,714	15,327
Total Liabilities	46,400	52,766	50,570	48,925	47,577
Net Asset	48,766	48,530	51,430	55,254	60,540
Minorities	3,809	4,034	3,996	4,413	4,368
Shareholder Funds	44,957	44,496	47,434	50,841	56,172

iQmethodSM - Bus Performance*					
Return On Average Assets	34.3%	23.3%	25.2%	21.8%	20.4%
Return on Equity	46.6%	29.2%	35.4%	25.6%	22.3%
EBIT Margin	55.5%	42.6%	34.0%	43.7%	42.9%
EBITDA Margin	61.7%	51.6%	42.8%	54.2%	53.2%

iQmethodSM - Quality of Earnings*					
Price / EBITDA	3.7x	5.5x	4.9x	5.4x	5.6x
Price / Free Cash Flow	6.3x	12.6x	15.2x	14.5x	15.1x
Tax Rate (Effective)	31.5%	33.1%	34.0%	34.3%	33.2%
Net Debt-to-Equity Ratio	0.7%	20.4%	17.9%	16.8%	13.3%
Interest Cover (EBITDA Basis)	38.7x	13.6x	13.2x	14.1x	14.3x

Key Metrics					
Franking (%)	100%	100%	100%	100%	100%

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Non-Ferrous-Mining

Company Description

BHP is the world's largest mining company and a top 3 global producer of iron ore, metallurgical coal and copper in concentrate. BHP has some of the world's best undeveloped resources and it is this inventory of resources & growth projects that we expect will allow the company to maintain its position as a leading global resource company.

Investment Rationale

BHP is a diversified miner which provides greater earnings stability and less volatile cash flows vs. pure play mining companies. Earnings are driven by price and production and shares tend to trade according to earnings and NPV expectations. BHP's assets are low-cost and longer-life "franchise" assets, so the company has less sensitivity to prices than many of its peers.

Stock Data

Shares / ADR	2.00
Price to Book Value	3.1x

BHP post results meeting feedback

Today we attended a post results sell-side meeting with BHP.

Attending from BHP were David Lamont (CFO), Vandita Pant (Chief Commercial Officer and CFO Designate) and Caroline Cox (Chief Legal Governance and EA Officer).

We summarise the analyst Q&A as follows.

How does BHP think about valuations in light of base metals stocks like Sandfire and iron ore pure play Fortescue trading at a premium to NPV and on a higher EV/EBITDA multiple vs BHP?

BHP sees value in being diversified and not separating its bulk commodities from base metals (copper). This is despite base metals pure plays trading on higher multiples.

Iron ore generates huge free cashflows and BHP is positive on the outlook for coking coal and copper prices.

Potential for a complete sale of Met coal, what's the future of BMA?

BHP have done a lot of work on met coal (BMA) and are excited about the increase in proportion of premium hard coking coal sales post the divestment of Blackwater & Daunia.

Divestment of Blackwater & Daunia expected to complete on 2 April 2024.

Sees increasing demand for premium HCC as the steel industry decarbonizes.

India produced 140 Mt of steel last year (+12% vs 2022) and is expected to double its steel production to 300 Mtpa by around 2030.

India comprises 40% of BMA coal sales and will be a key growth market going forward.

Further details on SA Copper expansion to >500 ktpa?

Pleased with the integration of Carrapateena and Prominent Hill (acquired from OZ Minerals in May 2023).

Integration of OZL has successfully delivered more than \$50m of annualised EBITDA synergies ahead of schedule.

Operations performing well with record copper concentrate production at Carrapateena, record gold production at Olympic Dam and record development metres at Prom Hill.

Assessing options for a new two-stage smelter which could produce more than 500 ktpa of copper, with a Final Investment Decision expected between FY26 and FY27.

Also need solutions for water and power as well as permitting approvals.

See lots of exploration upside in SA Copper. Excited about drilling results at Oak Dam and in Olympic Dam Deeps.

