

## Morning Meeting Notes

## QuickNotes

Morning Call

## US EQUITIES RESEARCH

## Initiations &amp; Reinstatements

[Amer Sports](#) | BUY | AS US | Mkt Cap:USD7,852mn | Lorraine Hutchinson

## Sporting a good look; Initiate at Buy

- We are initiating coverage on Amer Sports with a Buy rating and \$18 PO; we view Arc'teryx as the crown jewel in the portfolio
- China strategy is a key competitive advantage; Amer has benefitted from Anta's expertise in real estate, tech, and branding
- We think a valuation of 15.5x EV/EBITDA is compelling given our forecast for sales/EBITDA 3yr CAGR of 13%/20%, respectively

[Asana](#) | BUY | ASAN US | Mkt Cap:USD3,979mn | Michael Funk

## Cautious on intensifying enterprise competition; initiating with U/P

- We initiate coverage of Smartsheet (SMAR) with an Underperform rating and \$45 PO, implying 4.6x CY2025E EV/Revenue.
- Competition is set to intensify in SMAR's core market (enterprises), likely muting market/wallet share capture going forward.
- We see less opportunity for revenue acceleration and view the risk-reward profiles of category peers more favorably.

[Monday.com](#) | BUY | MNDY US | Mkt Cap:USD9,925mn | Michael Funk

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26 February 2024

Equity  
United StatesInvestor Support  
BofAS

## Today's Events: Economic Indicators

1. 10:00 New 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.**

[Smartsheet](#) | UNDERPERFORM | SMAR US | Mkt Cap:USD5,819mn | Michael Funk

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[Super Micro](#) | BUY | SMCI US | Mkt Cap:USD48,103mn | Ruplu Bhattacharya

**Nvidia earnings showcases surging demand for accelerated computing**

- Nvidia's F4Q24 earnings highlighted a surging demand for accelerated computing which we see as positive for Super Micro
- Nvidia expects demand for accelerated computing to remain strong in C24, C25 and beyond
- SMCI is seeing strong rev growth which requires higher working capital. It announced pricing of \$1.5bn of convertible notes

## Rating Changes

[Fomento Econ. Mex.](#) | NEUTRAL | FMX US | Mkt Cap:USD42,520mn | Robert Ford Aguilar

**Lowering to Neutral on wage & competitive concerns; multiple LT opps**

- Lowering from Buy to Neutral, price objective from Ps280 to Ps245, trimming earnings estimates.
- Decelerating same store sales and expense pressure limit proximity EBIT growth to 1%.
- Operating pressures appear likely to intensify in 2024 given 20% minimum wage increases. Capital allocation concerns return.

## PO Raised

[EastGroup](#) | BUY | EGP US | Mkt Cap:USD8,630mn | Jeffrey Spector

**4Q23 Quarterly: Another solid quarter; 2024 guidance implies healthy growth**

- Solid 4Q with 2 beats & 3 meets. 2024 guidance implies healthy growth for our Buy-rated REITs and we see risk to the upside.
- Transaction volumes are expected to increase in 2024 and we see EGP, PLD and REXR as best positioned to be opportunistic.
- See inside for comparative analysis on each company's operating metrics, balance sheet, valuation, guidance and more.

**Elastic** | BUY | ESTC US | Mkt Cap:USD12,914mn | Koji Ikeda**Previews: ESTC – Focus is Cloud; GTLB – FY25 revenue guide could be tricky**

- ESTC F3Q preview: Cloud growth is key. Bar likely high, similar net-new revs in F3Q as F2Q implies 34% growth vs 28% Street
- GTLB F4Q preview: Checks good, positive for demand. FY25 rev guide tricky, if 25% (like FY24 start), its below 27% Street
- Recent infra stock results. Average revenue beat 3%, average stock reaction 9%. But missed guides underperformed peers

