

Tesla Motors

4Q:23 quick-take: Trees don't grow to the sky in 2024, next-gen vehicle as expected

Reiterate Rating: NEUTRAL | PO: 280.00 USD | Price: 207.83 USD

4Q:23 results just below BofAe and consensus

TSLA reported 4Q:23 non-GAAP EPS of \$0.71. This was below BofA and consensus at \$0.73. The miss versus our forecast was driven by Automotive, both at the topline and on a margin level, and to a lesser degree on a choppy Service margin. Energy, on the other hand, came in stronger than expectations while operating expenses were lower. In total, this resulted in an operating margin of 8.2% versus BofAe at 8.3%. We reiterate our Neutral rating, balancing near-term risks from the broader macro, increasing competition, and slower EV demand against its efforts to reduce costs, meaningfully grow, and unique ability to remain agile.

Reduce EPS ests on tax rate, gross margin adjustments

Our EPS estimates decline primarily given the expected increase in tax rate following the release of the tax valuation allowance. TSLA noted that its tax rate will be closer to that of other S&P 500 companies, and we now project a rate of 25% vs. 15%. As for other changes, we modestly temper our gross margin forecast as it appears there is limited upside for 2024, though much will depend on costs and demand for its vehicles. Our PO is now \$280 (was \$290), reflecting the changes to our estimates based on unchanged ~8.5x EV/Sales and ~50x EV/EBITDA (was 48x) on our 2024 estimates.

2024 production outlook underwhelming, but expected

TSLA disclosed that 2024 unit growth is likely to be much lower than the 38% YoY growth achieved in 2023 as the development of its next gen vehicle is underway. Recall, we tempered our volume forecast for 2024 ahead of 4Q earnings considering this point and broadly slower EV demand. As for other items, the message remains that TSLA: 1) has sufficient liquidity for its product roadmap and capacity expansion (~\$10bn of capex in 2024); 2) continues to focus on reducing costs in manufacturing/operations (although TSLA is approaching limits to continued cost improvement with the current platform), and hardware-related profits will be accompanied by software-related profits. On product development, Cybertruck production will ramp over 2024 and Tesla appears well-underway in developing the next gen low cost platform we've dubbed the Model Te, which appears likely to enter in production in 2H25. This is consistent with our Car Wars 2024-2027 forecast ([see report here](#)). Related to AI developments, Elon Musk clarified from his recent public comment that having 25% ownership (including potentially with a dual voting share structure) would give him more influence on decisions that may not be well digested by other shareholders, but wouldn't be so much that investors couldn't take action if he proved to not be an effective steward of this technology..

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	4.07	3.13	3.30	4.10	4.70
GAAP EPS	3.62	2.60	2.78	3.55	4.14
EPS Change (YoY)	80.1%	-23.1%	5.4%	24.2%	14.6%
Consensus EPS (Bloomberg)			3.74	5.10	6.98
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	51.1x	66.4x	63.0x	50.7x	44.2x
GAAP P/E	57.4x	79.9x	74.8x	58.5x	50.2x
EV / EBITDA*	38.0x	46.2x	38.1x	30.1x	26.5x
Free Cash Flow Yield*	1.0%	0.6%	0.6%	1.2%	1.7%

* For full definitions of *IQmethod*SM measures, see page 6.

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 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

12650691

Timestamp: 25 January 2024 06:57AM EST

25 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	290.00	280.00
2024E Rev (m)	111,295.7	111,397.3
2025E Rev (m)	126,520.5	126,398.4
2026E Rev (m)	141,016.3	141,174.4
2024E EPS	3.60	3.30
2025E EPS	4.60	4.10
2026E EPS	5.25	4.70

John Murphy, CFA

Research Analyst
BofAS
+1 646 855 2025
johnj.murphy@bofa.com

John P. Babcock

Research Analyst
BofAS
+1 646 743 0046
john.p.babcock@bofa.com

Federico Merendi

Research Analyst
BofAS
+1 646 556 2798
federico.merendi@bofa.com

William Healey

Research Analyst
BofAS
+1 646 855 5747
william.healey2@bofa.com

Stock Data

Price	207.83 USD
Price Objective	280.00 USD
Date Established	25-Jan-2024
Investment Opinion	C-2-9
52-Week Range	138.07 USD - 299.29 USD
Mkt Val (mn) / Shares Out (mn)	725,742 USD / 3,492.0
Free Float	87.0%
Average Daily Value (mn)	22833.46 USD
BofA Ticker / Exchange	TSLA / NAS
Bloomberg / Reuters	TSLA US / TSLA.OQ
ROE (2024E)	16.7%
Net Dbt to Eqty (Dec-2023A)	-17.8%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

