

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Rating Changes

[Utz Brands](#) | BUY | UTZ US | Mkt Cap:USD2,524mn | Peter Galbo

Takeaways from BofA Consumer & Retail Conference 2024

- Our annual Consumer Conference featured management from CPB, HRL, PPC, TSN, UTZ, CCEP, CELH, COCO, NAPA, TAP, KVUE, PG.
- Food centered on SNAP roll-offs and summer to be key watch-outs; beverages discussed summer activations...
- ...while HPC focused on innovation and marketing with in-store execution to win market share in key categories.

PO Raised

[Airbnb](#) | NEUTRAL | ABNB US | Mkt Cap:USD112,037mn | Justin Post

AirDNA data update: Airbnb bookings growth accelerates in February

- AirDNA data suggests Airbnb Feb. nights growth improved to 24% y/y, and now estimates nights up 9.4% for 1Q.
- AirDNA also estimates revenue upside for Airbnb in 1Q, though we note a measurement methodology change.
- With 1Q upside more likely, we raise our PO to \$168, but stay at Neutral given valuation.

[Floor and Decor](#) | BUY | FND US | Mkt Cap:USD13,499mn | Robert Ohmes

Consumer Conference Key Takeaways

- We hosted the FND group meetings at our 2024 Consumer Conference in Miami, FL. Our key takeaways included:
- 1) 2024 GM improvement driven by ocean & international freight, 2) ticket pressures primarily reflect smaller project size,
- 3) FND should have significant earnings power once macro improves, 4) 25% of new store openings in 2024 are smaller format.

14 March 2024

Equity

United States

Investor Support

BofAS

Today's Events: Economic Indicators

1. 8:30 Initial Jobless Claims
2. 8:30 Advance Retail Sales
3. 8:30 Retail Sales Less Autos
4. 8:30 Retail Sales Less Autos and Gas
5. 8:30 Core Control
6. 8:30 Producer Price Index (mom)
7. 8:30 PPI Ex Food & Energy (mom)
8. 8:30 PPI Ex Food, Energy, Trade (mom)
9. 10:00 Business Inventories

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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.

[Harley-Davidson](#) | BUY | HOG US | Mkt Cap:USD5,460mn | Alexander Perry
Consumer Conference: HOG Fireside Chat Takeaways

- We hosted a fireside chat & investor meetings with HOG management at our Consumer Conference in Miami, FL.
- We believe consumer reception to HOG's touring lineup revamp has been very favorable.
- HOG could benefit from a product refresh cycle given 1.5mm Harley touring riders. Raise PO to \$55.

[Int Business Machine](#) | BUY | IBM US | Mkt Cap:USD180,324mn | Wamsi Mohan

“View from the Top” call with CEO Arvind Krishna (transcript included); PO to \$220

- We hosted IBM CEO Arvind Krishna as part of our View From the Top CEO call series.(full transcript in note)
- IBM is repositioned for substantial growth and improving FCF
- Raising PO to \$220 from \$200 on 18x (was 17x) EV/F25 FCF; estimates unchanged

[Jamf](#) | NEUTRAL | JAMF US | Mkt Cap:USD2,274mn | Koji Ikeda
Investor Day takeaways: Plants many seeds, waiting for green shoots to sprout

- We attended Jamf's 2024 Investor Day, where new 2025-2026 financial targets assume revenue growth reacceleration
- Security could be meaningful growth lever for cross-selling in the base
- Raise PO to \$23 for increased focus on FCF generation, and now use EV/FCF for valuation.

[KLA Corp](#) | BUY | KLAC US | Mkt Cap:USD93,137mn | Vivek Arya
Keep calm and compound on: management mtg. highlights, top semicap, PO now \$850

- Hosted KLAC CEO, CFO, IR for mtgs., solidly positioned for cyclical turn, reshoring, chip complexity, raise PO to \$850
- Green shoots in leading edge demand recovery in 2H24/CY25E, improving utilization, AI proliferation, foundry competition
- Reit Buy, top semicap pick on industry leading profitability, FCF generation and underappreciated services biz

[Sweetgreen](#) | BUY | SG US | Mkt Cap:USD2,138mn | Katherine Griffin
Consumer Conference Takeaways: CMG, FWRG, JACK, PTLO, QSR, SG, TXRH

- CMG: Throughput, LTOs, loyalty. PTLO: Strong value prop, portable concept. SG: QTD demand strong; IK benefits bottom line.
- JACK: Smashed JACK supports comp; unit growth to accelerate. QSR: Ops, remodels in US, NRG in int'l.
- FWRG: Culinary, value drive growth in competitive markets.TXRH: LT traffic share gains, op leverage emerging.

