

## Morning Meeting Notes

## QuickNotes

Morning Call

## US EQUITIES RESEARCH

## PO Raised

[Ally Financial](#) | NEUTRAL | ALLY US | Mkt Cap:USD11,366mn | Brandon Berman

## Curb your enthusiasm?

- Recent price perf suggests investors are rewarding the stock for ALLY's 2025 earnings growth potential/NIM expansion story
- ALLY's b/s is positioned to benefit from lower rates but near-term NIM expansion is limited credit risk keeps us Neutral
- Lower '24e EPS by 12%, primarily on higher credit costs. Raise PO to \$42, representing 6.2x our '25e EPS

[Canadian Pacific](#) | BUY | CP US | Mkt Cap:USD74,144mn | Ken Hoexter

## Synergies ahead of tgts; aims for DD growth (not quite mid-teens); PO \$87

- Posted adj 4Q23 EPS of C\$1.18, above our C\$1.11/Street's C\$1.12. Merger synergies trending ahead of schedule.
- Targets 2024 double digit core EPS growth led by low-single digit RTM growth. Service gains driving increased efficiency.
- PO to US\$87 on 27x 2024e EPS. Lower 2024e 1% given weather-related operating impacts in 1Q.

[Chubb Ltd](#) | UNDERPERFORM | CB US | Mkt Cap:USD99,211mn | Joshua Shanker

## Lower cat losses and higher favorable loss reserve development in 4Q23

- Chubb reported 4Q23 op. EPS of \$8.30, or \$5.54 excl. a one-time tax benefit, vs our forecast of \$4.93 and consensus of \$5.10.
- Favorable reserve development, lower catastrophe losses, and a better core loss ratio contributed to the beat.
- North America Commercial top line growth slowed due to reunderwriting actions in the casualty lines.

31 January 2024

Equity  
United StatesInvestor Support  
BofAS

## Today's Events: Economic Indicators

- 8:15 ADP Employment
- 8:30 Employment Cost Index
- 9:45 Chicago Purchasing Managers
- 14:00 FOMC Rate Decision (mid-point)

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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.**

**Coca-Cola Andina-ADR | UNDERPERFORM | AKO/B US | Mkt Cap:USD2,248mn | Fernando Olvera**  
**Beat 4Q23 on better pricing; Argentina to limit growth in 2024**

- Andina delivered better 4Q23 results supported by stronger figures in Brazil and a better performance in Argentina.
- EBITDA grew 7% YoY, 9% above ours, on better pricing in Brazil and Argentina, and lower packaging costs.
- Reiterate Underperform on Andina (new PO of CL\$2,000/US\$12.5) because challenges in Argentina should limit its growth in 2024

**FleetCor | BUY | FLT US | Mkt Cap:USD21,440mn | Mihir Bhatia**  
**FLT/WEX 4Q Preview**

- We forecast a revs/EPS miss for WEX due to lower fuel prices. Our estimate for FLT is in-line.
- Lower fuel prices may be a source of downside in results and 2024 outlook. Guidance will be the key focus for both stocks.
- The freight recession remains a concern, but signs imply that the market is more constructive prospectively.

**HCA Healthcare | BUY | HCA US | Mkt Cap:USD83,902mn | Kevin Fischbeck**  
**Fischbeck Focus: How do HCA's volume comments fit into the utilization puzzle?**

- Raising our estimates and PO for the strong quarter and outlook. Reiterate Buy.
- High vols the main driver to higher guide and above avg vols in 2024 makes sense for HCA.
- Difficult to reconcile trend comments as some pieces fit, some don't. Utilization to slow but remain elevated.

**Kura | BUY | KURA US | Mkt Cap:USD1,549mn | Jason Zemansky**  
**Soaring on KOMET with wins on safety and efficacy; PO to \$33**

- KURA shares traded up today on the back of solid updates from KOMET-007, the phase 1 of menin inhibitor ziftomenib SoC
- The data look quite positive in our view exceeding high expectations and comparing favorably to likely NT commercial rivals
- With a higher overall LoS (53% from 49% prior) in 1L we see solid upside; Reiterate Buy and raise our PO to \$33 from \$31

**ManpowerGroup | UNDERPERFORM | MAN US | Mkt Cap:USD3,961mn | Heather Balsky**  
**Demand inflection still out of reach**

- 4Q's \$1.45 EPS beat our/Visible Alpha's \$1.18/1.19E on higher margins and interest income, but guidance misses the Street
- We are raising our PO by \$10 to \$65 as we roll forward our valuation to 2025 (our P/E valuation multiple is unchanged at 10x)
- We remain Underperform given customer demand remains challenged in Europe and the US

**[Marathon Petrol](#) | NEUTRAL | MPC US | Mkt Cap:USD63,369mn | Doug****Leggate****4Q23 earnings recap: strong operating performance lifts our PO to \$185**

- With few opportunities in energy, refiners have benefited from an early rotation into seasonal momentum, MPC included.
- While this supports MPC's sector best cash returns story, strong performance leaves marginal upside to our revised PO \$185...
- ...that reflects an improved cost of capital on lower beta vs the S&P 500 and better definition on maintenance capital.

