

YETI Holdings, Inc.

1Q wholesale ahead despite soft cooler recall; Reiterate Neutral

Reiterate Rating: NEUTRAL | PO: 45.00 USD | Price: 43.07 USD

1Q wholesale above expectations despite stop sale

YETI reported 1Q23 adj. EPS of \$0.18 (vs. our \$0.15) and revenue upside (+3.1% vs. our +2.8%) as the unfavorable impact from global stop sale (600bps) was partially offset by demand for soft coolers still on the market (~300bps). Wholesale revenue decreased -1.4% (ahead of our -10.0%) given “more cautious ordering in wholesale channel” and weakness in hard coolers (as we lap channel restock LY). DTC rev. was up +7.1% (below our +14.2%) given fewer custom Drinkware shipments in 1Q (as orders were fulfilled & shipped in 4Q) & strength in AMZN and corporate sales businesses. Drinkware revenues increased 3.4% given strength in Rambler straw-lid mugs & Yonder bottles. Gross margin (53.0% vs. our 52.5%) increased 50bps given freight tailwinds (240bps) partially offset by higher input costs (100bps), unfavorable FX (50bps), & other costs (40bps).

Maintain F23 EPS on improving gross margin outlook

We maintain our F23E EPS of \$2.20 which reflects a +4.0% inc. in sales despite a 900bps negative impact from the stop sale in 2Q & 3Q. This implies LDD% decline in wholesale revenue (as we lap the introduction of M20 & M30 coolers into the wholesale channel) until 4Q when we expect +DD% growth given launch of redesigned M20/M30 soft coolers & more normalized consumer spending during Holiday (vs. pull fwd. LY). Gross margin of 55.1% reflects sequential margin improvement thru 2023 given lower freight costs, higher DTC mix (we expect DTC penetration of 60% in F23) & product costs neutral to slightly positive. Wholesale sell-through should remain strong in 2Q as customers purchase gifts for “Moms, Dads, and Grads”. We reiterate our Neutral rating and \$45 PO based on 17x our F24 EPS of \$2.70 given improving gross margin outlook.

LT outlook supported by product / international expansion

We believe YETI could see cont. pressure in a difficult macro environment as consumers trade down into competitors (priced 30-40% below YETI) & private label. However, YETI's LT strategy should be supported by: (1) product expansion incl. new cargo line & tabletop/outdoor entertainment drinkware offerings; (2) further international expansion where YETI remains underpenetrated; (3) potential GM support driven by lower inbound freight costs as spot freight rates stabilize & DTC penetration inc.; & (4) an accelerated pace of store openings (expect 5 new doors in C23), supporting omnichannel strategy.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.57	2.37	2.20	2.70	3.08
GAAP EPS	2.42	1.03	2.04	3.35	3.72
EPS Change (YoY)	36.7%	-7.8%	-7.2%	22.7%	14.1%
Consensus EPS (Bloomberg)			2.19	2.75	3.30
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	16.8x	18.2x	19.6x	16.0x	14.0x
GAAP P/E	17.8x	41.8x	21.1x	12.9x	11.6x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	10.7x	11.1x	11.6x	9.6x	8.4x
Free Cash Flow Yield*	7.6%	-0.3%	3.0%	10.7%	10.4%

* For full definitions of *IQmethod*SM measures, see page 5.

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Refer to important disclosures on page 6 to 8. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Equity

Key Changes

(US\$)	Previous	Current
2023E Rev (m)	1,713.5	1,699.6
2024E Rev (m)	1,909.7	1,893.9
2025E Rev (m)	2,146.0	2,091.1
2025E EPS	3.16	3.08