Any change in views on lithium?

No change in BHP's view on lithium i.e. it's not a commodity for them.

Don't like the flat supply cost curve and small mines.

Thinks the lithium market will need to consolidate.

Thoughts on nickel?

Nickel demand is not the issue.

The increase in supply mainly from Indonesia mainly in 2023 is the issue.

In addition it's the growing bridge or conversion of Class 2 nickel into Class 1 nickel using HPAL technology in Indonesia.

BHP sees a multi-year run of surpluses that are likely to average out well over 5% of annual demand.

Doesn't expect the market to rebalance until later this decade. Prices to remain low for many years...

Future of Nickel West operations?

A decision as to potentially place Nickel West on care and maintenance will be made in the next few months.

Nickel West employs 3,000 people although some (not many) will still be needed if Nickel West is placed on care and maintenance for 2-5 years....

Nickel West generated negative EBITDA of \$200m in the Dec-23 half.

Nickel West comprises three nickel mines, two concentrators, a refinery and a smelter.

Carrying value for WA Nickel is negative \$0.7bn including longer term closure and rehabilitation costs.

The West Musgrave nickel-copper project acquired from OZ Minerals is 21% complete and could be slowed down.

Expansion to WAIO to >300 Mt and potentially 330 Mt?

In the medium term, the expansion to >300 Mt will be driven by debottlenecking the port, rail efficiency improvements and the full ramp of South Flank (80 Mtpa) by end FY24 and the Western Ridge Crusher Project.

The Port headland capacity is currently 330 Mtpa.

Studies to expand WAIO to 330 Mtpa expected to be completed in FY25 with a potential FID in FY26-27.

Expanding WAIO to 330 Mtpa would require developing new mines (options include Ministers North, Jinidi, Homestead, East Ophthalmia and Marillana), expanding and leveraging existing processing infrastructure at Yandi and adding a sixth car dumper at Port Hedland.

Iron ore and China steel market outlook?

2023 was the 5th consecutive year China produced more than 1 Bt of steel.

Weakness in the real estate sector was more than offset by healthy growth in infrastructure, machinery and autos, as well as net steel exports reaching a 7 year high.

In CY24 sees China's steel production slightly above 1.0 Bt and China GDP growth of 4.5-5.0%.

Escondida and lower copper production from FY27 is concerning?

World's largest copper mine will see lower grades and production from FY27.

Escondida production guidance for FY24 remains unchanged at between 1,080 and 1,180 kt, increasing to between 1,200 and 1,300 ktpa in FY25 and FY26.

Copper production is then expected to decline to between 900 and 1,000 ktpa for a period in line with lower concentrator feed grades.

BHP admitted copper grades won't stay at 0.8-0.9% forever.

Escondida contains a huge 26 Bn tonnes of copper resource at over 0.52% copper grade

BHP is assessing options to offset the grade decline from FY27 including the potential for a new concentrator to replace the current Los Colorados facility and the application

of one or more leaching technologies to improve recoveries and unlock primary sulphide resources.

BHP is looking at 5 different leaching technologies. Not all are transformational.

Cycle times are long for leaching technologies.

Need to model a decline in copper production from FY27. Further tightening the global copper market later this decade...?

However this should be partially offset by increased copper production from SA Copper and the ramp up of the Jansen potash project.

Labour costs are an increasing proportion of operating costs at Escondida and headcount should be reduced when production declines...BHP also looking to increase autonomous trucks at Escondida.

Deployment of autonomous haulage is expected to begin in the Escondida Norte pit in 2H FY24 and ramp up to ~50 autonomous trucks over the next three years.

Escondida is evaluating transitioning its fleet of ~160 conventional haul trucks to autonomous operations over the next decade.

Samarco update?

BHP has increased the provision to \$6.5bn as at 31 December 2023 which relates to all civil claims in Brazil.

