

## Morning Meeting Notes

## QuickNotes

Morning Call

## US EQUITIES RESEARCH

## Rating Changes

[Brown & Brown](#) | UNDERPERFORM | BRO US | Mkt Cap:USD24,550mn | Grace Carter

## Downgrading to Underperform following recent rally

- We downgrade BRO shares to Underperform due to lack of upside vs our price target.
- Given headwinds for organic growth and margin expansion, we believe current valuation overly reflects earnings growth.
- We increase our PO to \$86 from \$80, or 135% the year-ahead S&P 500 P/E (19x vs prior 18x) on 2025E EPS.

[Eversource](#) | BUY | EVRG US | Mkt Cap:USD11,818mn | Julien Dumoulin-Smith  
**Kansas-style PISA? We'll take a slice. Upgrade to Buy on lag improvement**

- Upgrade to Buy with favorable risk/reward with shares at 10% discount and improving EPS growth toward 6.0-6.5% vs 4-6% guide
- Kansas regulatory reform bill passed the House yesterday 3/11 without opposition. We estimate \$0.10-\$0.15 LT EPS uplift.
- Many investors we speak to have not considered buying EVRG since the original WR-GXP merger: legislation can change things.

[Latham Group, Inc.](#) | UNDERPERFORM | SWIM US | Mkt Cap:USD376mn | Shaun Calnan

## Downgrade to Underperform on weak new pool construction and higher decrementals

- We downgrade SWIM to Underperform on lower new pool construction, higher decremental margins and limited FCF generation.
- SWIM initiated 2024E guidance with the midpoint of revenue and adj. EBITDA roughly 8% and 35% below our previous estimates.
- We lower our 2024E/2025E adjusted EBITDA by 36%/31%. We also lower our PO to \$2.60 (6.0x 2025E EV/EBITDA) from \$4.50.

13 March 2024

Equity  
United States

Investor Support  
BofAS

## Today's Events: Economic Indicators

1. 7:00 MBA Mortgage Applications

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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

[Dell Inc.](#) | **BUY** | **DELL US** | **Mkt Cap:USD84,822mn** | **Wamsi Mohan**  
**Artificial Intelligence set be a key driver for server market growth**

- AI is set to drive server market growth above historical rates. We model server market revs growing at 23% CAGR 2023-27
- Within the server market, we model AI servers growing much faster with revenue and unit CAGRs of 50% and 58%, respectively
- Within our coverage, we see Super Micro, DELL, HPE, NTAP, PSTG, WDC and STX as beneficiaries. We adjust our ests and POs

[Enfusion, Inc.](#) | **UNDERPERFORM** | **ENFN US** | **Mkt Cap:USD841mn** | **Koji Ikeda**

**Good 4Q results, look ahead to next week's investor day for growth & profits outlook**

- Good 4Q results with revenue/EBITDA above Street. 2024 outlook is good suggesting confidence in ability to execute
- Looking to next week's investor day for more color on TAM, G2M, product roadmap and med to long-term financial targets
- Reit U/P given view that ongoing market volatility could result in less rev/profit upside in 2024. \$9 PO is 5.4x EV/C24E revs

[Hewlett-Packard](#) | **NEUTRAL** | **HPE US** | **Mkt Cap:USD23,465mn** | **Wamsi Mohan**

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[Ladder Capital Corp](#) | **NEUTRAL** | **LADR US** | **Mkt Cap:USD1,382mn** | **Eric Dray**

**Updating estimates post 4Q**

- We think LADR is better positioned than many peers to navigate a difficult 2024; Maintain Neutral raise PO to \$11
- Credit has been solid, with just 0.5% of the portfolio on non-accrual at year-end, CECL reserve 1.4% of loans
- We like LADR's diversified portfolio with limited office loans (16%) and ample cash (over \$1.0B or 18% of assets)

**[NVIDIA](#) | BUY | NVDA US | Mkt Cap:USD2,288,634mn | Vivek Arya**  
**AI Woodstock, aka GTC Preview, raise PO to \$1100**

- GTC keynote commences 3/18, we reiterate Buy on top pick, Raise PO to \$1100 (from \$925)
- Key insights: Impacts of genAI on \$1tn-\$2tn data center TAM, pipeline update (B100, etc.), visibility into CY25 and beyond
- Despite YTD outperformance, NVDA valuation and ownership attractive compared to semis/infotech peers

**[PagSeguro](#) | BUY | PAGS US | Mkt Cap:USD4,436mn | Mario Pierry**  
**It is not all about credit; feedback from meeting with CFO and IR**

- We hosted Artur Schunk (CFO) and Eric Oliveira (Head of IR) on a meeting with local investors. They reinforced focus....
- on the acquiring product, which should benefit from lower Selic, strong TPV growth and more rational competitive environment.
- We raise our estimates to incorporate 4Q and '24 guidance. We raise our PO to \$18 (from \$16), and we reiterate our Buy.

