

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Initiations & Reinstatements

[Expeditors](#) | NEUTRAL | EXPD US | Mkt Cap:USD17,345mn | Ken Hoexter**A leading freight forwarder eyes end of turbulence, Initiate at Neutral, \$126 PO**

- Initiate on Expeditors Int'l (EXPD) with Neutral, \$126 PO on 26.5x '24e EPS. Leading forwarder moving past post-COVID peaks.
- Strong fiscal discipline w/ focus on organic growth. Margins stable yet see excess freight capacity pressuring rates.
- Valuation has less relative upside, trades at 25.5x '24e EPS, premium to forwarders at 22x, asset-based carriers at low teens

[TKO Group](#) | BUY | TKO US | Mkt Cap:USD13,708mn | Brent Navon**Jumping in the ring, Initiate on TKO as a Buy with \$100 PO**

- We initiate coverage of TKO with a Buy and \$100 PO.
- We believe TKO offers an attractive combination of top line growth, margin expansion and free cash flow generation.
- Key drivers will be upcoming media rights renewals for UFC, recognizing synergy opportunities and potential capital returns.

Rating Changes

[HF Sinclair Corp.](#) | BUY | DINO US | Mkt Cap:USD10,048mn | Doug Leggate**Ref Con 2024: second part to the Regional Golden Age: upgrade VLO, PBF, DINO**

- Post RefCon 24 we lift the strategic pause on our Regional Golden Age Thesis for US refiners:VLO, PBF, DINO upgrade to Buy
- We contend refining margins are entering new phase of elevated margin volatility, anchored on winter distillate
- We raise mid cycle margins to \$12.50/bbl - but argue the case to re-rate refiner 'annuities' due to greater FcF resilience

15 March 2024

Equity
United StatesInvestor Support
BofAS

Today's Events: Economic Indicators

N/A

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QuickNotes is a list of today's Global Research activities. Please use the links to read the full Research report before making investment decisions. The reports also contain important disclosures.

PO Raised

[Beigene](#) | NEUTRAL | BGNE US | Mkt Cap:USD16,169mn | Bo (David) Li
Monthly drug sales update of Beigene – Jan 2024

- The monthly sales of pamiparib/tislelizumab/zanubrutinib were RMB1.0mn/233.1mn/65.8mn in Jan 2024.
- On 14 Mar, the FDA approved the company's tislelizumab for the indication of ESCC after prior systemic chemotherapy.

[CyberArk Software](#) | BUY | CYBR US | Mkt Cap:USD8,323mn | Tal Liani
CyberArk: Multiple growth avenues and favorable CY24/CY25 setup

- Increase estimates, raise PO to \$315. We see multiple positives to the CyberArk story that should drive stock outperformance
- Cybersecurity stocks are driven by TAM expansion and growth momentum, and CyberArk is poised to benefit from both drivers:
- 1) expansion into growth segments like Cloud security, and 2) conservative guidance should prompt upwards estimate revisions

[Dick's](#) | NEUTRAL | DKS US | Mkt Cap:USD18,629mn | Robert Ohmes
4Q ahead as DKS continues to invest for growth

- DKS reported F4Q adj. EPS of \$3.85 and same-store sales 2.8%, led entirely by ticket.
- We raise our F25E adj. EPS to \$13.20 and expect DKS to increase square footage in 2024.
- We reiterate Neutral and raise PO to \$225 (was \$190), based on 15-16x (was 14x) our F26E EPS.

[Dollar General](#) | UNDERPERFORM | DG US | Mkt Cap:USD32,938mn | Robert Ohmes
Lower ests as 1H faces continued challenges, Underperform

- F4Q adj. EPS of \$1.83 ahead of Street at \$1.73. Comp increase of 0.7% reflects 4% traffic growth offset by ticket declines.
- We lower our F24E EPS to \$7.15, as we expect outsized pressure in 1H from labor, promotions, and shrink.
- We expect y/y improvement in 2H as comparisons ease & benefits build from Back to Basics Initiatives. Reiterate Underperform.

