

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Rating Changes

[James Hardie](#) | UNDERPERFORM | JHX US | Mkt Cap:USD16,495mn | Shaurya Visen**BofA siding monthly edition #9: Further moderation in spend; +1.6% YoY in Dec**

- We leverage BAC aggregated US credit & debit card data to analyse spending in the siding category in the US.
- Dec card spend on roofing & siding, sheet metal work contractors was up 1.6% YoY vs Oct/Nov yoy increase of 8.3%/ 1.9%.
- For CY23, spend on the category is 2.6%. 4Q23 spending was up 4.2% YoY vs. 3.3% YoY increase in 3Q23.

PO Raised

[Aegon](#) | NEUTRAL | AEG US | Mkt Cap:USD10,971mn | David Barma
Steady as she goes

- We expect a 'normal' 4Q update on March 1st from Aegon with updates on strategy / capital return to come later in the year
- Solvency remains strong. We stand above FCF target; more could come over time as cash conversion improves alongside derisking
- With our rolling €150m SBB, Aegon trades on a total (organic) yield of 7.7% this year. We maintain our Neutral rating

[Brown & Brown](#) | NEUTRAL | BRO US | Mkt Cap:USD21,427mn | Grace Carter**4Q23 top line beat on contingents, organic growth, and investment income**

- Brown & Brown reported 4Q23E adj. EPS of \$0.58 vs our forecast of \$0.52 and Cons \$0.53.
- Better-than-expected contingent commissions drove the majority of the beat.
- Organic growth of 7.7% surpassed our forecast of 6.2%; we modestly increase our forward growth outlook.

23 January 2024

Equity
United StatesInvestor 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.

[Doximity](#) | NEUTRAL | DOCS US | Mkt Cap:USD6,829mn | Allen Lutz
4Q23 Pharma Survey: Some early signs of stabilizing macro/budgets

- We conducted our 7th quarterly survey on pharmaceutical advertising and find some incrementally positive/negative datapoints
- Macro headwinds/budget pressures appear to be stabilizing; the competitive landscape appears to be evolving again
- We reiterate our Neutral rating and raise our PO to \$32 (from \$29) primarily due to peer multiple expansion.

PO Lowered

[Vodafone Group](#) | BUY | VOD US | Mkt Cap:USD23,463mn | David Wright
Dividend outlook; a potential turning point

- M&A to redefine divi policy at FY results, a potential constructive 'reset' to sustainable 7% yield, growing up to 5% pa.
- Scenario: We model 40% DPS cut (to E5.4c), sustainable 2/3 payout during initial M&A dilution. E1bn pa buyback supplement.
- However, consensus cash flows still c5% at risk due to FX volatility across Egypt/Turkey. BofA PO to 121p.

Significant EPS Change

[IAMGOLD](#) | BUY | IAG US | Mkt Cap:USD1,107mn | Lawson Winder
Very strong finish to 2023, Côte on track for first gold production in March 2024

- IAG reported Q4'23 production results and provided an update on the Cote gold project.
- Q4'23 production of 136koz was a solid beat versus BofAe and consensus, with both Essakane and Westwood driving the beat.
- At Cote, pre-commissioning and commissioning activities are tracking well. First production is on track for March 2024. Buy.

Buy Reiterations

Communication Services

[AT&T](#) | BUY | T US | Mkt Cap:USD120,557mn | David Barden
4Q Heads Up: AT&T reporting tomorrow BMO; Call 8:30am

- AT&T will report 4Q earnings on Wednesday, January 24, before market open and host a call at 8:30am ET.
- Investors will focus on AT&T's 2024 guidance and specifically on the FCF bridge from 2023's updated guide of \$16.5bn.
- We will look for comments on the biggest drivers of FCF including EBITDA growth, cash taxes, capex, and DTV contributions.

Consumer Discretionary**[Adient Plc](#) | BUY | ADNT US | Mkt Cap:USD3,239mn | John Murphy****A slightly mixed harbinger of supplier results to come**

- ADNT pre-announced FY1Q24: revenue of \$3.7bn (BofA \$3.9bn, cons. \$3.8bn) and EBITDA of \$215m (lighter than expected)
- The news comes as Bloomberg reported that the company plans to refinance its Term Loan B (maturity April 2028)
- Continued progress on capital structure and operating turnaround should open up opportunities to return capital. Reit. Buy

[Aptiv PLC](#) | BUY | APTV US | Mkt Cap:USD22,687mn | John Murphy**Automotive Industry**

- US Autos 4Q:23 Preview: Results to be strong supported by US sales, global production and solid pricing.
- Investor attention focused on outlooks. Street expects global auto production flat/down, which we view as too conservative.
- Commentary on EVs will be closely tracked. In this report we adjust estimates across our coverage ahead of 4Q reporting.

[Darden Restaurants](#) | BUY | DRI US | Mkt Cap:USD19,442mn | Sara Senatore**Restaurants Industry**

- For the week ended 1/19, the S&P Restaurant Index outperformed the market.
- Chart of the week: promotional intensity and restaurant margins.
- Our restaurants valuation and KPI sheets can be found on page 6.