**[Qifu Technology](#) | BUY | QFIN US | Mkt Cap:USD2,632mn | Emma Xu**  
**Prudent growth, strong commitment to shareholder return**

- 4Q revenue up 5% QoQ, beat; profit down 3% QoQ, in line. Strong commitment to shareholder return for next 3 years. Buy.
- New loans fell 3% QoQ. Risk metrics worsened in 4Q, but improved YTD on tightened control, expect to further improve in '24.
- Focus on quality growth, no guidance on loans but on quarterly profits. We expect less new loans but better profits in '24.



**RELX PLC | BUY | RELX US | Mkt Cap:USD82,231mn | David Amira**  
**Thomson Reuters' investor day read-across: sizing up the genAI opportunity**

- Thomson Reuters' investor day provided further detail on the genAI opportunity in legal services. We view as a supportive
- Read-across and helps contextualise upbeat commentary on RELX's recent FY23 results call. RELX trades on 18x CY24 EV/EBITDA
- vs US peers' 23x, for 11% 3yr EPS CAGR - reiterate Buy, PO raised to 3,900p. Next catalyst: Q1 update due April 25th.

**Super Micro | BUY | SMCI US | Mkt Cap:USD65,050mn | Ruplu Bhattacharya**  
**Well positioned in a growing AI server market**

- SMCI is well positioned to benefit from a growing AI server market
- The company is putting in capacity to support strong demand and revenue growth
- We raise our price objective to \$1,280 (from \$1,040) on 26x our C26E EPS

**Xponential Fitness | NEUTRAL | XPOF US | Mkt Cap:USD888mn | Alexander Perry**

**Consumer Conference: XPOF Fireside Chat Takeaways**

- We hosted a fireside chat with XPOF management at our Consumer Conference in Miami, FL.
- Club Pilates, StretchLab, YogaSix, Pure Barre, & Rumble continue to drive momentum & are the most profitable for franchisees.
- Lindora helps expand XPOF's portfolio into wellness and should start to contribute to unit openings in 2025.

## PO Lowered

[Incyte](#) | NEUTRAL | INCY US | Mkt Cap:USD13,303mn | Tazeen Ahmad

### KOL feedback from dermatology update

- INCY reported the ph 2 trials of povorcitinib in PN and rux' cream in HS met the primary endpoint
- Our KOL is encouraged by the efficacy profile of povor' in PN but thinks class safety profile could limit uptake
- Despite encouraging data in PN, we are cautious on the commercial oppy as we look for further validation and KOL feedback

## Significant EPS Change

[CNX Resources](#) | NEUTRAL | CNX US | Mkt Cap:USD3,353mn | John Abbott

### Reacting to low gas prices a +; but the question is where is it deferring wells

- We see the reduction in expected 2024 natural gas volumes as an appropriate response to lower commodity prices
- However, we believe this is potentially offset, in part, by questions on where it may be deferring activity
- If it is in CPA, in our view, that may raise concerns over future capital efficiency. Reiterate Neutral rating with \$23 PO

[Kohl's](#) | UNDERPERFORM | KSS US | Mkt Cap:USD3,271mn | Lorraine

Hutchinson

### New initiatives working but we expect continued challenges in the core

- We retain our Underperform given the lack of certainty on rebuilding sales amidst intensifying competition & credit pressures
- 1Q comp guide at low end of FY guide (0 to 2%); we are less optimistic on acceleration from 4Qs -4% comp; model 1Q comp -2%
- We think Sephora, Babies R Us, gifting, impulse initiatives will support growth but expect core business will remain a drag

## Buy Reiterations

### Consumer Discretionary

[MINISO](#) | BUY | MNSO US | Mkt Cap:USD5,583mn | Lucy Yu

### Dec-quarter results: Solid finish to 2023; YTD update solid; reiterate Buy

- MINISO finished 2023 with strong Dec-Q, slightly better than our expectation on GPM. Revenue/non-IFRS NP was up 54%/77% YoY.
- We fine-tune our estimates and maintain our PO. We reiterate our Buy rating on MINISO.
- 2M24 GMV grew 13%/c.40% in China/overseas, solid with a normalized base. We expect 20% revenue and NPAT growth in 2024.



