

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Rating Changes

[Apple Hospitality](#) | NEUTRAL | APLE US | Mkt Cap:USD3,858mn | Dany Asad
Year Ahead 2024: The recovery is (finally) over, what's next?

- We remain cyclically neutral on the Lodging sector into 2024 with 9 Buy ratings, 3 Neutral ratings and 8 Underperform ratings
- The fundamental outlook is stable but not overly compelling with valuation in-line with long-term averages
- Thematically, we like urban, business and group over leisure, high end over low end, full service over select

[Equifax](#) | BUY | EFX US | Mkt Cap:USD29,367mn | Heather Balsky
2024 year ahead: looks like another year playing armchair economist

- 3 key topics for 2024: the impact of lower int rates, price increases normalizing, firms refining their GenAI strategies
- 2 key micro themes: 1) likely rising debt issuance, and 2) the still sluggish US and EU labor markets
- Stocks we highlight heading into 2024: S&P, Moody's, Equifax, and Gartner

[Host Hotels](#) | BUY | HST US | Mkt Cap:USD13,988mn | Shaun Kelley
REIT restack: 4 for '24 = Buy Ryman and Host, lowering Apple and Pebblebrook

- We double upgrade HST to Buy on attractive valuation, growth potential and capital allocation
- We lower APLE to Neutral as we favor full service portfolios over select, lower PEB as geographies weigh on returns
- We revisit RHP ahead of their analyst day next week and see \$720-750M of EBITDA potential by 2025

[Pebblebrook](#) | UNDERPERFORM | PEB US | Mkt Cap:USD1,015mn | Shaun Kelley

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08 January 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.

[Verisk Analytics](#) | NEUTRAL | VRSK US | Mkt Cap:USD34,060mn | Heather Balsky

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PO Raised

[ASE -ADR](#) | BUY | ASX US | Mkt Cap:USD17,798mn | Brad Lin

Eye on a better 2024, advanced packaging and testing driving structural growth

- Positive outlook shared by ASE mgmt at our II Tech Call Series, with less inventory concerns and likely better GPM in 2024
- Sees rising adoption of leading-edge adv packaging where it's in good position. L-T, RDL solution will be more cost effective
- ASE aims to expand the scope in testing by leveraging its leadership in packaging areas. Buy with higher PO of NT\$130.

[Boston Properties](#) | BUY | BXP US | Mkt Cap:USD12,350mn | Jeffrey Spector
Office REIT 4Q23 earnings preview: lowering estimates & adjusting POs

- The leasing and financing environment remains challenging for landlords. Lack of visibility supports our cautious view.
- We lower our '24 estimates ahead of earnings. We also adjust our cap rates to reflect BofA's updated outlook for lower rates.
- Our lower cap rates have a larger impact than lower NOI estimates, resulting in higher POs. See summary of changes inside.

[Central Puerto](#) | NEUTRAL | CEPU US | Mkt Cap:USD1,352mn | Gustavo Faria
Keep bullish view despite recent rally – Buy EDN and PAM

- We update our estimates and POs for Argentine Utilities following the rally driven by Javier Milei's election as president
- We keep bullish view due to: 1) potential regulatory de-risking , 2) economic de-regulation pushing new capital allocation
- We rank Edenor (EDN, Buy) our top pick. We have a Buy rating on Pampa (PAM) and a Neutral rating on Central Puerto (CEPU)

[Cousins Prop Inc.](#) | BUY | CUZ US | Mkt Cap:USD3,702mn | Camille Bonnel
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Edenor | BUY | EDN US | Mkt Cap:USD16,670mn | Gustavo Faria**Keep bullish view despite recent rally – Buy EDN and PAM**

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Empire State Realty | BUY | ESRT US | Mkt Cap:USD2,658mn | Camille**Bonnel****Office REIT 4Q23 earnings preview: lowering estimates & adjusting POs**

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Highwoods | NEUTRAL | HIW US | Mkt Cap:USD2,485mn | Camille Bonnel**Office REIT 4Q23 earnings preview: lowering estimates & adjusting POs**

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Hilton Grand Vacations | NEUTRAL | HGV US | Mkt Cap:USD4,369mn | Dany**Asad****Year Ahead 2024: The recovery is (finally) over, what's next?**