[Ferrari](#) | BUY | RACE US | Mkt Cap:USD61,132mn | John Murphy**Automotive Industry**

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[Magna Intl](#) | BUY | MGA US | Mkt Cap:USD16,867mn | John Murphy**Automotive Industry**

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- Commentary on EVs will be closely tracked. In this report we adjust estimates across our coverage ahead of 4Q reporting.



[Starbucks](#) | BUY | SBUX US | Mkt Cap:USD105,793mn | Sara Senatore
Restaurants Industry

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Consumer Staples

[Coca-Cola Europ](#) | BUY | CCEP US | Mkt Cap:USD30,669mn | Bryan Spillane
US Consumer Staples

- We publish our preview for calendar 4Q23 earnings, which we view as having limited upside surprise potential
- Ability to meet or beat algorithm should drive the dispersion between names in our coverage, noting we expect weak volume...
- ...and stepped-up spending to prevail in 2024. Exceptions to this setup are KO, MDLZ, CL, ELF, and BRBR, in our view.

[Coty Inc.](#) | BUY | COTY US | Mkt Cap:USD10,542mn | Anna Lizzul
US Consumer Staples

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[Kenvue](#) | BUY | KVUE US | Mkt Cap:USD39,245mn | Anna Lizzul
US Consumer Staples

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[Kraft Heinz](#) | BUY | KHC US | Mkt Cap:USD45,399mn | Bryan Spillane
US Consumer Staples

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[PepsiCo](#) | BUY | PEP US | Mkt Cap:USD229,833mn | Bryan Spillane**US Consumer Staples**

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[Procter & Gamble](#) | BUY | PG US | Mkt Cap:USD384,588mn | Bryan Spillane**US Consumer Staples**

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- ...and stepped-up spending to prevail in 2024. Exceptions to this setup are KO, MDLZ, CL, ELF, and BRBR, in our view.

Energy**[Schlumberger](#) | BUY | SLB US | Mkt Cap:USD72,320mn | Saurabh Pant****Best of Int'l & Offshore at attractive valuation**

- SLB is strongly positioned to benefit from an unfolding multi-year Int'l/Offshore cycle with a 2-3 year line of sight
- We maintain our \$62 PO; SLB is our top large-cap OFS pick on strong fundamentals and attractive valuation
- Our 2024E/25E EBITDA of \$9.3/\$10.5bn is roughly unchanged (in-line with cons.) with FCF of \$4.3/\$5.0bn (6.0%/7.1% FCF yield)

Financials**[Blackstone](#) | BUY | BX US | Mkt Cap:USD91,412mn | Craig Siegenthaler****Update on BX/BREIT issues before in-line EPS quarter with positive outlook on call**

- Forecast in-line EPS but improving outlook on 4Q23 call this Thu; BX CEO highlighted improving investment pipeline at Davos
- Negative EPS revisions driven by 2 low quality items (RE FRPR); should have little to no impact on LT EPS & stock valuation
- BREIT redemptions could rise m/m; Expect improvement m/m by March, limits end by August, sales reacceleration by December



[Jack Henry](#) | BUY | JKH US | Mkt Cap:USD12,294mn | Jason Kupferberg
Expect CEO transition to be quite seamless; maintain Buy

- Earlier, JKHY announced current COO & President Greg Adelson will succeed David Foss as CEO, effective July 1st
- Given Mr. Adelson's long tenure at the company and time in the C-suite with Mr. Foss, we anticipate a very smooth transition
- While there was no mention of guidance in today's release, given the logical CEO transition, we expect guidance to be reiterated

Health Care

[UnitedHealth Grp](#) | BUY | UNH US | Mkt Cap:USD480,159mn | Kevin Fischbeck
Managed Care

- December trend accelerated, driven by physician and pharmacy.
- Q4 trend of 0.5% y/y below 0.9% in Q3. Market concerns about trend likely to remain until at least Q1 (probably Q2).
- Physician (1.9%) above 2019 trended forward. Meanwhile, inpatient (-3.8%), pharmacy (-6.3%), & outpatient (-12.3%) are below

Industrials

[Honeywell](#) | BUY | HON US | Mkt Cap:USD149,554mn | Andrew Obin
4Q23 preview: in-line 2024 guidance should be good enough

- Into 4Q23, investors have raised concerns on Honeywell's guidance being too conservative. We think the company will issue...
- ...guidance with \$10.00 consensus at the midpoint. We think this will be "good enough" for investors. Our estimates and...
- consensus fall in line with LT framework for 4-7% growth & 40-60bp segment margin expansion, HON's initial '24 framework.

[Thomson Reuters](#) | BUY | TRI US | Mkt Cap:USD68,063mn | Heather Balsky
Pagero should bolster organic growth over the long term

- On Friday, TRI held a call to discuss its acquisition of Pagero, a provider of e-invoicing & indirect tax software solutions.
- Pagero is poised for "strong" underlying double-digit sales complemented with \$50mn in sales synergies (by 2027).
- We expect further sales synergies as TRI has additional use cases beyond indirect taxes for Pagero's invoicing network.

