

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

PO Raised

[Align Technology](#) | UNDERPERFORM | ALGN US | Mkt Cap:USD20,613mn |

Michael Ryskin

4Q23 results come in ahead, and FY24 guided to +MSD, but visibility still limited

- 4Q sales of \$957mn came in 2% ahead of consensus on slightly better volume and ASP, adj. EPS of \$2.42 was 11% ahead
- 2024 sales guide of MSD was roughly in line with BofAe/Street, as management cited a stabilizing global macro
- A number of new products and initiatives in '24, but growth (& profitability) still lag historical. PO to \$215, Underperform

[Avery Dennison](#) | UNDERPERFORM | AVY US | Mkt Cap:USD21,501mn |

George Staphos

Post 4Q: AVY, SLGN - expecting better volumes, buy SLGN given valuation

- Off of 4Q, raising AVY ests. 5% and lowering SLGN by 1% for '24. Both co's pointing to directionally better 2H.
- AVY: Ests \$9.35 in '24 (was \$10.10), \$10.20 in '25 (was \$10.10). IL trends a touch lighter than exp. but good margin trends.
- SLGN: Ests \$3.65 in '24 (was \$3.70), \$4.00 in '25 (was \$4.05). Some remaining destock in 1H but guide seems achievable.

[Axis Capital](#) | BUY | AXS US | Mkt Cap:USD5,018mn | Joshua Shanker**4Q23 results match earlier preannouncement**

- 4Q23 overall results were generally in line with earlier preannouncement
- Premium growth appears to be decelerating in most product categories
- Net investment income may have peaked due to strong equity markets and peak short-term yields

01 February 2024

Equity

United States

Investor Support

BofAS

Today's Events: Economic Indicators

1. 8:30 Initial Jobless Claims
2. 8:30 Nonfarm Productivity
3. 8:30 Unit Labor Costs
4. 9:45 S&P Global US manufacturing PMI
5. 10:00 Construction Spending (mom)
6. 10:00 ISM Manufacturing
7. All day - Total Vehicle Sales

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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.

[Brinker Intl](#) | **UNDERPERFORM** | EAT US | Mkt Cap:USD1,892mn | Katherine Griffin

2Q Earnings: Can EAT maintain margins if mix headwinds worsen?

- EAT's comp guidance hinges on stabilizing traffic/mix.
- Price/cost tailwind offset by investments to retain traffic.
- F24 EPS moves higher on 2Q beat and price increases.

[Cencora Inc](#) | **BUY** | COR US | Mkt Cap:USD46,415mn | Allen Lutz
Clean beat-and-raise across the board w/ path to sustained LT growth

- The accommodative operating environment supports consistent growth for COR, with the long-term trajectory intact
- FY24 EBIT guide of 12-14% (constant currency, ex-Covid basis) underpinned by steady core volumes and specialty growth
- We reiterate our Buy rating and increase our PO to \$256 PO (\$228 prior) based on 18.5x CY24E P/E (17x prior)

[Fortive](#) | **NEUTRAL** | FTV US | Mkt Cap:USD27,926mn | Andrew Obin
Rational '24 guide, but upside may require improving macro

- Raise 2024E adj. EPS by \$0.18 to \$3.75 (9% y/y) on better core operations (\$0.04) and lower tax rate & share count (\$0.14).
- Initial 2024 adj. EPS guidance of \$3.73-3.85 was above \$3.66 consensus, but factors in a 2H acceleration for key businesses.
- 4Q23 adj. EPS of \$0.98 was \$0.04 above consensus and \$0.05 above our model.

[Harley-Davidson](#) | **BUY** | HOG US | Mkt Cap:USD4,519mn | Alexander Perry
4Q Preview: Expect softer retail, but see benefits from 2024 new model launch

- We expect 4Q EPS in-line as HOG had already finished production of 2023 model year when providing guidance in 3Q.
- We believe the 2024 new model launch, including a refresh of Road Glide / Street Glide models, should help drive unit volumes
- We see fading legacy sportster retail headwinds in 2024.

[MGIC Investment](#) | **BUY** | MTG US | Mkt Cap:USD5,627mn | Mihir Bhatia
4Q beats on \$60M reserve release

- MTG reported 4Q EPS of \$0.67 above BofAe/cons at \$0.56/\$0.58 driven by a \$60M reserve release.
- Prior period reserves were driven by an improved claim rate. Top-line revenue missed, but book value growth was strong.
- We reiterate our Buy rating on solid fundamentals and strong housing credit. Conference call at 10AM ET tomorrow.