Robert F. Ohmes, CFA

Research Analyst
BofAS
+1 646 855 0078
robert.ohmes@bofa.com

Alexander Perry

Research Analyst
BofAS
+1 646 855 1365
aperry3@bofa.com

Madeline Cech

Research Analyst
BofAS
+1 646 855 5219
madeline.cech@bofa.com

Stock Data

Price	43.07 USD
Price Objective	45.00 USD
Date Established	23-Feb-2023
Investment Opinion	C-2-9
52-Week Range	27.86 USD - 55.15 USD
Mkt Val (mn) / Shares Out (mn)	3,731 USD / 86.6
Average Daily Value (mn)	39.79 USD
BofA Ticker / Exchange	YETI / NYS
Bloomberg / Reuters	YETI US / YETI.N
ROE (2023E)	31.6%
Net Dbt to Eqty (Dec-2022A)	-26.3%

ESGMeter™

Medium

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"](#).

DTC: direct-to-consumer

LT: long term

LY: last year

GM: gross margin

AMZN: Amazon

LDD: low double digit

DD: double digit

FX: foreign exchange

iQprofileSM YETI Holdings, Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	38.7%	29.2%	24.8%	22.9%	19.7%
Return on Equity	56.5%	39.5%	31.6%	27.3%	22.3%
Operating Margin	20.9%	16.8%	15.3%	16.7%	17.5%
Free Cash Flow	282	(10)	112	400	389

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.6x	0.2x	0.9x	2.0x	1.7x
Asset Replacement Ratio	2.3x	1.1x	1.3x	1.3x	1.3x
Tax Rate	20.9%	23.8%	25.0%	24.5%	24.0%
Net Debt-to-Equity Ratio	-37.1%	-26.3%	-46.6%	-56.7%	-66.4%
Interest Cover	NM	NM	NM	NM	NM

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	1,411	1,634	1,700	1,894	2,091
% Change	29.2%	15.8%	4.0%	11.4%	10.4%
Gross Profit	816	860	936	1,061	1,171
% Change	29.8%	5.4%	8.8%	13.3%	10.4%
EBITDA	327	314	301	362	417
% Change	28.4%	-4.0%	-4.1%	20.3%	15.0%
Net Interest & Other Income	(4)	(4)	(4)	(4)	(4)
Net Income (Adjusted)	228	206	192	236	275
% Change	38.2%	-9.4%	-7.0%	22.8%	16.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	230	206	192	236	275
Depreciation & Amortization	32	40	41	46	51
Change in Working Capital	123	23	(36)	65	14
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(30)	(234)	(29)	114	114
Capital Expenditure	(73)	(45)	(56)	(61)	(66)
Free Cash Flow	282	-10	112	400	389
% Change	NM	NM	NM	256.6%	-2.9%

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	312	235	417	686	1,045
Trade Receivables	110	79	91	103	114
Other Current Assets	348	405	381	416	457
Property, Plant & Equipment	119	125	139	154	169
Other Non-Current Assets	207	233	235	237	239
Total Assets	1,096	1,077	1,264	1,596	2,025
Short-Term Debt	25	25	25	25	25
Other Current Liabilities	369	372	397	379	417
Long-Term Debt	96	72	72	72	72
Other Non-Current Liabilities	89	82	82	82	82
Total Liabilities	579	550	575	557	595
Total Equity	518	526	689	1,040	1,430
Total Equity & Liabilities	1,096	1,077	1,264	1,596	2,025

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Leisure

Company Description

YETI is the leading designer, marketer and distributor of "premium" outdoor lifestyle hard cooler, soft cooler and (stainless-steel) drinkware products in the U.S. Founded in 2006 by brothers Roy and Ryan Seiders and headquartered in Austin, TX.

Investment Rationale

We rate YETI shares Neutral as we expect challenging near term direct-to-consumer outlook to be partially offset by strong long-term strategy supported by product expansion & international.