[United Airlines](#) | BUY | UAL US | Mkt Cap:USD14,490mn | Andrew Didora
4Q23 first take: giving investors confidence in EPS guide is key

- 4Q23 revenue growth of 9.9% was towards the higher end of UAL's 9-10.5% forecast
- Strong revenues resulted in EPS of \$2.00 vs our \$1.58, the Street's \$1.65, and guidance of \$1.50-1.80
- UAL guided 2024 EPS to \$9-11, compared to BofAe/Street of \$8.42/\$9.54, and our sense of most investor expectations of \$8-10

[Vertiv](#) | BUY | VRT US | Mkt Cap:USD20,388mn | Andrew Obin
Positive read-across from Super Micro

- Super Micro's positive pre-announcement shows data center and artificial intelligence demand remains strong.
- AI applications should drive adoption of liquid cooling, which is an incremental content opportunity for Vertiv.
- Vertiv has been adding production capacity rapidly for both electrical and thermal offerings.

Information Technology

[AppLovin](#) | BUY | APP US | Mkt Cap:USD16,197mn | Omar Dessouky
US Internet/Video Games & Interactive Media

- CY24 backdrop more benign: mobile gaming no longer ex-growth in CY24 after 2yrs of declines; game launches rebounded in 3Q&4Q
- APP: look for strong 1Q24 guidance to imply further growth in AppDiscovery quarterly run rate through CY24; Street is -1Q/4Q
- U: incremental announcements regarding business sales or separations could come before Q4 results on Feb 26

[Unity](#) | BUY | U US | Mkt Cap:USD16,215mn | Michael Funk
US Internet/Video Games & Interactive Media

- CY24 backdrop more benign: mobile gaming no longer ex-growth in CY24 after 2yrs of declines; game launches rebounded in 3Q&4Q
- APP: look for strong 1Q24 guidance to imply further growth in AppDiscovery quarterly run rate through CY24; Street is -1Q/4Q
- U: incremental announcements regarding business sales or separations could come before Q4 results on Feb 26

Real Estate

[Prologis, Inc.](#) | BUY | PLD US | Mkt Cap:USD121,958mn | Camille Bonnel
U.S. REITs

- In this report we compare key valuation metrics for the REITs and different subsectors within / outside our coverage universe
- We plan to update the data that follows on a weekly basis



[VICI Properties](#) | BUY | VICI US | Mkt Cap:USD26,935mn | Shaun Kelley
Gaming

- Our Q4 '23 estimates are ahead of consensus in Las Vegas and largely in-line in regionals and Macau
- Desire unfavorable sport outcomes in November, digital gross gaming revenue is tracking 5% ahead of our TAM model

[Welltower](#) | BUY | WELL US | Mkt Cap:USD46,706mn | Joshua Dennerlein
U.S. REITs

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Macro & Strategy

[US 1](#) | US 1 Committee
Adding AAPL and removing JAZZ from the US 1 List

[BofA Securities Equity Client Flow Trends](#) | Jill Carey Hall
7th week of single stock inflows

- Clients bought single stocks but sold equity ETFs last week. Recent flows suggest rising single stock interest vs ETF flows.
- Corp. client buyback inflows decelerated but were above seasonal trends for a tenth consecutive week.
- Comm. Svc. & Health Care led inflows for a second week in row. Financials saw the biggest outflow since June.

[Liquid Insight](#) | Global Rates & Currencies Research
BoC on hold: core inflation is far from a sustained easing

- We expect BoC to keep the policy rate at 5.0% on Jan 24 with a hawkish statement, delaying the start of the cutting cycle.
- Core inflation remains too sticky and is far from showing a downward trend. We expect the BoC to start cutting in June.
- Rates: Scope for some outperformance of CAD govt bonds vs US. FX: We continue to estimate 1.34-1.35 as short-term fair value.

[Market Analysis Comment](#) | Stephen Suttmeier
SPX hits an all-time high and history suggests a continued rally

- SPX hit an all-time high on a 38% rally from Oct 2022, but the median rally after big corrections of 106% lasts 49 months.
- New SPX highs shrug off bearish signals highlighted last week from daily and weekly Demark and tactical breadth.
- Still some divergences/missing signals persist from breadth, cumulative net up volume and the 3-month VIX vs VIX.

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

Brazil – Key Things to Watch in 2024

- Eyes will remain on the fiscal, as the government attempts to achieve the zero deficit target set for 2024.
- Activity should show some moderate deceleration. Inflation and Selic rate expected to keep the downward trend.
- External basic balance should be stronger in '24, while political agenda will focus on Tax Reform and municipal elections.

[FX Quant Insight](#) | Vadim Iaralov

The bearish CHF train for 2024

- Quant signals are broadly bullish USD for now; we prefer to express any bullish USD view vs CHF.
- Trend-followers who follow systematic signals should stay bullish USD, but DXY 200d SMA and new high for SPX are headwinds.
- More bearish CHF conviction on option flow & rates; short CHF is consensus 2024 view but not fully reflected in positioning.



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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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