

## Morning Meeting Notes

## QuickNotes

Morning Call

## US EQUITIES RESEARCH

## Rating Changes

[Prothena](#) | NEUTRAL | PRTA US | Mkt Cap:USD1,812mn | Tazeen Ahmad**Further clarity needed on competitive positioning in Alzheimer's; D/G to Neutral**

- PRTA reported initial encouraging amyloid reduction for 012 but noted a more comprehensive update may not come until 2025
- Topline ph 3 data for birtamimab in AL amyloidosis is now expected in 4Q-2Q25 (prev. 2024) based on latest estimates
- We downgrade PRTA to Neutral as we think clarity on the clinical profile of 012 is needed to provide insights into the oppy

## PO Raised

[Arcus Biosciences](#) | NEUTRAL | RCUS US | Mkt Cap:USD1,145mn | Jason Zemansky**Gilead increases investment but near-term concerns remain; PO to \$25**

- We look for RCUS shares to trade with strength after Gilead made an equity investment of \$320M, increasing ownership to 33%.
- The deal is a positive, extending Arcus' runway to 2027, ensuring funding of early programs we've long been favorable on
- But while we recognize the improved balance sheet, we remain cautious on TIGIT given recent seemingly negative updates

[Franklin Resources](#) | UNDERPERFORM | BEN US | Mkt Cap:USD13,632mn | Craig Siegenthaler**F1Q24E: Expect improved flows in '24 but low normalized growth**

- Bond rebalancings Great-West partnership should drive positive net flow inflection in 2024 (including reinvested divs)
- Refining EPS due to BEN's updated guidance (increased expenses, Putnam) and increasing PO; estimate -7% total return
- Maintain U/P; secular headwinds in active equities, lower Alt flows trajectory, & soft investment performance in key funds

30 January 2024

Equity  
United StatesInvestor Support  
BofAS

## Today's Events: Economic Indicators

1. 9:00 Case-Shiller HPI (yoy)
2. 10:00 Consumer Confidence
3. 10:00 JOLTS Job Openings

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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.

[Uber Technologies](#) | BUY | UBER US | Mkt Cap:USD137,835mn | Justin Post  
**2024 PM Level Outlook & 4Q'23 Preview**

- After a strong 2023 ( 120%) Uber is positioned to continue its profit inflection, aided by strong driver supply & advertising
- While expectations are high, we are above Street for 2024 and see 1Q upside potential.
- Raise PO to \$73 based on slightly higher Mobility Multiple. Risks include Delivery Share, regulation, and high expectations

## PO Lowered

[Diageo](#) | NEUTRAL | DEO US | Mkt Cap:USD80,478mn | Andrea Pistacchi  
**H1 results in line, more cautious H2 outlook – we stay Neutral**

- H1 results broadly in line with cons: OSG -0.6% (vs flat), EBIT -5.4% (vs -4.7%), EPS 0.6% ahead. Continuing \$1bn buyback
- ... but more cautious outlook: H2 sales growth to improve vs H1, but org. EBIT to decline in H2 (less than H1).
- We trim FY24 OSG to 0.5% and EBIT -3.5%; we trim FY25 organics slightly. All in, FY24-26 EPS reduced c2.5-5%. Neutral.

## Significant EPS Change

[Philips](#) | NEUTRAL | PHG US | Mkt Cap:USD20,185mn | Julien Ouaddour  
**Q4 23 earnings call key takeaways**

- Neutral rating: legal uncertainties still sit in consent decree terms and personal injury claims, but limited earnings risk
- Limited info re consent decree on the call. Terms to be revealed at court approval. Timing uncertain for US market re-entry
- Order and sales to be back-end loaded in FY24. Margin expansion expected for all businesses. MT target confirmed.

## Buy Reiterations

### Consumer Discretionary

[Arcos Dorados](#) | BUY | ARCO US | Mkt Cap:USD2,684mn | Robert Ford  
**Aguilar**

**MFA renewal: we look for flat royalties, faster expansion, and higher ROIs**

- 2024 acceleration may foreshadow the terms of ARCO's new Master Franchise Agreement. We look for flat fees and faster growth.
- We perceive considerable white space to grow. ARCO has also materially improved new store productivity and returns.
- Digital efforts could help further polarize market share and segment profits. Reaffirm Buy rating.

