

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

PO Raised

[ACV Auctions](#) | NEUTRAL | ACVA US | Mkt Cap:USD2,560mn | Curtis Nagle
Auto IMS access unlocks incremental TAM, but macro still cloudy, Neutral

- Reported inline revenue but beat on EBITDA as 50 territories are now at or above breakeven EBITDA.
- 2024 revenue guide assumes modest industry growth, price increases, and continued share gains.
- Constructive on Auto IMS development, but long-term targets still uncertain, Reiterate Neutral.

[Builders FirstSource](#) | BUY | BLDR US | Mkt Cap:USD22,265mn | Rafe Jadrosich

4Q beats, we see upside to 2024 guidance on stronger single-family starts

- We are incrementally bullish following BLDR's 4Q23 earnings beat and raise. Raise PO to \$217 and 2024/'25 EPS by 7%/10%.
- We still see upside to raised guidance. Guidance looks conservative vs. our outlook for stronger SF starts growth.
- Gross margin will face headwinds from lower multi-family in 2024, but still in-line with long-term guidance. Reiterate Buy.

[Dell Inc.](#) | BUY | DELL US | Mkt Cap:USD65,579mn | Wamsi Mohan
NTAP VAR survey indicates improving demand environment

- Our VAR Survey indicates improving demand for NTAP
- Discounting slowed in C4Q23, 4Q orders sequentially stronger
- Maintain Underperform as we see risk to estimates driven by weak macro

23 February 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.

Edison Intl | UNDERPERFORM | EIX US | Mkt Cap:USD25,957mn | Paul Zimbardo

Higher cost of capital was not upside to the guidance plan. Reiterate Underperform

- Cautious 4Q23 update with FY24 guidance light of Consensus, disappointing after higher California revenues. Still see risks.
- We increase EPS significantly for CoC benefit but are still below Consensus/guidance due to unrecoverable wildfire costs.
- FY25 guidance drivers were not updated with 3Q23 call for higher financing costs... causing notable decline with 4Q23 update.

H&E | BUY | HEES US | Mkt Cap:USD1,940mn | Sherif El-Sabbahy
Solid finish – lower capex catches attention

- Q4 results beat expectations, however lower 2024 gross capex outlook feed concerns of slowing demand...
- ...however lower capex is a function of a young fleet, higher than expected 2023 fleet intake and a focus on driving Ute.
- Overall demand remains robust, and H&E is taking a prudent approach to the year. Reiterate Buy.

Insmid | BUY | INSM US | Mkt Cap:USD4,032mn | Jason Zemansky
Clearing the air II: Clinical success creates path to ~\$5B peak sales, PO to \$40

- In this note, we address the second major concern for Brenzo, namely its ability to capture much of an estimated \$5B TAM
- Following discussion with our KOLs, we analyze four likely ASPEN outcomes--and see path towards a market opportunity >\$4B
- Supported by strong prescriber sentiment, we increase our LoS for ASPEN to 70%, which raises our PO to \$40/sh from \$37/sh

Intuit | BUY | INTU US | Mkt Cap:USD184,175mn | Brad Sills
Steady, Solid QuickBooks results, Reasons for optimism this tax season

- Largely in line Q2 results and a reaffirmed FY24E outlook, some expense timing pushes into H2
- View QuickBooks growth against choppy macro as impressive, believe tax share gains likely and outlook for 7-8% conservative
- Reiterate Buy and raise PO to \$760. Continue to view Intuit as a top idea for SMB back office and consumer finance

Maravai | BUY | MRVI US | Mkt Cap:USD1,282mn | Michael Ryskin
4Q and '24 guide come in ahead, Early encouraging signs for 'Maravai 3.0'

- MRVI 4Q print and FY24 guides were both ahead of expectations, although benefited from COVID and 'drop-in' revs in 4Q
- Still, we think MRVI is turning a corner and could see steady improvement as we work through 2024 and headwinds fade
- Reiterate Buy as MRVI is well-positioned, and valuation remains compelling. Raise PO to \$9