BHP has made good progress on remediation and compensation to date.

Renova Foundation has spent ~US\$7.2bn on reparation and compensation programs since 2016

- 84% of resettlement cases completed across the region
- 430,000 people have received compensation and/or financial assistance

BHP's \$6.5bn provision does not provide for any claims or settlements in the UK or Australia.

BHP believes the Class action hearing in London in October 2024 is without merit.

Samarco (50% Vale, 50% BHP) is the primary obligor. Expects any potential financial settlements in Brazil will be made over 10+ years.

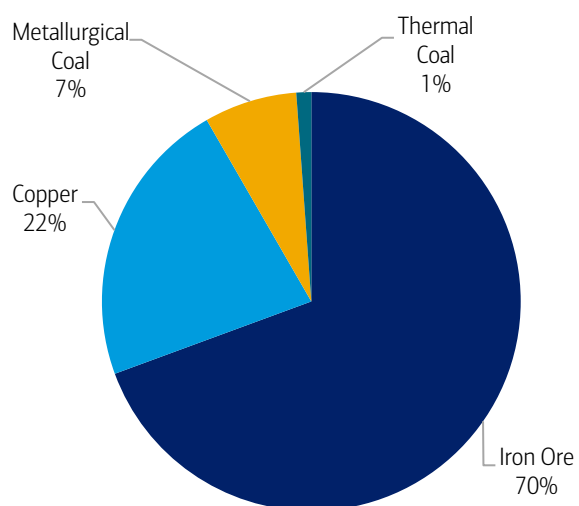
Vale (US\$60bn market cap) is the other 50% owner of Samarco and will likely face the same settlements as BHP. FYI, BHP has a US\$147bn market cap.



BHP valuation and EBITDA by segment

Exhibit 1: BHP FY24 NPV contribution by segment

Iron ore makes up the majority of our valuation

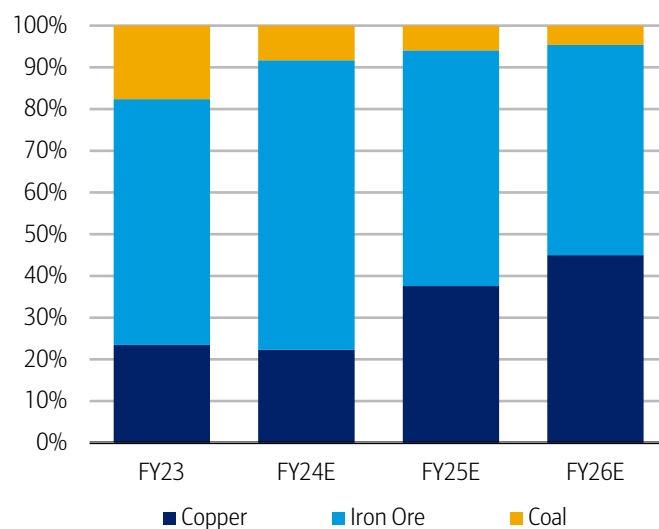


Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 2: BHP EBITDA contribution by segment (%)

Copper to increase in FY25-26 driven by volume growth and higher prices



Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

BHP Group Limited (BHPLF / BHP)

Our price objective of A\$52.0/share (US\$65.0/share) represents approximately 1.0x our DCF-derived NPV. Our DCF is based on BofA commodity price forecasts and assumes a 9% discount rate. Diversified miners have historically traded in a range of 0.7-1.4x NPV with lower multiples paid during periods of economic slowdown and higher multiples paid during periods of rising commodity prices and earnings.

Downside (upside) risks to our price objective are: Global economic slowdown (growth), volatility in commodity prices, operational risks associated with mining, project execution risk, currency pressures and mining cost inflation (deflation).