**[Darden Restaurants](#) | BUY | DRI US | Mkt Cap:USD19,686mn | Sara Senatore**  
**Restaurants Industry**

- W/e 1/26: Restaurant Index lags, fast casual and FSR lead.
- Chart of the week: Burger King remodel math. Upcoming events: BROS Bull/Bear, SBUX and EAT report.

**[Mercadolibre](#) | BUY | MELI US | Mkt Cap:USD89,754mn | Robert Ford Aguilar**  
**Year Ahead Picks**

- As investors seek to generate alpha, we highlight the top US Year Ahead picks by BofA Research analysts by industry group.
- All stock included are Buy-rated and considered by the analyst to be appropriate for private clients.
- The recommendation list provided here is static for the remainder of 2024.

**[Starbucks](#) | BUY | SBUX US | Mkt Cap:USD106,622mn | Sara Senatore**  
**Restaurants Industry**

- W/e 1/26: Restaurant Index lags, fast casual and FSR lead.
- Chart of the week: Burger King remodel math. Upcoming events: BROS Bull/Bear, SBUX and EAT report.

**[TopBuild](#) | BUY | BLD US | Mkt Cap:USD11,930mn | Rafe Jadrosich**  
**Building Products**

- 4Q23 preview and 2024 outlook: We still prefer new construction > repair & remodel in building products.
- Key themes for 2024: 1) New construction recovery, 2) R&R risk, 3) Tight labor market, and 4) capital allocation.
- Upgrade BLDR to Buy. Also Buy-rated: AWI, AZEK, BLD, OC, TREX. Underperforms: FBIN, HAYW, MAS, MHK.

**Consumer Staples**

**[Lamb Weston Holdings](#) | BUY | LW US | Mkt Cap:USD15,267mn | Peter Galbo**  
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## Energy

### [Helmerich & Payne](#) | BUY | HP US | Mkt Cap:USD3,709mn | Saurabh Pant Resilient NAM & Big Step Forward in Int'l

- 1QFY24 EBITDA of \$208mm beat Cons by 6%, led by \$1.0K/ \$1.2K NAM daily revenue/margin; FCF in-line; \$90mm cash return to s/h
- HP sees 3-8 rig adds with daily margin flat to slightly up QoQ in NAM in 2QFY24; wins contract for 8 more rigs in Middle East
- 2QFY24 guide 3% vs. Cons and 2HFY24 likely 3-5% vs. Cons; Maintain Buy on 1) resilient NAM & 2) strong FCF and cash returns

### [Schlumberger](#) | BUY | SLB US | Mkt Cap:USD75,916mn | Saurabh Pant Year Ahead Picks

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## Financials

### [Blue Owl Capital](#) | BUY | OWL US | Mkt Cap:USD22,324mn | Craig Siegenthaler Year Ahead Picks

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### [Fidelity Nat'l Info](#) | BUY | FIS US | Mkt Cap:USD37,623mn | Jason Kupferberg Year Ahead Picks

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### [Progressive Corp](#) | BUY | PGR US | Mkt Cap:USD104,043mn | Joshua Shanker Year Ahead Picks

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## Health Care

### [Boston Scientific](#) | BUY | BSX US | Mkt Cap:USD89,818mn | Travis Steed Year Ahead Picks

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### [IQVIA Holdings](#) | BUY | IQV US | Mkt Cap:USD41,119mn | Derik De Bruin Life Sciences & Diagnostic Tools

- C4Q23 earnings for our coverage universe begins this week; We see few surprises given recent comments from many companies
- We expect 1H24 to remain challenging & continue to favor consumable focused stocks vs higher instrument, China exposure
- We raise our POs for A, WAT, BRKR, TMO, RVTY, QGEN, HOLX, MYGN, MTD and update estimates for several companies

### [Option Care Health](#) | BUY | OPCH US | Mkt Cap:USD5,793mn | Joanna Gajuk Year Ahead Picks

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## Industrials

### [The AZEK Company](#) | BUY | AZEK US | Mkt Cap:USD5,686mn | Rafe Jadrosich Building Products

- 4Q23 preview and 2024 outlook: We still prefer new construction > repair & remodel in building products.
- Key themes for 2024: 1) New construction recovery, 2) R&R risk, 3) Tight labor market, and 4) capital allocation.
- Upgrade BLDR to Buy. Also Buy-rated: AWI, AZEK, BLD, OC, TREX. Underperforms: FBIN, HAYW, MAS, MHK.

