

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Rating Changes

[Discover Finl](#) | NO RATING | DFS US | Mkt Cap:USD30,731mn | Mihir Bhatia
Additional thoughts on the COF-DFS merger and looking at network synergies

- Capital One plans to boost the Discover network, but we note the case for it being pro-competitive may be more nuanced.
- We estimate the Durbin exemption could be worth \$6.2B for Capital One and could add \$650M in revenue
- Move to No Rating on Discover as we believe it is no longer trading on fundamentals. Maintain Buy rating on Capital One.

PO Raised

[Acadia Healthcare](#) | BUY | AHC US | Mkt Cap:USD8,028mn | Kevin Fischbeck

AHC beats modestly, 2024 guidance in line

- Adj EBITDA was 2% above consensus on 2% better revs while margins were 10bps worse.
- SS revs of 10.3% outperformed peer UHS. Pricing remained strong while vols decelerated.
- Core 2024 revs and adj EBITDA guidance in line. Raising PO/EBITDA ests, rolling out 2026. Reit Buy.

[Agilent](#) | NEUTRAL | A US | Mkt Cap:USD39,367mn | Derik De Bruin
Upside F1Q24, but FY24 guide reiterated as markets stay rough

- Agilent reported a better-than-expected F1Q24 core sales decline of -6% (BofAe - 10%), EPS of \$1.29 was 7c ahead of Street
- Despite beat, FY24 guide maintained, some signs of market stabilization but trends not yet strong enough to call inflection
- Update estimates, raise PO to \$141. Reiterate Neutral rating on market uncertainty and healthy valuation

28 February 2024

Equity
 United States

Investor Support
 BofAS

Today's Events: Economic Indicators

1. 8:30 Wholesale Inventories
2. 8:30 GDP (qoq saar)
3. 8:30 Personal consumption (qoq saar)
4. 8:30 GDP Price Index (qoq saar)
5. 8:30 Core PCE (qoq saar)
6. 8:30 Advance Goods Trade Balance

Table of Contents

US EQUITIES RESEARCH	1
Rating Changes	1
PO Raised	1
PO Lowered	7
Significant EPS Change	9
Buy Reiterations	12
Macro & Strategy	15

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.

[Ambarella](#) | UNDERPERFORM | AMBA US | Mkt Cap:USD2,039mn | Vivek Arya

Growth resumes in CY24E, yet visibility and negative EPS limit outlook

- Reit. Underperform, raise PO to \$62 from \$58 on unchanged 7x CY25E EV/S on auto/AI trend exposure yet limited visibility n-t
- Likes: revenue growth to resume in FY25E, with AprQ guided 5% QoQ, auto product ramp tied to secular ADAS trends, Edge AI
- Risks: Lack of visibility, falling gross margins, unprofitable model n-t

[Amphenol](#) | BUY | APH US | Mkt Cap:USD64,748mn | Wamsi Mohan
Amphenol.AI, more upside in 2024?

- APH saw boost from AI in IT Datacom end-market during CY23
- We expect the AI could drive about \$500mn of incremental revs in the IT Datacom business at APH
- Raising estimates, PO to \$117 from \$115 on C25 EPS of \$3.65 (was \$3.61)

[Banco Macro](#) | UNDERPERFORM | BMA US | Mkt Cap:USD2,398mn | Ernesto Gabilondo

2023 earnings peak is unlikely to repeat, while recession risk looms

- After '23 earnings peak (driven by high financial results), we continue to see a challenging outlook in the near-term.
- We expect softer earnings and ROAEs in 2024, while to start recovering until 2025.
- We believe expected earnings recovery would not be enough to improve ROEs above CoE levels in 2024. U/P

[Chemed](#) | BUY | CHE US | Mkt Cap:USD9,110mn | Joanna Gajuk
Vitas offset slight Roto miss. EBITDA guidance above ests for both segments

- Adj EBITDA was 3% above consensus/our est as much better Vitas more than offset slightly worse Roto EBITDA.
- 2024 adj EPS guide is 2% above consensus with revs guide 1% above and the implied adj EBITDA 4% above consensus / our est.
- We raise our 2024/25E EBITDA, roll out 2026 ests. We reiterate Buy rating as the Vitas strength helps offset Roto.