BHP Group Limited (ZBHPF)

Our price objective of 2,650 GBp represents approximately 1.0x our DCF-derived NPV. Our DCF is based on BofA commodity price forecasts and assumes a 9% discount rate. Diversified miners have historically traded in a range of 0.7-1.4x NPV with lower multiples paid during periods of economic slowdown and higher multiples paid during periods of rising commodity prices and earnings.

Downside (upside) risks to our price objective are: Global economic slowdown (growth), volatility in commodity prices, operational risks associated with mining, project execution risk, currency pressures and mining cost inflation (deflation).

Analyst Certification

I, James Redfern, 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.

Special Disclosures

BofA Securities is currently acting as Financial Advisor and Financer to Whitehaven Coal Ltd in connection with its proposed acquisition of Daunia and Blackwater coal mines from BHP Group and Mitsubishi Development Pty Ltd, which was announced on 18 Oct 2023.

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Australia - Materials & Industrials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	29Metals Limited	XMLNF	29M AU	James Redfern
	AGL Energy	AGLNF	AGL AU	Reinhardt van der Walt
	APA Group	APAJF	APA AU	Reinhardt van der Walt
	BHP Group Limited	BHPLF	BHP AU	James Redfern
	BHP Group Limited	ZBHPF	BHP LN	James Redfern
	BHP Group-ADR	BHP	BHP US	James Redfern
	BlueScope	BLSFF	BSL AU	Chen Jiang
	Boss Energy	BQSSF	BOE AU	Cameron Taylor
	Brambles Limited	BMBLF	BXB AU	Reinhardt van der Walt
	Champion Iron	CIAFF	CIA AU	Chen Jiang
	Champion Iron	YCIA	CIA CN	Chen Jiang
	Coronado	CODQL	CRN AU	Chen Jiang
	Evolution Mining	CAHPF	EVN AU	Meredith Schwarz



Australia - Materials & Industrials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Gold Road Resources	ELKMF	GOR AU	Meredith Schwarz
	GWA Group	GWAXF	GWA AU	Shaurya Visen
	Incitec Pivot	ICPVF	IPL AU	Reinhardt van der Walt
	Mineral Resources	MALRF	MIN AU	Matt Chalmers, CFA
	Monadelphous	MDPHF	MND AU	Josephine Forde
	Nickel Industries	NICMF	NIC AU	Cameron Taylor
	Northern Star Resources	NESRF	NST AU	Meredith Schwarz
	NRW Holdings	NRWWF	NWH AU	Josephine Forde
	Nufarm	NUFMF	NUF AU	Reinhardt van der Walt
	Orica	OCLDF	ORI AU	Reinhardt van der Walt
	Origin Energy	OGFGF	ORG AU	Reinhardt van der Walt
	Orora	ORRAF	ORA AU	Roy Harrison
	Paladin Energy	PALAF	PDN AU	Cameron Taylor
	Regis Resources	RGRNF	RRL AU	Meredith Schwarz
	Reliance Worldwide Corporation Limited	RLLWF	RWC AU	Shaurya Visen
	Rio Tinto Ltd	RTNTF	RIO AU	James Redfern
	Seven Group Holdings	XSEVF	SVW AU	Shaurya Visen
	South32 Ltd	SHTLF	S32 AU	James Redfern
	South32 Ltd	XKTPF	S32 LN	James Redfern
	South32 Ltd	XMWTF	S32 SJ	James Redfern
	Ventia	XVXGF	VNT AU	Roy Harrison
	Whitehaven Coal Limited	WHITF	WHC AU	Chen Jiang
	Worley Limited	WYGPF	WOR AU	Cameron Taylor