**Hyatt Hotels** | BUY | H US | Mkt Cap:USD23,577mn | Shaun Kelley**Q4 Earnings Recap: Leisure is back (or at least above a low expectation)**

- Hyatt, several Lodging REITs and leisure companies all reported beats last week
- Hyatt sold UVC which investors viewed positively as it simplifies the business and is multiple accretive
- Lodging REIT outlooks were in-line with our expectations; timeshare and PLYA see healthy leisure demand indicators ahead

**Rocket Companies** | UNDERPERFORM | RKT US | Mkt Cap:USD22,792mn |

Mihir Bhatia

**Slowly turning the corner but valuation keeps us cautious**

- RKT reported 4Q Adj. Revs/EPS of \$885M/\$0.00, ahead of BofAe/consensus at \$788M/(\$0.05) / \$768M/(\$0.05)
- RKT is optimistic about '24 margins and market size. Also touted AI investments driving underwriting / servicing efficiencies
- We view valuation as high given cyclical earnings, competition, and prior execution. Reiterate Underperform.



**[TechnipFMC plc](#) | BUY | FTI US | Mkt Cap:USD9,375mn | Saurabh Pant**  
**Sustainable order strength to yield solid profitability and FCF growth**

- We think FTI's updated Subsea order outlook of \$30bn in 2023A-25E allows for 10%/28% CAGR for Revenue/Adj. EBITDA in 2023-26E
- FTI is benefiting from its integrated, customer-centric approach in greenfield, brownfield as well as subsea services market
- Raise 2024E/25E Adj. EBITDA 1%/ 1% to \$1.25/\$1.63bn; reit. Buy on strong earnings growth, cash returns, attractive valuation

## PO Lowered

**[American Homes 4Rent](#) | BUY | AMH US | Mkt Cap:USD14,633mn | Jeffrey Spector**

**Residential earnings recap week 3: AMH, INVH, KW, SUI, VRE**

- Within resi REITs, we are most positive on the SFR sub-sector. We believe AMH is better positioned than INVH going forward.
- We remain positive on the outlook for MH, RV and Marinas. SUI's simplification plan is a step in the right direction.
- We remain concerned on KW's dividend sustainability. VRE continues to execute on its value creation plan.

**[Americold Realty Tr](#) | BUY | COLD US | Mkt Cap:USD7,311mn | Joshua Dennerlein**

**COLD 4Q23 earnings recap**

- Core business remains robust. On an absolute basis, the initial 2024 guide points to strong core growth & earnings growth.
- Removing COLD from Spector's top picks given the difficulty in understanding the moving pieces within its business segments.

**[Crown Holdings](#) | BUY | CCK US | Mkt Cap:USD9,193mn | George Staphos**  
**Post 4Q, CCK looks undervalued. Expect increased investor interest**

- Review CCK, its bizs, SOTP valuation following disappointing 4Q commentary. We see CCK as undervalued and recovering to \$89.
- Interest should increase given val'n, CCK's portfolio. Transit doing fine, seems valued below 10x mult we'd ascribe, while...
- ..."other" non-bev units (Aerosol, Machinery, Tinplate) impacted 4Q & 2024 guide, as did unabsorbed fixed costs in Euro Bev.

**[LXP Industrial Trust](#) | UNDERPERFORM | LXP US | Mkt Cap:USD2,535mn |****Camille Bonnel****4Q23 Quarterly: Another solid quarter; 2024 guidance implies healthy growth**

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**[MINISO](#) | BUY | MNSO US | Mkt Cap:USD5,794mn | Lucy Yu****Solid finish to 2023; growth likely to normalize in 2024, but still strong**

- Expect solid finish to 2023 in Dec qtr: 50% YoY revenue growth and 17% reported non-GAAP NPM (flat QoQ or 2ppt YoY).
- We largely maintain our estimates, but lower PO by 7% to USD29.0/HKD56.9 on a lower target multiple given sector de-rating.
- Recent pullback provides particularly attractive opportunity. Stock trading at 14x CY24E P/E for 20% EPS CAGR.