Stock Data

Average Daily Volume 923,953

Quarterly Earnings Estimates

	2022	2023
Q1	0.33A	0.18A
Q2	0.63A	0.48E
Q3	0.63A	0.58E
Q4	0.78A	0.96E

Exhibit 1: YETI quarterly earnings analysis

\$ millions, except per share data

	Coolers & Equip. Revenues	Drinkware Revenues	Other Revenues	Total Revenues	COGS	Adjusted SG&A	Adjusted EBIT	Interest Expense Income	Other Expense (Income)	Adj. P'tx Inc	Adj. Tax	Adj. Net Income	Extra Gain (Loss)	GAAP Net Income	Adjusted EPS	Operating EPS incl. st. comp	GAAP EPS	Diluted Sh O/S
Mar-Q1	93.5	148.9	5.2	247.6	102.4	101.4	43.8	0.9	0.3	42.6	9.3	33.3	(2.8)	30.5	\$0.38	\$0.35	\$0.35	88.5
Jun-Q2	157.8	192.9	7.0	357.7	148.6	131.7	77.4	0.8	1.0	75.6	15.6	60.0	(3.7)	56.2	\$0.68	\$0.64	\$0.63	88.7
Sep-Q3	149.0	205.0	8.6	362.6	155.6	132.8	74.2	0.8	1.2	72.1	15.0	57.1	(4.1)	53.0	\$0.64	\$0.61	\$0.60	88.8
<u>Dec-Q4</u>	<u>151.6</u>	<u>285.6</u>	<u>5.9</u>	<u>443.1</u>	<u>188.3</u>	<u>155.0</u>	<u>99.8</u>	<u>0.8</u>	<u>0.7</u>	<u>98.3</u>	<u>20.8</u>	<u>77.4</u>	<u>(3.0)</u>	<u>74.4</u>	<u>\$0.87</u>	<u>\$0.84</u>	<u>\$0.84</u>	<u>88.8</u>
2021	\$551.9	\$832.4	\$26.7	1,411.0	\$594.9	\$521.0	\$295.1	\$3.3	\$3.2	\$288.6	\$60.8	\$227.8	(\$13.7)	\$214.2	\$2.57	\$2.43	\$2.42	88.7
Mar-Q1	103.0	184.0	6.6	293.6	138.8	116.8	38.0	0.8	(0.9)	38.2	8.9	29.2	(3.6)	25.6	\$0.33	\$0.29	\$0.29	88.2
Jun-Q2	193.4	216.1	10.5	420.0	200.9	145.3	73.8	1.0	0.0	72.9	18.1	54.8	(8.5)	46.3	\$0.63	\$0.79	\$0.53	86.9
Sep-Q3	185.7	239.0	8.9	433.6	211.1	149.1	73.3	1.5	0.0	71.8	17.1	54.7	(9.2)	45.5	\$0.63	\$0.57	\$0.52	86.8
<u>Dec-Q4</u>	<u>168.9</u>	<u>308.2</u>	<u>9.3</u>	<u>486.4</u>	<u>222.4</u>	<u>174.9</u>	<u>89.1</u>	<u>1.2</u>	<u>0.0</u>	<u>87.9</u>	<u>20.2</u>	<u>67.7</u>	<u>(9.54)</u>	<u>(27.7)</u>	<u>\$0.78</u>	<u>\$0.74</u>	<u>(\$0.32)</u>	<u>86.9</u>
2022	\$651.0	\$947.3	\$35.4	1,633.6	\$773.2	\$586.1	\$274.3	\$4.5	(\$0.9)	\$270.8	\$64.4	\$206.4	(\$116.8)	\$89.6	\$2.37	\$2.23	\$1.03	87.2
Mar-Q1	104.4	190.3	8.2	302.8	142.2	139.0	21.7	0.6	(0.0)	21.1	5.6	15.5	(4.9)	10.7	\$0.18	\$0.16	\$0.12	87.1
Jun-Q2E	172.1	226.9	10.7	409.8	188.5	165.0	56.3	0.6	0.0	55.7	13.9	41.9	(3.1)	38.8	\$0.48	\$0.59	\$0.45	87.1
Sep-Q3E	167.1	260.5	9.1	436.7	196.5	171.0	69.2	1.5	0.0	67.7	16.9	50.9	(3.3)	47.6	\$0.58	\$0.73	\$0.55	87.2
<u>Dec-Q4E</u>	<u>189.2</u>	<u>351.3</u>	<u>9.8</u>	<u>550.3</u>	<u>236.6</u>	<u>201.0</u>	<u>112.7</u>	<u>1.2</u>	<u>0.0</u>	<u>111.5</u>	<u>27.8</u>	<u>83.7</u>	<u>(3.3)</u>	<u>80.4</u>	<u>\$0.96</u>	<u>\$1.23</u>	<u>\$0.92</u>	<u>87.2</u>
2023E	\$632.8	\$1,029.0	\$37.8	1,699.6	\$763.8	\$675.8	\$260.0	\$3.9	(\$0.0)	\$256.1	\$64.1	\$192.0	(\$14.5)	\$177.5	\$2.20	\$2.76	\$2.04	87.1
2024E	\$698.57	\$1,152.48	\$42.8	1,893.9	\$833.3	\$744.3	\$316.3	\$3.9	(\$0.0)	\$312.4	\$76.5	\$235.8	\$57.2	\$293.0	\$2.70	\$3.40	\$3.35	87.4

