

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Initiations & Reinstatements

[Ocular](#) | BUY | OCUL US | Mkt Cap:USD578mn | Tazeen Ahmad
 Inserting a new option for wAMD, Initiate at Buy

- We initiate coverage of Ocular (OCUL) with a Buy rating and \$15 PO.
- We view Axpaxli in wAMD as an attractive opportunity with potential to significantly reduce the current treatment burden.
- OCUL has several near-term catalysts with Axpaxli and several other key pipeline updates expected in 2024

Rating Changes

[Expedia](#) | NEUTRAL | EXPE US | Mkt Cap:USD21,804mn | Justin Post
 Still attractive on FCF, but a lot to work through in 1H'24, Downgrade to Neutral

- 4Q bookings at \$21.7bn below Street at \$22.2bn, with air and Vrbo underperforming. EBITDA slightly beat Street on lower COS.
- 1Q outlook suggests slower bookings growth to start 2024, and marketing spend to support Vrbo, slightly lowering 2024 ests.
- A lot to work through in 1H'24, adding uncertainty, downgrade to Neutral and lower PO to \$156 from \$181.

PO Raised

[Affirm](#) | NEUTRAL | AFRM US | Mkt Cap:USD13,156mn | Jason Kupferberg
 Weekly "Navigator"

- We are hosting investor meetings with JKHY's incoming CEO in SF on 2/13 and LA on 2/14
- Buy-rated GPN (a top pick for '24) reports on 2/14, we expect steady revs growth and a conservative '24 guide
- On 2/15, U/P-rated EPAM, U/P-rated COIN, Neutral-rated GLOB, and Neutral-rated TOST report earnings

09 February 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.

[Apollo](#) | NEUTRAL | APO US | Mkt Cap:USD64,485mn | Craig Siegenthaler
4Q23 Earnings: Earnings revision summary for APO, ARES, ICE & TROW

- Increasing PO for TROW given new tax guidance, stronger markets and slightly improved flow forecast, PO implies -10% return
- Decreasing PO for ICE given softer tone on pricing and flat 2024 recurring MT guidance, offset by strong futures trading QTD
- Increasing PO for ARES given higher realized pfees and FRE margin, Raising PO for APO due to higher valuation multiple

[ArcelorMittal](#) | NEUTRAL | MT US | Mkt Cap:USD23,348mn | Patrick Mann
4Q23 beats. More focus on JV earnings with disclosure changes

- MT 4Q23 EBITDA US\$1,266bn 5.5% vs. consensus US\$1.2bn. FY23 EBITDA c.US\$7.6bn. Net debt down to c.US\$2.9bn. EBITDA defn chg
- MT to add equity accounted income (mainly JVs: India, Calvert) to EBITDA in future (2023A US\$1.2bn). Raises profile
- M&A overhang gone, strong balance sheet, focus on organic opp'ties. Retain Neutral, PO EUR 29 (was 25) on 0.45x P/B (was 0.4)

[Ares Management Corp](#) | BUY | ARES US | Mkt Cap:USD25,935mn | Craig Siegenthaler

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[Booz Allen Hamilton](#) | BUY | BAH US | Mkt Cap:USD18,764mn | Mariana Perez Mora

The gift that keeps on giving: demand environment and employees drive growth

- Booz Allen Hamilton (BAH) continues to be the leader of organic growth, with topline revenues up 13% Y/Y.
- We expect BAH to benefit from increased demand and spending over the next several qtrs given the external threat environment
- We continue to be impressed with BAH's employee hiring, training, and retention programs.

