

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Rating Changes

[Old Dominion](#) | NEUTRAL | ODFL US | Mkt Cap:USD47,601mn | Ken Hoexter
Lower to Neutral, Vols shy of target, pricing strong, PO to \$446

- Lower to Neutral as vol growth below target, limited upside to PO. Lift PO to \$446 on 35.5x '24e EPS. Lower '24/'25 EPS ests 1%.
- Posted mid-1Q24 update w/ vols slightly below target. 1QTD Rev/CWT ex-fuel 7.1% (vs our 6.0%, now 7.3%) as pricing strong.
- Growth lagging peers given long-term focus, May see earnings leverage as demand returns in macro upswing.

PO Raised

[Amer Sports](#) | BUY | AS US | Mkt Cap:USD8,311mn | Lorraine Hutchinson
Arc'teryx outperformance sets a solid foundation for the year

- We maintain our Buy rating and think accelerating sales growth at Arc'teryx will drive strong sales and margin through the yr
- F24 guidance: mid-teens sales growth and EPS of \$0.30-0.40, inclusive of 1Q operating margin slightly below our expectations
- Longer term algo incl LDD to mid-teens sales growth, GM 300 bp over next 3-5 yrs, and 30-70bp of annual op. margin expansion

[CrowdStrike](#) | BUY | CRWD US | Mkt Cap:USD67,733mn | Tal Liani
Another strong quarter of outperformance

- Strong 4Q24 results with nnARR of \$282mn coming in well-above Street's \$241mn, driven by robust deal flow and cross-selling
- Mgmt. provided solid 1Q24/FY25 guidance for revs of \$904mn/\$3.96bn, vs. \$899mn/3.94bn, and EPS of 90c/\$3.87, vs. 82c/\$3.76
- We continue to favor CrowdStrike's wide moat beyond core EDR and remain positive on the company's LT growth opportunities

06 March 2024

Equity
United States

Investor Support
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Today's Events: Economic Indicators

1. 7:00 MBA Mortgage Applications
2. 8:15 ADP Employment
3. 10:00 Wholesale Inventories
4. 10:00 JOLTS Job Openings
5. 10:00 Chair Powell testifies before Congress

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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.

[e.l.f. Beauty](#) | BUY | ELF US | Mkt Cap:USD11,118mn | Anna Lizzul

Walmart shelf space: the next frontier, Raising estimates and PO

- We continue to see the biggest near-term opportunity for ELF with shelf space expansions at Walmart.
- We raise our FQ4 sales estimate to 56% from 52% but maintain our adj. EBITDA estimate on higher marketing spend.
- We reiterate our Buy rating and raise our PO to \$230 from \$200 on our higher estimates.

[Ferguson](#) | UNDERPERFORM | FERG US | Mkt Cap:USD41,518mn | Arnaud Lehmann

Q2 slightly below, H2 could sequentially improve, but consensus and valuation high

- Q2 results slightly below on soft volumes and margins. Some improvement expected into H2 from easier base effect.
- FY-24 guidance confirmed but mid-point of margin (9.5%) looks optimistic (we forecast 9.3%). We stand c3% below consensus.
- Underperform, PO revised to £135/\$171. Quality business but some underlying markets still challenged and valuation full.

[First Watch](#) | BUY | FWRG US | Mkt Cap:USD1,473mn | Sara Senatore

4Q23 Earnings: Ongoing margin tailwinds, long growth runway

- Solid trends ex-weather, new markets speak to portability.
- Inflation still elevated but tech helps offset. 1Q estimates lower on weather impact, F24 moves up on margins.
- We raise our PO from \$28 to \$31 on rolled forward estimates and multiple expansion. Reiterate Buy.

[HashiCorp](#) | NEUTRAL | HCP US | Mkt Cap:USD4,915mn | Brad Sills

Promising New Growth Initiatives Put into Place, Look for Progress Through FY25

- Q4 results (\$6mn revenue upside) from improving buying environment, FY25 outlook (11% y/y) better than feared
- cRPO growth to trough in Q2 and reaccel to 20% by Q4 suggests model is nearing the bottom
- Raising PO to \$28 from \$24, though remain Neutral pending progress on new growth initiatives

[Krystal](#) | BUY | KRY5 US | Mkt Cap:USD4,834mn | Alec Stranahan

AACR 2024 Preview: What to look for in our coverage (RVMD KRY5 HCM)