**[Microsoft](#) | BUY | MSFT US | Mkt Cap:USD3,176,787mn | Brad Sills****Strength in AI adoption drives solid Q2; Outlook suggests sustaining momentum**

- Solid Q2 results with \$1bn topline upside, driven by Azure ( 28% y/y cc) exceeding high end of guide from strength in AI
- Believe 20% growth achievable in commercial office business as early as H2FY25 with AI; view FY24 margin raise as impressive
- Reiterate Buy with Microsoft a top pick among our software coverage group; raise PO to \$480 (43x C25E FCF)

**[NVR, Inc.](#) | BUY | NVR US | Mkt Cap:USD24,992mn | Rafe Jadrosich****2024 EPS and ROE estimates going much higher after 4Q order beat**

- NVR 4Q23 EPS was generally in-line with consensus despite weaker deliveries/revenue.
- Orders were well ahead of expectations. Community count also grew sequentially. Reiterate Buy and raise PO.
- We raise our 2024 EPS and ROE estimates meaningfully and expect capital return to shareholders to remain elevated.

**[Oshkosh](#) | UNDERPERFORM | OSK US | Mkt Cap:USD7,524mn | Michael****Feniger****2024 earnings outlook well supported – we see more risk in 2025**

- OSK reported a solid Q4 (bright spots: record backlog, Access orders) and guided 2024 EPS of \$10.25, in line with consensus.
- 2024 outlook: We find certain elements of the guide conservative and see Vocational as a positive, multi-year story.
- We are more cautious on Access side (80% of op profit) as cycle matures into 2025. Ordering season (September) will be key.

**[RenaissanceRe](#) | BUY | RNR US | Mkt Cap:USD11,290mn | Joshua Shanker****Significant 4Q23 beat on favorable development and Validus integration**

- RenRe delivered a sizable 4Q23 EPS beat across all metrics in a low-catastrophe quarter
- The company has grown its capital markedly during 2023, which puts it in a strong position for 2024 underwriting
- We are increasing our EPS forecast for premium volume, underwriting income and investment income



**Stryker** | BUY | SYK US | Mkt Cap:USD120,290mn | Travis Steed**SYK meant it – operating margins really are sprinting back**

- SYK's 2024 guide gave both revenue upside and margin/EPS upside which so far has been unique.
- 2024 guide now implies roughly half of the 200bps margin ramp to pre covid levels will come in 2024 (our math is 80-110bps).
- SYK/JNJ above normal seasonality suggesting ZBH can see a small Q4 hip/knee beat (Street models ZBH more normal seasonality).

**Sysco** | BUY | SYY US | Mkt Cap:USD40,763mn | Kendall Toscano**Strong F2Q reflects improving local customer trends. Raise PO to \$91**

- SYY's F2Q \$0.89 adj. EPS was ahead of BofA & Street ests., as was 3.4% total case volume (incl. 2.9% local cases).
- We trim our F3Qe/F24e EPS given slow start to Jan., but reit Buy & raise PO to \$91 on improving underlying case vol. trends.
- We see SYY well-positioned for cont'd market share gains & margin expansion, w/ LT support from scale & strategic investments

**Unum** | NEUTRAL | UNM US | Mkt Cap:USD9,331mn | Joshua Shanker**Model refinements in Colonial Life lead to modest 4Q23 EPS miss**

- Unum reported 4Q23 EPS of \$1.79, below our forecast of \$1.83 and consensus of \$1.85
- Group Life and Group Disability continue showing strong margins, contributing to beat in Unum US
- One-time model refinements affecting Colonial contribute to underperformance leading to overall drag in 4Q23 performance

**WEX Inc.** | BUY | WEX US | Mkt Cap:USD8,957mn | Mihir Bhatia**FLT/WEX 4Q Preview**

- We forecast a revs/EPS miss for WEX due to lower fuel prices. Our estimate for FLT is in-line.
- Lower fuel prices may be a source of downside in results and 2024 outlook. Guidance will be the key focus for both stocks.
- The freight recession remains a concern, but signs imply that the market is more constructive prospectively.