**[Wayfair](#) | BUY | W US | Mkt Cap:USD7,068mn | Curtis Nagle**  
**BofA consumer conf.; W strikes confident tone on continued share gains & margins**

- We hosted W CFO Kate Gulliver at the BofA consumer conf. Tone was most positive on share gains, industry recovery & margins
- Mgmt. did not update 1Q revenue guide of down mid-single digits but we think tax and weather headwinds could inflect in 2Q
- A new brand campaign and loyalty program could drive more purchase frequency while supplier advertising should grow this year

## Financials

**[Progressive Corp](#) | BUY | PGR US | Mkt Cap:USD116,515mn | Joshua Shanker**  
**The bridge to \$14/sh+ in 2025**

- We are increasing our EPS forecasts to \$14/sh in 2036 and \$16/sh in 2026
- Given our much higher-than-consensus EPS, we detail the mechanics/variables that drive \$6 in earnings in 2023 to \$14 in 2025
- There is no material change in PO despite the EPS increase as we pivot to a valuation on "normalized" EPS

## Health Care

**[Gilead Sciences Inc.](#) | BUY | GILD US | Mkt Cap:USD94,751mn | Geoff Meacham**  
**Takeaways from our KOL Call on CROI 2024 Updates and the HIV Landscape**

- We spoke with an HIV specialist about read-throughs from CROI 2024 on the evolving treatment / PrEP landscape
- Though current HIV treatments are effective, long-acting alternatives are still attractive to a subset of patients
- 6-month lenacapavir for PrEP could be game-changing and increase uptake in at-risk candidates beyond the current est. 30%

**[Si-Bone](#) | BUY | SIBN US | Mkt Cap:USD710mn | Craig Bijou**  
**SIBN CEO call: discussing channel expansion initiative (full transcript inside)**

- Last week we hosted a call with Si-Bone's CEO Laura Francis.
- The discussion focused on SIBN's initiative to expand its physician call point to include interventional spine specialists
- We include our key takeaways from the Q&A below. The full transcript is inside the note.

## Industrials

[Thomson Reuters](#) | BUY | TRI US | Mkt Cap:USD72,150mn | Heather Balsky  
**2024 Investor Day: TRI has the wind in its sails**

- We left TRI's 3/12 Investor Day with greater confidence in its ability to accelerate organic sales
- The Investor Day brought into stark relief that GenAI will likely be transformative for each of its "Big 3"
- We maintain our Buy rating; we expect accelerating organic sales to drive shares higher

[United Rentals](#) | BUY | URI US | Mkt Cap:USD45,798mn | Michael Feniger  
**More than meets the eye – Investor meeting takeaways**

- Takeaways: While there are diverging capex trends in the rental space, we did not sense a change in URI's view of the market.
- Underappreciated aspects: i) market leadership expands - mega project strategy, fleet composition, growing verticals (power),
- ii) new (higher) baseline FCF of \$2bn iii) M&A runway to bundle further iv) rent vs own, used values commentary. Maintain Buy

## Macro & Strategy

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

**BoJ preview: Long time coming**

- Mar/Apr BoJ policy shift a done deal. Strong FY24 Shunto, recent newsflow suggest BoJ may exit NIRP/YCC at the 19 Mar MPM.
- Rates: BoJ is likely to keep its excessive JGB purchases, which should contain a rise in JGB yields.
- FX: Buy USD/JPY's dip. NIRP/YCC removal not yen supportive if guidance not hawkish. We discuss various market scenarios.

[US Equity Futures Watch](#) | Chintan Kotecha

**S&P 500 Futures Intraday Roll Cost Monitor**

- On Tuesday, 12 Mar, the ES Mar/Jun roll traded 56bps to Fed Funds. The VWAP for the quarter is 57bps
- The total notional rolled in ES contracts on 12 Mar was \$176.0bn and quarter-to-date is \$715.6bn
- Open interest implies 72.9% of e-mini contracts have rolled to Jun-24

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

**China: How much will the central bank balance sheet expansion boost growth?**

- The recent expansion in PBoC's balance sheet was driven by various lending tools (incl. relending, PSL, MLF) and not "QE".
- Effect on growth is limited so far, due to small size of targeted lending, lack of universal easing and weak risk appetites.
- We believe more broad-based monetary easing is still needed to revive credit demand and see more room for rate cuts in 2H24.



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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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