



Weekly Sector Specialist Note (February 8th – February 12th, 2021)

****Sales Commentary – Not a Product of UBS Equity Research – For Institutional Investors Only****

Highlights and Updates from the Week

FINANCIALS

Tickers: PYPL, SQ, SPGI, MCO, FIS, FPN, FISV, MA, V, ACGI

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Highlights: Odd week. Volumes super low. The theme very much intact (vaccine rollout, reopen, Fed support) – but every day felt like a different disconnect (between macro news, equities and bonds). The only real change; when **#the** Elon Musk announced in a 10K that TSLA had acquired \$1.5B of bitcoin as part of its treasury reserve (~2% of its balance sheet and more than 10% of its equity). Followed by an array of additional headlines (from MA, BK, etc) – it feels as though crypto news/price action is starting to make its own 'factor' impact on the broader tape. Bigger picture – Jan CPI missed, 30yr UST auction lightly bid (following an in-line 10yr) and Fedspeak held steadfast in tapering the taper talk. Even then however, rumblings are brewing about an accelerated time-frame.

TELCO, MEDIA & INTERNET

Tickers: VIAC, TTWO, LYFT, TWTR, FOXA, UBER, ATUS, ZNGA, DIS, EXPE

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Highlights: The market started to re-gross this week, with a little bit of chasing thrown in for good measure. Earnings continued this week and stock reacted mostly the way they were supposed to. Consensus longs kept going higher as did expectations. But it doesn't seem to matter this week as the key phrase is **"play the re-opening trade at all costs."** Slower growth names like cable and telco are lagging in favor of momentum and re-opening names. In gaming **ATVI and ZNGA the names to own** while TTWO and UBI are the least liked and EA in between. And new IPOs ripped higher out of the gate, adding fuel to the **"how high is too high"** fire.

TECHNOLOGY

Tickers: QCOM, SWKS, AMAT, SSNC, PLTR, U, TSMC, CSCO, HUBS, MediaTek

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Highlights: By the time we got to the end of this week, it really **felt like a return to the go-go tech boom** we are all accustomed to. **Semis and Semicaps are like a powder keg just waiting to ignite** on any sort of speculative "goodness" in the press and bulls are very vocal about the "secularness" vs cyclicalities – especially in semicap and particularly after my piece on Friday morning. **Software at a high level feels a bit more mixed**, depending on the name, **but given some of the reactions to expectations misses** like DDOG and NET – it really **feels like investors just want to own these names.**

HEALTHCARE

Tickers: BIIB, ARWR, CVS, VTRS, A, MRK, TEVA, ENDP, ABBV

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Highlights: Earnings and deals. We hosted a very interesting expert call on BIIB's Alzheimer's drug Aducanumab and chances it will be approved. Aesthetics names were notable this week as ESTA and INMD both had positive updates – INMD we think will continue to follow through. We hosted a vNDR with ARWR (derivs IONS, VRTX, REGN). Healthcare earnings are largely behind us but a few of note next week: CVS, ZTS, A, EXAS and MD.

INDUSTRIALS

Tickers: SAIA, ACM

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Highlights: The macro narrative remained largely the same this week – Combination of stimulus optimism, Earnings, which across the globe have beaten handily since the summer, and Vaccine rollouts which continues to pick up pace.

ENERGY/UTILITIES

Tickers: PAA, DUK, D, GNRC, CHK

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Highlights: Sentiment back to bullish with crude up and Brent above \$61. Concerns around Biden's O&G agenda have been mostly mollified at this point as folks have come to the conclusion that his plans doesn't have much teeth. **The narrative is now back to the positive demand recovery / reflation trade for the space with oil acting as a proxy for inflation. As long as the micro doesn't get in the way, the consensus view is that the trajectory from here is still to the upside for the space especially with LO generalists still mostly U/W.**

CONSUMER

Tickers: WMT, ADS, TSLA, ELY, TSN, CBS, HBI, CCL, COTY

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Highlights: We pointed out some of the trends we saw this week: (1) **Taxation:** The remains a clear trend unfolding in the last few weeks - as the talk of stimulus and government spending continues to trend higher; many are looking at areas within consumer where states could help close the budget gaps (YTD: MJ +74%, DKNK, +33%, PENN +37%, etc). (2) **Reversion:** Many of the longs that we saw factor into the broader risk reduction in January have since recovered much of their losses.

