

## Morning Meeting Notes

## QuickNotes

Morning Call

## US EQUITIES RESEARCH

## Initiations &amp; Reinstatements

[Knife River](#) | BUY | KNF US | Mkt Cap:USD3,533mn | Sherif El-Sabbahy

## Sharpening the Knife: Initiate at Buy

- KNF is a leading construction material and services provider. Management is driving ops improvement. Initiate at Buy. \$81 PO.
- Improved practices driving higher price/lower costs, while FCF feeds M&A to consolidate within markets and drive share/scale.
- Fundamentals for construction materials domestically remain strong, and valuation for Knife River is attractive.

## Rating Changes

[Erasca](#) | NEUTRAL | ERAS US | Mkt Cap:USD326mn | Alec Stranahan  
**Year Ahead 2024: Can the rebound persist for biotech? All signs point to 'yes'**

- Sector outlook optimistic as mean reversion continues in 2024, multiple tailwinds (rates, M&A, etc.) look to persist
- Within this backdrop, we like SWTX (top pick) and KRYX for positive launch setups and pipeline upside
- Remain conservative on DAWN (regulatory overhangs, 4/30 PDUFA) and TGTX (tough commercial setup in MS)

05 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.**

## PO Raised

[Burlington Stores](#) | BUY | BURL US | Mkt Cap:USD12,539mn | Lorraine Hutchinson

**Off-Price expert call: it was a nailbiter but holiday was strong**

- Expert is pleased with holiday results, exceeding his expectations of MSD comps
- Holiday season came down to the wire, with sales accelerating the Friday/Saturday/Sunday ahead of Christmas
- Greater amount of inventory available from higher profile brands within the last 120 days

[Carter's Inc](#) | UNDERPERFORM | CRI US | Mkt Cap:USD2,704mn | Christopher Nardone

**Navigating through a competitive category**

- We remain cautious on seeing a positive inflection in comps given elevated competition in the children's apparel category
- Bull case: company holds AUR while benefitting from lower cotton costs, comps improve after two yrs. of double-digit declines
- Bear case: deeper pricing cuts, increased level of promos (chips away at 400bp GM gains since '19), comps continue to decline

[Datadog Inc](#) | NEUTRAL | DDOG US | Mkt Cap:USD34,151mn | Koji Ikeda  
**Year Ahead 2024: AI, Consolidation, Cloud**

- Positive 2024 setup for software driven by strong secular trends (AI, improving spend, revenue growth, margin expansion)
- Top Picks: Salesforce (CRM), HubSpot (HUBS), Microsoft (MSFT), ServiceNow (NOW), GitLab (GTLB), Unity (U)
- Tailwinds: Rates, AI, Cloud // Headwinds: Constrained IT Spend, 58% Performance in 2023

[GE Healthcare](#) | NEUTRAL | GEHC US | Mkt Cap:USD34,858mn | Craig Bijou  
**COO top pick for 2024 in our coverage**

- COO top 2024 idea: significant potential EPS upside and stock can work in soft/hard landing
- PRCT/RXST could work in 2024 on rev upside vs multiple expansion, but likely need to wait until beat and raises during year
- Update several of our POs, detailed thoughts inside on BLCO, COO, GEHC, GMED, ITGR, IART, FNA, PRCT, RXST, SIBN and TFX

**Lamb Weston Holdings | BUY | LW US | Mkt Cap:USD15,315mn | Peter Galbo**  
**Fries stay crispy despite ERP/inventory noise, raising PO**

- Following LW's 2Q print, investors largely looked through the inventory reserve charge, while other concerns arouse around..
- LW's North America ERP cutover that began in 3Q. We expect to learn more as the ERP rollout continues over the coming weeks.
- Raise FY24-26 adj. EPSs. FY25 raise reflects the beat vs BofAe in 2Q & expectation of one time nature of the inventory charge

**Levi Strauss | NEUTRAL | LEVI US | Mkt Cap:USD6,386mn | Christopher Nardone**

**The next leg of outperformance will be tougher, maintain Buy on RL, PVH**

- Apparel vendors (RL, PVH, LEVI, CRI) are up 30% on avg since XRT trough in Oct, next leg of oppty will be driven by execution
- Key themes that will drive stock performance in '24: wholesale and int'l trends, lower cotton costs, expense programs
- We have a balanced view across the group, maintain Buy on RL and PVH as we think '24 EPS ests are too low

**Lyft, Inc. | UNDERPERFORM | LYFT US | Mkt Cap:USD4,452mn | Michael McGovern**

**Rideshare trends: Legislation and Second Measure data update**

- Several cities & states will see new gig-economy law proposals in '24, but NY deal provides a positive framework for industry
- Data from Second Measure trended positively for Uber in December, accelerating throughout Q4, and outpacing Lyft.
- Rolling forward valuation basis to 2025E for Uber & Lyft. Our \$68 PO for Uber represents 18x '25 EBITDA, vs. 15x currently.