Leonardo DRS | BUY | DRS US | Mkt Cap:USD5,770mn | Ronald J. Epstein
DRS Investor Day – High visibility, agnostic differentiated tech, focused on M&A

- We attended DRS' first Investor Day and came away with a positive view on the company's future
- DRS has a clear and long line of sight on future growth, a sound tech development strategy, and are hungry for M&A
- We see opportunities in adjacent and international markets as the U.S. and allies recapitalize their defense industry

PO Lowered

Adobe | BUY | ADBE US | Mkt Cap:USD257,843mn | Brad Sills
Slower AI ramp impacts Q1/outlook, medium-term opportunity intact

- Disappointing Q1 results from not updating FY24E guidance on Digital Media Net New ARR
- Pricing again causes a tough compare, but GenAI offerings in proliferation mode and pushed out monetization also a culprit
- Continue to view Adobe as AI beneficiary, but monetization ramp slower than expected. Reiterate Buy rating, lower PO to \$640

Ball Corp | BUY | BALL US | Mkt Cap:USD20,520mn | George Staphos
“Pricing Friday”, Raise C'board op. rates, Channel checks, BALL/others - V32/Wk11

- Recent channel checks for BALL, OI, SEE, BCC, others. Trim BALL ests, remain > cons. Bump N.Amer c'board op rates.
- Fastmarkets RISI to publish March paperboard pricing on 3/15. Generally expect flat/up pricing including in c'board exports.
- RL midweek pricing higher, particularly in OSB. Separately, see inside for discussion on Euro. paper strikes, China tissue.



[Guardant Health](#) | BUY | GH US | Mkt Cap:USD2,236mn | Derik De Bruin
Thoughts on Exact Sciences & Guardant CRC screening clinical trial publications

- On 3/13, NEJM published two articles, one on GH's ECLIPSE study for Shield and one on EXAS's BLUE-C study for CG
- CG is on track for FDA approval and launch, and EXAS deepens the barriers to entry in CRC screening market, Maintain Buy
- Shield is on track for FDA approval and launch, but questions arise, Lower PO to \$28 on market uncertainty, Reiterate Buy

[Hesai](#) | BUY | HSAI US | Mkt Cap:USD552mn | Jessie Lo
Solid order/shipment outlook unchanged but unfavorable short-term sentiment

- Overall the demand looks solid as management revised up the 2024 lidar shipment expectation, coming from ADAS
- However, we see the market sentiment is weaker in the lidar industry, which reflects on not only Hesai but also its peers
- Our revised PO is US\$6 (vs US\$7 previously). For EV/sales, we lower our target multiple from 2.0x to 1.5x

[ICL](#) | NEUTRAL | ICL US | Mkt Cap:USD6,257mn | Alexander Jones
Not so special

- ICL's 'specialty' profits were down 55% y/y in 2023, c. 2x larger decline than EU cyclical chem peers. We think this means...
- ...ICL is likely to continue to trade at a large discount to these peers (currently c. 20%). Reiterate Neutral.
- We remain cautious about LFP expansion given high capital intensity, rapid tech shifts & pricing pressure in cathodes.

[KE Holdings](#) | NEUTRAL | BEKE US | Mkt Cap:USD16,671mn | Miranda Zhuang

Well positioned for housing market's structural changes, wait for turning point

- Outperform housing market: 2023 new home GTV up 7% (vs. market's 6% decline), existing home GTV up 29% (vs. market's 20 %).
- We expect topline and bottom line to decline YoY in 1Q24 due to weak new home market and high base for existing home market.
- Attractive shareholder return: USD0.7bm share repurchase (c4% yield) in 2023, USD0.35 per ADS final dividend of (2% yield)

[Smartsheet](#) | UNDERPERFORM | SMAR US | Mkt Cap:USD5,629mn | Michael Funk

That smarts, outlook disappoints on intensifying SMB pressures

- Smartsheet introduced FY25 revenue guidance that fell short of investor expectations (2% below Street), citing SMB weakness.
- SMB pressures worsened in 4Q (vs 3Q) and continued to deteriorate into 1Q25, departure of CRO increases execution risk.
- We are lowering our FY25/FY26 revenue ests 1.5%/1.4% and decrease our PO to \$42. Reiterate Underperform.

Zai Lab | BUY | ZLAB US | Mkt Cap:USD1,940mn | Bo (David) Li**Monthly drug sales update of Zai Lab – Jan 2024**

- The company's niraparib/ripretinib/omadacycline/efgartigimod alfa recorded sales of RMB70.8mn/3.8mn/15.9mn/3.0mn in Jan 2024.
- For PARP inhibitor market, in Jan, olaparib/niraparib/fluzoparib/pamiparib saw monthly sales of RMB90.1mn/70.8mn/8.4mn/1.0mn.