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Hudson Pacific | UNDERPERFORM | HPP US | Mkt Cap:USD1,387mn | Camille**Bonnel****Office REIT 4Q23 earnings preview: lowering estimates & adjusting POs**

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Hyatt Hotels | BUY | H US | Mkt Cap:USD20,154mn | Shaun Kelley**Year Ahead 2024: The recovery is (finally) over, what's next?**

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Kilroy Realty | NEUTRAL | KRC US | Mkt Cap:USD4,766mn | Camille Bonnel**Office REIT 4Q23 earnings preview: lowering estimates & adjusting POs**

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Marriott Vacations | UNDERPERFORM | VAC US | Mkt Cap:USD3,059mn |

Shaun Kelley

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Pampa Energia | BUY | PAM US | Mkt Cap:USD65,680mn | Gustavo Faria**Keep bullish view despite recent rally – Buy EDN and PAM**

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Ryman | BUY | RHP US | Mkt Cap:USD6,680mn | Shaun Kelley**REIT restack: 4 for '24 = Buy Ryman and Host, lowering Apple and****Pebblebrook**

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[SL Green](#) | NEUTRAL | SLG US | Mkt Cap:USD2,852mn | Camille Bonnel

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[Southern Company](#) | NEUTRAL | SO US | Mkt Cap:USD76,193mn | Julien Dumoulin-Smith

Layering in the Whitespace: Remain Neutral, A Bit Early for Real EPS Upside

- Expect 2024 to be in near midpoint of the guidance range of \$3.95-4.10, Vogtle contribution top upside driver. Stay Neutral.
- Expect incremental capex at Georgia following resource plan - we add \$4.5B whitespace with equity funding into our ests.
- Still see growth above midpoint at 6% : Remain below Street on '24/'25. Inline on '26 . Watch whitespace timing, composition.

[Travel + Leisure](#) | UNDERPERFORM | TNL US | Mkt Cap:USD2,895mn | Dany Asad

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[Vornado](#) | NEUTRAL | VNO US | Mkt Cap:USD5,852mn | Camille Bonnel

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[Walgreens](#) | UNDERPERFORM | WBA US | Mkt Cap:USD21,568mn | Allen Lutz

Some questions answered, some questions remain

- Walgreens' maintained FY24 guide, but ongoing operational challenges could create a difficult set-up into 2H
- New CEO expressed support of new pharmacy reimbursement models which could eventually be thesis changing
- We reiterate our Underperform given continued questions on WBA's long-term growth trajectory



PO Lowered

[Agilon Health](#) | BUY | AGL US | Mkt Cap:USD3,791mn | Adam Ron
Crisis of confidence, but there are still reasons to believe in the model

- Last week AGL meaningfully rebased down expectations (for 3rd straight quarter), and now CFO is leaving.
- We see a crisis of confidence in sustainability of AGL's model, as industry dynamics alone don't fully explain performance.
- To us, UNH has proven profitability, MCOs have a need for JV model to work, supporting success LT, & value at these levels.

Significant EPS Change

[Sunstone Hotel Inv](#) | UNDERPERFORM | SHO US | Mkt Cap:USD2,241mn |
 Dany Asad

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Buy Reiterations

Consumer Discretionary

[Strategic Education](#) | BUY | STRA US | Mkt Cap:USD2,201mn | Heather
 Balsky

Business and Information Services

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[Aramark](#) | BUY | ARMK US | Mkt Cap:USD7,377mn | Heather Balsky
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Vail Resorts | BUY | MTN US | Mkt Cap:USD7,978mn | Shaun Kelley**Lodging**

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Starbucks | BUY | SBUX US | Mkt Cap:USD106,250mn | Sara Senatore**Restaurants Industry**

- For the week ended 1/5, the S&P Restaurant Index lagged the market.
- Charts of the week: Guidance versus expectations ahead of ICR.
- Our restaurants valuation and KPI sheets can be found on page 8.