**[Plains GP Holdings](#) | NEUTRAL | PAGP US | Mkt Cap:USD11,283mn |****Indraneel Mitra****Year Ahead 2024: Prefer large-caps, FCF inflection stories as commodities weaken**

- We start '24 leaning to large cap FCF & contracted growth stocks including OKE, ET, WMB, TRGP & EPD as NGLs/gas prices weaken
- Excess Permian NGL takeaway is the macro topic in '25 as >1 MMbd of new pipe lowers rates. TRGP is best positioned vs EPD/ET
- 1Q24 catalysts are a possible OKE repurchase, TRGP establishing a long term capex average, and WMB guiding strong '25 EBITDA

**[PVH Corp](#) | BUY | PVH US | Mkt Cap:USD6,992mn | Christopher Nardone****Margin expansion story intact, Reiterate Buy**

- Maintain Buy and increase PO to \$135, we think continued execution on expanding margins will lead to rerating in F24 EPS
- Bull case: PVH makes tangible progress in F24 toward the 15% op margin target due to cost initiatives (cons. 11.2% in F25E)
- Bear case: incremental slowdown in Europe, represents roughly half of PVH sales and a higher percentage of company profits

**[Ralph Lauren](#) | BUY | RL US | Mkt Cap:USD10,470mn | Christopher Nardone****Sticking with quality, Reiterate Buy**

- Maintain Buy rating, continued progress toward the F25 margin target will be led by MSD sales growth and cost savings program
- Bull case: further improvement in N.A. segment margins driven by sales inflection, wholesale improvement, lower cotton costs
- Bear case: slowdown in US or Europe will make the F25 algo tougher to achieve if all focus is on Asia to drive sales growth

**[Ross Stores](#) | BUY | ROST US | Mkt Cap:USD47,185mn | Lorraine Hutchinson****Off-Price expert call: it was a nailbiter but holiday was strong**

- Expert is pleased with holiday results, exceeding his expectations of MSD comps
- Holiday season came down to the wire, with sales accelerating the Friday/Saturday/Sunday ahead of Christmas
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[Sunnova Energy](#) | BUY | NOVA US | Mkt Cap:USD1,662mn | Julien Dumoulin-Smith

**2024 looks bright with potential EBITDA upside: multi-faceted derisk & recovery**

- Maintain Buy: asset sales to derisk balance sheet, upside to estimates, intact growth & decreasing rates = all getting better
- Upside to 2024 EBITDA guide of \$350-450Mn from lower equipment costs, loan portfolio monetization in EBITDA, higher ITC sales
- PO to \$17 from \$15 prior, still derived from 12/sh off existing base and only 5/sh of 'growth' value. Conservative PO still.

[Uber Technologies](#) | BUY | UBER US | Mkt Cap:USD118,944mn | Justin Post  
**Rideshare trends: Legislation and Second Measure data update**



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## PO Lowered

[Targa Corp.](#) | BUY | TRGP US | Mkt Cap:USD19,353mn | Indraneel Mitra  
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## Significant EPS Change

[Kiniksa Pharmaceutical](#) | BUY | KNSA US | Mkt Cap:USD1,325mn | Geoff Meacham

### Thoughts on 4Q – pre announcement

- 2023 total Arcalyst sales(\$233M) were in line with consensus (\$232M), 2024 Arcalyst revenue guidance \$360M - \$380M
- We raised our 2024 Arcalyst sales estimate to \$372M (cons \$343M) as we're confident in Kiniksa's strong commercial execution
- We think that Kiniksa is differentiated from peers and see optionality from its early stage pipeline



## Buy Reiterations

### Consumer Staples

[Costco](#) | BUY | COST US | Mkt Cap:USD286,999mn | 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 optys, other factors.