SPECIAL SITUATIONS

Tickers: CUB, CRHM, GLUU, EA, EGOV, TYL, IIVI, FTI, XPO, BHC, THC, SLM, IFF, INFO, SPGI, WORK, CRM, SPACS

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Highlights: In merger arb, we saw 4 new deals announced (**CUB-Private, CRHM-Private, GLUU-EA, EGOV-TYL**), while seeing the rare and elusive 3-way bidding situation for **COHR**. There have only been 7 cases of a 3-way bidding situation since 1998. Overall, we think the setup favors **IIVI** to prevail. **THC** delayed their Conifer spin by a year (Glenview supportive). **SLM** has been trading at or above the top end of the range, prompting the bump questions, with the wild card in what Value Act will do. The **SPAC** market shows no signs of slowing down, with 25 IPOs priced to raise \$8bn and 11 De-SPAC announcements representing \$22.8bn of TEV / \$3.1bn of PIPE proceeds / Backed by \$3.5bn in IPO proceeds.

WEEKLY TRADING COLOR

Torsten Sippel 203.719.7400 torsten.sippel@ubs.com

SUMMARY

I will keep this short as **there was NO change to overall narrative** - path of least resistance for Equities seems higher but that doesn't mean that we can't see quick, short and powerful pullbacks on the way up as well as further dispersion below the surface. Dispersion this week was driven by earnings (Q4 about a 20% beat of consensus EPS estimates) and more on the single stock side. Volumes remained elevated but dropped Thursday/Friday as Asia went on Holiday and as we headed into the long weekend. **A shift in the Reopen trade.** Our Macro Reopening Basket +2.9% managed to outperform our Stay-at-Home basket +2.6%, but our original Reopening basket +2.5% just underperformed – perhaps confirming that the next leg of the trade will not be from the companies simply exposed to the outlook for the US Consumer but the ones exposed to the cross-section of Reopening & Reflation themes (traditional cyclicals). General thought is that the **HF re-grossing trade is happening slower than expected** but then looking at HF performance for Jan it appears the pain wasn't quite as big and widespread as some may have thought. Our RMM flow shows Retail continues to buy this tape – 10 consecutive days of net buying. **Rise of Retail trading remains a hot topic** – great piece from Keith Parker below addressing questions like : Will it last, What are the impacts. Demographics point to a further rise in retail demand. The 33-55yr old "equity owning" cohort is set to accelerate, after contracting between 2007-18. Looking at our flows: Our single stock **HT desk flow was mixed** – focus there on earnings – hence no surprise. **US Equity ETFs picked up right where they left off last week, adding another \$19B to overall AUM.** This brings the total inflows in February to \$44B, the largest two week swing we've seen in some time. Large Cap ETFs once again led the way, accounting for \$7.5B of this week's inflows. Small Caps also saw money coming in, adding \$2B to AUM as IWM outperformed SPY by 1.5% through Thursday.

HOW BOUT OUR FLOWS

UBS High-touch Single Stock Desk: Flows on the HT desk were more balanced this week as focus shifted back to earnings and folks continued to add to risk in the earlier part of the week. There were no major skews looking at LOs or HFs specifically – both fairly balanced overall. On a sector level we were net better to buy in Tech (Software and Hardware while selling Media into strength). Better to buy in Consumer Goods while better seller Energy and HC. Overall short activity remains muted on the single stock side.

UBS RMM Client Flow: Retail volumes remained well above historical averages this week, but inline with what we've seen so far in 2021. Activity still elevated in lower dollar symbols and areas like biotech. Overall flow remained net better to buy throughout the week lead by inflows into broad based etf's and thematic etfs like ARKK. Tech the largest sector for sale seeing a net \$200m of outflows. Auto and EV names still a focus with TSLA and GM both seeing continued demand. SPAC's another area seeing inflows this week – a trend that's now been true since November of last year. Cannabis activity picked up significantly with TLRY becoming one of the top traded daily stocks by notional – seeing more notional trade than names like AAPL and AMZN mid-week.