[Credo Technology](#) | UNDERPERFORM | CRDO US | Mkt Cap:USD3,545mn | Vivek Arya

Expect strong 2H ramp in AEC cables, though largely in expectations/valuation

- Raise PO to \$21 but reit Underperform as growth generally F2H25/FY26E weighted. Higher opex/share count also limit leverage
- Likes: F2H'25 product ramps, new AEC customers, AI networking benefiting DSP business, cash balance of \$2.45/share
- Risks: Margin volatility, increased AEC/DSP competition as the markets grow, top three customers represent 70% of sales

eBay Inc | NEUTRAL | EBAY US | Mkt Cap:USD23,038mn | Justin Post
Outlook suggest stabilizing GMV with favorable margins, but still trailing sector

- Reported revenue/non-GAAP EPS of \$2.56bn/\$1.07, slightly above Street at \$2.51bn/\$1.03.
- Strong margin growth and EPS upside in '24 outlook, though 2024 margin drivers may not be sustainable.
- Better GMV trends, but sector improving too. Raise PO to \$51 on higher estimates and asset value, reiterate Neutral.

Grupo Galicia | UNDERPERFORM | GGAL US | Mkt Cap:USD2,579mn | Ernesto Gabilondo
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InvenTrust | NEUTRAL | IVT US | Mkt Cap:USD1,704mn | Jeffrey Spector
Valuation deep dive: which Retail REITs screen most vs. least attractive?

- In this report, we analyze 2024 and 2025 earnings growth by Retail REIT after updating our models for 4Q23 earnings.
- We believe investors should focus on AFFO (cash flow) vs. FFO growth over the next two years and an AFFO 2-yr PEGY analysis.
- Based on our 2-year AFFO PEGY analysis, SPG, MAC & KIM screen least expensive while AKR, IVT & SKT screen most expensive.

MPLX LP | UNDERPERFORM | MPLX US | Mkt Cap:USD39,488mn | Indraneel Mitra
4Q23 Earnings wrap: MLP yield hunting, M&A speculation & volatile C-Corp moves

- We review 4Q23 earnings focusing on catalysts driving volatile C-Corp moves, o/p by MLPs from yield hunting & M&A speculation
- Prefer FCF efficient growth w/ OKE/ET top picks while noting traditional MLP drops & outsized distr. increases re-occurring
- We detail our thoughts, update estimates through '26 and establish updated POs for ETRN, KMI, MPLX, OKE, PAA and TRGP

Myriad Genetics | UNDERPERFORM | MYGN US | Mkt Cap:USD1,672mn | Derik De Bruin
4Q23 results inline, FY24 sales guide gets a modest raise, Steady progress

- MYGN reported 4Q23 sales of \$196.6mn (11% y/y), in line with preannouncement, and Adj. EPS of 4c, ahead of Street's 2c
- FY24 sales guide raised by \$5mn at midpt to \$830mn ahead of consensus expectations, Sees adj EPS of 2.5c vs BofAe/Street 8/2c
- We raise our 2024 ests and PO to \$22, MYGN is making progress, but we reiterate Underperform rating.



[Norwegian Cruise](#) | NEUTRAL | NCLH US | Mkt Cap:USD8,124mn | Andrew Didora

Modest changes to our estimates despite strong stock move, maintain Neutral

- NCLH shares were strong at 19.8% on a solid 1Q24 EPS guide of \$0.12 that exceeded our/consensus estimates of \$(0.11)/\$(0.22)
- We raise our 1Q24 EPS estimate to \$0.12 from \$(0.11) primarily on stronger yields while our 2024E EPS increases to \$1.28
- Our price objective moves higher to \$20 from \$18 on our updated estimates, still based on 10x our 2024E EBITDA

[ONEOK Inc](#) | BUY | OKE US | Mkt Cap:USD45,344mn | Indraneel Mitra
4Q23 Earnings wrap: MLP yield hunting, M&A speculation & volatile C-Corp moves

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[Permian Resources](#) | NEUTRAL | PR US | Mkt Cap:USD4,875mn | Doug Leggate