[Boyd Gaming Corp](#) | BUY | BYD US | Mkt Cap:USD7,382mn | Shaun Kelley
First Take: 4Q beat on impressive cost control

- Boyd Gaming reported Q4 revenue/EBITDA of \$954M/\$355M, ahead of our estimates of \$950M/\$340M
- Following challenges last quarter, BYD reported a very strong sequential revenue to EBITDA flow-through of 74%
- We reiterate our Buy rating, raise our 2024 EBITDA estimate by 1%, and raise our PO to \$80 based on 7x 2025E EBITDA

Harley-Davidson | BUY | HOG US | Mkt Cap:USD4,862mn | Alexander Perry**HOG should benefit in 2024 from transformative new model launch**

- HOG reported 4Q23 EPS of \$0.18 (versus our -\$0.08 estimate), which benefitted from higher other/investment income.
- We lower our C24 EPS estimate to \$4.05 as HOG takes a cautious approach to managing dealer inventory to start the year.
- We believe that HOG's 2024 model launch is the most significant refresh of its touring lineup since Project Rushmore in 2013.

Hershey | NEUTRAL | HSY US | Mkt Cap:USD41,581mn | Bryan Spillane**Cocoa impact not as severe as expected, bumping estimates**

- 4Q23 adj. EPS & 2024 outlook beat expectations. A combination of modestly lower than expected inflation & the introduction...
- of incremental cost saving resulted in a less of a blow from Cocoa and modestly better than expected EPS.
- The question mark moving forward is consumer demand and potential for incremental pricing actions. Raising estimates and PO.

Illumina | UNDERPERFORM | ILMN US | Mkt Cap:USD22,789mn | Michael**Ryskin****4Q update brings few surprises, but also no LT clarity**

- ILMN's F4Q results and FY24 guidance came in broadly as expected following a 01/09 prelim release and earlier mgmt comments
- Outlook for flat sales growth and muted margins suggest core ILMN continues to face meaningful structural challenges
- Tweak model, PO to \$105, Reit. Underperform as we see no easy fix to key issues (demand, competition, margins) facing ILMN

L3Harris | NEUTRAL | LHX US | Mkt Cap:USD39,671mn | Ronald J. Epstein**Still a "wait-and-see" story – reiterate Neutral**

- For L3Harris (NYSE: LHX), the 'usual suspects' (excessive costs, IMS woes) persist.
- However, intentions remain in the right place post-investor day.
- While we look favorably on LHX's efforts to clean up its portfolio, we continue to see the stock as a "wait-and-see" story.

Marriott Intl. | BUY | MAR US | Mkt Cap:USD73,299mn | Shaun Kelley**C-Corp Bull-Bear Debate: Bears wanted**

- Lodging C-corps were meaningful outperformers in 2023 and so far in 2024
- We revisit key debates for these best of breed fee compounding companies



[Masco Corp](#) | UNDERPERFORM | MAS US | Mkt Cap:USD16,001mn | Rafe Jadrosich
4Q23 beats on better plumbing trend, 2026 targets look priced in at current valuation

- MAS reported 4Q23 EPS well ahead of our forecast on stronger plumbing growth. Raise PO/EPS to reflect better revenue outlook.
- 2024 guidance 4% above consensus. MAS introduced solid 2026 targets, but we think they are priced in at current valuation.
- Reiterate Underperform given already premium valuation and challenging macro backdrop for R&R spending.

[Natwest Group PLC](#) | BUY | NWG US | Mkt Cap:USD23,802mn | Rohith Chandra-Rajan
Q4 preview – a guide to 2024 and beyond

- Expect Q4 earnings -21% QoQ with lower NIM and higher costs well flagged. Slowing NIM erosion important
- Negative earnings trends and lower near term capital distributions vs peers make guidance more important - NIM, costs, RoTE
- Q4 trends, uncertain near term environment and a recent rally challenge stock performance around Q4. Undervalued on 5.6x PE

[New Gold Inc.](#) | UNDERPERFORM | NGD US | Mkt Cap:USD857mn | Harmen Puri

A “show-me” story, wait-and-see: all about execution from here

- NGD released it's 3-year outlook which we viewed as mixed but directionally encouraging.
- We see NGD generating significant free cash flow in 2025 and beyond, but it's still a "show-me" story (execution risks).
- We raise our (PO) to \$1.40 (C\$1.90) from \$1.30 (C\$1.80) on de-risking (higher multiple). Reiterate Underperform.