ETF flows: US Equity ETFs picked up right where they left off last week, adding another \$19B to overall AUM. This brings the total inflows in February to \$44B, the largest two week swing we've seen in some time. I think the reason for the significant flows is twofold. Retail demand is obviously surging and ETFs have always been a key investment vehicle for the mom and pops (UBS RMM has had 10 straight days of inflows with ETFs the main driver). But also, with the retail presence being felt so violently in single stocks and options, institutional investors are viewing ETFs as one of the safest investments, secure from at least some of the rising single stock risk. Large Cap ETFs once again led the way, accounting for \$7.5B of this week's inflows. Small Caps also saw money coming in, adding \$2B to AUM as IWM outperformed SPY by 1.5% through Thursday. Almost all sectors saw inflows, with Tech and Energy leading the way. Staples and Materials were the only two who saw money leave the group. Fixed Income flows were mixed, with inflows into Agg Bonds and TIPS and outflows in High Yield and Treasury. Precious Metals saw a pullback of \$1.8B after some of the retail frenzy around Silver faded.

SECTOR BREAKDOWN

The macro backdrop has remained largely supportive this week, but investor sentiment for the Reflation/Reopening trade waxed and waned on any given day. The Wednesday Core CPI miss was a catalyst for rates to retreat and for Cyclical/Inflation Beneficiaries to give back some of their recent outperformance. However, on the week the tape looks mixed with both Defensives like Utes -90bp and Staples +1.3% near the bottom of performance also joined by Consumer Discretionary +1.1% while Comm Services +6.3%, Energy +6%, and Info Tech +4.3% outperformed most.

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WHATS AHEAD?

Obviously Stimulus negotiations key. There will also be a fair amount of interest in the FOMC minutes on Wednesday. Herings on GME trading on Thursday and flash PMIS on Friday. Still a fair amount of earning s- mostly on the Smidcap side.

QUANT INSIGHTS

Paul Winter +61-2-9324.2080 paul-j.winter@ubs.com

TOP 10 OVERWEIGHT/UNDERWEIGHT GLOBALLY

Overweight		Investor Weight	Active Weight	Wow Chg	Underweight		Investor Weight	Active Weight	Wow Chg
Prosus N.V. Class N	PRX NA	0.47%	0.37%	↓	Apple Inc.	AAPL UW	2.53%	-1.30%	↑
Tencent Holdings Ltd.	700 HK	1.26%	0.37%	↑	Taiwan Semiconductor Manufacturing Co	2330 TT	0.40%	-0.51%	↓
Tata Consultancy Services Limited	TCS IS	0.39%	0.33%	↓	Amazon.com, Inc.	AMZN UW	1.95%	-0.19%	↑
Walmart Inc.	WMT UN	0.64%	0.30%	↓	Tesla Inc.	TSLA UW	0.73%	-0.31%	↓
LVMH Moët Hennessy Louis Vuitton SI MC FP		0.53%	0.24%	↑	Nestle S.A.	NESN SE	0.22%	-0.31%	↑
Reliance Industries Limited	RIL IS	0.35%	0.23%	↑	Microsoft Corporation	MSFT UW	2.57%	-0.29%	↑
T-Mobile US, Inc.	TMUS UW	0.34%	0.22%	↓	Roche Holding Ltd	ROG SE	0.19%	-0.21%	↑
Charter Communications, Inc. Class A	CHTR UW	0.33%	0.18%	↓	Meituan Class B	3690 HK	0.12%	-0.19%	↓
Foshan Haitian Flavouring & Food Co., 603288 C1		0.18%	0.17%	↓	Exxon Mobil Corporation	XOM UN	0.18%	-0.17%	↓
Visa Inc. Class A	V UN	0.73%	0.16%	↑	Novartis AG	NOVN SE	0.16%	-0.17%	↑

Note: The calculation is based on MSCI AC World index universe. Data as of 5 February 2021 close.