[NICE Ltd.](#) | BUY | NICE US | Mkt Cap:USD16,141mn | Michael Funk
4Q23 Wrap: Steady performer in choppy market

- NICE 4Q23 results were highlighted by resilient growth, market share gains and less back-end loaded guidance than peers.
- While mgmt reiterated organic Cloud growth guidance (18%), we come away incrementally more on Cloud growth trajectory.
- We reiterate our Buy rating and raise our PO to \$300, representing EV/Revenue of 6.2x our C25 estimate.

[Nubank](#) | NEUTRAL | NU US | Mkt Cap:USD51,688mn | Mario Pierry
4Q23 below BofAe as investments take a toll on expenses

- 4Q23 NI rose at the slowest QoQ pace in 3 quarters, negatively impacted by higher expenses and effective tax rate.
- Mgmt. expects flattish gross margin in '24, as NU is going through a high investment phase.
- We reduce our estimates and change our PO, now based on 20x '25E EPS (vs DDM-based valuation prior). We reiterate Neutral.

[NV5 Global Inc.](#) | NEUTRAL | NVEE US | Mkt Cap:USD1,731mn | Michael Feniger
Solid finish to the year – succession plan announced

- NV5 reported a solid Q4 (EBITDA \$37mn vs cons \$36mn), guided 2024 in line (sales \$930-935mn, adj EPS \$5.00-5.06 vs cons \$5.02)
- Succession plan effective March 1: Dickerson Wright (Founder, Chairman, CEO) transition to Exec Chairman, announces Co-CEOs.
- Neutral: Geospatial remains long-term bright spot yet areas of portfolio contending with some headwinds (rates, CR overhang).

[Pool Corp.](#) | UNDERPERFORM | POOL US | Mkt Cap:USD14,662mn | Shaun Calnan
2024 guidance below consensus with higher SG&A weighing down margin

- POOL reported 4Q EPS above consensus estimates driven by higher gross margin, despite slightly weaker revenue.
- 2024 EPS guidance is below consensus driven by SG&A. 1Q rev looks a bit conservative, but full year implies back half growth.
- We lower our '24E/'25E EPS to reflect higher SG&A, but increase our PO to \$348 (roll forward). Reiterate Underperform rating.

[Telefonica SA](#) | BUY | TEF US | Mkt Cap:USD23,268mn | David Wright
Beat & raise, executing well

- TEF group reported a strong 2023 print as a higher base for reiterated mid-term growth targets, an effective beat & raise.
- TEF Spain back to growth at revenue and EBITDA, capex trending lower as copper is fully decommissioned.
- TEF a strong telco thematic play, delivering 10% compound cash flow growth and covered 8% dividend. Buy.



[Trip.com](#) | BUY | TCOM US | Mkt Cap:USD28,864mn | Joyce Ju
4Q profit a strong beat, healthy growth outlook indicated by CNY momentum

- TCOM reported solid 4Q with in-line revs and strong beat on profit due to effective cost control.
- 2023 revs 25% high than 2019 while non-GAAP OpM touched 30%.
- Strong leisure travel during 1Q holiday seasons indicates healthy demand outlook in 2024.

[Universal Display](#) | BUY | OLED US | Mkt Cap:USD8,864mn | Simon Woo
Positive guidance and promising 2025: Tweak up PO to \$260, reiterate Buy

- Reiterate Buy on UDC, positive guidance and OLED demand increase (new iPad, smartphone, TV) collectively catalysts
- 4Q23 sales slightly missed but high margin, non-operating income generation, low tax, net cash and dividend increase reported
- 1H24 low season likely well managed, with 10% YoY sales/OP growth, and then more meaningful 2H recovery, 2024 EPS 12% YoY

[Upbound Group](#) | BUY | UPBD US | Mkt Cap:USD1,842mn | Jason Haas
4Q Recap: GMV and portfolio growth should drive higher revenue

- Upbound (UPBD) reported 4Q revenue growth of 2.8% which was above our estimate of 0.9% and consensus of 0.4%.
- UPBD provided its 2024 guidance and expects total company revenue of \$4.00-\$4.20bn and EPS of \$3.5-\$4.00.
- We're raising our '24/25/26 EPS by 7/8/8% to reflect 2024 guidance and raising our PO from \$39 to \$42 based on 11x '24 P/E.

