

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Rating Changes

[Apollo Medical](#) | BUY | AMEH US | Mkt Cap:USD2,258mn | Adam Ron
Upgrading to Buy as embedded earnings begin to show up in results

- Company set to double revenue over next couple of years through RKK license conversion and pending M&A.
- New organic contract wins, tuck-in deals, tax rate reduction, and removal of 1x headwinds should all further support growth.
- Upgrading to Buy, see 40% upside on new PO, with EBITDA estimates now above consensus for 2024-2026.

[Privia Health](#) | NEUTRAL | PRVA US | Mkt Cap:USD2,663mn | Adam Ron
Downgrading to Neutral as we wait for more proof points on value based care

- Now see 20% type EBITDA growth seen in 2023 rather than 30%-40% LT guidance as new run rate from here.
- Main driver of underperformance vs our expectations has been VBC, appears delayed 1-2 years on utilization/coding pressures.
- Our new PO of \$21 is based on 23x our new 2025E EBITDA estimate which is now below consensus.

PO Raised

[Barclays](#) | UNDERPERFORM | BCS US | Mkt Cap:USD31,139mn | Rohith Chandra-Rajan
Distributions up, profitability harder

- The market has welcomed a detailed update from Barclays prioritising buybacks, the main driver of our 1-11% EPS upgrades
- De-emphasising Investment Bank capital consumption is welcome but looks inconsistent with significant revenue growth plans
- Bigger buybacks largely priced in, profitability prospects weak, better risk reward elsewhere in the sector - Underperform

22 February 2024

Equity
 United States

Investor Support
 BofAS

Today's Events: Economic Indicators

1. 8:30 Initial Jobless Claims
2. 9:45 S&P Global US manufacturing PMI
3. 9:45 S&P Global US services PMI
4. 10:00 Existing Home 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.

Cheesecake Factory | NEUTRAL | CAKE US | Mkt Cap:USD1,738mn |**Katherine Griffin****2/21 4Q Earnings Recap: BTE margins as companies ratchet down G&A**

- BROS: Raise F24 SSSG ests, Maintain \$48 PO. WING: Raising F24 EBITDA estimates, raise PO to \$358.
- CAKE: Lower 1Q revs & EPS, PO to \$38 on rolled fwd ests. JACK: Raise revs, EPS, PO to \$104 on rolled fwd ests.

Element Solutions | BUY | ESI US | Mkt Cap:USD5,566mn | Steve Byrne**End market recovery underway, Remain constructive**

- ESI's 4Q results fell short of expectations, but the electronics segment returned to positive sales, outperforming DD and ROG
- We view ESI's 2024 EBITDA guide of \$510-530mn as conservative vs our unchanged \$540m, assuming share gains and business wins
- Our PO moves to \$28 from \$26, based on a 15.5x comp-driven 24E EBITDA multiple. Remain Buy

GraphicPackaging | BUY | GPK US | Mkt Cap:USD8,107mn | George Staphos**Post 4Q: Moving the dialogue to "packaging" at I-Day**

- GPK reported 4Q23 op. EPS of \$0.75 vs. our \$0.62 est. and consensus at \$0.69, Adj. EBITDA of \$457mn vs. our \$425mn est.
- GPK's Vision 2030 continues "packaging" migration. Targets \$2.5bn of FCF between 2024-27 & \$5bn from 2024-30.
- '24 EBITDA is guided to \$1.75bn-\$1.95bn. We update estimates and our PO moves from \$30 to \$31.

Jack in the Box | BUY | JACK US | Mkt Cap:USD1,987mn | Sara Senatore**2/21 4Q Earnings Recap: BTE margins as companies ratchet down G&A**

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Marathon | UNDERPERFORM | MRO US | Mkt Cap:USD13,841mn | Doug**Leggate****4Q23 Earnings recap: solid quarter, solid outlook. How does MRO differentiate?**

- Adjusted EPS of \$0.69 beat consensus and BofA of \$0.65 with the delta on lower tax. 2024 Capex and Prod. guide looks in line
- MRO called out \$150mm of R&D tax credits for 2024 with 10%-15% of future capex potentially qualifying, lifting our PO \$1/sh.
- EG infills not yet FID'ed but baked into forward EBITDA guide, but a weaker TTF curve has dented momentum. Reit. Underperform