Source: FactSet, MSCI, UBS Quantitative Research

You can read the full report [here](#)

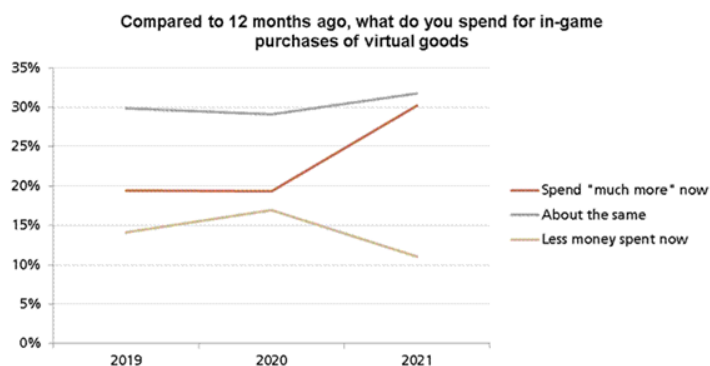
SUMMARY

UBS Evidence Lab's [annual mobile gaming survey](#) asked over 5,500 consumers across the globe about personal gaming habits, device preferences and anticipation of upcoming titles.

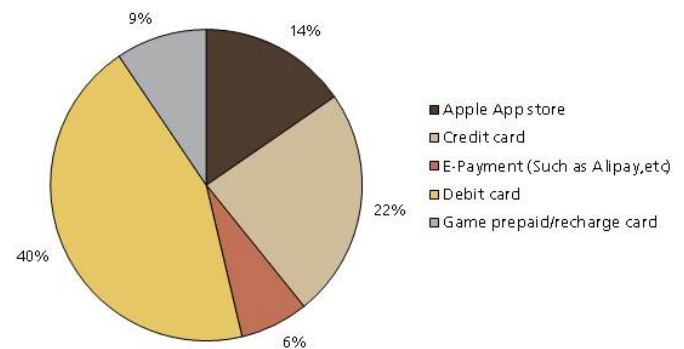
What is most notable in this year's survey is the **increased influence of eSports** both on spend and new game discovery, as well the growing **willingness of consumers to purchase in-game** using credit cards and other mobile pay methods. Is this just COVID related, or something more sustainable? How is the growth of mobile gaming **impacting consumer choices regarding device upgrades and mobile network usage**? What does the data tell us?

Here are some insights and visual representation from this dataset:

- Spending on virtual goods **increased notably during COVID on a consistent monthly basis**, with emphasis by consumers on availability of "new expansion packs or content updates".
- **Credit Cards have become the preferred payment method**, followed by e-payment (AliPay/PayPal etc). Is this just a COVID-driven phenomena? **Over 80% of respondents anticipate spending increasing-to-remaining unchanged post COVID.**



How do you pay for in-game purchases of virtual goods



COVID TRACKING

[Covid-19 Catalogue](#)
[Fact Pack: City Flight](#)
[Fact Pack: Mobility](#)
[Product Overview](#)
[Healthcare](#)
[Global Traffic Congestion Monitor](#) - weekly
[Global Public Transit Network Traffic Monitor](#) - daily
[Global Covid-19 Foot Traffic Monitor](#) - daily
[China Migration Network Traffic Model](#) - daily
[Global Unemployment Search Monitor \[Google \]](#) - daily
[Global Signal Strain Monitor](#) - weekly
[US Consumer Receipt Transaction Monitor](#) - weekly
[US COVID-19 Impact Consumer Survey](#) - weekly
[UK COVID-19 Impact Consumer Pulsecheck Survey](#) - ad hoc
[China COVID-19 Consumption and Payment Consumer PulseCheck](#) - Ad hoc
[Japan Covid-19 Impact Consumer PulseCheck Survey](#) - ad hoc