TopBuild | BUY | BLD US | Mkt Cap:USD13,076mn | Rafe Jadrosich**TopBuild: incrementally bullish following management meetings**

- We hosted investor meetings with TopBuild CFO Rob Kuhns. We came away incrementally bullish and raise our PO to \$475.
- 1) guidance conservative vs our expectations on SF starts and pricing, 2) opp to drive incremental margins from productivity,
- 3) increased penetration of spray foam could drive relative outperformance vs industry at a high profit dollar contribution.

UiPath | BUY | PATH US | Mkt Cap:USD11,815mn | Brad Sills**Best of breed RPA vendor benefitting from increasing AI awareness; reiterate Buy**

- ARR of \$1.464 billion (22% y/y) ahead of our \$1.457 billion estimate. Believe UiPath helped from halo effect around AI.
- Encouraged by expanding adoption across use various different use cases & verticals; Federal particularly strong in Q4.
- Reiterate Buy rating and raise PO to \$30, based on 8.8x C25E revenue.

World Kinect | UNDERPERFORM | WKC US | Mkt Cap:USD1,504mn | Ken**Hoexter****Sees 30% net op margin, \$500 mil EBITDA by 2026; Simplifying the story; PO to \$26**

- Hosted Investor Day on Mar 13 w/ CEO Kasbar, CFO Birns, EVP Rau, and IR Ballard. Targets 30% net operating margin by 2026.
- Expects \$480-\$520 mil in adj EBITDA in 2026, \$900 mil to \$1.2 bil in FCF 2024-2028. Focus on Land returns, Aviation mix.
- PO to \$26 on 10.5x our 2024 EPS estimate. Increase our 2024, 2025 and 2026 EPS estimates 4%, 13%, and 15%.

Significant EPS Change**American Eagle** | NEUTRAL | AEO US | Mkt Cap:USD4,247mn | Christopher**Nardone****Conference takeaways: Multiple initiatives to drive sustainable growth at AE**

- We hosted Mike Mathias, CFO for investor meetings at our Consumer Conference in Miami following last week's strategy update
- We are encouraged by the 1H weighted F24 guide but acknowledge the calendar shift and difficult compares in 2H are notable
- Mgmt. currently has workstreams on over 85% of its cost structure to help drive the business to a 10% operating margin by '26



[Rocket Lab](#) | BUY | RKL US | Mkt Cap:USD2,098mn | Ronald J. Epstein
Ascent: more positive catalysts on the horizon suggest selloff is overdone

- RKL was awarded the prime role for the SDA Tranche 2 Transport Layer-Beta program. We see further opportunities from SDA.
- We welcome the recent \$355mn notes. The funds support internal investments and M&A opportunities.
- We reiterate our Buy rating & \$10 price objective.

Buy Reiterations

Communication Services

[iQIYI](#) | BUY | IQ US | Mkt Cap:USD3,967mn | Lei Zhang
Investor meeting takeaways: improving ROI amid backend-loaded content schedule

- Investors meeting early this week indicates interests in content release schedule, ARM & subscriber trend and cash flow trend
- IQ sees ARM as a key driver in '24E amid backend-loaded content schedule, but still expects room for subscriber growth L-T
- Expect cash flow and profit trend to continue to improve in '24E. Further shareholder-return pending for the CB repayment

Consumer Discretionary

[Bath & Body Works](#) | BUY | BBWI US | Mkt Cap:USD12,468mn | Lorraine Hutchinson
Conference Takeaways: see continued opportunity for margin expansion

- We hosted meetings with Eva Boratto, CFO at our Consumer Conference in Miami
- We maintain our Buy rating based on improving sales, margin recapture opportunity, and free cash flow generation
- Mgmt struck a positive tone on its ability to quickly react to customer feedback & laid out oppty for a 2H sales inflection

[Burlington Stores](#) | BUY | BURL US | Mkt Cap:USD14,735mn | Lorraine Hutchinson

Conference Takeaways: sales & margin opportunities abound

- We hosted meetings with David Glick, SVP IR/Treasurer and Daniel Delrosario, VP IR, at our Conference in Miami
- We continue to see outsized sales and margin recovery opportunities and reiterate our Buy rating
- F24 margins will benefit from higher MM, freight, supply chain, and leverage on buying costs