[Patrick Industries](#) | UNDERPERFORM | PATK US | Mkt Cap:USD2,320mn | Rafe Jadrosich

4Q23: solid execution continues in a challenging end market environment

- PATK reported 4Q23 EPS down (16%) YoY but roughly in-line with our forecasts. Raise PO as we roll multiple forward to 2025.
- We expect revenue to remain under pressure in early 2024, but margins to be resilient. Our 2024 ests. relatively unchanged.
- We reiterate Underperform on Patrick to reflect a slow recovery given ongoing headwinds from weak end market demand.

[Ralph Lauren](#) | BUY | RL US | Mkt Cap:USD12,614mn | Christopher Nardone
“Polo”rizing results send shares higher, Remains top vendor pick

- We reiterate our Buy rating and think RL continues to offer the best risk/reward amongst the apparel vendors, PO to \$207
- Brand heat is improving (retail comps 9%), margin opportunities remain, and consistency in results is becoming more apparent
- We remain confident that RL can achieve its 15% ccy operating margin target in F25E, more upside if wholesale recovers

[SPGI](#) | BUY | SPGI US | Mkt Cap:USD138,324mn | Heather Balsky**Guidance is a gift to S&P's new CFO**

- 4Q's \$3.13 EPS beat our/the Street's \$3.10 in our view largely on a lower tax rate
- We're trimming our 2024 EPS to \$14.12 from \$14.54, We are above guidance and think there could be additional upside
- We reiterate our Buy, We expect EPS upside driven in part by stronger issuance amid a rising refi wall and lower rates

[Spirit Airlines](#) | UNDERPERFORM | SAVE US | Mkt Cap:USD784mn | Andrew Didora**Revenue acceleration may help solve debt issues, maintain Underperform**

- Revenue improvement could help SAVE address its 2025/26 maturities, but we still forecast negative operating income into 2025
- We are raising our 1Q24/2024 EPS estimates to \$(1.33)/\$(2.44) from our previous \$(1.71)/\$(2.79)
- Our PO goes to \$6 from \$5, still based on approx. 1.0x our 2025E price/book, shares currently trade at over 12x 2024E EBITDAR

[T. Rowe Price](#) | UNDERPERFORM | TROW US | Mkt Cap:USD24,338mn | Craig Siegenthaler**4Q23 Earnings: Earnings revision summary for APO, ARES, ICE & TROW**

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PO Lowered**[BCE Inc.](#) | NEUTRAL | BCE US | Mkt Cap:USD34,609mn | David Barden**
4Q23 Wrap: Restructuring costs and working capital stress FCF outlook

- We maintain our Neutral rating and lower our BCE PO to \$58 (from \$62) after 4Q23 results and '24 guide.
- FCF weighed down by restructuring, interest and working capital headwinds.
- Regulatory burden is causing a shift in capex from fiber to digital transformation (cost saving) efforts

[Genpact Ltd](#) | BUY | G US | Mkt Cap:USD6,339mn | Kunal Tayal
2024 announced as year of reshaping for better growth

- Q4 was a beat to our expectation on account of growth in Data-Tech-AI segment. Good uptick registered in CY23 bookings.
- CY24 revenue guidance was below consensus on expectations of slower demand revival.
- Co to see increased investments and refresh to front end organizational structure. This is towards pursuing faster growth.



[Intercontinental](#) | BUY | ICE US | Mkt Cap:USD76,799mn | Craig Siegenthaler
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[Kenvue](#) | BUY | KVUE US | Mkt Cap:USD37,094mn | Anna Lizzul
Q4 results mixed, 2024 guidance back-half weighted on execution

- KVUE Q4 organic sales decreased -2.4% vs. our 0.5% BofAe, with volume declines of -8.2% and pricing gains of 5.8%.
- KVUE introduced 2024 guidance within our expectations, which is back-half weighted due to expected distribution gains in 2H.
- We reiterate our Buy rating but lower our PO to \$24 vs. \$26 prior, on a 13x CY25e EBITDA multiple (from 13.5x prior).