### [Vertiv](#) | BUY | VRT US | Mkt Cap:USD20,941mn | Andrew Obin Year Ahead Picks

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**Information Technology****[Advanced Micro](#) | BUY | AMD US | Mkt Cap:USD287,284mn | Vivek Arya  
US Semiconductors**

- Q4 US hyperscaler capex expected to grow YoY after 3 qtrs of declines, Q1/CY24 global cloud capex outlook up >20% YoY
- Hyperscalers key in AI investment, but emerging enterprise market, Tier-2 cloud vendors underappreciated growth driver
- Reiterate Buy on top pick NVDA, also like AMD, MRVL, AVGO

**[Apple Inc.](#) | BUY | AAPL US | Mkt Cap:USD2,964,509mn | Wamsi Mohan  
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**[Fortinet](#) | BUY | FTNT US | Mkt Cap:USD55,708mn | Tal Liani  
4Q preview: expect quarter and guidance weakness; yet already in expectations**

- 4Q Preview: expect another quarter of weak trends, yet trends likely already reflected in Street expectations
- 4Q expectations baked in, but FY24 estimates likely still too high. We forecast 3% FY billings growth, -300bps below Street
- However, we model accelerated QoQ recovery in 2Q with 800bps billings growth vs Street's 500, which should support the stock

**[KLA Corp](#) | BUY | KLAC US | Mkt Cap:USD81,570mn | Vivek Arya  
US Semiconductors**

- Mixed eps thus far for semis, TSMC/ASML (secular) strength offset by INTC/TXN (higher cyclical exposure) weakness
- Big-tech earnings next week critical to n-t sentiment in AI stocks and related semi headliner AMD where we see muted Q1
- Despite mixed Q1 trends, seasonality favors SOX (outperforms 700bps on avg in CQ1), CHIPS Grants, NVDA GTC key pos. catalysts

**[Marvell](#) | BUY | MRVL US | Mkt Cap:USD47,053mn | Vivek Arya  
US Semiconductors**

- Q4 US hyperscaler capex expected to grow YoY after 3 qtrs of declines, Q1/CY24 global cloud capex outlook up >20% YoY
- Hyperscalers key in AI investment, but emerging enterprise market, Tier-2 cloud vendors underappreciated growth driver
- Reiterate Buy on top pick NVDA, also like AMD, MRVL, AVGO

**NVIDIA | BUY | NVDA US | Mkt Cap:USD1,554,129mn | Vivek Arya****US Semiconductors**

- Q4 US hyperscaler capex expected to grow YoY after 3 qtrs of declines, Q1/CY24 global cloud capex outlook up >20% YoY
- Hyperscalers key in AI investment, but emerging enterprise market, Tier-2 cloud vendors underappreciated growth driver
- Reiterate Buy on top pick NVDA, also like AMD, MRVL, AVGO

**Salesforce.com | BUY | CRM US | Mkt Cap:USD269,725mn | Brad Sills****Year Ahead Picks**

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**Materials****Nucor | BUY | NUE US | Mkt Cap:USD45,843mn | Lawson Winder****Q4'23 EPS beat; maintain Buy as higher volume + mix offset HRC price risks**

- NUE reported Q4'23 EPS above its guidance, consensus and BofAe. For Q1'24, NUE has guided for improved earnings driven by...
- ...higher pricing/volumes (and lower cost) for its sheet mills. 2024 capex is to increase YoY, but share buybacks to outpace.
- Though we are cautious on U.S. HRC, NUE is better positioned with stronger long steel markets, higher volumes. Maintain Buy.