PERCENTAGE CHANGE										MARGIN ANALYSIS (% of NET SALES)									
	Coolers & Equip. Revenue	Drinkware Revenues	Other Revenues	Total Revenues	COGS	Adjusted SG&A	Adjusted EBIT	Pre-tax Income	Adj. Net Income	Adjusted EPS	Gross Margin	SG&A Ratio	Adjusted Operating Margin	Adjusted Tax Rate	Adjusted Pre-tax Mgn	Adj. Net Margin			
Mar-Q1	57.1%	32.2%	122.9%	41.9%	24.9%	36.3%	142.9%	226.0%	237.3%	233.4%	58.6%	41.0%	17.7%	21.8%	17.2%	13.5%			
Jun-Q2	22.7%	68.7%	74.1%	44.8%	35.8%	49.4%	56.8%	58.8%	65.2%	63.0%	58.5%	36.8%	21.6%	20.7%	21.1%	16.8%			
Sep-Q3	20.0%	23.5%	91.5%	23.1%	29.0%	30.7%	2.5%	2.6%	6.8%	6.0%	57.1%	36.6%	20.5%	20.8%	19.9%	15.7%			
<u>Dec-Q4</u>	<u>12.9%</u>	<u>21.2%</u>	<u>2.7%</u>	<u>17.9%</u>	<u>24.8%</u>	<u>10.5%</u>	<u>18.0%</u>	<u>15.7%</u>	<u>18.7%</u>	<u>18.1%</u>	<u>57.5%</u>	<u>35.0%</u>	<u>22.5%</u>	<u>21.2%</u>	<u>22.2%</u>	<u>17.5%</u>			
2021	23.6%	32.4%	60.8%	29.2%	28.5%	28.8%	31.6%	33.7%	38.2%	36.9%	57.8%	36.9%	20.9%	21.1%	20.5%	16.1%			
Mar-Q1	10.2%	23.6%	28.6%	18.6%	35.6%	15.2%	-13.1%	-10.4%	-12.2%	-12.0%	52.7%	39.8%	13.0%	23.4%	13.0%	10.0%			
Jun-Q2	22.6%	12.0%	51.3%	17.4%	35.3%	10.3%	-4.6%	-3.6%	-8.7%	-6.8%	52.2%	34.6%	17.6%	24.8%	17.3%	13.0%			
Sep-Q3	24.6%	16.6%	3.1%	19.6%	35.7%	12.3%	-1.2%	-0.5%	-4.3%	-2.2%	51.3%	34.4%	16.9%	23.9%	16.6%	12.6%			
<u>Dec-Q4</u>	<u>11.4%</u>	<u>7.9%</u>	<u>57.6%</u>	<u>9.8%</u>	<u>18.1%</u>	<u>12.8%</u>	<u>-10.7%</u>	<u>-10.5%</u>	<u>-12.6%</u>	<u>-10.7%</u>	<u>54.3%</u>	<u>36.0%</u>	<u>18.3%</u>	<u>23.0%</u>	<u>18.1%</u>	<u>13.9%</u>			
2022	18.0%	13.8%	32.7%	15.8%	30.0%	12.5%	-7.1%	-6.2%	-9.4%	-7.9%	52.7%	35.9%	16.8%	23.8%	16.6%	12.6%			
Mar-Q1	1.3%	3.4%	23.0%	3.1%	2.5%	18.9%	-43.0%	-44.7%	-46.9%	-46.2%	53.0%	45.9%	7.2%	26.3%	7.0%	5.1%			
Jun-Q2E	-11.0%	5.0%	1.9%	-2.4%	-6.2%	13.5%	-23.7%	-23.5%	-23.6%	-23.8%	54.0%	40.3%	13.7%	24.9%	13.6%	10.2%			
Sep-Q3E	-10.0%	9.0%	2.2%	0.7%	-6.9%	14.7%	-5.6%	-5.7%	-7.0%	-7.3%	55.0%	39.1%	15.9%	24.9%	15.5%	11.6%			
<u>Dec-Q4E</u>	<u>12.0%</u>	<u>14.0%</u>	<u>5.4%</u>	<u>13.1%</u>	<u>6.4%</u>	<u>14.9%</u>	<u>26.5%</u>	<u>26.8%</u>	<u>23.7%</u>	<u>23.2%</u>	<u>57.0%</u>	<u>36.5%</u>	<u>20.5%</u>	<u>24.9%</u>	<u>20.3%</u>	<u>15.2%</u>			
2023E	-2.8%	8.6%	6.9%	4.0%	-1.2%	15.3%	-5.2%	-5.4%	-7.0%	-6.9%	55.1%	39.8%	15.3%	25.0%	15.1%	11.3%			
2024E	10.4%	12.0%	13.2%	11.4%	9.1%	10.1%	21.7%	22.0%	22.8%	22.5%	56.0%	39.3%	16.7%	24.5%	16.5%	12.5%			