[Lightspeed](#) | NEUTRAL | LSPD US | Mkt Cap:USD2,268mn | Koji Ikeda
Good F3Q, but outlook somewhat murky given macro and shifting G2M strategy

- F3Q results were above Street, but a cautious outlook and increased investments to drive growth raise risks over NT
- Payments adoption likely to reach 30-35% target for FY24, but incremental adoption could prove more difficult going forward
- Reiterate Neutral, lower PO to \$19 (from \$20), on a lower EV/GP multiple to account for a lower EBITDA forecast

[Paylocity](#) | NEUTRAL | PCTY US | Mkt Cap:USD9,657mn | Adam Bergere
Slower client employee growth & sales productivity ramp prompts lower rev guide

- Recurring rev of \$298.4mn (16% y/y) just shy of our \$298.7mn, prompted by slower client employee growth & sales productivity
- Implied Q4 exit rate for 12-13% y/y prompts us to lower FY25 growth estimate to 12%, below the longer term outlook for 20%
- Reiterate Neutral rating and lower PO to \$175 (31x C25E FCF) to reflect slower growth trajectory

[Philip Morris Intl](#) | BUY | PM US | Mkt Cap:USD138,322mn | Lisa Lewandowski
2023 organic EPS +11%, we see +7-9% in 2024 as achievable

- Mgmt's updated guidance calls for adj diluted EPS of \$6.32-6.44 or \$6.43-6.55 ex. -11c in FX.
- We are trimming our EPS for 2024/2025/2026 by 14c/10c/6c to \$6.41, \$7.00 and \$7.63 respectively.

[Terex Corp.](#) | UNDERPERFORM | TEX US | Mkt Cap:USD4,382mn | Michael

Feniger

Stumbles: doesn't necessarily 'stick the landing' - 2024 is ultimately a call on 2025

- Underwhelming Q4: Op profit of \$132mn (7% below cons) due to AWP - the miss follows last quarter, where TEX lowered AWP guide
- 2024 EPS guide (\$6.85-7.25) is flat on YoY basis at the midpoint - a theme in Machinery - ultimately 2024 is a call on 2025.
- Reit. Underperform on AWP cycle risk. Bigger question: FCF slight miss but balance sheet robust - what is TEX's next step?

Significant EPS Change

[Allegiant](#) | UNDERPERFORM | ALGT US | Mkt Cap:USD1,372mn | Andrew

Didora

Lowering estimates as fleet and cost risks remain

- Following ALGT's 4Q23 earnings results, we are lowering our 2024E EPS to \$7.20 from \$7.67
- We project \$14M of 2024 EBITDA for ALGT's recently opened Florida hotel project at a 12% EBITDA margin
- Our \$70 PO is now based on a sum of the parts analysis valuing the airline at 5.5-6x EBITDAR and the hotel at 12x EBITDA

[BILL](#) | BUY | BILL US | Mkt Cap:USD8,087mn | Brad Sills

Better transaction volume & monetization signal improvement from here

- Solid Q2 results with transaction revenue upside (\$17 mn) from better than expected TPV and take rate
- Results suggests stable macro pressure and a model that has already bottomed
- Improving cross-sell under better integrated platform and macro to drive upside from here, Reiterate Buy rating and \$90 PO.