PTC | BUY | PTC US | Mkt Cap:USD21,576mn | Andrew Obin**1QF24: Beat and maintain – a solid, non-event quarter**

- PTC reported 1QF24 ARR on c.c. above our estimate and the Street. The company maintained FY24 ARR on c.c. guide at 11-14% y/y
- This compares to our 13.0% y/y estimate and consensus at 12.6% y/y. The 2Q guide bracketed consensus on the high end.
- PTC is confident in hitting its free cash flow targets. We raise our 2025E FCF target to \$850mn, the midpoint of guide.

Qorvo Inc. | UNDERPERFORM | QRVO US | Mkt Cap:USD10,580mn | Vivek Arya**Strong positioning at leading smartphone OEMs, but cautious on industry headwinds**

- FQ2 beat, FQ3 in line, Growing content with Apple/Samsung, but smartphone fundamentals could limit upside, Reit Underperform
- Likes: Apple content wins/growth optimism, Samsung content wins, gross margin rebound
- Risks: Opex growth ahead of investments, high performance analog, consumer exposure

Teva Pharmaceuticals | BUY | TEVA US | Mkt Cap:USD13,564mn | Jason Gerberry**4Q wrap: mixed 4Q print but progressing to 2027 targets**

- TEVA delivered a mixed 4Q update that included some revenue misses on key segments though we view 2024 guidance favorably
- Today, TEVA announced its intention to divest its API business that generates \$900m revenue with an est. 28% EBITDA margins
- We raise our PO to \$16/sh (\$1/sh) mainly driven by updated net cash balance and maintain our \$15.9bn FY24E revenue forecast

The Hanover | NEUTRAL | THG US | Mkt Cap:USD4,721mn | Grace Carter**4Q23 beat on attritional loss ratio improvement**

- The Hanover reported op. EPS of \$3.13 vs BofA \$2.52 and cons \$2.70.
- Better attritional losses, catastrophe losses, and reserve development drove the beat.
- For 2024E, the company expects an ex-cat combined ratio of 90-91% and a catastrophe load of 7%.

Utz Brands | NEUTRAL | UTZ US | Mkt Cap:USD2,522mn | Peter Galbo**Thoughts on pending brand & asset sale**

- This morning UTZ announced that it entered into a definitive agreement to sell Good Health and R.W. Garcia and three...
- manufacturing facilities to "Our Home" for \$150mm. We estimate the transaction to be 4.3% accretive to EPS in FY24. We...
- update our 4Q estimates given that UTZ announced preliminary financial results. We also raise our PO from \$16 to \$19.



PO Lowered

[Albemarle](#) | **NEUTRAL** | **ALB US** | **Mkt Cap:USD12,094mn** | **Steve Byrne**
Lowering Lithium price forecasts and price objectives for Albemarle and Sigma

- BofA/s global lithium research team lowered our lithium price forecasts for 2024/25 as the spot price plunge has continued
- Marginal economics are now loss-making, and pricing is well below reinvestment levels. We assume pricing bottoms in mid-2024
- We cut our POs for ALB and SGML, and remain Neutral and Buy, respectively, based on NAV assessments. See links and charts

[Boot Barn](#) | **BUY** | **BOOT US** | **Mkt Cap:USD2,173mn** | **Jason Haas**
F3Q recap: Waiting for an inflection

- Boot Barn (BOOT) reported F3Q EPS of \$1.81 on (9.7)% comps, roughly in line with the preliminary results announced at ICR
- Reflecting the earnings results and updated guidance, we're lowering our F24-26 EPS estimates by 5%/13%/21%
- We reiterate our Buy rating given our continued confidence in BOOT's long-term store growth potential

[C.H. Robinson](#) | **UNDERPERFORM** | **CHRW US** | **Mkt Cap:USD10,083mn** | **Ken Hoexter**
Net Revs (AGP) near COVID lows, Worst margins in our 25-year model, PO to \$70

- Posted 4Q23 Adj. EPS of \$0.50, well below our \$0.83 target/Street's \$0.81, Core ops missed (\$0.22/sh) on weak demand & rates.
- Lowest net op margin in 25 years of our model (16.7% vs. our 21.9%), yet improved productivity 17%, '24 efficiency a focus
- PO to \$70 on 25x our '24E EPS, the upper end of its 20-year 18x-26x range. Lower 2024/2025E EPS 33%/24%.

