

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Rating Changes

[CommScope](#) | UNDERPERFORM | COMM US | Mkt Cap:USD494mn | Tal Liani**Worsening fundamentals and uncertain debt reduction plan; d/g to Underperform**

- We are downgrading COMM to Underperform from Neutral on limited short-term catalysts and risk with paying down debt levels.
- We see risk from weakening business trends and flag that management's plan for dealing with the 2025 debt remains uncertain.
- We lower our estimates for FY23/24 revenues/EPS and adjust our PO to \$2.00 from \$2.10 due to weaker market conditions.

PO Raised

[AGNC Investment](#) | NEUTRAL | AGNC US | Mkt Cap:USD6,344mn | Derek Hewett**Adjusting POs for several mREITs**

- The 4Q23 rate rally and mortgage spread tightening has driven Agency mREIT BVPS up roughly 10%
- We mark-to-market our POs given our updated BVPS est.. We raise our POs for AGNC to \$9.50, NLY to \$20.50, and IVR to \$8.50
- Raising PMT PO to \$14.50 as a gradual steeping in the yield curve could support the current \$0.40/share quarterly dividend

[AmBev](#) | BUY | ABEV US | Mkt Cap:USD42,450mn | Isabella Simonato**Reiterate Buy: back to fundamentals, and they are solid; adjusting ests/ and PO**

- Reiterate Buy on Ambev with R\$16 PO (7% div. yield 2024). Bad news on IOC are known and priced in. Stock should trade based
- on fundamentals again and they are solid, mainly in Brazil (high and stick beer prices, lower costs and SG&A efficiencies).
- We estimate EBITDA CAGR of 14% in BZ in 23-26. Also, the stock is trading at greater than historical discount to peers.

22 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.

[Annaly Capital](#) | NEUTRAL | NLY US | Mkt Cap:USD9,550mn | Derek Hewett
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[Ascendis](#) | BUY | ASND US | Mkt Cap:USD7,422mn | Tazeen Ahmad
TransCon PTH survey suggest rapid initial uptake if approved; Reiterate Buy

- We surveyed 25 endocrinologists on TransCon PTH's clinical profile to set expectations ahead of the upcoming May 14th PDUFA
- 100% of physicians predict a US approval and estimate 32% of their patients to be on TransCon PTH within 6-months
- ASND guides to a US launch 6-weeks after approval (likely early-July); we estimate FY24 WW risk-adj. sales of €53.4mn

[Cognizant](#) | UNDERPERFORM | CTSH US | Mkt Cap:USD39,747mn | Jason Kupferberg
4Q results likely in-line as focus turns to 2024

- CTSH reports 4Q on 2/6, and we view revs/adj. EPS ests as safe given management conservatism
- Initial '24 guidance will be in focus (consensus appears reasonable), as well as demand and client budgeting commentary
- Given more crowded positioning, modest risk to 1Q revs guide, decel. in bookings, risk/reward skews negative; maintain U/P.

[Commerce Bancshares](#) | NEUTRAL | CBSH US | Mkt Cap:USD6,091mn | Brandon Berman
4Q23 Earnings recap: Week 1

- We summarize earnings results and underlying assumptions for CBSH, CMA, FNB and TCBI
- FNB: See upside risk to '24 EPS amid conservative guide. Raise '24e by 6%. Reiterate Buy rating and raise PO to \$16
- TCBI: Making progress but returns below target see risk to '24e from lower rev. Lower '24e by 4\$. Reit Underperform, \$53 PO

[Fifth Third Bank](#) | BUY | FITB US | Mkt Cap:USD26,899mn | Ebrahim Poonawala
Strong execution + franchise investments should drive outperformance

- Stock had a muted reaction to 4Q23 results likely given the significant recent outperformance, B/S liability sensitivity
- Mgmt. sounded a bit more cautious on growth outlook vs. peers, but well-positioned if lending demand rebounds
- We view FITB as a secular re-rating story on strong execution, B/S defensibility, attractive footprint (Midwest Southeast)