[Ralph Lauren](#) | BUY | RL US | Mkt Cap:USD13,418mn | Christopher Nardone

Conference takeaways: Confident in path to more margin improvement

- We hosted Jane Nielsen, CFO and COO for investor meetings at our consumer conference in Miami
- We walked away confident that RL will achieve its 15% ccy op margin target by F25, led by GM expansion and SG&A leverage
- We remain confident about the health of the core RL consumer globally; Asia and DTC should continue to drive growth into F25

[Tapestry Inc.](#) | BUY | TPR US | Mkt Cap:USD12,691mn | Lorraine Hutchinson

Conference Takeaways: see opportunity for sustainable growth

- We hosted meetings with CEO Joanne Crevoiserat and CFO/COO Scott Roe at our Conference in Miami
- Reit Buy as we think the Coach strength, strong margin profile, & cash flow generation warrant a higher multiple
- TPR reiterated confidence in closing the CPRI acquisition in C24

[TJX Companies](#) | BUY | TJX US | Mkt Cap:USD116,619mn | Lorraine Hutchinson

Conference Takeaways: well positioned for continued share gains

- We hosted CFO & EVP John Klinger, SVP Global Communications Debra McConnell, & VP IR Jeff Botte at our Consumer Conference
- Reit Buy; we have further conviction that TJX can secure great deals on quality, branded product while providing value
- Better buying will continue to support merchandise margin in F25, and shrink mitigation efforts are working

Consumer Staples

[Sysco](#) | BUY | SYU US | Mkt Cap:USD40,085mn | Kendall Toscano

Consumer Conference Key Takeaways

- We hosted SYU Investor Relations for group meetings at BofA's 2024 Consumer Conference in Miami. Our key takeaways included:
- support for continued improvement in local case volume momentum in F24 and beyond, SYU's strong outlook in specialty & more.
- We see SYU well-positioned for cont'd market share gains & margin expansion, w/ LT support from scale & strategic investments



Health Care

[Arrowhead](#) | BUY | ARWR US | Mkt Cap:USD3,542mn | Jason Gerberry Previewing RAGE asthma data & ARWR's position in pulmonary RNA-silencing

- We preview 3Q FeNO data from ARWR's ARO-RAGE Ph1/2 study in asthma patients and ARWR's positioning in pulmonary RNAi.
- Our discussion w/ KOL supports rationale for targeting RAGE, t2-asthma as most credible setting & FeNO key derisking measure.
- Data hitting base case (FeNO decrease 30-40%) could add 15% to DCF; we main. Buy on '24 pulmonary updates skewing to upside.

[Edwards Lifesciences](#) | BUY | EW US | Mkt Cap:USD55,879mn | Travis Steed Why TAVR could potentially reaccelerate

- In our meetings last week EW mentioned using 3rd party to drive TAVR growth; It caught our attention; EW scaling this up too.
- We have since learned more. The 3rd party is Egnite Health; It uses AI to identify disease and help with referral/follow up.
- In 2022 CardioCare centers growing 25% (vs 6% national avg). We think this is why EW moderate trial enrolled 2 years early.

[Inozyme Pharma, Inc.](#) | BUY | INZY US | Mkt Cap:USD356mn | Tazeen Ahmad Topline ENPP1 and ABCC6 phase 1/2 data expected in early April

- INZY reported FY23 R&D and G&A expenses of \$54.8mn and \$20.8mn, respectively
- Topline phase 1/2 data in adults with ENPP1 and ABCC6 deficiency expected in early April
- ENERGY-3 pivotal trial data evaluating INZ-701 in pediatric ENPP1 deficiency expected in mid-25

Industrials

[Caterpillar Inc](#) | BUY | CAT US | Mkt Cap:USD175,063mn | Michael Feniger Dealer down under provides some insights

- BofA hosted a call with Seven Group Holdings - diversified operating group in Australia - includes WesTrac (large CAT dealer)
- i) EV mining truck penetration likely takes longer - yet supports/extends rebuild cycle, ii) large engines remain in demand,
- iii) Inventory commentary around parts, iv) WesTrac demand more driven by volumes, exports vs iron ore price (to an extent).