[MetLife](#) | **BUY** | **MET US** | **Mkt Cap:USD51,310mn** | **Joshua Shanker**
Strength in Group Benefits overshadowed by Corp, Asia weakness in 4Q23 EPS miss

- MetLife reported 4Q23 adjusted operating EPS of \$1.83, below our forecast of \$2.09 and consensus of \$1.92.
- Group Benefits continues showing strength in the back of excellent result in 3Q23
- \$76mn charge related to litigation costs weighs down corporate results and causes \$0.10 drag to adjusted EPS.

[Nasdaq](#) | **UNDERPERFORM** | **NDAQ US** | **Mkt Cap:USD33,331mn** | **Craig Siegenthaler**
4Q23E – Growth headwinds persist in listings & trading while AFC decelerating

- We believe NDAQ set a low bar for expense growth with the '24 guide, we are 2% below the low end of the range
- NDAQ's trading market share hits record lows in both cash equities & options in January as competition intensifies
- Reiterate Underperform on growth headwinds, \$55 PO implies a -3% total return

[New York Community](#) | BUY | NYCB US | Mkt Cap:USD4,674mn | Ebrahim Poonawala
Heavy lifting ahead

- Stock slumped on worse than expected 4Q results, FY24 guidance and a dividend-cut, revise FY24/25e EPS -30% to \$0.80/\$1
- Regulator urgency that NYCB immediately comply with enhanced credit reserves/capital/liquidity standards was a big surprise
- No quick rebound likely as the Street digests the significant shift in EPS outlook, evaluates credit/NII risks, Reiterate Buy

[Rockwell](#) | NEUTRAL | ROK US | Mkt Cap:USD30,774mn | Andrew Obin
1QF24: Waiting on cyclical visibility and better execution

- ROK reported 1QF earnings that missed our estimates and the Street. The feedback we are getting from investors is little...
- ...conviction on orders and revenue reacceleration in 2H24. While we believe in the capex cycle, our concern is execution.
- ROK seems confident it can deliver >40% incrementals as volumes return & mix headwinds normalize.

[Selective](#) | UNDERPERFORM | SIGI US | Mkt Cap:USD6,353mn | Grace Carter
Reserve strengthening in General Liability, 2024E combined ratio outlook 95.5%

- Selective reports 4Q23 op. EPS of \$1.94 vs our est. \$1.95 and consensus \$1.96.
- Net unfavorable reserve development in general liability and personal auto offset lower expenses and catastrophe losses.
- The company expects a 2024E combined ratio of 95.5%.

[Sigma Lithium](#) | BUY | SGML US | Mkt Cap:USD2,197mn | Steve Byrne
Lowering Lithium price forecasts and price objectives for Albemarle and Sigma

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[Sunnova Energy](#) | BUY | NOVA US | Mkt Cap:USD1,288mn | Julien Dumoulin-Smith

Holding the Line: We're Still Positive FY24 growth, deleveraging & more

- Maintain Buy: FY24 customer adds 5% vs Street, FY24 EBITDA 18% vs Street: See customer counts intact despite dealer churn
- See potential liquidity and prospective cash flow updates on 4Q23 earnings quelling '26 debt maturity fears: proactive tender
- PO to \$16, 50% upside. Amidst cautious investor attitudes, see reason for improvement.



[Wolfspeed](#) | UNDERPERFORM | WOLF US | Mkt Cap:USD4,079mn | Vivek**Arya****Reit. Underperform, slowing EV demand, profitability unlikely before CY26E**

- Slight beat/heavy lower MarQ on industrial weakness through CY24E, reit. Underperform and lower PO to \$34
- Likes: Customer traction visible via supply agreements for materials and design ins/wins, MHV ramp going well
- Risks: EV demand slowdown, China competition, difficulty achieving scale vs peers (STM, ON, IFX)

Significant EPS Change**[8x8](#) | BUY | EGHT US | Mkt Cap:USD412mn | Michael Funk****3Q24 Wrap: Are we there yet? No**

- While OpMs were above expectations, revenue growth remains elusive and topline results missed Street estimates.
- Smaller deal sizes and down-sell pressure, as well as continued attrition of Fuze customers pressured 3Q24 revs.
- However, EGHT's 18% FCF yield is attractive and we see potential for a FY25 reacceleration (albeit with uncertain timing). Reiterate Buy.