4Q23 Earnings Recap: Executing synergies, PO to \$17, Reiterate Neutral

- Adj EBITDA of \$858mm breezes through consensus as higher oil volumes and lower LOE lift it past Street estimates of \$787mm
- FY24 pro-forma budget of \$1.9-2.1bn highlights 'capital efficient' program that leans to New Mexico, prod guide in line
- Raise PO to \$17/sh on Earthstone synergies materializing capex and LOE savings faster than expected. Reiterate Neutral

[Plains AA](#) | NEUTRAL | PAA US | Mkt Cap:USD11,714mn | Indraneel Mitra
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Plains GP Holdings | NEUTRAL | PAGP US | Mkt Cap:USD11,960mn |**Indraneel Mitra****4Q23 Earnings wrap: MLP yield hunting, M&A speculation & volatile C-Corp moves**

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Procept BioRobotics | BUY | PRCT US | Mkt Cap:USD2,563mn | Craig Bijou**FY24 rev guide beats Street – we still see upside opportunity**

- Q4 rev of \$43.6m (83% y/y) at high end of preannounce range - system rev 47% y/y, handpiece 124% y/y, utilization 13% y/y
- FY24 rev guide of \$210m 2% ahead of Street, we see rev upside even with higher guide
- We think FY24 opex guide (5% higher than Street) likely conservative and see opportunity for additional operating leverage

Revolve | UNDERPERFORM | RVLV US | Mkt Cap:USD1,308mn | Alice Xiao**Domestic demand remains weak and return rates remain elevated**

- 4Q EPS of \$0.05 beat our/VA cons ests of \$0.04/\$0.02 on sales and gross margin (GM) despite an opex miss.
- AOV declined 1% to \$303 given lower mix of FWRD & higher mix of Beauty (positive ex-beauty). Active customers grew 9% to 2.5m
- Return rates improved sequentially to approx 58% in 4Q compared to 60% in 3Q, although remains above historical avg of 50-55%

Targa Corp. | BUY | TRGP US | Mkt Cap:USD21,804mn | Indraneel Mitra**4Q23 Earnings wrap: MLP yield hunting, M&A speculation & volatile C-Corp moves**

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United Rentals | BUY | URI US | Mkt Cap:USD45,865mn | Michael Feniger**Hosting URI in NYC – look for more clues on structural drivers**

- BofA hosting URI in NYC on March 12th for 1x1 and group meetings - look for more clues on structural underpinnings/drivers.
- As dust settles after earnings season, interesting dynamic on rental capex directional trend for URI vs US rental peers.
- We look for clues on rising rental penetration (outside non-res markets), URI leadership expanding with mega projects, etc.



Universal Health | BUY | UHS US | Mkt Cap:USD11,744mn | Kevin Fischbeck
Q4 beat, vols slowed but still strong, strong psych pricing driving growth

- Adj EBITDA-NCI was 1% above consensus on 1% better revs while margins were slightly better.
- SS Acute vols (5.6%) decelerated but still strong. SS Psych revs 7.2% y/y.
- 2024 guide: midpoint of revs 4% above consensus and adj EBITDA less NCI 6% above. Raising ests. Reiterate Buy.

Urban Outfitters | BUY | URBN US | Mkt Cap:USD4,615mn | Lorraine Hutchinson

Sales regain momentum after a tough January

- We expect continued momentum at the Anthropologie & Free People brands & see further gross margin improvement opportunities
- Winter storms hurt sales in Jan & made clearing liable UO inventory more costly, trends improved as weather turned favorable
- 4Q retail comps increased 5%, QTD trends are slightly softer than 4Q but ahead of the 1Q guidance of 3%

Vaxcyte | BUY | PCVX US | Mkt Cap:USD8,786mn | Jason Gerberry
4Q wrap: focus on capital deployment + Ph2 VAX-31 update

- We provide key takeaways from PCVX's 4Q EPS that offered details on capital deployment expectations for VAX-31 ph2 win
- Deployment of \$2bn pro-forma cash to support pre-launch mfg build-out, VAX-31 Ph2: perfection not needed to prioritize
- Our \$102 PO reflects higher PCV share partly offset by higher spend reiterate Buy on fav risk:reward into PCV updates