[Emerson](#) | BUY | EMR US | Mkt Cap:USD69,278mn | Andrew Obin Emerson's boundless automation (and ambition)

- We attended Emerson's user conference, Emerson Exchange, in Dusseldorf on Feb. 27. CEO Lal Karsanbhai presented the...
- company's vision for boundless automation. This refers to a seamless connection from field products to both edge & cloud...
- ...devices. We see Emerson aiming to take share in process/hybrid markets (67% of sales) on new product & software adoption.

Information Technology

[Amplitude, Inc.](#) | BUY | AMPL US | Mkt Cap:USD957mn | Koji Ikeda
40% discount multiple creates attractive 2024 setup; Maintain Buy, \$14 PO

- Positive after investor meeting last week. Topics included: 1) guidance, 2) competition 3) LT growth, and 4) profitability
- Believe the digital analytics is still early, and the category growing to \$46.9bn by 2025, leaving long growth runway ahead
- 2024 guidance looks achievable, as guide does not bake in improvements in S&M efficiency despite actions taken in GTM

Utilities

[PG&E Corp.](#) | BUY | PCG US | Mkt Cap:USD35,812mn | Julien Dumoulin-Smith
Opportunity to Buy after YTD -10% Relative Correction.

- PCG has underperformed -10% YTD due to regulatory overhangs from PacGen and cost of capital plus TX wildfire headlines.
- At a 25% discount, we see a strong risk/reward profile. The 9% EPS growth guidance is conservative on earned ROEs.
- PacGen sale success could see a fly-wheel like virtuous cycle in shares re-rating higher enabling access to equity markets.

Macro & Strategy

[US Economic Viewpoint](#) | US Economics

Women fuel resilience across the economy

- The labor force participation rebound was mainly led by prime age women, especially young mothers.
- Women drive the high touch services sectors that have driven the ch-up growth in hiring & supported economic activity.
- Women make the majority of spending decisions & are likely to be the spenders of the future with the power of the purse.

[Quantitative Profiles](#) | Savita Subramanian

After four years of waiting...

- First time since Sep. '20 the US Regime indior is joined by European and Global indiors in a synchronized Recovery.
- Past US Recoveries lasted eight months on avg., with instances ranging from three to 14 months.
- Value, Dividend Yield, Low Quality and Risk typically fare well in this phase.



[Liquid Insight](#) | Global Rates & Currencies Research**Diving into the EUR/USD rebound**

- EUR/USD has rallied in recent weeks amid nascent signs of growth convergence and a more hawkish ECB than Fed
- Inf trending down in both, but services is sticky. US reacceleration risks are receding while wage concerns in the EA remain
- We expect the Fed and ECB to cut in June but neither is assured. Fed cuts mean more for FX, leading to our bearish USD f'cst

[Emerging Insight](#) | GEMs FI Strategy & Economics**Argentina: Incentives for a fiscal pact**

- We see incentives for fiscal pact with governors to consolidate the fiscal adjustment and increase revenue for the provinces
- It should include a new pension formula, tax revenues, investment promotion regime and deregulation of hydrocarbons
- Still, execution risks remain high, amid a split congress

[Credit Derivatives Navigator](#) | Jean-Tiago Hamm**IG Cash over Synthetics**

- Heavy IG supply caused an indigestion in US IG credit, with IG bond spreads widening far beyond their synthetic counterparts.
- We expect this to normalize as supply eases, and we like going long LQD on spread (rates-hedged with treasuries) vs CDX IG41.
- We also note at the single-name level there are CDS cash basis packages that widened since mid-February.

[Small/Mid-Cap Valuations](#) | Jill Carey Hall**Where to find value**

- The Russell 2000 now trades in-line with its long-term avg. multiple, but still trades at a near-record discount vs. large.
- Relative value opportunities: cyclicals vs. defensives, Value vs. Growth, small cap Discretionary vs. small cap Staples.
- Financials & Consumer Discretionary rank highest in our small cap quant framework; Utilities, Staples and Health Care lowest.

[US Equity Futures Watch](#) | Chintan Kotecha**S&P 500 Futures Intraday Roll Cost Monitor**

- On Wednesday, 13 Mar, the ES Mar/Jun roll traded 60bps to Fed Funds. The VWAP for the quarter is 57bps
- The total notional rolled in ES contracts on 13 Mar was \$72.3bn and quarter-to-date is \$787.9bn
- Open interest implies 75.6% of e-mini contracts have rolled to Jun-24

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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