Source: BofA Global Research estimates, company filings

BofA GLOBAL RESEARCH



Price objective basis & risk

YETI Holdings, Inc. (YETI)

Our \$45 price objective is based on roughly 17X our 2024E adjusted EPS of \$2.70 given: (1) strong brand momentum, (2) significant under penetration in international, (3) healthy and stable margin outlook, and (4) long-term product and category expansion.

Risks to the downside are: 1) Earnings uncertainty related to softening consumer demand, 2) coolers and drinkware are very competitive categories with low barriers to entry, 3) significant supply chain constraints and heavy reliance on a few suppliers, 4) strong margins could be unsustainable, 5) limited replacement cycle because of durability of products, 6) high concentration of sales with a few retailers

Upside risks are: 1) international could perform better than expected, 2) new product launches could drive upside, & 3) margins could increase as freight pressures ease.

Analyst Certification

I, Robert F. Ohmes, 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 - Food Retailers & Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Academy Sports + Outdoors	ASO	ASO US	Robert F. Ohmes, CFA
	BJ's Wholesale Club Holdings	BJ	BJ US	Robert F. Ohmes, CFA
	Costco Wholesale Corporation	COST	COST US	Robert F. Ohmes, CFA
	Dick's Sporting Goods	DKS	DKS US	Robert F. Ohmes, CFA
	Fox Factory Holding Corp	FOXF	FOXF US	Alexander Perry
	Grocery Outlet Holding Corp.	GO	GO US	Robert F. Ohmes, CFA
	Harley-Davidson	HOG	HOG US	Robert F. Ohmes, CFA
	Hibbett Sports, Inc.	HIBB	HIBB US	Alexander Perry
	Life Time	LTH	LTH US	Robert F. Ohmes, CFA
	Planet Fitness, Inc.	PLNT	PLNT US	Alexander Perry
