

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Rating Changes

[Cemex](#) | BUY | CX US | Mkt Cap:USD11,386mn | Carlos Peyrelongue
LT beneficiary of nearshoring (US & MEX) + US infra. Up to Buy, PO of US\$9.0/ADR

- Upgrade to Buy on nearshoring trends, soft landing in US & MX, above inflation pricing, lower input costs, Infra Bill
- We see dividends starting in '25 (3% yield), margins moving to 21%, while improving FCF yield (2yr avg of 10%, ex tax fine).
- CX is trading at 5.7x fwd EBITDA, a 15% disc to 5yr avg. We increase our '24 and '25 EBITDA to US\$3.6bn & U\$3.86bn, resp.

[Frontier Airlines](#) | NEUTRAL | ULCC US | Mkt Cap:USD1,156mn | Andrew Didora

2024 Year Ahead: continued tough domestic, valuation drives UAL to Buy

- We continue to see an oversupplied domestic market in 2024 with cost pressures remaining, particularly on maintenance
- We expect US carriers to grow into its transatlantic footprint in 2024 with 1H24 schedules 6% vs int'l carrier capacity 24%
- We downgrade JBLU to Underperform and ULCC to Neutral on domestic trends while we upgrade UAL to Buy from Underperform

[JetBlue](#) | UNDERPERFORM | JBLU US | Mkt Cap:USD1,985mn | Andrew Didora

Downgrade to Underperform as domestic environment remains difficult

- We downgrade JBLU to Underperform given the tough domestic airline industry backdrop, GTF issues, and deal execution risks
- We forecast -1.4% capacity growth in 2024 as aircraft out of service due to GTF issues increases to over 10 by year-end 2024
- Our new \$3 PO is based on approx. 5.0x our 2024E EBITDAR, a discount to its long-term historical valuation of 6.0x

[United Airlines](#) | BUY | UAL US | Mkt Cap:USD16,174mn | Andrew Didora
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09 January 2024

Equity
 United States

Investor 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

[Alaska Air Group](#) | BUY | ALK US | Mkt Cap:USD4,849mn | Andrew Didora
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[Alkermes](#) | NEUTRAL | ALKS US | Mkt Cap:USD4,940mn | Jason Gerberry
What caught our attention in SF (Day 1): TEVA, JAZZ, ALKS, EXEL, XENE, ROIV

- We summarize what caught our attention today from a competitor healthcare conference. TEVA: discussion of '24 P&L dynamics
- JAZZ: zani Ph3 GEA tweaks prudent for OS, timing still on track, XENE: discussion on Ph3 MDD design Nav1.7 for pain update
- ALKS: higher EBITDA margin outlook & orexin AEs, EXEL: soft '24 sales guide offset by cost cut, share repurchase

[Allegiant](#) | UNDERPERFORM | ALGT US | Mkt Cap:USD1,428mn | Andrew Didora

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[Duke Energy](#) | BUY | DUK US | Mkt Cap:USD76,431mn | Julien Dumoulin-Smith

Support for linear growth into 2024 and beyond

- 2024 EPS preview: NC rate increases, weather upside offset by higher O&M, borrowing costs, and incremental equity issuance
- DUK set up continues to screen attractively in particular on regulatory risks with largest cases resolved
- PO to \$105, see 3x FL and 2x NC premia as appropriate, reiterate Buy on valuation and risk profile vs large cap peers

[Fidelity Nat'l Info](#) | BUY | FIS US | Mkt Cap:USD37,534mn | Jason Kupferberg

4Q preview: RemainCo takes center stage, maintain Buy

- Investor focus for 4Q print to be on '24 RemainCo guidance, we expect an uneventful, in-line 4Q, we add FIS to US1 list
- Catalyst path includes Worldpay transaction close, clean '24 guide (expect revs growth guide 3-5%), and 2Q Analyst Day
- Reiterate Buy rating on "new" FIS' attractive valuation, significant recurring revenue and return of cash to shareholders