### Health Care

[Vaxcyte](#) | BUY | PCVX US | Mkt Cap:USD6,122mn | Jason Gerberry  
**PCV timeline updates: modest delay on lead vax, outweighed by VAX31 optionality**

- Tonight, Vaxcyte offered several timeline updates for its pneumoccal vaccine programs: data catalyst timing preserved



- But timeline to US adult market for VAX-24 pushed 1-1.5 yrs as PCVX generates added CMC data before starting certain studies
- Timeline for Ph2 VAX31 data in 3Q24 gives optionalty for that program to possibly jump VAX24 as lead in adults, pending data

[Intellia](#) | BUY | NTLA US | Mkt Cap:USD2,644mn | Greg Harrison

**Pivotal progress remains on track across programs for 2024**

- Intellia provided a 2024 corporate update and announced restructuring.
- The company plans to dose the first patient in the MAGNITUDE study in 1Q24.
- Intellia has a cash runway into mid-2026 and ended 2023 with approximately \$1B in cash.

**Information Technology**

[NVIDIA](#) | BUY | NVDA US | Mkt Cap:USD1,194,190mn | Vivek Arya

**The \$100bn manifesto: solid FCF = growth optionality, PE expansion**

- We discuss potential uses of NVDA's underappreciated \$100bn in projected free cash flow generation over the next two years
- No targets cited but large cash flow provides ammunition to consider software assets to build-up recurring revenue profile
- Reit Buy, top pick, compelling 24x/20x CY24/25E PE, 20-30% discount to "Mag-7" peers despite 2x higher FCF, 3x faster sales



# Macro & Strategy

[Latam Equity Quant](#) | David Beker

## 2023 in the blink of an eye

- Strong '23 LatAm equity performance was driven by lower rates, commodities, FX.
- BZ local equity and hedge funds had outflows throughout 2023 (R\$57bn and R\$108bn outflows, respectively).
- We saw US\$94bn inflows into GEM equity funds. Foreign inflows into B3 picked up in Q4 ( R\$60bn inflows in 2023 altogether).

[NewsAlpha](#) | Nigel Tupper

## News impacting performance

- In 2023, stocks with Positive Significant News outperformed the MSCI AC World Index by 3.4%.
- The Earnings Estimate News Pulse improved the most last month, which is encouraging because this tends to move with equities.
- Triple Momentum (earnings, price, news) is most positive on stocks in the Global Software, Insurance, and Banks sectors.

[Technicals Explained](#) | Paul Ciana

## In 2024, get to know technical strategy

- It's never too late for a New Year's resolution...such as getting to know more about technical analysis!
- Our 2024 primer raises the bar to 30 articles, 150 pages and 200 exhibits recapping a wide variety of technical strategies.
- Check out the Presidential Cycle, Market Breadth, Fibonacci, Elliott Wave, Clouds, TD Sequential, Heads & Shoulders and more!

[FX Viewpoint](#) | Howard Du

## CAD Year Ahead: FX resilience despite BoC rate cuts

- We are constructive CAD over the medium-term and see USD/CAD falling to 1.30 by end of 2024.
- Fed cuts, equity rally, and higher oil price are bullish factors for CAD this year.
- Risks to our baseline view are US-CA growth decoupling, new global geopolitical shock, and worsening CA BoP.

[The Flow Show](#) | Michael Hartnett

## "Events, dear boy, events"

- Rate optimism so plentiful...risk is Q4 rally in bonds, bullion, breadth reverses early doors '24
- Dec NFP >220k & AHE >0.3% AHE = GT10 to 4.25%; Dec NFP <140k & AHE <0.1% = GT10 to 3.75%
- 12 "events" with the potential to impact corporate profits & interest rates in 2024

### [Argentina Watch](#) | Sebastian Rondeau

#### **Argentina holiday gifts: Omnibus Bill, Mega-Deregulation Decree, FX and prices.**

- The government announced an ambitious package of reforms via an urgent decree and omnibus bill
- The decree and the bill are facing opposition from unions and politicians and a court suspended the labor reform chapter
- BCRA has bought FX for \$3.1bn after the devaluation. Inflation approaches 30% monthly. IMF team arrived at B.Aires.

### [World at a Glance](#) | FX Rates & Commodities Research

#### **Kickoff for the new year**

- Our core macro views stay the same from our year-ahead publications, led by our expectation of a modestly weaker USD in 2024.
- In particular, our end-2024 forecasts remain 1.15 for EUR-USD and 4.25% for the benchmark US10yr interest rate.
- In G10 FX, we do revise our USD-JPY profile for most of this year, although our end-2024 forecast is unchanged at 142.



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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%

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