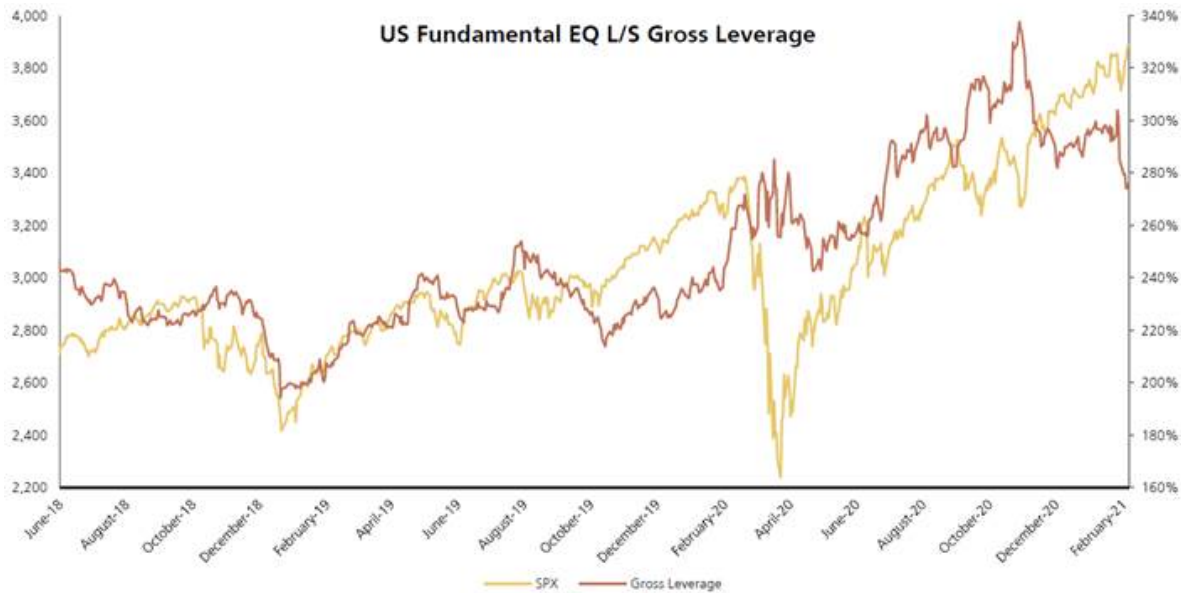
MOST DOWNLOADED

1. [Global Covid-19 Vaccine Adoption Monitor](#)
2. [Global Brand Tracker \[Instagram \]](#)
3. [Global Cargo Vessel Shipping Monitor](#)
4. [Global Employee Reviews Monitor \[Glassdoor\]](#)
5. [US Hospital C-Suite COVID-19 PulseCheck](#)
6. [Global Travel Restriction Monitor](#)
7. [US Drug Pricing Monitor](#)
8. [US Reopening Consumer Survey](#)
9. [China YMTC Semi Chip Plant Construction Monitor](#)
10. [Global App Monitor - TMT](#)

SUMMARY

***US Fundamental L/S Equity Hedge Funds**

- Gross leverage decreased 0.09x to 2.74x week over week
 - Long leverage decreased 0.07x while short leverage down 0.02x
 - Leverage change was driven by increase in Equity
- Major sector themes last week
 - Clients decreased long exposure to Consumer Discretionary
 - Clients closed down shorts in Communication Services
- Net leverage currently sits at 0.80x; down 0.04x since last week



CROWDED LONGS

Region	Common Name	#	#1W	% 1W	% YTD
Americas	Amazon.com Inc	1	1	4.55%	2.92%
Americas	Facebook Inc	2	3	3.78%	-1.85%
Americas	Microsoft Corp	3	2	4.41%	8.89%
APAC	Kweichow Moutai Co Ltd	4	5	9.30%	15.77%
Americas	Alphabet Inc A	5	4	14.31%	19.18%
Americas	Walt Disney Co	6	7	7.72%	-0.01%
Americas	Mastercard Inc	7	9	7.10%	-4.98%
Americas	Wells Fargo & Co	8	8	9.30%	8.22%
APAC	Taiwan Semiconductor Manufac	9	17	6.94%	19.25%
Americas	Micron Technology Inc	10	10	3.62%	7.87%
Americas	Uber Technologies Inc	11	13	15.02%	14.86%
Americas	Visa Inc	12	12	8.03%	-4.55%
Europe	Entain PLC	13	11	3.71%	13.54%
Europe	Linde PLC	14	14	4.88%	-2.33%
Europe	Just Eat Takeaway.com NV	15	15	-3.93%	-1.67%