Hilton Worldwide | BUY | HLT US | Mkt Cap:USD46,287mn | Shaun Kelley**Lodging**

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Consumer Staples**Costco | BUY | COST US | Mkt Cap:USD290,390mn | Robert Ohmes****Strong Holiday results even when adjusting for timing shift, Buy**

- Excluding a 3% Holiday timing benefit, Dec. comps increased approx. 4.4% in the US (ex-gas) & 5.1% total co (ex-gas, FX).
- We believe core merch categories all up MSD% adjusting for timing benefit, reflecting a sequential improvement in non-foods.
- Reiterate Buy given increasing number of members per club & executive penetration, expanding digital opptys, other factors.

Financials**Moody's Corp. | BUY | MCO US | Mkt Cap:USD68,019mn | Heather Balsky****Business and Information Services**

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[SPGI](#) | BUY | SPGI US | Mkt Cap:USD135,568mn | Heather Balsky**Business and Information Services**

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Health Care**[Qiagen](#) | BUY | QGEN US | Mkt Cap:USD10,170mn | Derik De Bruin****\$300mn synthetic share repurchase announced**

- QGEN announces \$300mn synthetic share repurchase, to be completed by the end of January
- Reduces shares outstanding by about 3%. Net impact to Adj EPS likely minor given lower interest income potential & tax
- QGEN continues to sharpen its execution and strategic focus. Maintain Buy on valuation, mix, and improving operations

Industrials**[Thomson Reuters](#) | BUY | TRI US | Mkt Cap:USD65,641mn | Heather Balsky****Business and Information Services**

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[Cintas](#) | BUY | CTAS US | Mkt Cap:USD59,699mn | Heather Balsky**Business and Information Services**

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[Dun & Bradstreet](#) | BUY | DNB US | Mkt Cap:USD5,173mn | Heather Balsky**Business and Information Services**

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[Alight](#) | BUY | ALIT US | Mkt Cap:USD4,375mn | Heather Balsky**Business and Information Services**

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[Delta Air](#) | BUY | DAL US | Mkt Cap:USD26,086mn | Andrew Didora**4Q23 preview: not quite \$7 in 2024 EPS**

- We forecast 4Q23 EPS of \$1.16, near the midpoint of DAL's \$1.05-1.30 guided range and Visible Alpha consensus of \$1.14
- We are maintaining our 2024 total revenue forecast of 3.5%, which is in line with consensus nominal GDP forecasts
- We forecast DAL could guide to \$6-7 in 2024 EPS, just below the company's \$7 goal. We maintain our Buy rating and \$50 PO

[Brady Corp - A](#) | BUY | BRC US | Mkt Cap:USD2,913mn | Cashen Keeler**Packaging & Paper/Forest Wrap-up**

- We review key news including (1) the Red Sea shipping impact on RCP and (2) Greif price hikes support BofA view...
- ...that boxboard pricing will broaden out, catch-up to c'board. Positive for GPK. Pulp data out, HW inventory...
- ...up 1 day. RL Weekly Report showed that lumber prices were up while OSB was flat.

Information Technology**[Gartner](#) | BUY | IT US | Mkt Cap:USD33,953mn | Heather Balsky****Business and Information Services**

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[Nutanix](#) | BUY | NTNX US | Mkt Cap:USD10,989mn | Wamsi Mohan**Takeaways from management meetings, Large opportunity ahead**

- We hosted investor meetings (virtual) with CEO Ramaswami, & CFO Sivaraman. NTNX has a large TAM with share gain potential
- Improved execution, disciplined OpEx management and secular tailwinds of Hybrid cloud should help NTNX achieve its LT targets
- Maintain Buy. No change to ests. PO stays at \$55 on 7x EV/C24E sales



Materials

[AptarGroup Inc.](#) | BUY | ATR US | Mkt Cap:USD8,161mn | George Staphos Packaging & Paper/Forest Wrap-up

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[Pactiv Evergreen](#) | BUY | PTVE US | Mkt Cap:USD2,606mn | George Staphos Packaging & Paper/Forest Wrap-up

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Real Estate

[CoStar](#) | BUY | CSGP US | Mkt Cap:USD32,091mn | Heather Balsky Business and Information Services

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[Welltower](#) | BUY | WELL US | Mkt Cap:USD46,485mn | Joshua Dennerlein U.S. REITs

- While we will be focused on 4Q results and what the data and trends mean for 2024, all eyes will be on 2024 guidance.
- Mainly see risk to 2024 guidance disappointing after the melt-up in REIT stock prices during 4Q.
- In our view, sectors most at risk are Apartments, Office & Self-Storage, but remain positive on Retail, SFR & Senior Housing.