TSLA =Tesla

iQprofileSM Tesla Motors

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	24.8%	13.0%	11.3%	12.6%	12.7%
Return on Equity	37.2%	20.2%	16.7%	17.5%	16.9%
Operating Margin	16.8%	9.2%	10.5%	12.8%	13.5%
Free Cash Flow	7,566	4,358	4,060	9,027	12,458

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.0x	1.2x	1.2x	1.3x	1.3x
Asset Replacement Ratio	1.9x	1.9x	1.9x	1.8x	1.4x
Tax Rate	8.3%	9.3%	25.0%	25.0%	25.0%
Net Debt-to-Equity Ratio	-28.7%	-17.8%	-21.3%	-27.9%	-35.3%
Interest Cover	NM	NM	NM	NM	NM

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	81,458	96,773	111,397	126,398	141,174
% Change	51.3%	18.8%	15.1%	13.5%	11.7%
Gross Profit	20,849	17,660	21,224	26,475	30,372
% Change	53.2%	-15.3%	20.2%	24.7%	14.7%
EBITDA	18,916	15,542	18,842	23,868	27,050
% Change	61.8%	-17.8%	21.2%	26.7%	13.3%
Net Interest & Other Income	63	1,082	1,155	330	230
Net Income (Adjusted)	14,112	10,884	11,513	14,311	16,409
% Change	84.7%	-22.9%	5.8%	24.3%	14.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	12,552	9,072	9,699	12,406	14,457
Depreciation & Amortization	3,747	4,667	5,200	5,700	6,000
Change in Working Capital	(3,908)	(2,564)	(2,653)	(984)	(1,452)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	2,333	2,081	1,814	1,905	1,952
Capital Expenditure	(7,158)	(8,898)	(10,000)	(10,000)	(8,500)
Free Cash Flow	7,566	4,358	4,060	9,027	12,458
% Change	50.9%	-42.4%	-6.8%	122.3%	38.0%
Share / Issue Repurchase	541	700	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(3,866)	2,110	(910)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	16,253	16,531	20,339	29,366	41,824
Trade Receivables	2,952	3,508	4,120	4,675	5,222
Other Current Assets	21,712	29,372	32,445	33,914	35,892
Property, Plant & Equipment	26,111	33,905	38,705	43,005	45,505
Other Non-Current Assets	15,310	23,302	23,862	24,769	25,634
Total Assets	82,338	106,618	119,471	135,729	154,076
Short-Term Debt	1,502	2,373	2,373	2,373	2,373
Other Current Liabilities	25,207	26,375	28,187	30,029	31,966
Long-Term Debt	1,597	2,857	1,947	1,947	1,947
Other Non-Current Liabilities	8,134	11,404	11,589	11,694	11,694
Total Liabilities	36,440	43,009	44,097	46,044	47,981
Total Equity	45,898	63,609	75,375	89,686	106,095
Total Equity & Liabilities	82,338	106,618	119,471	135,729	154,076

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Autos/Car Manufacturers

Company Description

Tesla designs, manufactures, and sells electric vehicles, including its high-end Model S and X, mass-market oriented Model 3 and Model Y, as well as the forthcoming Cybertruck and Semi. Tesla also generates revenue from selling zero-emission vehicle credits to OEMs, installing, operating and selling solar energy systems, and manufacturing and selling energy storage systems to customers. Tesla was founded in 2003, became publicly listed in June 2010, and is headquartered in Palo Alto, California.

Investment Rationale

We view Tesla as a trailblazer in the EV market, and believe it could be successful as EV demand increases over time. TSLA's self-funding status and ongoing access to relatively low-cost capital should also help support future growth. That said, the company is facing a number of hurdles including the broader macro environment, risks to EV demand, growing competition and management distractions that could persist over the near-term. Therefore, we rate the stock Neutral.