VTEX | BUY | VTEX US | Mkt Cap:USD1,390mn | Fred Mendes
4Q23 Review: When high growth meets pure operational leverage

- Strong results with revenues up 34% YoY, 5% above BofAe and EBITDA margin 360bps above BofAe, with clear operational leverage
- Existing stores reached 35% EBIT margin in 2023 (22% in 2022), indicating we might see 35% LT margin for VTEX consolidated
- We reiterate our Buy rating and preference in the LatAm TMT space for VTEX and raise our PO from USD12 to USD13

Western Midstream | UNDERPERFORM | WES US | Mkt Cap:USD12,974mn | Indraneel Mitra

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PO Lowered

[Array Technologies](#) | BUY | ARRY US | Mkt Cap:USD2,063mn | Julien Dumoulin-Smith

Hitting the reset button to kick off '24 – Reiterate Buy

- Expect investor concerns over customer delays and backlog to drive outsized volatility leading up to '24 guide
- Still baking in meaningful margin expansion, but we are monitoring commodity prices following spikes of late
- Updating estimates and Reiterate Buy - PO to \$17 on MtM and adjustments to tax credit valuation treatment

[Bank of Montreal](#) | BUY | BMO US | Mkt Cap:USD65,623mn | Ebrahim Poonawala

Minor setback, but not thesis changing

- While we came into today's print expecting a weak quarter, results were undoubtedly worse than expected, reduce EPS estimates
- Although we view BMO as one of the best managed Canadian banks, investors may need a reminder via some clean/solid quarters
- Idiosyncratic opportunity to gain market share in the US, BoW revenue synergies should drive EPS growth, stock outperformance

[Bumble](#) | NEUTRAL | BMBL US | Mkt Cap:USD1,802mn | Curtis Nagle
1Q outlook muted on execution challenges even as more changes underway, Neutral

- 4Q23 total rev. missed Street on lower ARPPU, EBITDA inline Street on opex leverage (ex one-offs). 350 job cuts announced.
- For 1Q, mgmt. outlook weaker vs Street on execution issues. FY24 EBITDA margin guide of 300bps y/y growth, aided by layoffs.
- Margins are higher & valuation is undemanding relative to growth but BMBL needs to prove out execution. PO to \$14. Neutral

[Jamf](#) | NEUTRAL | JAMF US | Mkt Cap:USD2,537mn | Koji Ikeda
4Q results ok, but guide soft from demand headwinds, Reit. Neutral, lower PO to \$21

- 4Q23 results ok, but 2024 growth guide is below Street due to ongoing softness in the largest verticals tech and education
- 2024 rev growth guide of 10% is underwhelming, but could also signal that the model is derisked, creating beat-raise scenario
- Reiterate Neutral, \$21 PO is based on 4.9x EV/CY24E revenue



[Kinder Morgan](#) | NEUTRAL | KMI US | Mkt Cap:USD38,867mn | Indraneel**Mitra****4Q23 Earnings wrap: MLP yield hunting, M&A speculation & volatile C-Corp moves**

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[Lowe's](#) | BUY | LOW US | Mkt Cap:USD162,890mn | Robert Ohmes**See opportunities for improvement despite continued softness in DIY, Buy**

- LOW reported 4Q EPS of \$1.77 on a comp decline of (6.2%), which compares to consensus of \$1.68 and (6.9%), respectively.
- Lower '24 EPS driven by lower comp forecast as we expect DIY demand to remain under pressure in 2024, particularly in 1H.
- Maintain Buy and see upside if macro trends improve in 2024. PO moves to \$280 (was \$289), 21x our 2025E EPS of \$13.50.