NEUTRAL

	Codan	CODAF	CDA AU	Sriharsh Singh
	Deterra Royalties	DETRF	DRR AU	Chen Jiang
	Downer EDI Limited	DNERF	DOW AU	Roy Harrison
	Fletcher Building	FRCEF	FBU NZ	Shaurya Visen
	Fletcher Building	YFLBF	FBU AU	Shaurya Visen
	Pilbara Minerals	PILBF	PLS AU	Matt Chalmers, CFA
	Qube Holdings	QUBHF	QUB AU	Reinhardt van der Walt
	Reece Limited	REECF	REH AU	Shaurya Visen
	Sandfire Resources	SFRRF	SFR AU	Matt Chalmers, CFA
	Sims Limited	SMUPF	SGM AU	Chen Jiang
	Transurban Group	XTRAF	TCL AU	Reinhardt van der Walt
	Transurban Group	TRAUF	TRAUF US	Reinhardt van der Walt

UNDERPERFORM

	ALS Limited	CPBLF	ALQ AU	Reinhardt van der Walt
	Alumina Limited	AWCMF	AWC AU	Chen Jiang
	Atlas Arteria Ltd	MAQAF	ALX AU	Reinhardt van der Walt
	Cleanaway Waste Management	TSPCF	CWY AU	Reinhardt van der Walt
	Fortescue Ltd.	FSUMF	FMG AU	James Redfern
	IGO	IPGDF	IGO AU	Matt Chalmers, CFA
	James Hardie Industries Plc	JHIUF	JHX AU	Shaurya Visen
	James Hardie Industries Plc	JHX	JHX US	Shaurya Visen
	Vulcan Steel Limited	XVULF	VSL AU	Shaurya Visen
	Vulcan Steel Limited	XVSTF	VSL NZ	Shaurya Visen

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

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

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

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

Other LT Liabilities

Enterprise Value

Denominator

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

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

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

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

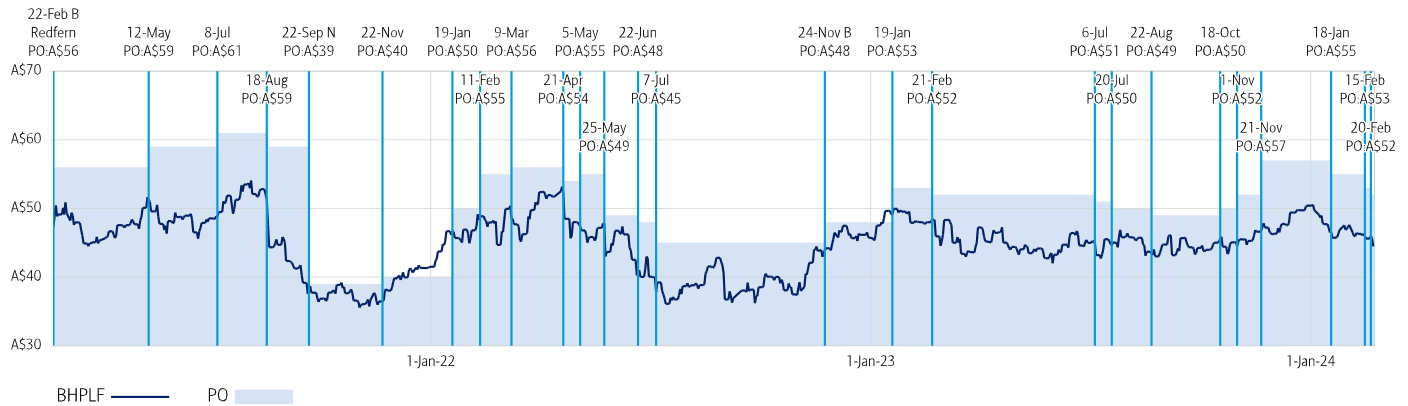
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Disclosures