Stock Data

Average Daily Volume 109,866,024

Quarterly Earnings Estimates

	2023	2024
Q1	0.85A	0.75E
Q2	0.91A	0.80E
Q3	0.66A	0.85E
Q4	0.71A	0.90E

Review of 4Q:23 results

TESLA reported 4Q:23 adjusted (non-GAAP) EPS of \$0.71, which came in below our estimate of \$0.73 and the Bloomberg consensus of \$0.73. Highlights from the quarter include the following:

1. Earlier this month, TESLA announced 4Q:23 deliveries of 484,507 vehicles, which came a bit above consensus estimates at the time (compiled by the company) of 480,483 vehicles, and higher than 3Q:23 deliveries of 435,059.
 - a. Specifically, by model, TESLA reported 4Q deliveries of 22,969 Model S/X vehicles, above our original estimate of 19,720 and consensus of 18,652, and representing a 44% increase from 3Q:23 and a 34% YoY increase from 4Q:22. Model 3/Y deliveries of 461,538 came in below our original estimate of 472,600 but was higher than consensus of 460,189, which represented a 10% QoQ increase and a 19% YoY increase.
2. TESLA reported consolidated GAAP revenue of \$25.17bn, slightly above our \$25.87bn estimate, and up 4% YoY. Revenue was lower than we had projected driven by weaker Auto Sales performance and Energy.
 - a. Total GAAP revenue of \$25.17bn was below consensus of \$25.72bn, while Automotive (including ZEV revenue and leasing) was also below (\$21.56bn vs. \$21.72bn consensus). Energy Generation & Storage was below consensus (\$1.44bn vs. \$1.77bn consensus) together with Services & Other (\$2.17bn vs. \$2.24bn consensus).
3. Automotive Sales (ex. Automotive Leasing and regulatory credits) revenue increased about 2% YoY. On a unit basis, this was driven by volume growth both in Model 3/Y and Model S/X partially mitigated by weaker prices, which resulted in Automotive Sales revenue of \$21.56bn to be slightly below our \$22.09bn forecast.
4. Energy Generation & Storage revenue (\$1,438mm) increased 10% YoY, which was below our estimate of \$1,602mm, with less Megawatts deployed (41MW vs. BofAe of 60MW) for solar.
5. Consolidated GAAP gross margin of 17.6% came in below our 17.8% forecast, and declined about 610bp YoY from 23.7% in 4Q:22. Automotive Sales gross margin (GAAP) of 18.3 % was slightly below our forecast of 18.4%, and compares with gross margin of 25.5% in 4Q:22. Automotive Leasing gross margin (GAAP) of 40.8% was above our expectation (BofAe 37.8%) but down roughly 40bp YoY.
 - a. On a GAAP basis, consolidated gross margin of 17.6% came in line with consensus of 17.6%. By segment this included: Automotive (including ZEV revenue/profit and leasing) (18.9% vs. 19.5% consensus), Energy Generation & Storage (21.8% vs. 18.5% consensus), and Other (2.7% vs. 6.6% consensus).
6. Energy Generation & Storage posted a gross margin of 21.8%, which was above our estimate of 20.0%, and up 970bp YoY. Service & Other gross margin declined 290bp YoY from 5.6% in 4Q:22 to 2.7% in 4Q:23 and was below our 5.5% estimate.
7. Operating expenses (SG&A, R&D, ex. restructuring), in total, were below our estimate (\$2.37bn vs. BofAe \$2.47bn). Notably, operating expenses were up 27% YoY but down 2% sequentially.
 - a. SG&A on a QoQ basis was up 2% to \$1,280mm and increased 24% on a YoY basis from \$1,032mm in 4Q:22. R&D declined 6% QoQ to \$1,094mm in 4Q:23 from \$1,161mm in 3Q:23, and but was up 35% YoY from \$810mm in 4Q:22.



8. TSLA reported free cash flow of \$2.07bn in 4Q:23, well above cons. of \$1.49bn; operating cash flow came in higher than expected (\$4.37bn vs. cons. \$3.82bn).
- Capex was \$2.31bn, down 6% sequentially from \$2.46bn in 3Q:23 and compared to the average quarterly run rate of \$1.8bn over 2022.
 - Cash was higher QoQ at \$17.19bn at the end of 4Q:23, versus \$16.59bn at the end of 3Q:23.