NVIDIA | BUY | NVDA US | Mkt Cap:USD1,678,703mn | Vivek Arya**AI inference surge = sustained growth, EPS power now \$45**

- Another beat/raise, AI demand surging across multiple customer sets, Reiterate Buy, raise PO to \$925
- Likes: Compute and networking growth, AI customer diversity, robust cash generation
- Risks: gross margin moderation, growing competition, China

Public Storage | BUY | PSA US | Mkt Cap:USD50,662mn | Jeffrey Spector**2024 same store guidance better than expected, reiterate Buy rating**

- Positively, PSA reported earnings with a beat driven by strong core and non-same-store results.
- PSA provided 2024 guidance with a midpoint reflecting stabilization but will see SS decline in 1H before improving in 2H.
- However, we hesitate to say PSA's guide is a good sector read through for Storage given the divergent views across mgmt.

Pure Storage | NEUTRAL | PSTG US | Mkt Cap:USD12,396mn | Wamsi Mohan**Many puts and takes for FY25 guide, Raising PO to \$42**

- There are a wide range of outcomes for F25 growth based on market growth, outgrowth, and shift to subscription
- We model F25 support rev to grow 20% y/y and product rev to grow 2% y/y in F25
- Reiterate Neutral. PO moves to \$42 on 3x (unchanged) C25E EV/Sales. We roll-over to C25Ebased valuation.

Snowflake | NEUTRAL | SNOW US | Mkt Cap:USD71,198mn | Brad Sills**BofA Cloud View suggests improving, though volatile consumption backdrop**

- BofA Cloud View for Q4 (3 months ended in Jan) suggests only 2.5% upside to our Q4 product revenue base case
- Patterns suggest ongoing volatility in consumption trends
- Raising our PO to \$265 on multiple expansion across group though reiterate Neutral pending better consumption trends

Toll Brothers | BUY | TOL US | Mkt Cap:USD11,949mn | Rafe Jadrosich**F1Q beats, orders trending above seasonality & GM guide looks conservative**

- TOL reported F1Q ahead of our forecast. Raising guidance primarily to reflect gain on land sale. Reiterate Buy and raise PO.
- Demand was higher than normal seasonality in F1Q, which continued 2Q-to-date. GM guide looks conservative.
- Shift to spec supporting delivery growth and higher ROI. Valuation is attractive at roughly 1.3X forward price-to-book.



Weave | BUY | WEAV US | Mkt Cap:USD860mn | Michael Funk**4Q23 Wrap: growth continues to accelerate**

- Strong execution on the go-to-market side led to WEAV's fourth consecutive quarter of accelerating topline growth.
- 2024 revenue guidance was above Street expectations, and 4Q results and management commentary suggest healthy conservatism.
- We are increasing our 2024/2025 revenue estimates, as well as our PO to \$15 (from \$14), implying 4.3x 25Erev. Reiterate Buy.

Wingstop Inc | BUY | WING US | Mkt Cap:USD9,104mn | Sara Senatore**2/21 4Q Earnings Recap: BTE margins as companies ratchet down G&A**

- BROS: Raise F24 SSSG ests, Maintain \$48 PO. WING: Raising F24 EBITDA estimates, raise PO to \$358.
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Wix | BUY | WIX US | Mkt Cap:USD7,736mn | Michael McGovern**FY24 guide underscores ongoing margin inflection, key investment areas, Buy**

- Reported 4Q results that beat across most metrics, with Revenue/Adj. Income of \$403.7mn/\$74.0mn, vs. BofA at \$389.2mn/\$39.4m
- Mgmt gave strong FY24 guide, we are at Revenue/Adj. Profit/Adj. EPS of \$1.76bn/\$322mn/\$5.60 vs. \$1.74bn/\$319mn/\$5.52 prior.
- With growing contribution from Wix Studio (key investment area), expect growth & margin profile to improve, Raise PO to \$150.