**[Rexford](#) | BUY | REXR US | Mkt Cap:USD11,386mn | Camille Bonnel****4Q23 Quarterly: Another solid quarter; 2024 guidance implies healthy growth**

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**[Warner Bros.](#) | BUY | WBD US | Mkt Cap:USD20,845mn | Jessica Reif Ehrlich****Resetting the bar**

- WBD 4Q performance reflects the challenging environment as the business continues to be impacted by various factors.
- We reduce our CY24E EBITDA to \$9.88bn (from \$10.75bn) to reflect the choppy (albeit improving) ad market and weaker Studios.
- We reiterate our Buy rating and lower our PO to \$14 (from \$17) based on an EV/EBITDA multiple of 7x CY24E estimates.

**Significant EPS Change****[Bloomin Brands](#) | NEUTRAL | BLMN US | Mkt Cap:USD2,521mn | Sara****Senatore****Restaurants Weekly: EPS cheat sheet – DPZ, PTLO, CBRL, SG, BLMN**

- W/e 2/23: Restaurants outperform; WING and TXRH lead.
- This week's chart of the week is an earnings cheat sheet for DPZ, PTLO, CBRL, PZZA, SG.



**[Caesars Ent](#) | NEUTRAL | CZR US | Mkt Cap:USD9,009mn | Shaun Kelley****4Q23 Earning Review: Regionals holding in, Vegas outperforms**

- With Caesars Entertainment, Churchill Downs, and VICI Properties reporting , we are nearing the end of Q4 US Gaming earnings
- We have seen 6 beats, and 4 misses, with RRR and WYNN reacting the best following and PENN and MGM lagging
- Key themes 1) regionals better than feared, 2) Las Vegas demand remains healthy, 3) Online is robust despite outcomes in Q4

**[DiamondRock](#) | UNDERPERFORM | DRH US | Mkt Cap:USD1,956mn | Dany****Asad****Q4 Earnings Recap: Leisure is back (or at least above a low expectation)**

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**[Takeda Pharm.](#) | BUY | TAK US | Mkt Cap:USD46,741mn | Koichi Mamegano****Maintain Buy: guidance conservative; new drug development progressing well**

- We revise forecasts post-3Q to reflect new drug progress and higher costs. Leave PO at ¥5,000 and reiterate Buy
- We forecast FY3/24 Core OP of ¥1,068.5bn. The FY3/24 impact of the Vyvanse patent expiry was less than expected.

- PoC was confirmed for TAK-861 and Ph3 is planned to start in 1H FY3/25. Several candidates were approved in the US.

## Buy Reiterations

### Consumer Staples

#### [Monster Beverage](#) | BUY | MNST US | Mkt Cap:USD58,613mn | Peter Galbo Bank Shots to MNST from CSD earnings thus far

- MNST is scheduled to report 4Q23 earnings results after mkt. close on Wednesday, Feb. 28th, in this "bank shots" report we..
- provide read across from other carbonated soft drink (CSD) companies which have reported earnings so far this cycle.
- Topline results have been solid and commentary has been encouraging which can potentially portend well for MNST.



## Financials

[Morgan Stanley](#) | BUY | MS US | Mkt Cap:USD153,367mn | Ebrahim Poonawala

### BofA Securities 2024 Financial Services Conference: Takeaways

- Head of Wealth Management Jed Finn outlined two key areas of focus: 1) path to advice 2) scaled and differentiated platform
- Street watching for whether mgmt. can deliver superior growth in less conducive macro-backdrops, despite intense competition
- Morgan Stanley indexed to the right macro themes. Strong execution, regulatory relief, macro should drive outperformance

[OneMain Holdings](#) | BUY | OMF US | Mkt Cap:USD5,572mn | Mihir Bhatia

### BofA Securities 2024 Financials Conference: Takeaways

- This week we hosted OneMain's CEO, Doug Shulman, for a fireside chat and investor meetings at BofA's Financials Conference.
- The company reiterated its medium-term target on loan growth despite the tighter credit posture.
- Management remains confident in its credit guide given underwriting actions and demand for loans remains positive.