Significant EPS Change**Discover Finl** | NO RATING | DFS US | Mkt Cap:USD31,029mn | Mihir Bhatia**COF-DFS merger: Path to 2027 mid-teens EPS accretion appears feasible**

- In our view, 2027 mid-teens EPS accretion is achievable if COF's acquisition of DFS is closed in early 2025
- We believe the network add is a fundamental strategic asset that can drive faster growth, transaction economics are a plus
- Marketing DFS upmarket should improve brand perception but may limit expense synergy. Skepticism remains on the deal closing

Futu | BUY | FUTU US | Mkt Cap:USD8,732mn | Emma Xu**4Q miss, forward guidance beat**

- 4Q revenue/profit -10%/-20% QoQ, miss, dragged by weak trading velocity/less avg. idle cash. Paying client/client asset beat.
- 1Q: strong client acquisition&asset inflow. Trading rebounded. Better client quality across mkts. MFSL rose/idle cash stable.
- 2024: 350k new paying clients, strong beat, CAC down 10-20%, JP stock trading for JP/HK/SG clients, crypto trading in mid'24.

MeiraGTx | BUY | MGTX US | Mkt Cap:USD375mn | Alec Stranahan**4Q23 Earnings Takeaways: Inflection points ahead across the pipeline**

- MGTX released its 4Q23 earnings, we summarize key results, debates and our observations
- Phase 2 AQUAx2 trial alignment a good sign for BLA filing, XLRP phase 3 data expected after 3Q24 still the biggest binary
- Multiple partnerships have bolstered the company's cash, runway now extends to 1Q26, past multiple near-term milestones

Buy Reiterations**Consumer Discretionary****Afya Limited** | BUY | AFYA US | Mkt Cap:USD932mn | Fred Mendes**4Q23 Review: Margin expansion in 2024 should support earnings revision**

- Net revenues came in-line with BofAe at R\$730mn with Adj. EBITDA margins still pressured by digital and cont.education
- Adj. EBITDA guidance implies margin ranging from 40-44% for 2024, slightly above BofAe and consensus at 41 and 40%
- Mg expansion to come from the phase out of FIT and Mais Medicos units integration. Room for earnings revision. Maintain Buy



[Ferrari](#) | BUY | RACE US | Mkt Cap:USD76,040mn | John Murphy
Automotive Industry

- The accompanying valuation framework is one of the most important fundamental factors when buying or selling Auto stocks.
- This report also includes a snapshot of current US Auto industry metrics, including sales, inventory, pricing and Econ data.
- BofA Global Auto Summit on March 26-27, and will include fireside chats w/OEMs, suppliers & dealers and key topic panels.

[Amazon.com](#) | BUY | AMZN US | Mkt Cap:USD1,818,066mn | Justin Post
Spring sales event could add modest GMV growth in 1Q

- Amazon will host first-ever Big Spring Sale starting 3/20 that will run for 6 days and be accessible to non-Prime customers.
- Sale timing is unusual, could be to get ahead of competition, with additional benefit to Prime retention.
- Sale events could help Amazon grow eCommerce share, with margins supported by strong ad growth (incl. Prime Video).

Financials

Health Care

[89bio, Inc](#) | BUY | ETNB US | Mkt Cap:USD1,032mn | Geoff Meacham
Madrigal garners the first MASH approval setting the stage for differentiated assets

- FDA approved Madrigal's Rezdiffra for adults with MASH with moderate to advanced liver fibrosis (fibrosis stage F2-F3)
- Given Rezdiffra's clean label, with no biopsy requirement for diagnosis, we view the label as a win for the MASH space
- We expect ETNB shares to trade with strength as Rezdiffra's label sets a positive precedent for differentiated MASH entrants

[Arcellx](#) | BUY | ACLX US | Mkt Cap:USD3,673mn | Jason Gerberry
Gilead manufacturing site visit: ACLX partner playing to win in BCMA CAR-T

- We attended yesterday's Gilead CAR-T manufacturing site visit and provide read-through to ACLX (partnered on BCMA program)
- We came away impressed by Gilead's bullishness on the BCMA market opportunity & ambitions to scale-up anito-cel mfg
- There were no new disclosures around anito-cel data or clinical trial plans. We maintain Buy rating on ACLX.