PO Lowered**Arcus Biosciences** | NEUTRAL | RCUS US | Mkt Cap:USD1,491mn | Jason**Zemansky****While early, '521 update encouraging as story expands beyond TIGIT, post 4Q takes**

- Arcus' 4Q was mixed (\$3M, -\$0.10) but we suspect focus was squarely on casdatifan's encouraging albeit early trends
- In our view, the narrative is shifting to the early pipeline, but given the uncertainties, investors may be slow to re-engage
- Thus while RCUS shares may trade up near-term, we see the stock as fairly valued. Reiterate Neutral and lower our PO to \$24

Cross Country | UNDERPERFORM | CCRN US | Mkt Cap:USD598mn | Kevin**Fischbeck****Q1 guide worse, similar to peer**

- Q4 revs beat by 2% but adj EBITDA was 1% below consensus due to a bad debt charge.
- Q1 guide well below consensus. Adj EBITDA 29% below. Travel to be down LDD q/q, in part due to LSD decline in rates.
- Recent client wins should be a tailwind to 2H, but still unclear when demand will bottom. Cutting ests and PO.

Etsy, Inc. | NEUTRAL | ETSY US | Mkt Cap:USD9,236mn | Curtis Nagle
4Q beat overshadowed by soft margin guide, Reiterate Neutral

- Rev/EBTIDA beat at \$842mn/\$236mn, reflecting steady improvement MoM in 4Q, though trends have deteriorated in January.
- Guides 2024 EBITDA margin roughly flat YoY, suggesting limited flowthrough from take rate expansion and cost actions.
- Investors may have been expecting a soft 1Q GMS guide, though margins likely underwhelmed as Etsy invests for growth, Neutral

Lucid Group | NEUTRAL | LCID US | Mkt Cap:USD8,481mn | John Murphy
Fighting until Gravity takes hold and then more Space is needed – 4Q:23 quick take

- LCID reported 4Q:23 adj. EBITDA below BofA and consensus with a better gross margin offset by higher operating expenses.
- 2024 production outlook for 9k vehicles below forecast. Gravity expected in late 2024, mid-size CUV platform in late 2026.
- We lower estimates and PO from \$7 to \$4.50, still based on 6x EV/Sales on 2025E. We reiterate Neutral rating.

Mister Car Wash | BUY | MCW US | Mkt Cap:USD2,732mn | Jason Haas
4Q23 Recap: Titanium penetration surpassing initial target

- Mister Car Wash (MCW) reported 4Q comp growth of 0.7%, below our estimate of 1.0% and consensus of 1.8%.
- MCW provided guidance for 2024. The company expects \$988-1,016mn revenue on a 0.5-2.5% comp.
- Given 4Q results and 2024 guidance, we're lowering our 2024/2025 estimates by 18/17% and introducing 2026 estimates.

Rivian Automotive | BUY | RIVN US | Mkt Cap:USD14,821mn | John Murphy
Good finish to 2023, tough start to 2024, but still great product– 4Q:23 quick take

- RIVN reported 4Q:23 results with adj. EBITDA of \$(1.10)bn roughly in-line with BofAe at \$(1.15)bn and consensus at \$(1.05)bn
- The relatively good results were driven by stronger than expected revenue and leverage of fixed cost
- '24 outlook includes production of 57k units (flat YoY) and adj EBITDA loss of \$(2.7bn). Positive gross margin in 4Q24

SolarEdge | UNDERPERFORM | SEDG US | Mkt Cap:USD4,387mn | Julien Dumoulin-Smith
Holding back shipments comes at a cost – Reiterate Underperform

- Destocking efforts pressure sales through YE as distribution channel remains bloated, Reiterate Underperform, PO to \$54
- Lowering revenue and gross margin forecasts, revenue comes down 19%/13% ('24/'25), gross profit comes down 25%/18% ('24/'25)
- Still see downside for shares following sell-off, lower estimates offsets roll-forward for valuation methodologies



Significant EPS Change

[Alight](#) | BUY | ALIT US | Mkt Cap:USD4,661mn | Heather Balsky

Things are getting interesting (with strategic review)

- 4Q's \$0.30 EPS beat our \$0.27 largely on lower taxes (2cE) and higher margins
- We raise our 2024 EPS by 4c to \$0.75. We maintain our \$12 PO, but roll-forward our valuation to 2025
- We reiterate our Buy. We expect multiple expansion as Alight delivers ongoing new business wins and steady EBITDA growth

[APA Corp](#) | BUY | APA US | Mkt Cap:USD10,124mn | Doug Leggate

4Q23 Earnings recap: Tax distorts EPS, cashflow beats, good capex guide ex Callon

- Adj EPS missed on noise from reserve accounting but c/flow beat consensus & BofA on higher prod'n in Egypt and US
- 2024 oil flat YoY: Egypt prod'n still affected by workover availability offset by US oil prod'n set to grow 10% exit to exit
- FCF capacity & upside catalysts (Suriname, CPE, & AK) differentiates APA as an alpha play vs peers. Reiterate Buy

