

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

PO Raised

[American Express](#) | BUY | AXP US | Mkt Cap:USD161,691mn | Mihir Bhatia

Consumer Finance Tidbits: Issue 24-05

- In Tidbits notes, we highlight interest data points and news across the Consumer Finance and Mortgage sectors.
- In this edition we highlight CFPB late fee rule pushback, top players in card issuing, and more.
- Also, see inside for our Consumer Finance dashboard, comp table, and a comparison of our forecasts vs consensus.

[Core & Main](#) | UNDERPERFORM | CNM US | Mkt Cap:USD9,312mn | Andrew Obin

4QF23 preview: pricing in focus, updating for many corporate actions

- We are updating our FY24 estimates for recent acquisitions, buybacks, and \$750mn term loan.
- Our FY24 adj. EBITDA is \$876mn (-3% y/y), below \$933mn consensus largely due to our assumption of price declines.
- US pipe manufacturers, government pricing data, and CNM's largest competitor are reporting price declines.

[Dick's](#) | NEUTRAL | DKS US | Mkt Cap:USD15,572mn | Robert Ohmes

F4Q Preview: Card data implies ticket offset traffic weakness

- DKS will report 4Q results 3/14. Credit card data implies the deceleration in F4Q same-store sales was traffic driven.
- Our gross margin forecast of 34.0% reflects 160bps of y/y margin expansion as we lap elevated clearance activity last year.
- Maintain Neutral as we believe risks of big ticket weakness are offset by DKS efforts to streamline costs. Raise PO to \$190.

11 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.

[Shake Shack](#) | NEUTRAL | SHAK.US | Mkt Cap:USD4,091mn | Sara Senatore
Restaurants Weekly: What's the word on dynamic pricing?

- For the week ended 3/8, the S&P Restaurant Index underperformed the market.
- Chart of the week: Wendy's net promoter (NPS) scores.
- Our restaurants valuation and KPI sheets can be found on page 7.

[Snap-on](#) | UNDERPERFORM | SNA US | Mkt Cap:USD15,884mn | Sherif El-Sabbahy
What's priced in?

- Snap-on is an industry leader with a strong brand and solid long-term growth opportunities.
- However weaker near-term car parc dynamics, as well as declining customer sentiment will likely limit growth.
- We maintain our Underperform, but raise our PO to \$275 on I-term average as we find weakness now priced in.

[Sweetgreen](#) | BUY | SG US | Mkt Cap:USD1,877mn | Katherine Griffin
Restaurants Weekly: What's the word on dynamic pricing?

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PO Lowered

[Cracker Barrel](#) | UNDERPERFORM | CBRL US | Mkt Cap:USD1,706mn | Katherine Griffin
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[Franco-Nevada](#) | BUY | FNV US | Mkt Cap:USD22,173mn | Lawson Winder
PDAC wraps-up, WPM Q4'23 preview and CEO meeting highlights + PAAS update

- This week, Wheaton Precious Metals (WPM) is scheduled to report after market close on March 14. We preview key focus areas.
- We highlight top prevalent themes from PDAC 2024: resource nationalism, skilled labor shortages, subdued interest in gold.
- We summarize takeaways from our meeting with the WPM CEO and takeaways from a PAAS modelling workshop last week.

Buy Reiterations

Consumer Discretionary

[Aptiv PLC](#) | BUY | APTV US | Mkt Cap:USD22,174mn | 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.**

[Magna Intl](#) | BUY | MGA US | Mkt Cap:USD16,504mn | John Murphy

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Consumer Staples

[Costco](#) | BUY | COST US | Mkt Cap:USD321,177mn | Robert Ohmes

All metrics going in the right direction; Raise PO

- F2Q adj. EPS of \$3.71 (ex. tax benefits) was ahead of ests. Total company comps of 5.8% driven by a 5.3% traffic increase.
- While investors had likely hoped for a membership fee increase, we believe current trends support continued strong MFI growth
- Reiterate Buy; Expect COST to gain share in current environment & benefit from strategic initiatives. Raise PO to \$865.