[World Kinect](#) | UNDERPERFORM | WKC US | Mkt Cap:USD1,441mn | Ken Hoexter
Aviation yields better-than-expected yet macro pressures persist, PO to \$23

- Posted adj EPS of \$0.54, above our \$0.43 target/Street's \$0.44. Aviation led beat given better-than-expected pricing/mix.
- Land facing pricing pressure in US. Marine muted given low liner activity. Mar 15 Investor Day to focus on 30% margin tgt.
- PO to \$23 on 10x our '24E EPS estimate. See macro pressure yet positive on pricing/mix gains. Raise 2024/25E EPS ests 12%/6%

PO Lowered

[BioMarin](#) | BUY | BMRN US | Mkt Cap:USD16,947mn | Geoff Meacham
Thoughts post the 4Q23 call

- BioMarin's 4Q print was in-line with expectations, with the focus of the call on Voxzogo the strategic review in 3Q
- Given the ongoing commercial hurdles for Roctavian, we've lowered our '24-26 forecasts to \$75M, \$239M and \$416M, respectively
- We continue to like the optionality of BioMarin, but as we've adjusted our Roctavian forecasts, we've lowered our PO to \$130

Gold Fields | NEUTRAL | GFI US | Mkt Cap:USD11,227mn | Cameron

Needham

FY23 EBITDA beat. Capex guide punchy. What is new CEO's mandate?

- Adjusted EBITDA US\$2428mn, flat YoY, -2% vs BofAe, 5% vs Bloomberg consensus. Shares traded -5% on the day.
- Outlook: Guide was above consensus on costs, below consensus on volumes. Capex guide also looks punchy in our view.
- We see new CEO mandate as (1) operational stability and (2) "more" M&A. Salares Norte in focus - are delays "done"?

Guardant Health | BUY | GH US | Mkt Cap:USD2,711mn | Derik De Bruin**Shield CRC AdCom delayed until 2Q, initial FY24 guidance looks**

conservative

- 4Q23 results held few surprises as they were largely in line with the upside preannouncement given on 1/8/24
- FY24 sales guide midpoint -1% below Street (but ahead of BofAe), but looks conservative given volume and pricing trends
- Shield AdCom delayed till end of 2Q24, which could pressure shares, but core progressing well, Update ests, lower PO to \$35

LegalZoom | BUY | LZ US | Mkt Cap:USD1,917mn | Michael McGovern**Likely growth can improve from here on ARPU tailwinds, as margin expands,**

Buy

- LZ Reported Rev/EBITDA of \$159mn/\$33mn vs. Street at \$157mn/\$29mn, guidance was above Street on margins.
- Top line growth is poised to accelerate in 2024, driven by share gains as well as ARPU tailwinds (and easy comps).
- We lower our PO slightly to \$13 as we shift valuation basis to 2025, given lower growth profile vs. peers but reiterate Buy.

Teekay Tankers | BUY | TNK US | Mkt Cap:USD1,896mn | Ken Hoexter**Rates fall short of targets yet accelerating in 1Q24, Debt-free by March, PO to \$65**

- Posted adj 4Q23 EPS of \$2.88, below our \$3.90 target/Street's \$3.42 as TCE rates were below target. 1QTD rates accelerating.
- Expects to reach zero debt by March, completes deleveraging target. See rising div potential. Orderbook ratio tight at 7%.
- PO to \$65 (from \$72) given revised EBITDA est. Lower 2024 and 2025 EPS estimates 10% and 2% on lower TCE targets.