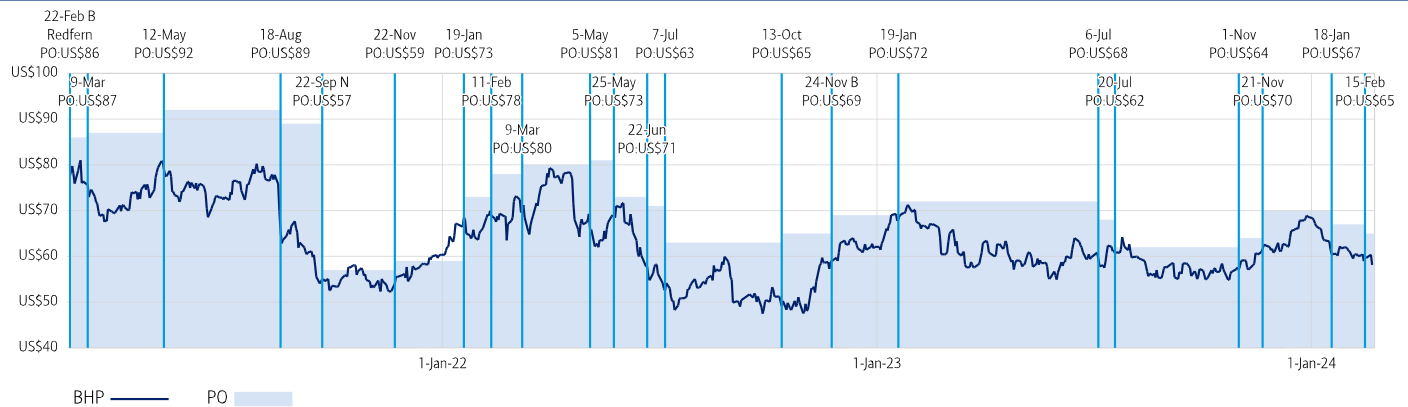
Important Disclosures

BHP Group Limited (BHPLF) Price Chart



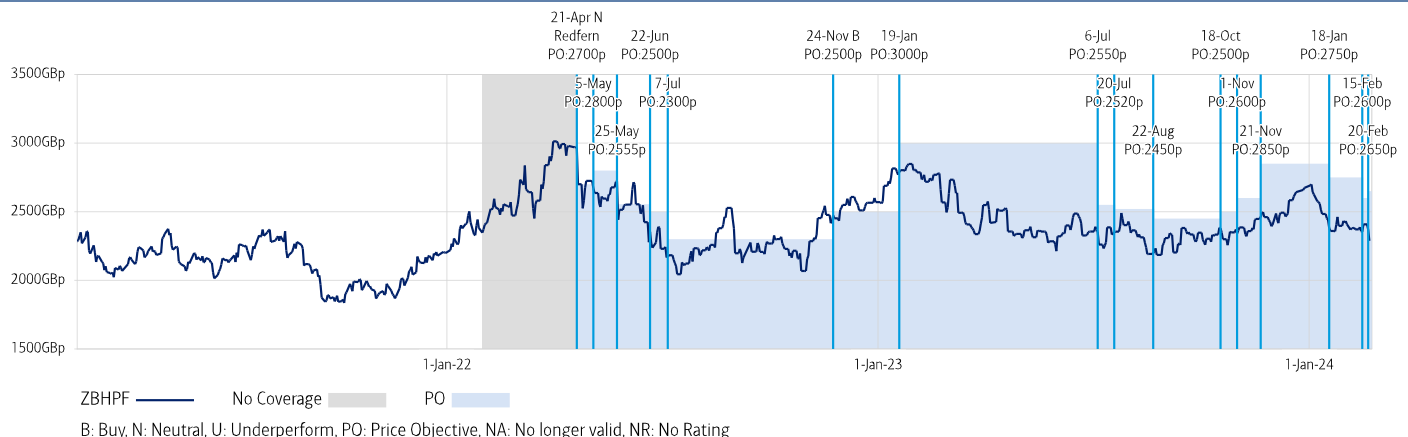
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BHP Group-ADR (BHP) Price Chart



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BHP Group Limited (ZBHPF) Price Chart



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Equity Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	58	53.70%	Buy	26	44.83%
Hold	24	22.22%	Hold	10	41.67%
Sell	26	24.07%	Sell	13	50.00%

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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