## Materials

[The Mosaic Company](#) | BUY | MOS US | Mkt Cap:USD10,662mn | Steve Byrne

### Lunch with Mosaic's new CEO reinforced our constructive outlook, even with potash

- We met with MOS's senior mgmt, reinforcing our constructive outlook for '24 with strength in P and a potential recovery in K
- We estimate 10mt of phosphate and potash applications did not occur in '22-'23. Depleted soil nutrients will need replacement
- Mosaic is making targeted high-growth investments and share repurchases. Our PO is unchanged at \$49

## Real Estate

[American Tower](#) | BUY | AMT US | Mkt Cap:USD84,386mn | David Barden

### 4Q23 heads up: AMT reporting tomorrow, 2/27, BMO; call at 8:30am ET

- AMT is due to report 4Q23 earnings and host its conference call on Tuesday, February 27, BMO



- We have updated our model to reflect the Argentinian Peso and Nigerian Naira currency devaluation that began recently
- AMT is our top tower pick for its holistic domestic MLA contracts, INTL/data center exposure, and peer leading AFFO/sh growth

## Macro & Strategy

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

#### Fund flows continue to chase yield

- Positioning indicators still generally point to net longs that have room to be covered across CTAs and speculative investors
- However, US total return fund excess performance continues to point to underweights
- Fund inflows remain strong to chase higher yields, reflecting a dip buying sentiment from investors

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

#### The difficult last inflation mile

- Will the US economy slow? Will G10 inflation continue to drop in 2024? Baseline yes for both but risks and uncertain timing.
- Reasons economy performed well to fade, but red flags from sticky inflation and all-time low unemployment.
- USD weaker if US slows, inflation drops, Fed cuts; stronger if US resilient, inflation stuck. Elections adds to uncertainty.

### [What's priced in](#) | Claudio Irigoyen

#### BOI will likely remain on hold this week; NBH to cut

- Israel's BOI will likely keep the rate on hold at 4.50% on February 26. The market is pricing 53bp of cuts over the next 6m.
- We forecast Hungary's NBH will likely cut 100bp on February 27. The market is pricing 326bp of cuts over the next 6m.

### [Global Macro Watch](#) | Global Economics Rates & FX

#### Known Unknowns Feb 26 – Mar 1

- US: PCE, GDP (4Q S). Eurozone: CPI, Core CPI, confidence indicators. Australia, Germany, Japan, CPI. Canada GDP.



- RBNZ rates meeting. Several central bank speakers including the Fed, ECB, BoE, BoJ, Riksbank.
- EM: policy rate in Israel, Hungary and DomRep. CPI in Brazil, Indonesia. China PMI. GDP in Poland, India, Türkiye and Brazil

### [Systematic Flows Monitor](#) | **Global Equity Derivatives Rsch**

#### **CTAs see gains on equity longs; Introducing SPX option gamma flows**

- NEW: SPX option gamma positioning; delta-hedgers materially long SPX gamma & could help support equities in a shallow decline
- CTA equity longs remain stretched and are helping CTAs generate positive returns. Trend follower bond shorts growing
- SPX equity vol control strategies may be forced to unwind leverage on the back of Thursday's large up move

## Credit

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### [Credit Market Strategist](#) | **Yuri Seliger**

#### **What's working**

- After adjusting for \$ prices and composition the IG index is at 34th percentile since 2021, 21bps off the 2021 tights.
- Although spread tightening likely overshoot in Feb, we look for spreads to remain near the tight end of 100 - 120bps range.
- Trades that worked in February still have more room to run, for both financials over industrials and BBBs over single-As.

# 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 <sup>R1</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R1</sup> 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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