Significant EPS Change

[AVITA](#) | BUY | RCEL US | Mkt Cap:USD437mn | Lyanne Harrison

Dial up the Trauma

- 4Q23 result: Rev preannounced \$14.2m. Opex 8% higher than expected. NLAT better on non-recurring non-cash FX gain
- 2025 guidance indicates 66% rev growth (at midpoint) at a faster cadence than 2024 (46%). Multiple growth levers ahead...
- ...Indication expansion to full thickness/trauma and burns penetration to drive growth. RECELL GO launch to support in 2H24

[Coterra Energy Inc](#) | BUY | CTRA US | Mkt Cap:USD20,116mn | Doug Leggate

4Q23 Earnings Recap: exercising flexibility - oil up, gas down as activity pivots south

- EPS miss & C/flow in line, as an impressive oil & gas production beat is more than offset by weak Marcellus gas realizations
- 2024 pivots capital to liquids, with emphasis in Anadarko & Permian, as Marcellus cut by 55% - down 6%, oil up 6% y/y
- 4Q23 is latest show that CTRAs capital flexibility underwrites a 3-yr plan that aims to grow oil 5% / boe 0-5% & supports Buy

[Disco](#) | UNDERPERFORM | LAW US | Mkt Cap:USD447mn | Koji Ikeda

Profitability inflection remains elusive, Reiterate Underperform, \$6 PO

- 4Q results above guidance, consistent with pre-announce. Execution appears to be improving, but still a lot of work to do
- Fast pivot to profitability proving to be detrimental to future growth and offering. As such, stepping up investments in 2024
- This is pushing out the positive EBITDA inflection to at least 2025, which can be an overhang. Reit. Underperform and \$6 PO

[Insulet](#) | BUY | PODD US | Mkt Cap:USD13,766mn | Travis Steed

Good guide despite some pull forward confusion

- PODD's Q4 had \$20-25m in revenue that shifted into Q423 which caused confusion on the 2024 guide. But...
- the 2024 US revenue guide in dollars is essentially the same (high end now is prior low end)
- Objectively Q4 in line after adjustments (as expected) and margin guide 200bps better than expected. PODD now a margin story.

[Intra-Cellular](#) | BUY | ITCI US | Mkt Cap:USD6,922mn | Jason Gerberry

4Q23 EPS: Strong 2024 Caplyta guidance, adj. MDD push immaterial

- ITCI's 4Q23 EPS offered strong '24 Caplyta guidance in line with ours/cons projections driven by BPD volume demand
- Adj. MDD timeline slip immaterial given ITCI is on track to submit sNDA in 2H24 where MF data hedges against split outcome
- We reiterate Buy on attractive risk:reward into Caplyta aMDD Study 501 topline data in April (70% POS)

[Northern Oil and Gas](#) | UNDERPERFORM | NOG US | Mkt Cap:USD3,479mn |**John Abbott****4Q23 earnings recap: Quiet 4Q given prior updates, focus shifts to 2024 outlook**

- We see adjusted EBITDA within line of sight of Street expectations following ops update on Feb 15th
- In our view, investor focus shifts to detailed 2024 outlook and strategic opportunities given industry consolidation
- We reiterate our U/P rating on NOG given a steeply backwardated oil curve that limits potential upside from here.

[Select Medical](#) | BUY | SEM US | Mkt Cap:USD3,321mn | Kevin Fischbeck
Another beat as recovery continues. 2024 EBITDA guide brackets consensus

- Adj EBITDA was 1% above consensus on 1% higher revs (margins in line). Margins increased 150bps y/y to 10.9%.
- 2024 EBITDA guide brackets consensus with the midpoint 1% below consensus. 2024 Revs to grow 5%, EBITDA 6% y/y.
- We trim our 2024/25E EBITDA to reflect FY24 Medicare rate update for CIRHs. Reiterate Buy.