[Progyny](#) | BUY | PGNY US | Mkt Cap:USD3,909mn | Allen Lutz**Look through the noise, growth algo remains intact**

- Progyny reported a mixed quarter and issued guidance that is impacted by a treatment mix shift.
- We dive into the treatment mix shift in the note body and provide more details on what is driving this headwind.
- We reiterate our Buy rating with a \$46 PO on c.19.5x CY24 EV/EBITDA

[Redfin Corp](#) | UNDERPERFORM | RDFN US | Mkt Cap:USD854mn | Curtis**Nagle****4Q miss and 1Q outlook below Street, Lowering PO to \$6.0, Reit.****Underperform**

- 4Q Rev/EBITDA miss and 1Q outlook also below Street as high interest rates and low affordability weigh on housing demand.
- TTM Adj. EBITDA breakeven goal delayed, Marginally lowering our below Street estimates reflecting cont'd macro headwinds.
- Lowering PO to \$6, Reit UP as we remain cautious on Redfin's ability to consistently generate positive margins and cash flow.

[Retail Oppty Invest.](#) | NEUTRAL | ROIC US | Mkt Cap:USD1,700mn | Jeffrey**Spector****Valuation deep dive: which Retail REITs screen most vs. least attractive?**

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[Sealed Air Corp](#) | BUY | SEE US | Mkt Cap:USD5,076mn | George Staphos
Post 4Q: 1Q guide < Street, valuation attractive, esp. w/ turnaround efforts

- SEE making stable progress regarding its turnaround and commercial efforts and expects \$90mn in cost saves in '24.
- 1Q guided < expectations. Vols expected to be down a couple points. 2H recovery expected (similar to other pkgg co. comments)
- We view SEE as attractive on valuation turnaround potential. We update ests and our PO moves to \$40.

[SSR Mining Inc.](#) | UNDERPERFORM | SSRM US | Mkt Cap:USD943mn | Lawson Winder
Progress post Çöpler incident concerning. Capital return suspended. Underperform.

- SSR Mining (SSRM) reported Q4'23 financial results and provided an update on recent events at the Çöpler mine.
- While Q4'23 adjusted EPS beat forecasts, the outlook remains dim. The dividend and buyback were suspended indefinitely.
- We remove the Hod Maden project in Türkiye from our NAV and reduce our PO to \$4.50 (C\$6.10). Reiterate Underperform.

Significant EPS Change

[Acadia Ph](#) | NEUTRAL | ACAD US | Mkt Cap:USD4,328mn | Tazeen Ahmad
Commercial franchise impresses but pipeline concerns remain, Reit. Neutral

- ACAD reported \$177mn in Daybue sales and \$549mn in Nuplazid sales for FY23
- Mgmt continues to guide to linear growth for Daybue in 2024 despite expected 1Q slowdown
- We await topline data for the ph 3 ADVANCE-2 study in NSOS by end of 1Q before breaking out standalone program value

[Alector](#) | NEUTRAL | ALEC US | Mkt Cap:USD671mn | Greg Harrison
Keeping INVOKE-2 top of mind ahead of phase 2 data: Thoughts post the 4Q23 call

- Alector announced a 4Q23 update with a focus on clinical data updates.
- The company plans to present data from the INVOKE-2 trial in 4Q24.
- Alector recently announced the first patient dosed with AL101 in the PROGRESS-AD trial.

[Bentley Systems](#) | NEUTRAL | BSY US | Mkt Cap:USD16,491mn | Michael Funk
4Q23 Wrap: Trading upside for visibility

- Strong momentum of fundamental ARR growth (13.5% excluding China) was offset by headwinds impacting results & FY24 outlook.
- China headwinds, less benefit from contract escalations in 2024, and E365 consumption floors/ceilings limit upside potential.
- We reiterate our Neutral rating and \$57 PO, implying 45x EV/CY25E FCF, a premium to design software peers at 32x.