[SAGE Therapeutics](#) | NEUTRAL | SAGE US | Mkt Cap:USD1,505mn | Tazeen Ahmad

Takeaways from Day 1 of the SF Healthcare Conference

- We review takeaways from Day 1 of the SF healthcare conference for some of our covered companies
- See inside for detailed reviews on INCY, PTCT, SAGE and SRPT

[Urban Outfitters](#) | BUY | URBN US | Mkt Cap:USD3,512mn | Lorraine Hutchinson

Holiday strong at Anthro and FP, new UO president could stabilize sales

- We reiterate our Buy rating on URBN after a strong holiday, led by Anthropologie (Anthro) and Free People (FP).
- Holiday (Nov/Dec) sales were up 10% y/y. Retail sales were up 8%, driven by a 6% increase in comps.
- We raise our F24/25E EPS by 5%/7% to \$3.32/\$3.53 to reflect the record holiday sales and further margin expansion potential.

PO Lowered

[Five Below](#) | BUY | FIVE US | Mkt Cap:USD10,646mn | Jason Haas
Mgmt. meeting takeaways: Store growth expansion on-track

- We hosted meetings with Five Below (FIVE) CEO Joel Anderson, COO Ken Bull, and CFO Kristy Chipman at the ICR Conference.
- In conjunction with the conference, FIVE issued a press release announcing holiday period (10/29-1/6) comps 3.6%.
- We're lowering our '23/24/25 EPS by 0.6/3.1/3.8% given the potential for a softer 2024 than we had previously modeled.



[SunPower Corp.](#) | UNDERPERFORM | SPWR US | Mkt Cap:USD680mn | Julien

Dumoulin-Smith

4Q23 preview: challenging 2024 complicated by liquidity resolution

- SPWR cannot wait for better 2H24 cost structure, need multiple hundred \$Mns liquidity now to normalize cash and debt balances
- See MW deployments down -20% YoY in 2024, pricing down -20%, driving estimates lower
- Reduce PO to \$3.50, EBITDA/customer before platform investments behind pace of target model, guidance revision likely

Significant EPS Change

[Accolade](#) | BUY | ACCD US | Mkt Cap:USD899mn | Allen Lutz

They are who we thought they were

- Revenue/EBITDA beat driven by strength in virtual primary care/mental health offerings and timing of performance-based revs
- FY24 revenue and EBITDA guide maintained, FY25 positive EBITDA targets unchanged
- We reiterate our Buy rating and \$16 PO based on 2.4x CY24 sales

[PTC Therapeutics](#) | UNDERPERFORM | PTCT US | Mkt Cap:USD2,263mn |

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Buy Reiterations

Consumer Discretionary

[Starbucks](#) | BUY | SBUX US | Mkt Cap:USD107,621mn | Sara Senatore

Restaurants Weekly: ICR Prep Pack

- For the week ended 1/5, the S&P Restaurant Index lagged the market.
- Charts of the week: Guidance versus expectations ahead of ICR.
- Our restaurants valuation and KPI sheets can be found on page 8.

Hilton Worldwide | BUY | HLT US | Mkt Cap:USD46,723mn | Shaun Kelley**Year Ahead 2024: The recovery is (finally) over, what's next?**

- We remain cyclically neutral on the Lodging sector into 2024 with 9 Buy ratings, 3 Neutral ratings and 8 Underperform ratings
- The fundamental outlook is stable but not overly compelling with valuation in-line with long-term averages
- Thematically, we like urban, business and group over leisure, high end over low end, full service over select

Boot Barn | BUY | BOOT US | Mkt Cap:USD2,319mn | Jason Haas**ICR mgmt. meeting takeaways: EPS ahead on disciplined promos and cost control**

- We hosted meetings with Boot Barn (BOOT) CEO Jim Conroy and CFO Jim Watkins at the ICR Conference on Monday, Jan 8th.
- BOOT preannounced preliminary F3Q (Oct-Dec) results on Friday, Jan 5th which included F3Q sales of 1.1% on -9.7% comps.
- Given the preannouncement, we are raising our estimates slightly to reflect EPS at the top end of guidance.