[Capri Holdings](#) | NO RATING | CPRI US | Mkt Cap:USD5,542mn | Lorraine

Hutchinson

Tough macro backdrop leads to 3Q sales miss, FCF intact

- Sales declined 5.6% & missed VA cons by 4% due to softness in NA & residual issues from the Kors ecomm implementation error
- CPRI expects to generate strong FCF on an annual basis, in line with historical levels (approximately \$500mn)
- We are cutting our F24 EPS by 19% to \$3.73, reflecting sales -6% and over 600bp decline in operating margin



Carrier | UNDERPERFORM | CARR US | Mkt Cap:USD49,464mn | Andrew Obin

Focus on '25 EPS, Viessmann growth in 2H24 key source of uncertainty

- Carrier's 4Q23 operating results missed expectations slightly. EPS came in ahead of consensus on a more favorable tax rate
- We lower '24 EPS estimates to \$2.75 to reflect timing of divestitures, lower estimates for Viessmann, and higher share count
- CARR expects Viessmann sales up MSD '24. We are more cautious given continuing negative headlines on European heat pumps.

Coty Inc. | BUY | COTY US | Mkt Cap:USD10,606mn | Anna Lizzul

Mix ignition supporting growth and margins, reiterate Buy

- COTY underperformed on FQ2 results due to moderating category trends and pricing. However, we expect mix drivers ahead of:
- 1) Prestige outgrowing Consumer Beauty, 2) growth of more premium products even within prestige, and...
- ...3) growth in mix-accretive travel retail and China channels. We reiterate our Buy rating and PO at \$15.

Doximity | NEUTRAL | DOCS US | Mkt Cap:USD6,111mn | Allen Lutz

Brand remains highly relevant, shares fairly valued

- Doximity reported an impressive quarter with 20% Subscription growth and strong contribution from large customers.
- We estimate Doximity can grow 10% in FY25 and can take market share, but view shares as fairly valued.
- We list multiple pros and cons presented in the quarter on Page 3. Reiterate Neutral.

Dynatrace | BUY | DT US | Mkt Cap:USD16,176mn | Koji Ikeda

F3Q results: Leadership positioned unchanged, but guide a bit soft, Reit.

Buy

- F3Q beat, but ccARR guide was lowered 1pt due to longer deal cycles with strategic enterprise observability initiatives
- Key positive: Pipeline commentary strong, \$1mn pipe up 39%, suggesting good setup for growth accel over NTM
- Reit. Buy, \$70 PO, based on 53.4x CY24 EV/FCF, a premium to infrastructure peers at 45.2x due to higher FCF growth

Warner Music | NEUTRAL | WMG US | Mkt Cap:USD18,028mn | Jessica Reif Ehrlich

Continued streaming momentum

- WMG reported F1Q24 results which beat our revenue and adj. OIBDA expectations.
- Following the F1Q beat, we increase FY24E revenue and adj. OIBDA to \$6,446mn (from \$6,399mn) and \$1,469mn (from \$1,449mn).
- We reiterate our Neutral rating and \$36 price objective.

Buy Reiterations

Communication Services

[Pinterest](#) | BUY | PINS US | Mkt Cap:USD28,302mn | Justin Post

Soft 4Q but constructive on 3P deal(s) ramp and growing DR capabilities, Buy

- 4Q revenue miss but EBITDA and user beat, 1Q growth outlook slightly below Street, marginally lowering 2024 estimates.
- Growth expected to accelerate 4pts in 1Q on DR improvements and ramp of 3P deals, we see big runway (\$1bn) in Intl markets.
- We remain positive on PINS given ongoing 3P deal ramp, growing DR capabilities & relative growth & valuation vs peers, Buy

Consumer Discretionary

[Amazon.com](#) | BUY | AMZN US | Mkt Cap:USD1,727,443mn | Justin Post

Internet/e-Commerce

- Online spend accelerated to 2% y/y in January, boosting the rate of online retail penetration growth to 90bps y/y.
- Early online spending data is stable QTD, above Street projecting a 3pt deceleration for Amazon North America sales growth.
- Transit growth decelerated 5pts in January (possibly weather related), Uber's recent 1Q guidance suggests less deceleration.