Clarivate PLC | UNDERPERFORM | CLVT US | Mkt Cap:USD4,900mn |**Heather Balsky****Still waiting for sales growth**

- CLVT's \$0.23 4Q EPS beat our/the Street's \$0.21E on taxes. Organic sales missed but was offset by better EBITDA margins
- Management lowered its mid-term sales target and pushed it out by a year, while also increasing investment plans.
- We reiterate our Underperform & maintain our \$6 PO based on 8x 2025E EV/EBITDA

Cytokinetics | NEUTRAL | CYTK US | Mkt Cap:USD7,941mn | Jason**Zemansky****Ahead of submissions, focus pivots to data presentation as next key catalyst, 4Q takes**

- Despite the rich news flow of late, Cytokinetics' 4Q call was quiet, though revs (-\$0.6M) and GAAP EPS (-\$0.41) both missed
- The discussion centered on afi's potential commercial profile, with management still optimistic for a less onerous REMS
- Here, we continue to be more cautious, and, absent greater clarity into afi's profile reiterate our Neutral rating and \$85 PO

Devon Energy | NEUTRAL | DVN US | Mkt Cap:USD28,453mn | Doug Leggate**4Q23 Earnings recap: in-line earnings, recovery path laid out for 2024**

- Adj EPS of \$1.41 is in line with Street and BofA of \$1.40 / 1.38, but more important are cash returns shifting to buybacks
- 2024 guidance affirms \$3.45bn in capex, down 10% y/y, but holds production flat as activity is high graded to the Delaware
- Between a reset in operating efficiency & a swing towards buybacks, DVN appears to have reinstated a growth per share manta.

Equitrans Midstream | UNDERPERFORM | ETRN US | Mkt Cap:USD4,517mn |**Indraneel Mitra****4Q23 Earnings wrap: MLP yield hunting, M&A speculation & volatile C-Corp moves**

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[Kura](#) | BUY | KURA US | Mkt Cap:USD1,657mn | Jason Zemansky
Aggressive development plan comes into focus in otherwise quiet 4Q update

- Despite a lack of major updates, we thought Kura's 4Q was solid, GAAP EPS was in-line, though focus was on clinical progress
- While we think the Street has become more comfortable with the MoA, at least as a monotherapy, the combo opy remains key
- In our view, zifto's safety positions it favorably vs. peers, supporting our long-term positive outlook. Reit. Buy and \$33 PO

[Portillo's Inc.](#) | BUY | PTLO US | Mkt Cap:USD897mn | Sara Senatore
4Q Earnings: Strong quarter, guidance likely to again prove conservative

- Positive traffic as ads bring back Chicagoland guests. History of conservative margin guidance.
- F24E EBITDA ticks up on improved RLMs. LT growth intact, maintain \$25 PO.

[R1 RCM](#) | NO RATING | RCM US | Mkt Cap:USD6,114mn | Allen Lutz
Updating estimates following 4Q results

- RCM's 4Q results were 2% ahead of the midpoint of preliminary ranges on revenue and EBITDA
- RCM introduced FY24 guidance with revenue 1% ahead of consensus and EBITDA 4% below
- We update our model to reflect FY24 guidance and contributions from Providence and Acclara (detailed model inside note)

[Syndax](#) | BUY | SNDX US | Mkt Cap:USD2,074mn | Jason Zemansky
Commercial set-up starting as focus pivots to execution, our 4Q takes

- Syndax's 4Q was solid, which, while lacking major updates, provided commercial insights and key development updates
- With the company building out a sales force to support revumenib and axatilimab simultaneously, we see reasons for optimism
- In addition to its advancing revumenib program, we're cautiously optimistic on axatilimab in IPF. Reiterate Neutral, \$29 PO

[Xencor](#) | BUY | XNCR US | Mkt Cap:USD1,614mn | Alec Stranahan
4Q23 Earnings Takeaways: Vudalimab data show early promise, safety will be watched

- Vudalimab data show early promise (33% ORR) we see future path in combo/late-line treatment as encouraging
- In comparison to other therapies (nivo/ipi combo, chemo etc.) vudalimab still superior in efficacy and safety by far
- Safety not perfect but still strong, next step in our view should focus on quality of life/ patient reported outcome data



Buy Reiterations

Consumer Staples

[Grocery Outlet](#) | BUY | GO US | Mkt Cap:USD2,628mn | Robert Ohmes
Valuation near all-time lows despite unique model & strong LT outlook, Reiterate Buy

- 4Q \$0.18 adj. EPS beat Street, as did 2.7% comps that reflected 7.5% traffic & a 200bp headwind from new systems integration.
- We see 2024E adj. EPS of \$1.16 (raised 2c), 3% comps & 60 new stores (15-20 organic & 40 from acquisition of UGO).
- Reit. Buy given GO's unique model, strong value prop. & LT growth horizon, w/ current valuation attractive near all-time lows