**PO Lowered****Alphabet A** | BUY | GOOGL US | Mkt Cap:USD1,891,410mn | Justin Post**Search misses high expectations, but y/y growth accelerates across all key segments**

- 4Q Rev/EPS beat driven by Cloud and subscriptions, though search slightly missed expectations and capex will jump in 2024.
- While expenses were messy in 4Q (1x items), headcount was flat y/y and with more layoffs, we see potential for margin beats.
- Revenue growth accelerated across search, YouTube and Cloud; still see Google as potential AI beneficiary; Buy

[Barclays](#) | **UNDERPERFORM** | BCS US | Mkt Cap:USD28,871mn | Rohith Chandra-Rajan

**A hard problem to solve – aspirations and expectations**

- A lower Q4 structural cost charge of £850m, increases 2023E EPS 9%, providing capacity for a £1bn buyback (£775m cons)
- Less future cost savings, more capital rationing reducing CIB revenues, reduces 2024E-26E EPS 6-9%. £0.5bn less distribution
- IB-heavy business mix hard to address, profitability hard to improve, distributions front loaded - Underperform

[PotlatchDeltic Corp](#) | **NEUTRAL** | PCH US | Mkt Cap:USD3,636mn | George Staphos

**Post 4Q: Climate business + real estate supplement 2024 after modest 1Q**

- PCH EPS \$0.00 in line with the Street (BofA at \$0.04 est.). EBITDA of \$40.73mn below our \$50mn. Wood very weak.
- 1Q guiding for sequential EBITDA decline. Intermediate-term catalysts include RE 2Q24 sale and 2H carbon credit issuance.
- Reiterate Neutral on relative valuation and wood outlook. PCH at Global Ag & Materials conference, 2/28-29.

[Robert Half](#) | **UNDERPERFORM** | RHI US | Mkt Cap:USD8,721mn | Heather Balsky

**Margins under pressure as RHI navigates the “Big Stay”**

- 4Q EPS of \$0.83 was roughly in line with estimates, but largely missed on 1Q24 guide
- We're lowering our PO by \$4 to \$55 on lower estimates. We're also rolling forward valuation to 2025
- We reiterate Underperform as we expect sales to remain challenged

[Starbucks](#) | **BUY** | SBUX US | Mkt Cap:USD106,517mn | Sara Senatore  
**1Q24 Earnings: Lower F24 SSSG as expected; efficiencies support reit. EPS**

- F2Q SSSG trough; menu, promos, media should drive 2H. Reit. EPS guide reflects conservatism, new savings
- Lowering 2Q and F24 EPS on slow start to the year. Lowering PO on limited near-term visibility
- Reiterate Buy on product innovation, more targeted promotional approach, and use of new social media to rebuild traffic in 2H

## Significant EPS Change

[Advanced Micro](#) | **BUY** | AMD US | Mkt Cap:USD277,963mn | Vivek Arya  
**Legacy worse but growth products solidly on track**



- Reiterate Buy and \$195 on data center/AI products ramping strongly into CY24, offsetting legacy FPGA, PC, gaming slowdowns
- Likes: Data Center to grow 85% YoY in CY24E and approach 50% of total sales. Seeing path toward 5-10% AI accelerator share
- Risks: Premium valuation to peer and AI leader NVDA, INTC potentially catching up in manufacturing, PC/gaming cyclicality

**[General Motors](#) | BUY | GM US | Mkt Cap:USD49,862mn | John Murphy**  
**2024 accelerates with execution and share buyback, but what's next? – 4Q follow up**

- 4Q:23 EPS of \$1.24 above BofA and consensus. Operating results solid. EPS beat driven by lower tax, share count
- GM's 2024 outlook suggests another year of strong profit. We make adjustments to estimates and PO unchanged at \$75
- GM still making good progress in improving cost position of its EVs, and remains committed to Cruise. We reiterate Buy rating

**[JetBlue](#) | UNDERPERFORM | JBLU US | Mkt Cap:USD1,805mn | Andrew Didora**

**Working towards profitability through 2024**

- JBLU's 2024 growth plans remain constrained, as an average of 11 aircraft are expected to be out of service through the year
- JBLU guided 1Q24 unit costs 9-11%, in line with our 9.4% estimate, with mid- to high-single-digit cost growth for the year
- Unit revenues are expected to accelerate throughout the year on \$300M of revenue initiatives, resulting in flat 2024 revenue

**[Pfizer](#) | NEUTRAL | PFE US | Mkt Cap:USD154,257mn | Geoff Meacham**  
**Thoughts Post the 4Q23 Call**

- Pfizer reported mixed 4Q results (rev: -\$509M; EPS: \$0.30) and unchanged 2024 guidance
- We highlight 2024 puts/takes, and are above consensus on total Seagen contribution, Nurtec ODT, and Abrysvo
- Overall, we view 2024 as a year of commercial execution with few notable catalysts, though danuglipron remains a focus

**[Skyworks](#) | UNDERPERFORM | SWKS US | Mkt Cap:USD16,688mn | Vivek Arya**

**Good execution, but operating in a difficult neighborhood**

- DecQ/MarQ inline, but cautious on structural issues that limit upside for smartphone semis; Reiterate Underperform
- Likes: Gross margin trough, Android sequential growth, strong cash generation
- Risks: Broad Markets guide, large consumer exposure, pricing

**[Whirlpool](#) | UNDERPERFORM | WHR US | Mkt Cap:USD6,051mn | Jason Haas**  
**4Q Recap: Replacement demand remains stronger than discretionary**

- Whirlpool (WHR) reported 4Q sales of \$5.1bn, above our estimate of \$5.0bn and consensus of \$5.0bn.