[Bausch & Lomb](#) | BUY | BLCO US | Mkt Cap:USD5,826mn | Craig Bijou

Strong finish to 2023, solid initial 2024 guide

- Stock up 14% today, BLCO Q4 revs of \$1.17bn beat Street by 6%, EPS of \$0.24 beats by 41%
- 2024 sales guidance for Xiidra (\$400m vs our \$355m) and Miebo (\$95m vs our \$40m) both well above our estimates
- 2024 EBITDA guidance of \$840-890m - 18.6% margin at midpt, 80bps y/y inline with BLCO early Jan comments

[Exact Sciences](#) | BUY | EXAS US | Mkt Cap:USD11,489mn | Derik De Bruin

Better FY24 profitability driven by topline momentum and OpEx leverage

- EXAS's 4Q results held few surprises as they were largely inline with the upside preannouncement given on 1/7/24
- FY24 sales guidance was inline with preliminary guide, but adj. EBITDA guide was 8% ahead of the Street
- We adjust our ests, and reiterate our Buy rating, EXAS has momentum and there are a number of upcoming catalysts

[Five9](#) | UNDERPERFORM | FIVN US | Mkt Cap:USD5,242mn | Michael Funk

4Q23 Wrap: Soft start to '24 show-me story

- Commentary on robust sales pipeline/deal closure rates offset by "soggy" macro environment and weakness in Consumer vert.
- A smaller than hoped for 4Q rev beat and back-end loaded 2024 topline guide likely to limit mult expansion in the near term.
- We remain cautious on shares awaiting greater visibility on topline acceleration timeline and magnitude. Reiterate U/P.

[John Bean Tech](#) | UNDERPERFORM | JBT US | Mkt Cap:USD3,096mn |

Andrew Obin

4Q23 ops beat, but orders down y/y, Marel timing in focus

- JBT reported 4Q EPS that came above our estimate and Street, however revenue came slightly below our estimate and Street
- The stock decline today (-5.4%) was likely a reflection of subdued organic growth outlook and the pushout of the Marel deal
- Backlog grew 2% y/y but was down sequentially. Orders were down (3)% y/y.

[Shutterstock](#) | UNDERPERFORM | SSTK US | Mkt Cap:USD1,577mn | Curtis

Nagle

4Q miss & FY24 outlook below Street, Cautious on LT targets, Reiterate UP

- 4Q Rev/EBITDA below Street driven by weakness in core content business and lower than expected data revenues.
- 2024 outlook of flat revenue and EBITDA growth below Street expectations, Slightly lowering our below street estimates.
- Cautious on long-term 2027 targets, limited predictability for data revenue and continued of soft trends in eComm, Reit UP

[Tandem Diabetes Care](#) | UNDERPERFORM | TNDM US | Mkt

Cap:USD1,480mn | Travis Steed

Q423 takeaways

- The 2024 revenue guide was in line with prior commentary of 10% growth.
- But the Q1 EBITDA margin guide of -15% requires a steep ramp to the full year guide of EBITDA breakeven.
- Renewals could get TNDM to the revenue guide but new starts more value creative, Margins will be a show me story in 2024.

Buy Reiterations

Consumer Discretionary

[Dutch Bros](#) | BUY | BROS US | Mkt Cap:USD4,519mn | Sara Senatore

Restaurants Industry

- BROS: Raise F24 SSSG ests, Maintain \$48 PO. WING: Raising F24 EBITDA estimates, raise PO to \$358.
- CAKE: Lower 1Q revs & EPS, PO to \$38 on rolled fwd ests. JACK: Raise revs, EPS, PO to \$104 on rolled fwd ests.



Energy

[ChampionX Corp.](#) | BUY | CHX US | Mkt Cap:USD5,961mn | Saurabh Pant Resilient EBITDA & FCF with growing cash returns

- CHX's core production-oriented PCT and PAT businesses should grow at +/- 5% YoY in '24E helped by Int'l/Offshore and Digital
- We're tweaking our '24E Adj. EBITDA by 1% to \$805mm and maintaining our '25E Adj. EBITDA at \$890mm (both in-line with Cons)
- Reit. PO of \$34 & Buy rating on good mix of stable production-oriented businesses & attractive cash returns to shareholders

Financials

[MGIC Investment](#) | BUY | MTG US | Mkt Cap:USD5,459mn | Mihir Bhatia BofA Securities Financials Conference: Takeaways

- This week we hosted MTG's CEO, Tim Mattke, for a fireside discussion and investor meetings at BofA's Financials Conference.
- MTG struck a positive tone on industry dynamics such as credit, pricing, and the overall origination market.
- The business is operating well within the macro backdrop and we continue to see the stock as attractive at current levels.