[Penn Entertainment](#) | BUY | PENN US | Mkt Cap:USD3,422mn | Shaun Kelley**theScore leadership stepping down, next steps from here**

- After the market close on Wednesday, Penn announced a leadership change in its Interactive division.
- The founding Levy family including theScore's chairman, Penn Interactive's Head, and VP of Marketing will step down by April.
- We lower our Q4 loss estimate to -\$225M to reflect December state gaming data and higher promotional uptake.

[Qualcomm](#) | BUY | QCOM US | Mkt Cap:USD219,089mn | Tal Liani**Another solid performance driven by improving handset shipments**

- Strong autos and handset QCT growth drove Qualcomm's revenues/EPS of \$9.92bn/\$2.75 to beat Street's \$9.54bn/\$2.36, reiterate Buy
- QCT grew 7% YoY, vs. Street's 2%, and QTL reached \$1.5bn vs. \$1.4bn, driven by better inventory levels and smartphone demand
- 2Q guidance and 3Q indications were less impressive, with 2Q QCT revenues guided to decline 6% QoQ due to flat Android demand

Buy Reiterations

Communication Services

[Match Group](#) | BUY | MTCH US | Mkt Cap:USD11,327mn | Curtis Nagle
Mixed 4Q/1Q but still see 2H payer inflection with added buyback support

- MTCH reported 4Q revenues/EBITDA beat of \$866mn/\$362mn, which was partially driven by \$40mn savings on Google Settlement.
- Despite ongoing softness in payer trends, we remain constructive on user adds in 2H'24, Hinge growth & monetization efforts.
- We lower 1Q estimates but FY24 is largely unchanged. We reiterate our Buy rating and \$54 PO.

Consumer Discretionary

[Zegna](#) | BUY | ZGN US | Mkt Cap:USD3,243mn | Daria Nasledysheva
Ending the year on a high note

- Zegna delivered 20% organic sales growth in 4Q becoming the fastest-growing luxury company to report to date
- Strength was driven by (1) easy China comp, (2) DTC , (3) turnaround momentum at Zegna and (4) smaller brands
- Group ends 2023 with solid momentum towards mid-term goals

Financials

[Aflac](#) | BUY | AFL US | Mkt Cap:USD49,287mn | Joshua Shanker
4Q23 earnings miss due to one-off items, commercial real estate concerns linger

- Aflac reported 4Q23 earnings miss due to one-off items including novation of reinsurance treaty and weaker VII
- Management provided their 2024 outlook, highlighting improved underwriting results as well as better expense ratios in the US
- Aflac's commercial real estate portfolio continued to be pressured, we would not be surprised to see additional charges

[Global Payments](#) | BUY | GPN US | Mkt Cap:USD34,692mn | Jason Kupferberg

Everything you ever wanted to know about GPN, but were afraid to ask

- Our deep dive report deconstructs the Merchant and Issuer segments of GPN, highlighting points of differentiation
- Expect in-line 4Q, and conservative '24 guide would be welcomed, cycle guidance will likely be updated at a 1H24 Analyst Day
- GPN is a top pick for '24, given its growth profile, competitive position, and attractive valuation, maintain Buy



Health Care

[Thermo Fisher](#) | BUY | TMO US | Mkt Cap:USD209,388mn | Derik De Bruin
Formal '24 guide a bit below expectations, but high end not out of reach

- Solid 4Q as markets remain stable, but formal FY24 guide was a bit below the midpoints of the 3Q framework
- TMO stressed no key changes, but a return to broader guidance ranges and headwinds from some operational shifts, comps, & F/X
- We make minor changes to our ests, TMO could have done a better job on the call, but now looks poised to beat & raise

Industrials

[Norfolk Southern](#) | BUY | NSC US | Mkt Cap:USD54,270mn | Ken Hoexter
WSJ reports activist group to effect mgmt change, Path shows valuation potential

- WSJ reports activist group seeks path to effect NSC mgmt change. Historically, mgmt talent drives actualization of potential
- See upside potential for NSC given its industry worst margins. Realignment to peer average could lead 27% upside to 2024 EPS.
- Reit Buy and \$255 PO. Development likely to drive speed of change, proxy outcome still uncertain.