[HSBC -A](#) | BUY | HSBC US | Mkt Cap:USD144,978mn | Alastair Ryan
US\$31bn cash return should dominate the conversation

- We expect US\$31bn paid to shareholders in the next 15 months
- Updating for slower HK loans and yield curves takes 1-3% off EPS, but leaves a 13% ROTE while investing for growth
- A 6.2x 2025E PE is an all-time low. Net of dividends, it falls to 5.1x. We reiterate our Buy rating

[Huntington](#) | NEUTRAL | HBAN US | Mkt Cap:USD10,111mn | Ebrahim Poonawala
Growth minded

- CEO Steve Steinour in offense mode, looking to capitalize on talent/market share opportunities driven by market dislocations
- 2024 guidance broadly inline with expectations, fewer rate cuts better for margin, NII outlook
- We consider HBAN as well-positioned to consolidate market share over the medium to long term, organically and via M&A

[Invesco Mortgage](#) | UNDERPERFORM | IVR US | Mkt Cap:USD439mn | Derek Hewett
Adjusting POs for several mREITs

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[VTEX](#) | BUY | VTEX US | Mkt Cap:USD1,387mn | Fred Mendes
Deep dive: Top-notch product is the ticket for the global stage

- Bullish on VTEX due to its LatAm operation, with 27% YoY revenue growth in 2024 and 450bps above consensus margin expansion
- We see upside from the US/EU expansion due to its top-notch product.
- Reiterate our Buy rating and preference in the LatAm TMT space for VTEX and raise our PO to USD12 from USD8.5



PO Lowered

[American Axle](#) | **UNDERPERFORM** | **AXL US** | **Mkt Cap:USD884mn** | **John Murphy**

Back to the future 4Q:23 – So long 2023, hello 2024 outlooks

- 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.

[Constellation Energy](#) | **NEUTRAL** | **CEG US** | **Mkt Cap:USD36,806mn** | **Paul Zimbardo**

Can CEG hit a bullseye on transitioning to EPS? 10-15% EPS CAGR

- Expect FY24 adj EPS guidance \$7.00 midpoint and 10-15% EPS CAGR with embedded conservatism as mgmt pivots from EBITDA to EPS.
- Consensus remains too low on adjusted EBITDA but particularly EPS. Street is flat/declining vs our forecast for growth.
- Reiterate Neutral with shares near fair value. Capital allocation (hydrogen vs data centers) will be critical to watch.

Significant EPS Change

[Alamos Gold](#) | **NEUTRAL** | **AGI US** | **Mkt Cap:USD4,821mn** | **Harmen Puri**
Tracking 2024 guidance to date + a strong negative share price reaction from Barrick

- We are tracking guidance for covered precious metal producers (AGI, PAAS to date), and see nascent signs of cost inflation.
- We highlight GOLD's Q4'23 production results with a disappointing cost guide, which led to surprising share price weakness.
- We update, where relevant our previously released Q4'23 preview and key focus areas. Q4'23 reporting kicks off in early Feb.

[Caesars Ent](#) | NEUTRAL | CZR US | Mkt Cap:USD10,087mn | Shaun Kelley**Q4 Preview: Vegas (+); Macau (=); Regionals (=)**

- 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

[Digital Turbine](#) | NEUTRAL | APPS US | Mkt Cap:USD542mn | Omar**Dessouky****Mobile AdTech Preview: Ringing in the new year with a deservedly better outlook**

- 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

[Huntsman Corp](#) | BUY | HUN US | Mkt Cap:USD4,163mn | Salvator Tiano**Chem Weekly: ADM/HUN updates, ALB capex cut, LYB acquisition, China fert data**

- Questionable accounting in ADM's Nutrition segment is delaying the 4Q earnings. HUN lowered 4Q guide due to an MDI outage
- Challenging lithium fundamentals has led ALB to cut longer-term project capex. LYB invested in PP capacity in Saudi
- China's urea/DAP exports significantly increased in 4Q, but are expected to halt in Jan-Feb - potash imports surged in 2023