Energy

[Williams Companies](#) | BUY | WMB US | Mkt Cap:USD42,844mn | Indraneel Mitra
Midstream/MLP Energy

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Financials

[Flywire](#) | BUY | FLYW US | Mkt Cap:USD2,931mn | Jason Kupferberg
Lots to like in 4Q print

- Not surprised to see shares trading higher after hours following solid 4Q print and F24 guide ahead of BofAe/Street
- 1Q revs guide impacted by Canadian regulatory headwinds but offset by strength in ex-Canada cross-border education and travel
- Continue to view FLYW as a differentiated provider of vertical specific software and payments solutions, maintain Buy.

[XP Inc.](#) | BUY | XP US | Mkt Cap:USD13,352mn | Mario Pierry
Revenue acceleration offset by higher expenses, 4Q23 just below BofAe

- NI of R\$1.0bn came 4% lower than 3Q23 and BofAe. Accelerating revenues were offset by higher than expected costs and SG&A.
- Revenues were supported by strong M&A activity, COGS was pressured by products and channels and SG&A by bonus and tough comps
- We expect stronger volumes and revenue generation in 2H24 leading to operating leverage gains. Buy.

Health Care

[Zai Lab](#) | BUY | ZLAB US | Mkt Cap:USD2,231mn | Bo (David) Li
High sales expectation for VYVGART in 2024, reiterate Buy with a PO of US\$31

- In 2023, Zai Lab booked total revenue of US\$266.7mn, representing YoY growth of 25% (31% YoY at constant exchange rate).
- We reiterate Buy rating with a PO of US\$31.0/HK\$24.02, due to on-track development and sales ramp-up of new products.

Industrials

[Knight-Swift](#) | BUY | KNX US | Mkt Cap:USD9,308mn | Ken Hoexter
Earnings reset is a clearing event, Focus on potential cycle upturn, PO to \$64

- Resets expectation with 1H outlook as spot market pressured 4Q earnings more than expected. USX achieves positive 4Q EBIT.
- Posted adj. 4Q EPS of \$0.09, well below our \$0.47/Street's \$0.43 due to Insurance impact & Intermodal. Sets 1H24 EPS target.
- PO to \$64 on 25.5x 2024E EPS estimate (from 22x) as earnings move past trough. Lower 2024E and 2025E EPS 19% and 4%.

Information Technology

[Apple Inc.](#) | BUY | AAPL US | Mkt Cap:USD2,823,806mn | Wamsi Mohan
Survey signals incoming iPhone refresh cycle and strong customer loyalty

- Our survey suggests that the iPhone installed base is due for an upgrade and we anticipate a strong refresh cycle over 2 yrs
- Customer loyalty for Apple remains strong with 57% of current iPhone users intending to upgrade to an iPhone
- Maintain Buy given multi-year iPhone cycle driven by GenAI, strong services growth, and margin expansion

[Zeta Global](#) | BUY | ZETA US | Mkt Cap:USD1,984mn | Koji Ikeda
Good finish to 2023, initial guidance attractive, Reit. Buy, raise PO to \$15

- Good 4Q result and 2024 guidance is above Street. On its way to achieve 2025 revenue and EBITDA targets, maybe early too
- Automotive and insurance verticals were 7pt headwind in 2023, but could turn around in 2024, overall business KPIs are strong
- Reiterate Buy, raise PO to \$15 (from \$14) and higher multiple (now 3.8x, was 3.6x) for 4Q performance and guidance



Real Estate

[Brixmor](#) | BUY | BRX US | Mkt Cap:USD6,796mn | Jeffrey Spector

Retail REITs

- In this report, we analyze 2024 and 2025 earnings growth by Retail REIT after updating our models for 4Q23 earnings.
- We believe investors should focus on AFFO (cash flow) vs. FFO growth over the next two years and an AFFO 2-yr PEGY analysis.
- Based on our 2-year AFFO PEGY analysis, SPG, MAC & KIM screen least expensive while AKR, IVT & SKT screen most expensive.