**Sealed Air Corp | BUY | SEE US | Mkt Cap:USD5,282mn | George Staphos****Year Ahead Picks**

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**Vale SA | BUY | VALE US | Mkt Cap:USD62,116mn | Caio Ribeiro****4Q23 production and sales: ironing out the production kinks**

- 4Q23 Iron ore shipments came in at 90.3Mt (-1.8% y/y, 1.6% below BofAe), nickel at 47.9kt (-17.7% y/y; 6% above BofAe) and...
- ...copper at 97.5kt ( 36.2% y/y; in-line with BofAe). Iron ore production was 89.4Mt ( 10.6% y/y) and above BBG at 82.97Mt.
- Vale closed the year with iron ore production at 321Mt which comes above guidance of 315Mt. We keep our Buy rating.



## Real Estate

[Welltower](#) | BUY | WELL US | Mkt Cap:USD45,776mn | Joshua Dennerlein  
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

## Utilities

[PG&E Corp.](#) | BUY | PCG US | Mkt Cap:USD37,188mn | Julien Dumoulin-Smith  
US Utilities & Clean Tech

- XEL points to top-end of better of EPS CAGR which is consistent with our estimates - still a rare premium utility.
- PNW AZ recommended order is reasonable and includes SRB as expected, given the momentum. Shares remain fairly valued.
- PCG receives CA safety certificate. Detailing latest significant updates in NY & NJ offshore wind as we prepare for NY in Feb

# Macro & Strategy

[US 1](#) | US 1 Committee  
Adding AZEK, CRM to the US 1 List, removing BLD

[LatAm Earnings Tracker](#) | David Beker  
4Q23 Preview: signs of BZ consumer EPS recovery

- Excluding commodities, Ibovespa Rev/EBITDA/EPS YoY growth is expected at 4%/32%/42% YoY.
- In 4Q23, we expect to see first signs of recovery within the BZ consumer-related industries, mostly on soft comps.
- Mexbol Rev/EBITDA/EPS YoY contraction is expected at -2%/-9%/-10%. Negative highlights are communication and c. staples.

[BofA Securities Equity Client Flow Trends](#) | Jill Carey Hall  
Big week of selling by institutional clients

- Clients sold US equities, selling single stocks but buying ETFs. Institutional clients led selling (near-record outflows).
- Corporate client buybacks decelerated but were above seasonal trends for an 11th consecutive week.
- Tech led outflows. Staples saw 3rd largest weekly outflow in in our data history (since '08). Comm. Svcs. led inflows.



**Liquid Insight | Global Rates & Currencies Research****FOMC Preview: A shift to neutral guidance**

- The Fed will likely remove the upside rate bias in the statement to go away in favor of neutral guidance.
- Rates markets will watch the FOMC closely for guidance on the policy path and discussion around balance sheet runoff.
- FX markets are likely to discount an incrementally dovish signal from the Fed given current expectations for March.

**Emerging Insight | GEMs FI Strategy & Economics****Israel – Inflation is coming down fast, but BOI is cautious**

- Inflation has been surprising on the downside since the conflict started although there are early signs of recovery in demand
- Budget deficit and debt to GDP poised to rise due to high defense spending but we see debt at manageable levels.
- A ceasefire or de-escalation could ease pressure on the ILS and supply side inflation, allowing BOI to cut more.

**ESG Matters - US | Dimple Gosai****US ESG outflows defy 5 years of flow gains**

- Even though 2023 was the worst year on record for flows to US ESG funds (\$7.1B in outflows), AUM still grew 24% YoY
- While US ESG & clean energy funds flows have trended together, the S&P500 ESG Index outperformed ICLN by 47ppt in '23
- US ESG funds are diversifying, reduced positioning in renewables & increased ownership in AI & water stocks in Q4

**FX Quant Insight | Vadim Iaralov****Renewed demand for Asia FX**

- USD trend is neutral into FOMC; FX investors broadly waiting on Fed to provide more guidance for next USD trend signal.
- After January positioning unwind, our signals turned bearish EUR/AUD again.
- Quant signals bullish AUD on rising call demand from risk-on China news; bearish EUR on falling EU yields after ECB.



# 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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