- AACR 2024 title was released, we summarize presentations relevant for our coverage universe
- RVMD/HCM have many preclinical presentations at the conference, while unlikely to move stock, will showcase robust pipeline
- KRY5 presentation on KB707 will be its first after IND, while still early, expands company's pipeline potential

[Nordstrom](#) | UNDERPERFORM | JWN US | Mkt Cap:USD3,346mn | Lorraine Hutchinson

Encouraging progress at Rack, but continued challenges elsewhere

- Reiterate U/P as we see continued risk to sales & profitability given structural challenges within department store sector
- Mgmt expects credit card revenue -11% in F24, company has incorporated an impact from the recent CFPB ruling on late fees
- We lower our F24E EPS by 4% to \$1.74 as lower credit is partly offset by higher Rack openings

[Ross Stores](#) | BUY | ROST US | Mkt Cap:USD52,033mn | Lorraine Hutchinson
Strong beat driven by well received assortments and value proposition

- Reiterate Buy following a strong beat as we think improved value proposition is resonating well with stretched consumer
- 4Q EPS of \$1.82 beat our/VA consensus ests of \$1.60/\$1.64 on better sales and GM. Comps grew 7%
- We are raising our F24/25E ests to reflect the beat and our expectation of continued execution on its pricing strategies

[Service Corp.](#) | BUY | SCI US | Mkt Cap:USD10,989mn | Joanna Gajuk
Takes from meetings: funeral vols troughed, confident in cemetery sales

- Key takes from management meetings: 1) funeral vols troughed in 4Q23, headwind of pull forward becomes smaller.
- 2) Aging demographics to benefit both segments, 3) SCI is confident in cemetery preneed sales production growth.
- We raise our PO. We remain bullish given solid fundamentals and strong cash flows.

[Target Corp.](#) | BUY | TGT US | Mkt Cap:USD82,503mn | Robert Ohmes
Recapturing sales, traffic and market share, Raise estimates and PO

- We raise our F25E EPS to \$9.45 (was \$9.15) and PO to \$190 (was \$160) following TGT's stronger-than-expected F4Q earnings.
- We believe merchandising & owned brand initiatives should improve TGT's value perception & support traffic & share gains.
- While we see risks from competition in same-day delivery, see path to 6% operating margin over time. Reiterate Buy.

[XPO, Inc.](#) | BUY | XPO US | Mkt Cap:USD14,811mn | Ken Hoexter
Mid 1Q24 Update: Vol and pricing ramp continues, See rising potential, PO to \$137

- Posted mid-1Q24 update, Feb LTL Tons/Day 3.5% vs 1.1% in Jan. Sees vol momentum into March, double digit 1Q ex-fuel yields.
- Target better than seasonal margins given volumes ahead of company expectations. See rising returns potential on self-help.
- PO to \$137 on 37x our 2024e EPS. Focus on outsized earnings growth and cost cuts. Raise 24/25e EPS 1% on strong metrics.



PO Lowered

[Vivid Seats](#) | BUY | SEAT US | Mkt Cap:USD1,069mn | Curtis Nagle
4Q results beat again & SEAT continues to trade a significant discount to growth, Buy

- SEAT delivered another quarter of better than expected revenue and EBITDA in 4Q
- 2024 revenue guidance was maintained. While EBTIDA was lowered on int'l investments, potential revenue was not factored in.
- We lower ests slightly and our PO goes to \$10 but we continue to see SEAT valuation as attractive relative to growth. Buy

Significant EPS Change

[MeridianLink](#) | BUY | MLNK US | Mkt Cap:USD1,482mn | Koji Ikeda
EBITDA a bright spot, though 2024 revenue growth guide below, Reit Buy

- 2024 rev guide is below Street at 5% y/y growth (Street 7%), suggesting macro remains challenging & model visibility is low
- Good spend management is resulting in the ability to guide to nearly 40% adj EBITDA margins, which should support valuation
- Reiterate Buy and \$25 PO on 18.5X EV/CY24 EBITDA, slightly lower multiple (20x prior) for a lower growth profile

Buy Reiterations

Communication Services

[Alphabet A](#) | BUY | GOOGL US | Mkt Cap:USD1,656,763mn | Justin Post
Search Wars – Feb data shows marginal m/m improvement in Google' share

- In Feb, Google search share was 15bps m/m (-175bps y/y) while Bing was -11bps m/m (50bps y/y) & Others were - 2bps m/m.
- ChatGPT, Bing & Gemini saw monthly growth in web traffic while Google was flat. Gemini traffic up 40% vs Bard.
- Feb indicates largely stable Google search share & we think potential 1Q search beat & I/O can help improve AI sentiment.