CROWDED SHORTS

Region	Common Name	#	#1W	% 1W	% YTD
Americas	Salesforce.Com Inc	1	1	5.91%	7.35%
Americas	ViacomCBS Inc	2	4	11.42%	45.03%
Americas	Apple Inc	3	3	3.79%	3.22%
Americas	Advanced Micro Devices Inc	4	6	2.64%	-4.15%
APAC	Afterpay Ltd	5	5	11.99%	28.22%
Americas	AT&T Inc	6	8	1.05%	2.39%
Americas	International Business Machi	7	16	2.25%	-3.25%
APAC	Treasury Wine Estates Ltd	8	19	-0.80%	6.06%
Europe	J Sainsbury PLC	9	2	-3.48%	4.61%
Americas	Discovery Inc	10	10	3.02%	41.81%
Americas	Intel Corp	11	14	5.43%	17.47%
Americas	S&P Global Inc	12	12	2.21%	-1.43%
Europe	Deutsche Lufthansa AG	13	7	4.27%	2.64%
Europe	Trainline PLC	14	21	18.62%	4.35%
Europe	Aon PLC	15	-	9.91%	5.90%

CONFERENCE CALLS

COMING UP

	Date	Sector	Time (EDT)	Company/Topic	UBS Host	Link to RSVP	Dial-In	Replay	Replay Code
NEW	19-Feb	TMT	8:30 AM	AMAT Earnings Recap Call	Tim Arcuri, Andrew Rocha	PLEASE REGISTER HERE		US: 1 888 286.8010 Int'l: +1 617 801.6888	79003332
	22-Feb	Utilities	10:00 AM	Hydrogen Developments w/ Pillsbury	Dan Ford	PLEASE REGISTER HERE			
	23-Feb	Renewables	11:00 AM	Lithium ion Battery Innovation & Trends w/ Nano One	Jon Windham	PLEASE REGISTER HERE			
	24-Feb	Renewables	11:00 AM	Zero Emission Aviation w/ ZeroAvia	Jon Windham	PLEASE REGISTER HERE			
NEW	24-Feb	Consumer	3:00 PM	UBS Access: Mattel Inc. Fireside Chat with CEO & CFO	Arpine Kocharyan	PLEASE REGISTER HERE			
NEW	25-Feb	TMT	8:30 AM	NVDA Earnings Recap	Tim Arcuri, Andrew Rocha	PLEASE REGISTER HERE		US: 1 888 286.8010 Int'l: +1 617 801.6888	31124777
	25-Feb	Renewables	11:00 AM	Green Hydrogen w/ Fusion Fuel	Jon Windham	PLEASE REGISTER HERE			
	26-Feb	Renewables	11:00 AM	100% Electric Boating w/ Vision Marine	Jon Windham	PLEASE REGISTER HERE			

REPLAYS

	Date	Sector	Time (EDT)	Company/Topic	UBS Host	Replay	Replay Code
NEW	8-Feb	Consumer	10:00 AM	UBS Harley: Investor Sentiment & Debates Group Call	Nick Smith, Robin Farley, Mark Paski	Click to Request Replay	
NEW	8-Feb	Energy	12:00 PM	UBS Midstream Call: Fireside Chat with East Daley on 2021 Outlook for Midstream	Shneur Gershuni, Lloyd Byrne, Agnieszka Zmigrodzka, Michelle Kenel	US: 1 888 286.8010 Int'l: +1 617 801.6888	58663104
NEW	8-Feb	Healthcare	10:00 AM	UBS Expert Event: Prominent COVID Epidemiologist and Health Economist Call	Matt Taylor, Dan Brennan, Kevin Caliendo, Whit Mayo	US: 1 888 286.8010 Int'l: +1 617 801.6888	91941289
NEW	8-Feb	TMT	10:30 AM	ServiceNow Workflow Automation	Karl Keirstead	US: 1 888 286.8010 Int'l: +1 617 801.6888	77708482
	5-Feb	Consumer	10:00 AM	COVID-19: Outlook on Vaccine Rollout and New Strains	Jay Sole, Michael Lasser, Robin Farley, Dennis Geiger, Sean King, Arpine Kocharyan	Click to Request Replay	
	5-Feb	TMT	11:00 AM	UBS Chip Chats: Digging Deeper With an Industry Expert on the INTC Manufacturing Debate and Assessing Options	Tim Arcuri	US: 1 888 286.8010 Int'l: +1 617 801.6888	128 614 40
	5-Feb	Industrials	12:00 PM	UBS Industrials & Materials – Diving into the Dislocations	Kelsey Perselay, Allyson Gordon, Myles Walton, Tom Wadewitz, Steve Fisher, Markus Mittermaier, Damian Karas, Chris Snyder, John Roberts, Andreas Bokkenheuser	US: 1 888 286.8010 Int'l: +1 617 801.6888	18037836