Exhibit 1: TSLA 4Q:23 YoY and variance table versus BofAe – reported results (\$000s)

TSLA reported 4Q:23 non-GAAP EPS of \$0.71 vs. BofAe of \$0.73

Income Statement	YoY Change			Variance vs BofAe		
	4Q:23	4Q:22	YoY D	Actual	BofAe	Variance
Total Revenue	\$25,167,000	\$24,314,250	3.5%	\$25,167,000	\$25,870,516	-2.7%
Cost of revenue	<u>20,729,000</u>	<u>18,541,000</u>	11.8%	<u>20,729,000</u>	<u>21,260,219</u>	-2.5%
Gross profit/(loss)	\$4,438,000	\$5,773,250	-23.1%	\$4,438,000	\$4,610,297	-3.7%
Research and development	1,094,000	810,000	35.1%	1,094,000	1,190,044	-8.1%
Selling, general and administrative	<u>1,280,000</u>	<u>1,032,000</u>	24.0%	<u>1,280,000</u>	<u>1,280,591</u>	0.0%
Total operating expenses	\$2,374,000	\$1,876,000	26.5%	\$2,374,000	\$2,470,634	-3.9%
Income/(Loss) from operations	\$2,064,000	\$3,897,250	-47.0%	\$2,064,000	\$2,139,663	-3.5%
Interest income	333,000	157,000	112.1%	333,000	260,000	28.1%
Interest expense	(61,000)	(33,000)	nm	(61,000)	(30,000)	nm
Other (Expense)/Income, net	<u>(145,000)</u>	<u>(42,000)</u>	nm	<u>(145,000)</u>	<u>3,750</u>	nm
Income/(Loss before income taxes)	\$2,191,000	\$3,979,250	-44.9%	\$2,191,000	\$2,373,413	-7.7%
Provision for income taxes	175,000	276,000	-36.6%	175,000	237,341	-26.3%
Plus: Non-cash stock compensation	484,000	419,000	15.5%	484,000	450,000	7.6%
Net income/(loss) attributable to NCI	<u>(16,000)</u>	<u>(20,000)</u>	-20.0%	<u>(16,000)</u>	<u>(25,000)</u>	nm
Non-GAAP Net Income/(Loss)	\$2,484,000	\$4,137,250	-40.0%	\$2,484,000	\$2,561,071	-3.0%
Non-GAAP EPS	\$0.71	\$1.19	-40.3%	\$0.71	\$0.73	-3.0%
Diluted shares outstanding	3,492,000	3,471,000	0.6%	3,492,000	3,493,000	0.0%
Margins:	4Q:23	4Q:22	YoY D	Actual	3Q:23	Variance
Gross Margin	17.6%	23.7%	-611 bps	17.6%	17.8%	-19 bps
R&D as % Sales	4.3%	3.3%	102 bps	4.3%	4.6%	-25 bps
SG&A % Sales	5.1%	4.2%	84 bps	5.1%	5.0%	14 bps
Adjusted EBIT Margin	9.5%	17.6%	-803 bps	9.5%	10.0%	-48 bps

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Tesla Motors (TSLA)

Our price objective of \$280 is based on 8.5x EV/Sales and 50x EV/EBITDA on our 2024 estimates, which implies roughly 3x EV/Sales and 22x EV/EBITDA on pro-forma capital-induced 2025 estimates. Our valuation framework for TSLA includes the following steps: 1) What the current stock price affords to TSLA in incremental plants/units. 2) What the incremental units translates into in incremental revenue/profits. 3) What the incremental revenue/profits translates into in terms of multiples on theoretical pro-forma 2025 metrics.

Downside risks: 1) inability to continue raising low-cost capital to fund business ventures, 2) inability to generate positive earnings/FCF, 3) slower ramp in electric vehicle demand, 4) setbacks or lack of advancements in battery technology, 5) fierce competition from incumbent OEMs, 6) inability to execute efficiently with higher volume, 7) low gasoline prices, and 8) loss of management.

Upside risks: 1) better execution and cost containment, 2) a sharp/sustained rise in gasoline prices, 3) a breakthrough in advanced battery technology, 4) increase in federal or state incentives, 5) short covering.