Buy Reiterations**Financials****[Block Inc](#) | BUY | SQ US | Mkt Cap:USD37,621mn | Jason Kupferberg****Finishing '23 with a flourish**

- Shares deservedly trading higher AH on big P&L outperformance in 4Q initial '24 top-line guide modestly ahead of buy-side
- SQ raised '24 profitability guidance by more than anticipated, and is now pivoting more to growth
- Maintain Buy, as we believe SQ is undervalued, business model quality is high, and execution is trending well

Health Care**[Alnylam](#) | BUY | ALNY US | Mkt Cap:USD20,505mn | Tazeen Ahmad****Takeaways from our group meeting with ALNY management**

- We hosted the ALNY mgmt team to discuss the recent changes to the HELIOS-B statistical analysis plan
- Mgmt reiterated changes were driven primarily by APOLLO-B data suggests largest benefit in monotherapy
- The company expects monotherapy will dominate the market and expect tailwinds for reimbursement dynamics



[HealthEquity](#) | BUY | HQY US | Mkt Cap:USD7,157mn | Allen Lutz**Portfolio M&A and internal innovations: Investor Day takeaways**

- This morning, we attended HealthEquity's first Investor Day since 2019 in Salt Lake City, Utah.
- We come away from the investor conference incrementally confident HQY is investing to further solidify its moat.
- We reiterate our Buy rating and \$93 PO on c.18.5x CY24E EV/EBITDA.

[Ocular](#) | BUY | OCUL US | Mkt Cap:USD1,114mn | Tazeen Ahmad**Several retinal experts join the OCUL management team**

- OCUL announced several retinal thought leaders joining the management team, which we think signals confidence in the platform
- The company also announced a \$325mn PIPE that will help accelerate the pivotal program for Apxali
- We view the updates positively, as they reinforce confidence in the initial data for Apxali and lift the cash overhang

Information Technology**[Intapp Inc.](#) | BUY | INTA US | Mkt Cap:USD2,868mn | Koji Ikeda****Investor day takeaways: Well positioned vertical share gainer, Reit Buy**

- Come away more positive on potential to be a LT vertical disruptor, after attending its well attended inaugural investor day
- Will be leveraging AI across its platform to drive better customer outcomes. Announced new product, Intapp Assist
- Also announced acquisition of delphai, AI firmographic vendor, should expand functionality and drive differentiation

Materials**[MP Materials](#) | BUY | MP US | Mkt Cap:USD2,785mn | Lawson Winder****Q4'23 EBITDA miss, EPS in-line, first batch of NdPr oxide delivered to customer**

- MP Q4'23 adjusted EBITDA was below BofAe/VA consensus. Miss vs. BofAe mainly due to lower concentrate pricing and volumes.
- In Q4, MP sold its first batch of separated NdPr. Given current depressed pricing, MP is focused on maximizing cash flow.
- We remain constructive on the long term outlook for NdPr and see MP as a unique U.S.-based vehicle to gain exposure. Buy.

[Sonoco Products](#) | BUY | SON US | Mkt Cap:USD5,806mn | George Staphos**Packaging & Paper/Forest Wrap-up**

- We review 4Q23 earnings reporting trends for our coverage. Key topics include a review of GPK and SON investor days.
- RISI to publish paper pricing on 2/23. RL midweek wood pricing mixed. BofA's Annual Global Ag/Materials Conf in FL (2/28-29).

[Vale SA](#) | **BUY** | **VALE US** | **Mkt Cap:USD59,984mn** | **Caio Ribeiro**
4Q23 EBITDA beat and \$1.2bn additional Renova provision

- 4Q23 EBITDA beat mostly on stronger base metals results.
- Vale booked an additional Renova foundation provision of \$1.2bn, at the lower end of our \$1-2bn range and below BHP's \$3.2bn.
- Keep Buy as valuation looks attractive at 3.3x EV/EBITDA 24 and 18% FCF yield.