European Wax Center | BUY | EWCZ US | Mkt Cap:USD983mn | Lorraine**Hutchinson****Resilient core customer base drives sales beat**

- Raised F23 sales guide, 4Q sales beat was driven by a combination of transaction and ticket
- Mgmt noted early results from laser pilot are encouraging, expanding the pilot to 10 more NY centers
- Reported preliminary net new center openings of 100 (11% y/y growth), mgmt is confident in the strength of the unit pipeline

Health Care**Boston Scientific | BUY | BSX US | Mkt Cap:USD85,540mn | Travis Steed****Another good BSX deal...adding more accretive growth**

- BSX buying AXNX for 7.7x sales - a very fair valuation.
- AXNX can add 40-50bps to BSX's long term organic revenue growth rate.



Jazz Pharmaceuticals | BUY | JAZZ US | Mkt Cap:USD7,208mn | Jason**Gerberry****What caught our attention in SF (Day 1): TEVA, JAZZ, ALKS, EXEL, XENE, ROIV**

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Merck & Co. | BUY | MRK US | Mkt Cap:USD297,444mn | Geoff Meacham**Our Conference Takeaways**

- Merck's conference presentation included increased outlook for oncology and cardiometabolic pipeline portfolio
- Merck is confident of sotatercept commercial launch this year, other potential launches this year include V116 and HER3-DXd
- BD remains a key priority, focusing on late phase 2/ early phase 3 assets and less than \$10-15B in deal size

Procept BioRobotics | BUY | PRCT US | Mkt Cap:USD2,132mn | Craig Bijou**Prelim Q4 revenue beats Street on strong utilization**

- Q4 prelim revenue of \$43.3-43.6m (82% y/y) beat Street by 6% on strength across systems and handpieces
- Q4 beats: Systems (44 v Street's 42), Handpieces (approx. 6,400 vs Street's 6,006), Utilization (7.3 v Street's 6.7)
- Strong Q4 should give investors more confidence in beat and raises in 2024, mgmt. seems comfortable with Street 2024 ests

Industrials**Thomson Reuters | BUY | TRI US | Mkt Cap:USD66,640mn | Heather Balsky****2024 year ahead: looks like another year playing armchair economist**

- 3 key topics for 2024: the impact of lower int rates, price increases normalizing, firms refining their GenAI strategies
- 2 key micro themes: 1) likely rising debt issuance, and 2) the still sluggish US and EU labor markets
- Stocks we highlight heading into 2024: S&P, Moody's, Equifax, and Gartner

Information Technology**NVIDIA | BUY | NVDA US | Mkt Cap:USD1,300,055mn | Vivek Arya****Pre-CES Takeaways: NVDA, AMD launch AI-PC, Gaming products**

- AMD first to offer AI PC CPUs in both laptops and desktops. INTC should catch up but only laptop available yet
- No pricing details yet, but AI PC more likely to help maintain ASP rather than expand it, per third party forecasts
- NVDA extends AI leadership in PC gaming, launched new AI software services and RTX 40 Super series hardware

NXP Semiconductors | BUY | NXPI US | Mkt Cap:USD60,941mn | Vivek Arya

DecQ warning: one more cut brings estimates closer to trough

- MCHP reduced DecQ sales by \$100mn on continued customer weakness, no profit metrics and no MarQ outlook provided
- Assuming ADI like 25-30% peak-trough sales correction suggests scenario "trough" CY24E pf-EPS of \$4/sh for MCHP
- Maintain Buy on implied 20-22x implied scenario PE on "trough" CY24E PE, below peers ADI/TXN trading at 26x

ON Semiconductor | BUY | ON US | Mkt Cap:USD33,569mn | Vivek Arya

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Real Estate

American Tower | BUY | AMT US | Mkt Cap:USD96,004mn | David Barden

AMT seals long-awaited India sale for \$2.5bn, cleaning up international story

- AMT announced a 100% sale of its India business to Data Infrastructure Trust, an affiliate of BAM, for \$2.5bn.
- We view the transaction positively at a high level as it cleans up a market which has proven to be historically 'messy'.
- The transaction is 0.8% dilutive to our prior 2024 AFFO/sh estimates and 4.3% dilutive to our prior 2025 estimates.