Materials

[Silgan Holdings](#) | BUY | SLGN US | Mkt Cap:USD5,076mn | George Staphos
Packaging

- Off of 4Q, raising AVY ests. 5% and lowering SLGN by 1% for '24. Both co's pointing to directionally better 2H.
- AVY: Ests \$9.35 in '24 (was \$10.10), \$10.20 in '25 (was \$10.10). IL trends a touch lighter than exp. but good margin trends.
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Real Estate

[Ryman](#) | BUY | RHP US | Mkt Cap:USD6,562mn | Shaun Kelley
2024 Investor Day: Country is where it's at

- We attended Ryman's investor day, focus was on growth levers including ROI projects and entertainment
- Ryman's long-term EBITDA outlook implies an 8.3% CAGR through 2027, ahead of our expectations
- We raise our 2024 estimates, largely on core hospitality and JW Marriott Hill Country ahead of our underwriting

Macro & Strategy

[Chart Blast](#) | Stephen Suttmeier

Bullish January Barometer supports 5000+ for the S&P 500 in 2024

- An up January for SPX is a bullish signal; the 2024 January Barometer suggests SPX at 5260-5400 into year-end.
- An up January is bullish in Presidential election years w/ 11-for-11 positive hit rate; SPX 5425-5550 possible into yearend.
- Risk: Less robust signals for 2024 from the first five days of year and combined first five days and month of Jan Barometers.

[US Viewpoint](#) | US Economics

Rent inflation to moderate but regional differences persist

- Overall inflation has made significant progress towards the Fed's 2% target, but rent inflation has remained sticky.
- We think differences in supply and demand across regions help explain sticky-high rent inflation.
- Rent inflation should continue to cool over the course of this year, but regional differences will persist.

[BofA on USA](#) | US Economics

Weekly spending update through Jan 27

- Total card spending per HH was flat y/y in the week ending Jan 27, according to BAC aggregated credit & debit card data.
- Spending growth has recovered as the impact of widespread weather disruptions has diminished.
- But these disruptions were still likely a significant drag on overall January spending.

[Global Performance Monitor](#) | Nigel Tupper

Pinpoint accuracy required

- Global equities rallied in January for the third month, but breadth remained narrow with only 29% of stocks outperforming.
- The US and Japan posted positive returns, while China dragged on the performance of Asia and Emerging Markets.
- Globally, Semis and Software performed best, while Materials and Real Estate displayed continued price weakness.

[Sell Side Indicator](#) | Savita Subramanian

Wall Street is skeptical as market hits new highs

- Our Sell Side Indicator (SSI) ticked down 24bp to 54.4% in January after rising the prior two months.
- The indicator is "Neutral", slightly below its 15yr avg. of 54.6% (50bp closer to a contrarian "Buy" signal than a "Sell").
- Sentiment has warmed vs. last year, but we don't see levels of euphoria that bull markets typically end with.



Liquid Insight | Global Rates & Currencies Research**RBA preview: New RBA, not yet a pivot**

- The new RBA Board meets on 5-6 Feb and we expect rates on hold and modest changes to guidance. Risk is for earlier cuts.
- Weaker-than-expected CPI means the RBA could reach target earlier than expected yet domestic CPI is still sticky.
- FX & rates: 7bps of cuts are priced for March RBA (which occurs before FOMC) and we recommend a short March OIS position.

FX Watch | Shusuke Yamada**Japan Toshin: Outward Toshin investment in Jan more than doubled YoY**

- We estimate Toshin (Japan's investment trusts) flow as new NISA started in Jan.
- Net inflow to large foreign equity funds up 142% YoY in Jan '24. Investment trusts' outward investment may rise by 5tn YoY.
- USD likely the beneficiary. Retail flows appear to have intramonth pattern.

Chile Watch | Sebastian Rondeau**BCCh cuts 100bp. Dovish forward guidance**

- BCCh cut the policy rate by 100bp to 7.25%, as expected by Bloomberg consensus, accelerating from the 75bp cut previously.
- The statement was dovish, emphasizing that inflation convergence is faster than they anticipated in December's policy report
- BCCh sees the policy rate around the neutral level in 2H24 (4%). Luis Cespedes voted for a 125bp decline.

US Watch | US Economics**January FOMC: March is no longer the base case**

- The Fed needs "greater confidence" in the outlook for inflation. It all but ruled out a March cut.
- We push out our first rate cut to June. Risks to a "later and faster" policy easing cycle are rising.
- We also push out the timing of our expected QT slowdown announcement from March to May.

Brazil Watch | David Beker**Copom cuts 50bp: cut/paste on the statement**

- Copom cuts interests rate by another half-point as expected. The guidance remains of further similar reductions ahead.
- The board reinforced the fiscal concern and challenging external backdrop.
- We continue to forecast a terminal rate of 9.50% in YE2024.

Disclosures

Important 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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