[Ferrari](#) | BUY | RACE US | Mkt Cap:USD69,667mn | 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**

[Hilton Worldwide](#) | BUY | HLT US | Mkt Cap:USD49,058mn | Shaun Kelley

Lodging

- Lodging C-corps were meaningful outperformers in 2023 and so far in 2024
- We revisit key debates for these best of breed fee compounding companies

[Magna Intl](#) | BUY | MGA US | Mkt Cap:USD17,770mn | John Murphy

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[Udemy Inc](#) | BUY | UDMY US | Mkt Cap:USD2,113mn | Curtis Nagle
4Q23 preview, See upside to qtr and remain positive on UB & EBITDA ramp

- UDMY reports on 2/14. Our 4Q ests are slightly above the Street & we see potential for upside which could carry through to 1Q
- 4Q results and 2024 guidance for competitor Coursera could be a positive indicator for Udemy results
- We reiterate our Buy rating as we remain positive on enterprise growth and margin flow through

Consumer Staples

[Costco](#) | BUY | COST US | Mkt Cap:USD320,557mn | Robert Ohmes
January comps & traffic accelerate adjusting for Holiday shift, Buy

- Adjusting for Holiday shift, Jan. comps increased approx. 5.5% in the US (ex-gas) & 6.7% total company (ex-gas, FX).
- Food categories steady m/m, up MSD-HSD%, and Non-Foods up HSD%, adjusting for the timing shift.
- Expect COST's strong value prop to support share gains in current environment. Maintain Buy & raise PO to \$770 (was \$740).

Financials

[Credicorp Ltd](#) | BUY | BAP US | Mkt Cap:USD12,138mn | Ernesto Gabilondo
4Q23 earnings impacted by El Niño, '24 outlook looks more promising

- NI declined 20% YoY (10.6% ROE), reflecting softer core revenues, a goodwill impairment at Mibanco and provisions for El Niño
- Mgmt. anticipated an ROE of 17% in 2024, implying NI growth of 20% YoY (to S\$5.8bn), which is 7%/13% above BofAe/consensus
- '24 NI guidance seems to be ahead of expectations, although we expect more details in tomorrow's conference call. Buy

[Fidelity Nat'l Info](#) | BUY | FIS US | Mkt Cap:USD36,402mn | Jason Kupferberg
Payments, Processors & IT Services

- We are hosting investor meetings with JKHY's incoming CEO in SF on 2/13 and LA on 2/14
- Buy-rated GPN (a top pick for '24) reports on 2/14, we expect steady revs growth and a conservative '24 guide
- On 2/15, U/P-rated EPAM, U/P-rated COIN, Neutral-rated GLOB, and Neutral-rated TOST report earnings

Health Care

[Ionis](#) | BUY | IONS US | Mkt Cap:USD7,171mn | Jason Gerberry Previewing ION582 (UBE3A) updates for Angelman Syndrome in mid/2H24E

- AS is a neurodevelopmental disease and an est. >\$5bn global opportunity with no approved drugs. IONS is in Ph1/2 development.
- Class pre- and clinical data IONS preliminary Ph1 update are encouraging. We look to '24 updates for ION582 de-risking.
- We believe positive data in IONS' mid/2H update can prompt Street to assign risk-adj value to ION582. Maintain Buy.

Industrials

[Equifax](#) | BUY | EFX US | Mkt Cap:USD31,129mn | Heather Balsky You oughta know...EFX doesn't want to miss again

- After negative EPS revisions in 2023, largely driven by mortgage market deterioration, EFX is guiding to no recovery in 2024
- We lower our 2024/25 EPS by 4/2% to \$7.87/\$11.00 on a lower mortgage outlook, partly offset by better non-mortgage growth
- We reiterate our Buy as we expect stock upside as the mortgage market recovers

[ITT Inc.](#) | BUY | ITT US | Mkt Cap:USD10,834mn | Andrew Obin 4Q23 earnings: Svanejoj one-time costs drive '24 guide miss

- ITT reported 4Q earnings that came a penny above the Street and in line with our estimate.
- Guide bracketed the Street on the high end, but missed our estimate, reflecting the Svanejoj acquisition.
- We view the quarter as a non-event operationally but lower our '24 estimates to reflect the acquisition. We maintain FY25.