[Spirit Airlines](#) | **UNDERPERFORM** | **SAVE US** | Mkt Cap:USD729mn | Andrew Didora

4Q23 revenues, operations beat; an appeal of the JBLU ruling has been filed

- SAVE released an update describing peak holiday bookings as strong, with 4Q23 revenues at the high-end of guidance
- Our 4Q23E EPS improve to \$(1.37) from \$(1.55) while 2024E EPS increases to \$(2.79) from \$(3.19) due to the 4Q23 flowthrough
- We reiterate our \$5 PO and Underperform rating, based on approximately 1.0x our 2025E book value

Buy Reiterations

Consumer Discretionary

[Amazon.com](https://www.amazon.com) | BUY | AMZN US | Mkt Cap:USD1,579,963mn | Justin Post

Bull/Bear debate: AWS in focus, investors expecting more retail leverage to come

- We hosted an Amazon bull/bear debate: Topics included: 1) AWS revenue expectations and quarterly cadence;
- 2) N.A. retail margin drivers & expectations; 3) potential headwinds to retail margin expansion; and 4) ad opportunity.
- Investor feedback suggested expectations for '24 retail margins above Street, with AWS rev. acceleration ests. more in line.



Floor and Decor | BUY | FND US | Mkt Cap:USD11,538mn | Robert Ohmes
Bull vs. Bear: Lack of turnover pressures near-term trends, LT outlook intact

- Recent industry data points remain challenged, though we see some sings of improvement from trough levels.
- We expect margins to see support from supply chain cost tailwinds, increasing "better" & "best" penetration, other factors.
- Maintain Buy as we believe FND is in a strong position to gain market share. See inside for bull vs. bear case analysis.

[Vail Resorts](#) | BUY | MTN US | Mkt Cap:USD8,473mn | Shaun Kelley
Snow Tracker: Booking our flights to Park City

- Total (cumulative) snowfall across Vail's 16 resorts we track is -36% Y/Y and -31% below long-term average
- Over the past week, the resorts we track received an average of 2 feet of snow



Consumer Staples

[Philip Morris Intl](#) | BUY | PM US | Mkt Cap:USD143,465mn | Lisa Lewandowski
Tobacco

- MO reports Feb 1. We expect the influx of flavored disposable vapor products to continue to disrupt legal nicotine producers.
- PM reports Feb 8. We would expect near-term issues to be more topical: inventory moves, FDA, FX and op margin outlook.

Energy

[Schlumberger](#) | BUY | SLB US | Mkt Cap:USD70,836mn | 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

[Mastercard Inc](#) | BUY | MA US | Mkt Cap:USD406,397mn | Jason Kupferberg
Payments, Processors & IT Services

- V reports on 1/25; we expect a solid quarter, reiterated F24 guidance, update on proposed share exchange program
- Please join us on 1/23 for our BofA IT exec call and FIS bull/bear on 1/25 for our US/EU 4Q Payments preview call
- SYF, COF, and AXP report next week; we will be watching the prints for credit commentary 2024 outlook

Health Care

[Definitive Hlthcare.](#) | BUY | DH US | Mkt Cap:USD1,346mn | Allen Lutz
Model Update

- We are updating our FY24 and FY25 estimates to reflect Definitive Health's preliminary FY24 guidance announcement
- We are slightly reducing our FY24/FY25 revenue and maintaining EBITDA given the company's recent restructuring plan

- We maintain our Buy rating and \$11.50 PO based on 21x CY24 EV/EBITDA

Industrials

[Eaton Corp PLC](#) | BUY | ETN US | Mkt Cap:USD105,765mn | Andrew Obin
Industrials/Multi-Industry

- We look back at the 2023 federal fiscal year to analyze how our coverage interacted with the US government
- We look at government contracts awarded, lobbying spend, issues our lobbied on, and regulations companies commented on
- In the 2023 federal fiscal year in our coverage HON, GE, PH, JCI, and ETN received the most contract awards

[Honeywell](#) | BUY | HON US | Mkt Cap:USD149,360mn | 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.