[Kimco Realty](#) | BUY | KIM US | Mkt Cap:USD12,134mn | Jeffrey Spector

Retail REITs

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[Kite Realty Group](#) | BUY | KRG US | Mkt Cap:USD4,703mn | Jeffrey Spector

Retail REITs

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- Based on our 2-year AFFO PEGY analysis, SPG, MAC & KIM screen least expensive while AKR, IVT & SKT screen most expensive.

[Phillips Edison](#) | BUY | PECO US | Mkt Cap:USD4,676mn | Jeffrey Spector

Retail REITs

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- We believe investors should focus on AFFO (cash flow) vs. FFO growth over the next two years and an AFFO 2-yr PEGY analysis.
- Based on our 2-year AFFO PEGY analysis, SPG, MAC & KIM screen least expensive while AKR, IVT & SKT screen most expensive.

[Simon Property](#) | BUY | SPG US | Mkt Cap:USD56,117mn | Jeffrey Spector

4Q23: SPG provides conservative '24 guidance, maintain Buy rating

- Big picture, 4Q results were solid however, SPG introduced 2024 guidance with a midpoint -1.8% below the Street
- Despite the disappointing guide we are positive on core results, outlook for monetizing other investments, & redevelopment
- We maintain our Buy rating and our PO of \$167. See inside for our updated estimates

Macro & Strategy

[Emerging Insight](#) | GEMs FI Strategy & Economics

Costa Rica – Stronger exchange rate driven by Balassa-Samuelson effect

- Costa Rica is showing signals of the "Balassa Samuelson effect" which is conducive to a stronger exchange rate.
- Labor productivity in Costa Rica is growing five times faster than in the US, and real wages are increasing robustly.
- We forecast the exchange rate at 505 Colones to the US Dollar by year-end 2024, stronger than median expectations (535).

[US Economic Viewpoint](#) | US Economics

Another fiscal frenzy

- We expect Congress to pass another continuing resolution, averting a shutdown once again. But this can't go on forever.
- If Congress fails to pass an appropriations package by April 30, spending is cut by 1% resulting in a 0.4pp drag on growth.
- A tax relief bill and an aid bill are also being considered. The former would be a modest near-term boost to GDP growth.

[S&P 500 Relative Value Cheat Sheet](#) | Savita Subramanian

Why a 95th percentile PE shouldn't keep you up at night

- We question the validity of comparing today's S&P 500 valuation to history given changes in the index's makeup (asset light),
- & healthier attributes of old economy sectors & renewed focus on efficiency. The equity risk premium could fall from here.
- Normalized EPS also might be better than trend forecasts. Realistic assumptions yield a fair value for S&P of 5500.

[FX Watch](#) | Kamal Sharma

Focus on CHF Month-End Flows

- CHF has become increasingly sensitive to month-end flows in recent years. Analysis shows "buy CHF" is dominant flow.
- EUR/CHF has been focus but USD/CHF flows have been more consistent. SNB US equity exposure explains the link.
- CHF buying into month-end (t-3) offers attractive levels to reinstate CHF shorts. Global bond agg perf also important

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

USD - Caveat Emptor

- DXY overshoot to fundamentals more meaningful compared to January; caution on USD longs especially vs. JPY.
- Divergence approaching Oct 22 and Jul 23 levels, which were associated with higher volatility than current implied levels.
- Tech stocks less important for G10 FX than broader equities; PBoC reaction function can amplify effect of Fed easing on USD.



[Stock Flash](#) | Stephen Suttmeier

Three bulls: FBP, MNDY and NXPI. Three bears: AMCR, CSCO and CBRL

- Three bulls: First BanCorp/Puerto Rico (FBP): Breakout points to 20.85. Monday.com (MNDY): Big base targets 255 and 310.
- NXP Semiconductor (NXPI): Big base counts into the 300s. Three bears: Amcor PLC (AMCR): Bearish pattern favors 8.45 to 7.30.
- Cisco Systems (CSCO): H&S top says risk to 41 and 35-34. Cracker Barrel (CBRL): Bearish trend risk to 63-59 next.

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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