[CoStar](#) | BUY | CSGP US | Mkt Cap:USD32,707mn | Heather Balsky

Housing traffic inspection: December sings the winter blues ahead of 1H24 push

- Homes.com reached 43mn visitors in December up from November's 40mn, but below September's peak of 68mn
- 2023 Homes.com's monthly traffic posted a 12.3% CAGR compared to 0.7/0.3/0.8% CAGR for Zillow/Realtor.com/Redfin
- Maintain Buy on CSGP. We're not concerned about current traffic levels & think Homes.com has an opportunity to narrow the gap

Utilities

[PG&E Corp.](#) | BUY | PCG US | Mkt Cap:USD39,415mn | Julien Dumoulin-Smith

Year Ahead 2024: Our 24 Themes. Utilities set for a rebound but regulatory risks lurk

- 24 themes for 2024, continuing the annual tradition. Top theme remains regulatory risk but macro volatility lurks too.
- Themes: regulatory, int. rates, rebases, mgmt turnover, lower bills, data centers, election, offshore wind, M&A, bal. sheets
- Top picks are PCG, ETR, PPL, and NI. Preference for value and look for attributes like strong (improving) balance sheets.

Macro & Strategy

[US 1](#) | US 1 Committee

Adding FIS to the US 1 List

[The RIC Report](#) | Research Investment Committee

Ten surprises for 2024

- The fastest easing of financial conditions in history leaves markets offside if the "priced for perfection" landing fails.
- Ten 2024 surprises that could jolt markets: high bond taxes, IPO rebound, low corp. defaults, & deregulation favor stocks;
- Japan, pharma, energy big winners; Mag 7 tech, govt bonds losers; re-inflation scenarios lurk.

[BofA Securities Equity Client Flow Trends](#) | Jill Carey Hall

Early 2024 flows: large ETF outflows and muted single stock inflows

- Clients sold US equities to start the year. No positive retail seasonality yet. All client groups were sellers last week.
- Tech led outflows (first outflow since Nov '23) while Comm. Svcs. led inflows (3rd largest inflow in our data history).
- ETFs saw largest outflows since Jan '23. Outflows across all styles and large caps/broad market.

[Liquid Insight](#) | Global Rates & Currencies Research

AUD can beat its beta

- We are constructive AUD over 2024: RBA on hold in a global easing cycle, China sentiment at bearish extremes...
- ... strong fiscal position, export diversification & NIIP improvement. Last two factors imply lower beta to risk over time...
- ... already evident in resilience of TWI (ex USD) & sharp compression of skew despite risk-off episodes in recent years.

[Emerging Insight](#) | GEMs FI Strategy & Economics

A heavy downside skew to USDTWD ahead of the election

- The upcoming Taiwan election on 13 Jan will be well watched and will impact pricing across equities, FX, NDF and FX options
- Historical analysis suggests equities rally, TWD performance is mixed while FX vol cools following the election election.
- Watch for mismatch between Presidential leadership and Legislative Yuan majority which may make policymaking more difficult.

[FX Quant Insight](#) | Vadim Iaralov

Look past the first week of the year

- Last week's FX move was driven more by post-YE profit-taking than reversal of USD downtrend.
- US-based investors have not bought back the USD. Positioning analysis sees bearish USD continuation vs EUR and EM FX.
- We are bullish AUD/JPY this week on positioning and CARS signals.



[US Rates Watch](#) | **US Rates Research**

US Vol – Steady as rates consolidate

- Vol has been steady in the recent selloff, suggesting a bias towards near-term consolidation.
- Soft landing priced to perfection: 10yT trades around the 4-4.25% expected range and 3y1y OIS around the neutral rate...
- ... However, medium term we continue to see a wide range of outcomes around this baseline that we believe should be hedged.

Disclosures

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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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