[Electronic Arts](#) | BUY | EA US | Mkt Cap:USD40,748mn | Omar Dessouky
US Internet/Video Games & Interactive Media

- TTWO: M/M growth continued in Feb, pipeline success could change mobile ex-growth narrative & raise mobile segment valuation
- EA: sharp FC rebound in Feb, more games to sunset reflects ROI focus & mobile growth challenges, revenue impact limited
- APP, PLTK stable in Feb, UBI back to Y/Y growth driven by new game launch

Health Care

[Dexcom](#) | BUY | DXCM US | Mkt Cap:USD46,948mn | Travis Steed

Stelo approved & no Rx required - barriers removed faster than expected

- Stelo FDA approved early, this non-insulin 15-day sensor surprisingly does not require a Rx - lowers barriers of adoption.
- No Rx - Stelo a bigger opportunity than initially thought, broadens beyond 25m T2 non insulin to more mass market consumer.
- DXCM said Stelo rev of \$40m in 2024 rev guide already contemplated summer launch and expanded indication.

Industrials

[Honeywell](#) | BUY | HON US | Mkt Cap:USD146,809mn | Andrew Obin

CEO meeting: Growth is the key priority

- We hosted CEO Vimal Kapur for an investor meeting yesterday (3/5). Kapur articulated key aspects of the growth strategy...
- ...going forward and expressed confidence in Honeywell's operating philosophy. We feel incrementally more confident on the...
- ...path to faster growth long-term and proactive portfolio management.

Macro & Strategy

[ESG Matters - Global](#) | Dimple Gosai

The Great Wealth Transfer: healthi-HER and wealthi-HER

- \$84T in US wealth set to be transferred, w/ implications for fin advisors, luxury goods, sports, FemTech in H/C, diapers etc
- Women invest differently: risk averse but equity alloc gap narrowed in the past 3 yrs; value-based investing still a priority
- Majority of women's wealth is in N America, followed by Asia (overtook Europe in '21). See our equity screens for enablers

[ESG Matters](#) | Kay Hope

The Great Wealth Transfer: healthi-HER and wealthi-HER

- \$30tn in US wealth will be inherited by women in the next 10yrs. Young women are earning more and have greater career goals.
- How should companies approach the rising influence of women via the Great Wealth Transfer? In a word - quickly.
- The Great Wealth Transfer will benefit people unevenly. We consider challenges and screen for bond issuers promoting women.



Liquid Insight | Global Rates & Currencies Research**European SSA issuance: some front loading**

- Having presented in Jan our estimates of EU supranational & agency bond issuance for 2024, we now look at what has been done
- We find that issuers (ex EU) front loaded their EUR issuance even more than usual. We are now past peak monthly net supply.
- USD supply in Jan was even larger than usual. GBP supply was low in Jan, but picked up in Feb, consistent with best levels.

US Equity Futures Watch | Chintan Kotecha**S&P 500 Futures Intraday Roll Cost Monitor**

- On Tuesday, 5 Mar, the ES Mar/Jun roll traded 55bps to Fed Funds. The VWAP for the quarter is 50bps
- The total notional rolled in ES contracts on 5 Mar was \$7.4bn and quarter-to-date is \$47.7bn
- Open interest implies 4.7% of e-mini contracts have rolled to Jun-24

Emerging Insight | GEMs FI Strategy & Economics**CEE – labour market not yet comforting**

- Poland and Hungary vulnerable to wage cost, as elevated ULC sustained by labour shortages, GDP recovery, govt policies.
- Czechia has more scope for ULC adjustment, but not fully out of the woods as the labour market similarly tight to 2017-18.

US Mutual Fund Performance Update | Savita Subramanian**Active narrowly beat passive**

- 54% of large cap funds outperformed in February (second consecutive month of outperformance). 63% are ahead YTD.
- Growth funds posted the best hit rates across all size segments. Small cap funds fared worse than large (26% hit rate).
- Funds are hedged against a sluggish economy via low cyclical/beta exposure. Next pain trade = up-cycle, high beta leadership.

FX Watch | Alex Cohen**USD: Still rangebound, but potential catalysts loom**

- The USD has been remarkably rangebound over recent weeks, as the market awaits a fresh catalyst after the YTD rally from Jan
- USD momentum loss due to: US-global data convergence, potentially noisy Jan inf data & mkt Fed pricing now matching the SEP
- Potential catalysts this week: Powell, ECB, and most significantly Friday's NFP could serve to break the USDs recent range

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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%

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