- WHR provided full-year 2024 outlook and expects \$16.9bn revenue (down 13% and flat like-for-like compared to the prior year).
- We remain cautious on the pressure of weakening price/mix and continued weakness in discretionary appliance demand.

## Buy Reiterations

### Communication Services

[Electronic Arts](#) | BUY | EA US | Mkt Cap:USD41,127mn | Omar Dessouky  
**3FQ24 Results: FY25 outlook lackluster but industry trends could work in EA's favor**

- FY25 Topline/bottom line growth indications << BofA but buyside likely anticipated; potential for FY25 beat/raise cycle
- EA FY25 forecast assumes steady share in a 1-3% Y/Y Video Game industry, likely factors in risk of a GTA 6 launch in FY25
- FC to finish FY24 5-8% Y/Y, well above initial guide of 1-3% Y/Y, which buyside had doubted all year; Apex FY24 Y/Y unclear

[Meta Platforms](#) | BUY | META US | Mkt Cap:USD1,056,558mn | Justin Post  
**4Q quick preview post Alphabet results**

- Reports on 2/1; we expect 4Q revenue beat and estimate EPS at \$5.18 vs Street at \$4.89.
- YouTube results, a slightly positive read (YT 4Q growth accelerated 4pts q/q), but may add to expectation risk.
- Positive on Meta with multiple tailwinds (Reels, AI & Messaging) driving growth in '24 & still attractive core valuation; Buy

### Consumer Staples

[Mondelez Int](#) | BUY | MDLZ US | Mkt Cap:USD104,738mn | Bryan Spillane  
**There's no fudging Cocoa costs**

- 4Q23 adj EPS of \$0.82 beat street. Rel to our estimates organic sales 9.8% beat our 8.4% forecast with upside in 3 out...
- of 4 segments. Net, the quarter was better than appeared given the one-off items while also revealing more pressure on the...
- business than the rest of the year. Lowering FY24-26e EPS slightly and maintain PO of \$82. Reiterate Buy.



## Health Care

[PepGen Inc](#) | BUY | PEPG US | Mkt Cap:USD260mn | Tazeen Ahmad

### Competitor readthrough reignites investor interest in PEPG; maintain Buy

- PEPG shares rose >50% today, we think in response to lateral competitor updates
- We maintain our view that PEPG's differentiated EDO platform could offer potential best-in-class efficacy
- PEPG expects to read out preliminary phase 2 exon skipping and dystrophin expression data for PGN-EDO51 in mid-2024

## Real Estate

[Boston Properties](#) | BUY | BXP US | Mkt Cap:USD12,286mn | Jeffrey Spector

### 4Q23: broadly in line with expectations; introduced 2024 guidance

- 4Q23 results and 2024 guidance were broadly in line with expectations. Leasing accelerated in 4Q, exceeding targets.
- BXP executed several transactions during the quarter including acquiring its JV partners' ownership in several projects.
- We maintain our Buy rating given BXP's high quality portfolio, development platform, management team and balance sheet.

# Macro & Strategy

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

### Bank of England preview – starting a pivot

- BoE guidance should change slightly, starting a slow pivot towards cuts. Forecasts should still show sticky inflation.
- Rates: Dovish market interpretation possible. FX: BoE push back of current market pricing should be ve GBP

[The Global Thinker](#) | Claudio Irigoyen

### Let's talk about inflation risks

- A reacceleration of inflation is still the most underpriced risk for an economy where final demand grew at 3% in 2H23.
- The rapid disinflation is supply rather than demand driven but the labor market remains tight.
- Once supply normalizes, if nominal spending remains robust, inflation can reaccelerate.

[Mexico Watch](#) | Carlos Capistran

### Mexico's GDP decelerated significantly in 4Q 2023 across the board

- Mexico decelerated significantly in 4Q. GDP was 0.3% qoq saar, down from 4.4% in 3Q. For the year, growth was 3.2%
- The deceleration was across the board. Industry decelerated to 0.2% qoq saar from 5.4% and services to 0.5% from 3.8%.
- We cut our GDP growth estimate to 1.8% for 2024 from 2.0%. The deceleration means that Banxico could cut in March.



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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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