Financials

[WEX Inc.](#) | BUY | WEX US | Mkt Cap:USD9,780mn | Mihir Bhatia

Consumer Finance

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[Block Inc](#) | BUY | SQ US | Mkt Cap:USD44,825mn | Jason Kupferberg
Payments, Processors & IT Services

- On 3/14, we will be hosting in-person investor meetings with PYPL's new CEO and CFO in Boston
- 2 expert calls on 3/12 - one on IT Services w/ industry analyst ISG and one on final CFPB late fee rule w/ former CFPB exec
- On 3/18-3/19, we'll be hosting our virtual Payments Symposium, including thematic panels and public private company sessions

[JP Morgan Chase](#) | BUY | JPM US | Mkt Cap:USD542,144mn | Ebrahim Poonawala

Top five questions investors are asking

- Ahead of our meeting with Chairman and CEO Jamie Dimon we discuss the key recurring topics based on our investor discussions
- These include: CEO succession, capital allocation and regulatory outlook, tech spend, blind spots, sustainable return profile
- Despite the significant outperformance vs S&P and Bank index we see risk/reward as attractive for a best-in-class franchise

[Visa](#) | BUY | V US | Mkt Cap:USD442,909mn | Jason Kupferberg
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[Futu](#) | BUY | FUTU US | Mkt Cap:USD8,862mn | Emma Xu
4Q23 could be weak, but outlook matters more

- Futu will report 4Q on Mar 14, results could be weak amid challenging HK/China markets, but market has low expectations too.
- Things to watch in briefing: FY24 new paying client target (likely more than FY23's 150-200k given more new markets) ...
- ... Japan guidance post enhanced competitiveness, existing market development, 1Q24 operations, crypto, buyback.

Health Care

[Stryker](#) | BUY | SYK US | Mkt Cap:USD136,085mn | Travis Steed
Medical Technology

- SYK and BSX trade at 30x EPS; correlated with 8% rev growth. Correlation between PE and growth wasn't much different in 2019.
- Double digit revenue growth correlated with mid-30s PE multiples. SYK and BSX multiples not as stretched as it seems.
- EW multiple can move higher; TAVR can reaccelerate; EW multiple deserves to trade at premium to its rev growth but its not.

Eli Lilly | BUY | LLY US | Mkt Cap:USD724,158mn | Geoff Meacham**US Biopharmaceuticals**

- With IQVIA data for the week of 3/1/24 available, we are providing insights into demand and share trends for the GLP-1s.
- We note that TRx increased 14% Y/Y for the week and Lilly gained share from Novo as Zepbound continues to take obesity share
- We expect the GLP-1 market to continue its strong growth through 2024 as supply constraints ease and payor adoption grows

Intuitive Surgical | BUY | ISRG US | Mkt Cap:USD137,959mn | Travis Steed**Da Vinci 5 takes robotics to standard of care**

- We think Da Vinci 5 is the platform that gets robotic surgery to standard of care - accelerating market penetration / year.
- Last decade robotics proved itself in certain procedures and certain centers; next decade is taking it to standard of care.
- We've reread years of our notes, patents, various disclosures; This is our view of where ISRG is going with dV5. More inside.