Macro & Strategy

[Global Rates Watch](#) | **Global Rates Research**

EGB spreads: opportunities on 10y

- Tightening trend in EGBs does not stand out relative to other asset classes
- Within EGBs, Finland, Belgium and Austria appear relatively rich but only this latter has a clearer catalyst

[Latam Equity Quant](#) | **David Beker**

Diminishing outflows in sight

- Outflows from Brazil local equity and hedge funds continue to slow down.
- We still see no foreign flows into Brazil local exchange. We saw R\$20bn outflows YTD, mainly from cash equities.
- Brazil and Mexico are trading at 9% discount vs historicals.

[Global Economic Weekly](#) | **Claudio Irigoyen**

The option value of waiting

- Starting an easing cycle by the Fed/ECB or a sharp increase in policy support in China can be seen as highly irreversible.
- In such cases, the option value of waiting to get more data becomes relevant, and differs across the three main economies.
- It is higher for the Fed, somewhere in the middle for the ECB, and certainly much lower for Chinese policymakers.

[US Economic Weekly](#) | **US Economics**

The risk of easing policy too quickly

- The Fed sees risks from cutting too soon more than cutting too late.
- Current trends in underlying inflation point to a June cut, but a resilient economy could delay that outcome.
- We expect soft January spending alongside firm PCE inflation. The second estimate of 4Q GDP should come in at 3.2% q/q saar.



Global FX weekly | Adarsh Sinha**Silver linings playbook**

- FX markets trendless but not themeless: low vol offers opportunity to hedge longer-term risks (long USD/ZAR risk reversal).
- Topical issues include tech rally (sell EURKRW), FX intervention (bearish CHF) and China (short CNH vs. CFETS).
- G10 themes: high beta FX, AUD, RBNZ preview. EM themes: PEN, ZAR, ARS, Asia FX.

FX Alpha | G10 FX Strategy**Buy AUDNZD**

- We buy 2mth AUDNZD calls (strike: 1.0675) costing 0.51% with both spot and implied volatility at range lows.
- Next week's RBNZ is a risk: we expect no hike while likely hawkish communication is well priced in.
- Signs of trough in China sentiment and RBA pricing further support this trade.

The Flow Show | Michael Hartnett**Trading the ISM Inflection**

- "Monopolistic Bull": contribution to SPX 25% 1-year return... "Magnificent 7" >60%, top 10 stocks >70%, top 20 stocks >80%
- BofA Bull & Bear Indicator at 6.6... positioning not yet at extreme bullish but won't take too long
- Trading the ISM inflection... commodities, mercantilist markets (KOSPI/OMX/DAX) & EM ex-China best upside

GEMs Flow Talk | Jane Brauer**New survey shows preference for LDM vs EXD, similar to what flows show**

- Our FX & Rates survey added more on EM. Investors are very OW LDM vs EXD; In LDM have a strong regional preference for LatAm.
- In EXD they are OW HY. In cash, investors are biased to UW, exposure to oil exporters is skewed to OW.
- On hard and local currency rates positioning and views, both LatAm and EMEA are very OW while Asia is neutral.

LatAm Equity Strategy | David Beker**LatAm ESG conference – what did we learn?**

- We held our fourth annual LatAm ESG Virtual Conference (Feb 20th) with a strong attendance.
- We discussed key themes on the ESG front including: new perspectives on ESG investing & capital flows...
- ... corporates protecting from natural hazards amid climate change, regulation, corporate governance and more.

[Global Earnings Revision Ratio](#) | Nigel Tupper

Encouraging earnings

- The Global Earnings Revision Ratio improved in February driven by Developed Markets. The Ratio usually rises from March-May.
- The Ratio is highest in Japan, improved in the US and Europe, and moderated in Asia and Emerging Markets.
- By global sector, the Ratio is highest for Insurance and Diversified Financials, and lowest for Energy and Semis.



Disclosures

Important 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 ^{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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