[Thomson Reuters](#) | BUY | TRI US | Mkt Cap:USD70,975mn | Heather Balsky Raising the bar on sales growth

- 4Q EPS of \$0.98 beat our \$0.91E on higher sales (organic 7% vs. our 5.5%E) and higher EBITDA margin (39.0% vs. our 37.8%E).
- We expect TRI's compounding growth story and accelerating sales to drive stock price upside
- We're raising our PO to \$180 (C\$243) as we roll forward our outlook to 2025 estimates and raising our multiple to 41x P/FCF



Information Technology

[Accenture](#) | BUY | ACN US | Mkt Cap:USD230,861mn | Jason Kupferberg Payments, Processors & IT Services

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[Arista Networks](#) | BUY | ANET US | Mkt Cap:USD81,663mn | Tal Liani Switching Trends

- The global switching market grew 14.7% YoY in 3Q23, below 3Q22's 38.3% growth, as orders remain weak and backlog is depleting
- We believe current demand is weak and expect 2024 to be a difficult year for growth, possibly reaching negative territories
- DC switching grew 13.1% YoY on Cloud provider demand and 400G, Campus switching growth is moderating, only up 15.7% YoY

[Motorola Solutions](#) | BUY | MSI US | Mkt Cap:USD54,496mn | Tomer Zilberman

A solid end to the year, demand for public safety marches on

- 4Q rev. growth of 5.2% YoY above Street's 4%, supported by better-than-expected performance in LMR & Video Security Software
- LMR was up 3% YoY above Street's 1.2%, yet adjusted growth was 6%, Video Software grew 25.9% YoY, supported by Avigilon Alta
- Total backlog grew 6.3% on an adjusted basis, we flag backlog trends point towards a sustainable order pipeline, reit. Buy

Materials

[AptarGroup Inc.](#) | BUY | ATR US | Mkt Cap:USD8,681mn | George Staphos Packaging & Paper/Forest Wrap-up

- We review a "noisy" 4Q23 reporting pd thus far for our coverage. Set-up has been important, volumes have ...
- ... been weaker, higher-quality outperforming. PKG, BALL, AVY, SLGN, OI, WY among better reports. Recent good ...
- ... news for Bud. RL's midweek shows wood pricing flat-to-down. BofA's Annual Global Ag & Mats Conf in FL (2/28-29).

[Cemex](#) | BUY | CX US | Mkt Cap:USD11,739mn | Carlos Peyrelongue
Mixed Q4. '24 guidance disappoints on EBITDA & FCF, maintaining Buy rating

- Mixed Qtr. on by YoY pricing and lower costs. EBITDA at US\$747mn, up 18% yoy, in line with BofA est, & 2% below consensus
- CX unveils '24 guidance: EBITDA up "low to mid-single digits". As for FCF, capex of \$1.6bn, WC of 300mn, & taxes of \$1bn
- Reit Buy. CX offers attractive upside for 2024 on LT cyclical opportunities in Mexico and the US (Nearshoring US Infra)

[Commercial Metals](#) | BUY | CMC US | Mkt Cap:USD6,481mn | Lawson Winder
Notes from the road with our top pick in steels: infra inflection + catalysts. Buy

- We hosted CMC's SVP and CFO, Paul Lawrence and Director of IR, Jason Brocius, for investor meetings in Chicago, IL.
- With US infrastructure spending set to inflect, we are constructive on rebar. CMC is well placed, with AZ2 ramping up.
- Strong optimization potential in steel robust growth for EBG. CMC is our top stock pick among the N.A. steels. Buy.

[Sealed Air Corp](#) | BUY | SEE US | Mkt Cap:USD5,089mn | George Staphos
Packaging & Paper/Forest Wrap-up

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- ... been weaker, higher-quality outperforming. PKG, BALL, AVY, SLGN, OI, WY among better reports. Recent good ...
- ... news for Bud. RL's midweek shows wood pricing flat-to-down. BofA's Annual Global Ag & Mats Conf in FL (2/28-29).