Industrials**Dover Corp | BUY | DOV US | Mkt Cap:USD25,126mn | Andrew Obin****Industrials/Multi-Industry**

- The XLI is up 7.5% year-to-date (vs. the S&P 500 up 8.1% year-to-date) and ended the week up 1.3% (vs. S&P up 1.2%)
- We highlight VRT, GE, and VNT as the best stock performers YTD & MMM, ROK, and RUSHA as the weakest performers
- We highlight CARR as this week's best performer (up 7.1%) and MEG as this week's weakest performer (down 15.1%)

ITT Inc. | BUY | ITT US | Mkt Cap:USD11,488mn | Andrew Obin**Industrials/Multi-Industry**

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Caterpillar Inc | BUY | CAT US | Mkt Cap:USD173,869mn | Michael Feniger**Largest CAT dealer down under – look for key insights from upcoming event**

- We are hosting one of CAT's largest dealers - Seven Group Holdings (CEO, CFO) - for virtual event this week (March 13th EST).
- Look to gain more insight on trends post commodity volatility - orders, inventory management, parts, technology adoption.
- Public dealer commentary suggests a focus on inventory management going forward - yet mining & power markets remain positive.



[General Electric](#) | BUY | GE US | Mkt Cap:USD182,677mn | Ronald J. Epstein
GE Aerospace: What's not to like?

- We attended the GE Aerospace Investor Day, as the company prepares for the April 2nd spin-off.
- A strong message was clear - GE Aerospace is a strong culture of safety, continuous improvement, and innovation.
- We see multiple tailwinds for the stand-alone entity with strong demand for engine and an accelerating aftermarket.

[Wabtec](#) | BUY | WAB US | Mkt Cap:USD25,739mn | Ken Hoexter
Transportation

- 2024 Rail Equipment Finance focus production up from bottom. Railcar builds 44,754 in 2023, 10% and back to avg replacement.
- Locomotive fleet shrinking to 37,600 in 2023 (from 37,700 in 2022). Rising asset turns leads to lower equipment needs.
- Class I capital spend up 9% y-y yet shows rising shift to mods, aftermkt service. Alt fuel still a focus w/ WAB as top pick.

Information Technology

[Palantir](#) | BUY | PLTR US | Mkt Cap:USD54,968mn | Mariana Perez Mora
Valuation Trends

- The Boeing B-17 "Flying Fortress" brought game changing technology to air campaigns in WWII.
- The Experimental Aircraft Association Museum estimates of the 12,732 B-17s made, 5,000 were lost during combat missions
- American bomber aircraft have evolved to maintain an enduring advantage. In December 2022, NOC unveiled the B-21.

[Intuit](#) | BUY | INTU US | Mkt Cap:USD182,443mn | Brad Sills
Server & Enterprise Software

- Weaker cloud consumption in February backs soft guides; desktop usage healthy y/y tho below m/m seasonality
- In cloud consumption, Snowflake y/y trends stable though m/m still weak; Datadog continues to decel y/y
- In desktop, Microsoft 365 y/y accels the most; Adobe Creative Cloud y/y decels from strong level though still a solid grower

[Marvell](#) | BUY | MRVL US | Mkt Cap:USD65,910mn | Vivek Arya
Buy on rising AI momentum and potential legacy 1H trough

- Another legacy business cut, but estimates now de-risked. AI ramp well on track and accelerating. Reit. Buy, raise PO to \$95
- AI revenue to reach 30-35% of total sales by CY25/FY26E, second highest in semis after NVDA. AI Day on April 11 a catalyst
- Risks: GM headwind from low volume and custom ASIC ramp, continued telco/enterprise weakness

Real Estate

[Welltower](#) | BUY | WELL US | Mkt Cap:USD50,819mn | Joshua Dennerlein

U.S. REITs

- In this report we compare key valuation metrics for the REITs and different subsectors within / outside our coverage universe
- The data that follows will get refreshed on a weekly basis

[Equinix](#) | BUY | EQIX US | Mkt Cap:USD86,115mn | David Barden

U.S. REITs

- This week we initiated coverage on American Healthcare REIT (AHR) with a Buy and a \$15 price objective.
- We published our 4Q23 Retail REIT Quarterly: strong results offset by an introduction of conservative 2024 guidance ranges.
- Join us on 3/11 for our U.S. REITs bull / bear to discuss hot topics & key debates. See inside for more BofA hosted events.



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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%

^{R1} 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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