Macro & Strategy

[Weekly REITcap](#) | Shanna Qiu

Week ended January 5, 2024

- HG REITs overperformed this week, returning -0.7% vs. -1.2% for US HG Corp
- This week's best performing credit was HPP's 3.950% notes due 2027; the worst was PLD's 3.05% notes due 2050

[US Rates Watch](#) | US Rates Research

Logan and QT: QT taper now in March

- We fine tune our QT timing following Fed minutes & weekend Logan speech; taper now expected in March with QT ending mid-year
- Slower QT is likely to be via \$15b/m UST redemption cap reduction starting March, MBS cap reduction less certain
- Slower QT = wider spreads & SOFR/FF with less UST supply & potentially more UST demand (via Fed MBS reinvestments into USTs)

[US Rates](#) | US Rates Research

Fund inflows, bank demand & record stripping activity

- 2024 kicked off with very strong seasonal inflows into US fixed income funds, particularly Agg, short-term UST & IG funds
- Banks saw a \$75bn increase in UST/ agency holdings in December, a flow that may persist as the curve steepens
- Stripping activity in December hit record highs as DB private pension funds remain well funded

[CPI Inflation Watch](#) | US Economics

December US CPI Inflation preview: A soft 0.3% m/m print

- For the December Consumer Price Index (CPI) report, we forecast headline and core CPI rose by 0.3% m/m.
- On a y/y basis, headline should print at 3.3% and core at 3.9%. The headline NSA index, meanwhile, should print at 306.634.
- The CPI data could move fed funds market pricing. A forecast in line with our expectations would keep a March cut in play.

[High Frequency Monitor](#) | Nigel Tupper

Well-deserved break

- Global equity markets took a well-deserved break last week after the longest rally in six years.
- Based on data over the last four weeks, the signal from our short-term Tactical Indicators remains positive.
- Triple Momentum is positive on global Software, Insurance, and Banks, and negative on Materials, Staples, and Real Estate.



[Small/Mid-Cap Valuations](#) | Jill Carey Hall**Small caps still cheap after 4Q rally**

- Fwd PE multiples expanded across the board in '23, but only small caps remain historically cheap (R2000 trading at 14.7x).
- Small vs large P/E remains 25% below its historical avg. and SCV remains historically cheap vs SCG.
- Financials rank #1 in our small cap sector framework, while Utilities rank last.

[Liquid Insight](#) | Global Rates & Currencies Research**Kickoff for the new year in G10 FX**

- As 2024 kicks off, we continue to look for a modestly weaker USD for G10 FX, led by our end-year EUR-USD forecast of 1.15.
- Since our year-aheads, we have revised our USD-JPY profile, although our end-year forecast is unchanged at 142.
- Elsewhere our other G10 FX forecasts remain unchanged, as we continue to expect disinflation to be crucial for the outlook.

[What's priced in](#) | Claudio Irigoyen**BCRP will likely cut this week; BOK and NBP on hold**

- Poland's NBP will likely remain on hold on January 9. The market is pricing 64bp of cumulative cuts over the next 6 months.
- Korea's BOK will likely remain on hold on January 11. The market is pricing 20bp of cumulative cuts over the next 6 months.
- Peru's BCRP will likely cut 25bp on January 11. The market is pricing 124bp of cumulative cuts over the next 6 months.

[Emerging Insight](#) | GEMs FI Strategy & Economics**Peru – More space to cut rates**

- Decline of inflation, milder El Niño, depressed activity, and better external conditions provide more space to cut rates.
- ENFEN reduced probability of strong El Niño happening in Peru in 1Q2024 to 12%, from 43% in November and 50% in October.
- We are revising our policy rate forecast for 2024 to 4% (from 5%), and assuming a 25bp cut in every monthly meeting.

Disclosures

Important Disclosures

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Other Important Disclosures

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

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