Macro & Strategy

[Collateral Thinking](#) | Neha Khoda
Private-to-public deals on a hot streak

- We break down YTD new-issue surge into components, spotlighting a notable primary market trend: Pvt Debt (DL) to BSL takeouts
- DL premium over BSL is at a decade high, setting off a rotation from pvt to public markets. Opportunity set here is >\$100bn.
- We discuss resurgence of dividend deals, while LBOs/M&As stay muted; repricings scaling back giving way to bond/loan refis.

[US 1](#) | US 1 Committee
Removing RNR from the US 1 List



Global Economic Weekly | Claudio Irigoyen**The good, the bad, and the ugly**

- Growing apart: the US shows remarkable resilience, European growth remains weak, and confidence is yet to rebound in China.
- Coupled with ongoing changes in global trade and supply chains, equity valuations are reflective of this.
- In the US, there are concerns about commercial real estate, but there are reasons to believe risks should remain contained.

US Economic Weekly | US Economics**Is the US economy re-accelerating?**

- After blockbuster growth in 2H 2023, the January data flow generally points to continued economic momentum in January.
- We see downside risks to housing and used cars in coming months, but upside risks to growth could mean slower disinflation.
- Our analysis suggests that most of the recent strength in consumer spending has been due to supply expansion.

GEMs Flow Talk | Jane Brauer**EM IG has become attractive vs US IG Corps amid small EM outflows**

- We expect more crossover demand for EM assets, as major US IG spread compression leaves EM looking more attractive.
- Our US economists now forecast 25bp rate cuts in Jun, Sept & Dec 2024, followed by 100bps of cuts in 2025.
- 40% of YTD issuance was in 1st wk of Jan, heavy IG issuance & finally some new bonds from LatAm, joining those from GCC

FX and Rates Sentiment Survey | Ralf Preusser**Self confident**

- Despite higher US terminal rate expectations, investors have more conviction in buying duration and disinflation.
- Republican sweep viewed as supportive for USD; sweep of either party viewed as driving rates higher.
- Multi-year longs in both EA duration and EM duration in line with sentiment. In EM, LatAm remains investor favorite.

Global FX weekly | Claudio Piron**Still in search of a safe landing**

- Strong economy and falling inflation not sustainable; eventual adjustment unlikely to be smooth.
- Carry continues to drive EM FX; short EUR favored funder, but shifting geopolitical risks.
- G10 themes: macro, flows, CHF, CAD. EM themes: long BRL/MXN, short EUR/TRY, TWD, SAR. 6m USD put skew to richen vs. calls.

[The Flow Show](#) | Michael Hartnett**If Stocks were the Super Bowl**

- Ain't nothing that keeps pace with Super Bowl inflation but if wings, beer & S&P500 had kept up past 35 years...
- BofA Bull & Bear jumps to 6.8... "tops are a process, lows are a moment" & bubbles respect real rates not positioning...
- ...still BofA proprietary trading rules closing in on "sell signals" as positioning flips from tailwind to headwind

[Mexico Watch](#) | Carlos Capistran**Banxico opens the door for cuts**

- Banxico left the policy rate target at 11.25% on February 8, as expected. The decision was unanimous.
- Banxico opened the door to cuts by changing the forward guidance, despite still highlighting upside risks to inflation.
- We expect Banxico to cut 25bp at its next meeting (March). We expect the policy rate target at 9.25% by year-end.

[BofA Brazil Activity Coincident Tracker](#) | David Beker**Out with the old, in with the new**

- Our BofA Activity Coincident Tracker increased in January, following five negative months.
- Auto sales registered the largest monthly contribution and business confidence is now weighting on the positive side.
- We continue to expect GDP growth of 3.0% in 2023 and 2.2% in 2024.



Disclosures

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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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