Health Care

[HealthEquity](#) | BUY | HQY US | Mkt Cap:USD6,966mn | Allen Lutz New three-year guidance, additional yield disclosures, and more

- HQY provided a new three year adj. EPS target and more disclosures on its cash maturity schedule ahead of its investor day.
- HQY also increased the FY24 guide for revenue, adj. EBITDA, and adj. EPS ahead of the ST/BofA and reiterated the FY25 guide.
- We maintain our Buy rating and \$93 PO ahead of HQY's investor day tomorrow.

[ICON](#) | BUY | ICLR US | Mkt Cap:USD23,438mn | Derik De Bruin First Look: Solid 4Q with 1.22x book-to-bill, '24 targets unchanged

- 4Q23 sales up 4.1% CC, EPS of \$3.46 (in-line) and book-to-bill of 1.22x
- Reaffirmed initial FY'24 guidance given in early January as expected
- Overall, there were few surprises, conference call at 8:00am EST on 2/22

Industrials

[Vertiv](#) | BUY | VRT US | Mkt Cap:USD22,333mn | Andrew Obin

Multi-year AI demand tailwinds, but some questions on '24 guidance details

- We maintain our above-consensus 2024 adj. EPS of \$2.34 (23% y/y), based on 11% y/y organic sales and 40% incremental margin.
- 1Q revenue guidance reflects a tougher year ago comparison (35% y/y) and a return to more normal seasonality.
- We view '24 guidance for \$60mn price/cost as likely conservative (e.g., 2023's initial guide was \$100mn vs \$360mn actual).

[WillScot](#) | BUY | WSC US | Mkt Cap:USD9,449mn | Sherif El-Sabbahy

McGrath results come in above the high end of guide

- WSC announced its acquisition of MGRC last month. MGRC's 2023 results came in above the high end of outlook.
- Strong finish to the year is encouraging. Conditions remain stable into 2024. No guide provided given impending transaction.
- WSC has reiterated its expectation that the deal will be accretive in Year 1.

Information Technology

[MongoDB](#) | BUY | MDB US | Mkt Cap:USD30,855mn | Brad Sills

BofA Cloud View suggests healthy Q4 upside, on a path back to 40%+ growth

- Engaged visits for Q4 largely in line with normal seasonality, suggesting healthy upside to our Atlas growth estimate of 26%
- With data showing stabilization in Dec and Jan, remain comfortable with our base case estimate for FY25 Atlas growth of 30%
- On a path back to 40% Atlas growth in a reasonable upside case driven by solid new workload momentum, Maintain Buy & \$555 PO

[Synopsis](#) | BUY | SNPS US | Mkt Cap:USD82,917mn | Vivek Arya

Leading AI/chip complexity beneficiary, growth well on track

- FQ1/FQ2 sales in line, with stronger IP mix accretive to margins, Reit. Buy and \$650 PO on key complexity beneficiary
- Likes: AI ramp, backlog levels healthy at \$8.2bn, upcoming Mar-20 analyst day
- Risks: Premium valuation at 40x CY25E PE, China exposure (15% of sales), deal overhang



Macro & Strategy

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

Mexico: Drought is likely to keep (non-core) inflation high

- Mexico continues to face substantial droughts across most of its territory, which puts upward pressure on inflation.
- Despite the pressure on inflation, via fruits and vegetables in non-core inflation, Banxico is likely to start cutting soon.
- Hence Mexico is likely to enter a cutting cycle with inflation remaining above 4% in the following months.

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

Rise of the super funds: structural tailwinds for the AUD

- Increases to mandatory superannuation contributions have accelerated the growth of Australia's retirement savings pool.
- A larger superannuation pool and current-account surpluses have made AUD a lower beta currency than before.
- A larger super fund complex means larger domestic investor appetite and tighter cross-currency basis in the medium term.

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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