	Sysco Corporation	SY	SY US	Kendall Toscano
	The Kroger Co.	KR	KR US	Robert F. Ohmes, CFA
	Topgolf Callaway Brands Corp	MODG	MODG US	Alexander Perry
	Walmart Inc	WMT	WMT US	Robert F. Ohmes, CFA
	Xponential Fitness	XPOF	XPOF US	Alexander Perry
NEUTRAL				
	Clarus Corporation	CLAR	CLAR US	Alexander Perry
	Funko Inc.	FNKO	FNKO US	Alexander Perry
	Holley Inc.	HLLY	HLLY US	Alexander Perry
	Target Corp.	TGT	TGT US	Robert F. Ohmes, CFA
	YETI Holdings, Inc.	YETI	YETI US	Robert F. Ohmes, CFA
UNDERPERFORM				
	Canada Goose Holdings Inc	YGOOS	GOOS CN	Robert F. Ohmes, CFA
	Canada Goose Holdings Inc	GOOS	GOOS US	Robert F. Ohmes, CFA
	Columbia Sportswear	COLM	COLM US	Alexander Perry
	Dollar General Corporation	DG	DG US	Robert F. Ohmes, CFA
	Dollar Tree, Inc.	DLTR	DLTR US	Robert F. Ohmes, CFA
	National Vision	EYE	EYE US	Robert F. Ohmes, CFA
	Sprouts Farmers Market, Inc.	SFM	SFM US	Robert F. Ohmes, CFA
RSTR				
	Solo Brands	DTC	DTC US	Robert F. Ohmes, 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 valuations. The key features of *IQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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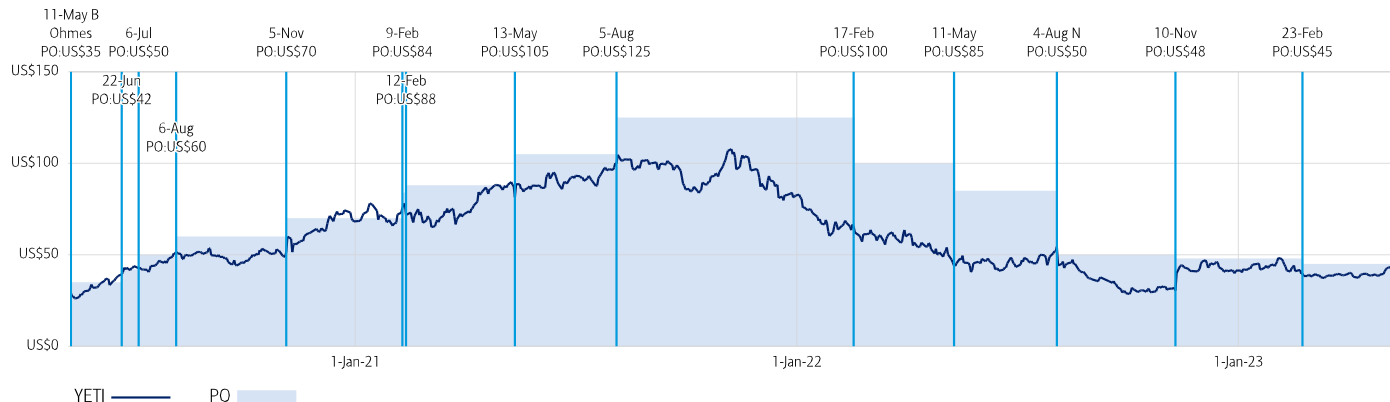
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YETI (YETI) Price Chart



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Equity Investment Rating Distribution: Leisure Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	14	51.85%	Buy	7	50.00%
Hold	9	33.33%	Hold	6	66.67%
Sell	4	14.81%	Sell	1	25.00%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

^{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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