Industrials

[Eaton Corp PLC](#) | BUY | ETN US | Mkt Cap:USD129,845mn | Andrew Obin
Industrials/Multi-Industry

- We are hosting the 2024 BofA Global Industrials Conference in London on March 19th - 21st
- We will be holding management fireside chats with PH, CARR, ROK, FTV, ALLE, ITT, and VNT.
- Inside this note, we present our top questions for each of our companies attending.



Materials

[Nucor](#) | BUY | NUE US | Mkt Cap:USD44,765mn | Lawson Winder
Q4'23 EPS guidance range modestly below Street expectations but buyback larger

- NUE guided to Q1'24 EPS of \$3.55-3.65, slightly below Bloomberg/VA consensus of \$3.70/\$3.80. Miss vs BofAe likely due to ...
- ...combination of lower Steel Products volumes, reduced scrap margins, weaker plate and higher intercompany eliminations.
- However, buybacks were stronger. NUE also benefits from exposure to longs and diversified downstream products. Maintain Buy.

[Wheaton Precious](#) | BUY | WPM US | Mkt Cap:USD20,397mn | Lawson Winder
Q4'23 results: robust balance sheet and cash generation drives 3% dividend bump

- WPM Q4'23 EPS was better than expected vs. BofAe and consensus. 2024 and longer-term guidance was reiterated.
- Net cash declined to \$547mn on deal payments but liquidity remains strong. The dividend was raised 3% and made progressive.
- WPM's attributable GEO reserves increased 10% year-over-year. Reiterate Buy rating.

Macro & Strategy

[Latam Equity Quant](#) | David Beker
Ibovespa preview – what to expect

- Next Ibovespa composition will be effective on May 6th. First official preview is out April 1st.
- We estimate VIVA3 and AURE3 could be added. Depending on trades until end of April, POMO4 and/or CXSE3 could also be added.
- We estimate that no stocks will be removed in this review.

[Global Economic Weekly](#) | Claudio Irigoyen
Services are not looking so Goods

- Non-farm payrolls remain much stronger than their long-term equilibrium level, even accounting for downward revisions.
- Core services inflation continued to accelerate on a 3m/3m basis, and core goods posted the first positive reading since May.
- High-for-longer cannot be ruled out: the last mile should be more dependent on services, and more reliant on the demand side.

[US Economic Weekly](#) | US Economics**Mixed data flow should hold the dots steady... but just barely**

- February inflation was stronger than expected, but with less worrying details than in January. Retail sales were tepid.
- At next week's Fed meeting, the median 2024 dot should still show three cuts but it is a close call.
- In our view, the Fed will be eager to start cutting in June because of unfavorable base effects on core inflation in 2H.

[Federal Reserve Watch](#) | US Economics**March FOMC preview: not giving up on the disinflation trend just yet**

- The Fed may have less confidence on inflation than before, but it still has confidence in the disinflation trend.
- We expect the median dot to call for three cuts this year beginning in June. The clear risk is to later and fewer cuts.
- Discussion about the balance sheet begins. The Fed will debate when and by how much to taper and what composition it prefers.

[FX and Rates Sentiment Survey](#) | Ralf Preusser**US vs them**

- Most survey respondents expect unchanged '24 median dot and don't think election matters on cut timing
- Respondents moderate duration positioning in UST but add elsewhere; long rates remains high conviction trade
- EM investors add to cash and reduce EM exposure while view is still constructive

[Global FX weekly](#) | Claudio Piron**The punch bowl**

- Balance of risks remains for less CB cuts in G10. BoJ dovish exit and Fed's DOTS focus next week.
- EM carry helping improve performance, while underweight China bonds reduced and FX hedged.
- G10 Themes: Heavy CB week. EM themes: TRY and ARS trip notes.



[The Flow Show](#) | Michael Hartnett

Goldishocks

- Boomy & bubbly...record week of inflows to crypto funds & US stocks
- Inflation up, employment down, US govt spend off-the-charts...macro flipping from goldilocks to stagflation
- Stagflation trades: gold, crypto, cash, much steeper yield curve, barbell of resources & defensives

[GEMs Flow Talk](#) | Jane Brauer

EM sovereign spreads remain attractive versus US corporates

- EM sovereign BBB spreads remain attractive versus US corporates (4bp tight versus 23bp tight on average in 2023).
- LDM funds seeing outflows overall, but there's pivot towards ETFs (YTD -1.6% AUM for active funds and 3.5% AUM for ETFs).
- Following Israel last week, Poland issued \$8bn (\$12bn YTD) and is catching up with the #1 2024 issuer: KSA.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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