[Vertiv](#) | BUY | VRT US | Mkt Cap:USD20,472mn | 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.

[Thomson Reuters](#) | BUY | TRI US | Mkt Cap:USD68,943mn | 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.

Information Technology

[AppLovin](#) | BUY | APP US | Mkt Cap:USD15,370mn | 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

Materials

[PPG Industries Inc.](#) | BUY | PPG US | Mkt Cap:USD33,905mn | Steve Byrne Multiple earnings growth drivers but trading well below coatings peers

- We see several growth drivers for PPG in 2024 from share gains, cross selling, and business expansions globally
- Our 2024 EPS is unchanged, representing 11% y/y growth, from modest raws deflation, some pricing, and broad volume gains
- PPG trades at 16.6x our 2024 EPS, well below its coatings peers, but with comparable earnings growth expectations. Remain Buy

[Newmont](#) | BUY | NEM US | Mkt Cap:USD39,853mn | Lawson Winder North American Precious Metals Weekly

- We are tracking guidance for covered precious metal producers (AGI, PAAS to date), and see nascent signs of cost inflation.
- We highlight GOLD's Q4'23 production results with a disappointing cost guide, which led to surprising share price weakness.
- We update, where relevant our previously released Q4'23 preview and key focus areas. Q4'23 reporting kicks off in early Feb.

Real Estate

[Prologis, Inc.](#) | BUY | PLD US | Mkt Cap:USD121,674mn | 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

Macro & Strategy

[GEMs FI Strategy Watch](#) | Jane Brauer

EM ESG outflows driven by EM outflows overtaking general ESG inflows

- EM ESG funds flows suffered outflows in 4Q & in 2023 overall, driven by overall EM outflows, not by less preference for ESG
- In 2023 EM ESG outflows were 2.9% of AUM, vs 10.0% outflows from EM non-ESG funds, 30% less outflow pressure from ESG funds.
- EM posted the largest ESG issuance ever in 2023 at \$292bn, with about one-third issued in CNY and one-third in USD/ EUR.

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

Longs under pressure

- Dominant longs built in recent months are now under pressure
- Momentum suggests CTA longs are peaking & fund performance indicates some reversal of Q4 short covering
- Official sector is selling while Japanese private investors showed notable buying of foreign bonds last week

[US Equity Strategy & US Derivatives Research](#) | Savita Subramanian

Navigating Earnings with Options

- Ahead of this week's US earnings reports, we provide screens to help navigate the announcements with options
- The screens rank stocks reporting this week by how cheap or expensive it is to position for an earnings surprise with options

[Earnings Tracker](#) | Savita Subramanian

Week 1: What we've learned so far

- An in-line quarter so far, but fewer companies are beating vs. history. Beats saw no rewards, while misses got punished.
- Guidance is coming in weak as expected, but our Corporate Sentiment Indicator jumped to the prior peak level in 4Q21.
- What we learned: 1) Manufacturing is bottoming, 2) consumer exuberance is over, 3) peak corporate layoffs may be behind us.

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

CBT will likely hike this week; BNM and SARB on hold

- We expect Malaysia's BNM to remain on hold at 3.00% on January 24. The market is pricing no change for the meeting.
- South Africa's SARB will likely remain on hold at 8.25% on January 25. The market is pricing no change for the meeting.
- We forecast Turkey's CBT to hike 250bp on January 25 and take additional quantitative steps to tighten policy further.



Emerging Insight | GEMs FI Strategy & Economics

Asia FX – look before you fade

- Three optical "anomalies" in Asia FX: 1) year-to-date depreciation seems outsized relative to its key drivers;
- 2) vol dislocations in some currency pairs (INR low, TWD high relative to history);
3) risk reversal at historical lows.
- We recommend fading sell-off in KRW but broader Asia FX spot, vol & skew dynamics are more consistent than they first appear

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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