Analyst Certification

I, John Murphy, CFA, 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 - Automotives Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Adient Plc	ADNT	ADNT US	John Murphy, CFA
	Aptiv PLC	APTV	APTV US	John Murphy, CFA
	Asbury Auto	ABG	ABG US	John Murphy, CFA
	AutoNation, Inc.	AN	AN US	John Murphy, CFA
	BorgWarner	BWA	BWA US	John Murphy, CFA
	Ferrari	RACE	RACE US	John Murphy, CFA
	Ferrari NV	XJHKF	RACE IM	John Murphy, CFA
	Ford Motor	F	F US	John Murphy, CFA
	General Motors Company	GM	GM US	John Murphy, CFA
	Group 1 Auto	GPI	GPI US	John Murphy, CFA
	Lear Corp.	LEA	LEA US	John Murphy, CFA
	Lithia Motors A	LAD	LAD US	John Murphy, CFA
	Magna Intl	MGA	MGA US	John Murphy, CFA
	Magna Intl	YMG	MG CN	John Murphy, CFA
	Penske Auto Group	PAG	PAG US	John Murphy, CFA
	Rivian Automotive	RIVN	RIVN US	John Murphy, CFA
	Visteon	VC	VC US	John P. Babcock
NEUTRAL				
	Gentex	GNTX	GNTX US	John Murphy, CFA
	Lucid Group	LCID	LCID US	John Murphy, CFA
	Luminar Technologies	LAZR	LAZR US	John P. Babcock
	Tesla Motors	TSLA	TSLA US	John Murphy, CFA
UNDERPERFORM				
	American Axle	AXL	AXL US	John Murphy, CFA
	America's Car-Mart, Inc.	CRMT	CRMT US	John Murphy, CFA
	CarMax, Inc.	KMX	KMX US	John Murphy, CFA
	Mobileye	MBLY	MBLY US	John Murphy, CFA
	OPENLANE	KAR	KAR US	John Murphy, CFA



US - Automotives Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Sonic Automotive	SAH	SAH US	John Murphy, CFA
RVW	Fisker	FSR	FSR US	John P. Babcock

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.

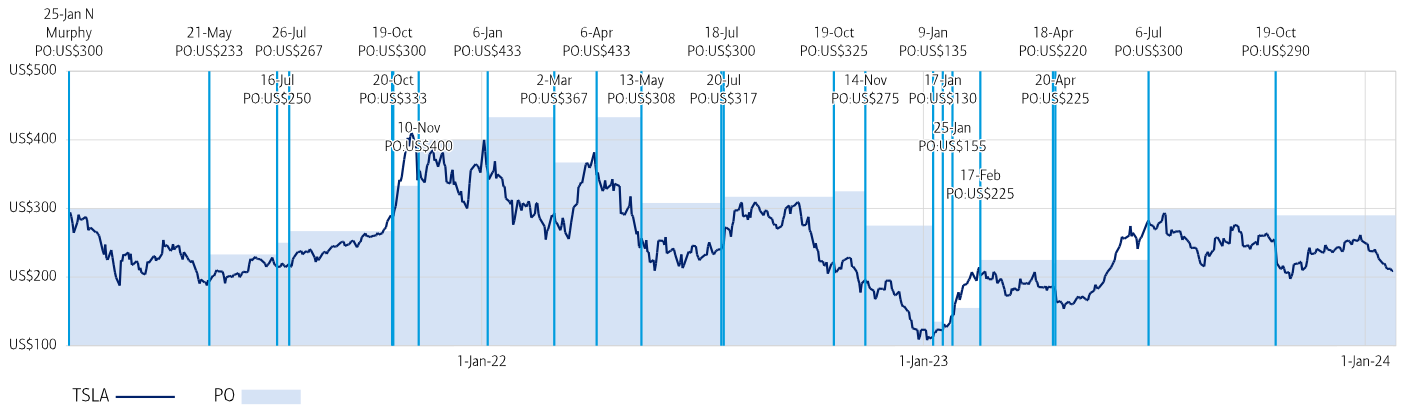
iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

iQprofileSM, iQmethodSM are service marks of Bank of America Corporation. iQdatabase[®] is a registered service mark of Bank of America Corporation.

Disclosures

Important Disclosures

Tesla (TSLA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

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.

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: Tesla.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Tesla Motors.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Tesla Motors.

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: Tesla Motors.

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: Tesla Motors.

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: Tesla.

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: Tesla Motors.

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 BoFAS 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:

BoFAS 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 2024 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.