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FINANCIALS

Adam Panzer 212.713.4402 adam.panzer@ubs.com

Sentiment: Odd week. Volumes super low. The theme very much intact (vaccine rollout, reopen, Fed support) – but every day felt like a different disconnect (between macro news, equities and bonds). The only real change; when ~~the~~ Elon Musk announced in a 10K that TSLA had acquired \$1.5B of bitcoin as part of its treasury reserve (~2% of its balance sheet and more than 10% of its equity). Followed by an array of additional headlines (from MA, BK, etc) – it feels as though crypto news/price action is starting to make its own 'factor' impact on the broader tape. Bigger picture – Jan CPI missed, 30yr UST auction lightly bid (following an in-line 10yr) and Fed speak held steadfast in tapering the taper talk. Even then however, rumblings are brewing about an accelerated time-frame.....On the micro – **PYPL Investor Day front and center**; awesome messaging and impressive growth guidance partially offset by 1) below consensus revs ('\$50B+' organic below the Street on its own), 2) less than assumed operating leverage (20% rev growth coincided with only 22% eps growth). Bulls unphased, view that 5yr guide as very conservative. Elsewhere – long trading momentum in the Merchant Acquirers did a hard 180 on again disappointing results/guidance. 'Reopen winners but structural losers' – and the \$ just poured into PYPL/SQ instead. Quite the battleground from here – from macro tailwinds to structural catalyst potential to broken stories – sentiment again moving toward the latter (negative). And lastly – the Rating Agencies were also all the rage, into FY21 guidance; better than feared but now what?

WHAT HAPPENED THIS WEEK

- **PYPL Investor Day** – Shares continued to push higher into/through investor day, despite some disappointment around 5yr rev/eps growth guidance. Otherwise, the day was awesome, focused on user growth trajectory, engagement trends, new product rollouts, international expansion opportunities and future platform opportunities (ie investment access)
- **Merchant Acquirer Earnings** – another miss...results and guidance. Investors fast to jump back on the hate train. And so while its hard to defend (esp on a relative basis), Bulls would argue 1) FY21 softness is related to 1Q headwinds (no surprise), 2) reopen tailwinds looming, 3) structural catalyst potential (M&A) is free optionality
- **Ratings Agency Earnings** – results solid, guidance better than feared...but a next/near-term catalyst is lacking, the macro backdrop represents a headwind (relative + absolute) and FY22 now setting up to be a difficult comp...
- **SCHW** Jan monthly – Again monster growth in IEA – to nobody's surprise. NNA growth of +6% more in-line (down from +12% in December). All eyes on next week; real risk (in PFOF? Sec Lending?) or buy the news?
- Top 5 Performers – **AFRM, SBNY, SQ, JEF, PYPL**
- Bottom 5 Performers – **CIEL3, BRK, CME, MKTX**

NEXT WEEK'S CATALYSTS

- **AIG 4Q Results (Tuesday)** – interesting set-up....tailwinds, easy comp, poor sentiment VS the stock has been good, 4Q is a tricky print (set-up for an easier FY21?) and unlikely we get anything new on restricting plans. Count me in the LONG camp into Tuesday
- **PGR January results** – matter much? Sentiment is very negative, but if we consider the stock reactions of other/similarly strong, albeit temporary dynamics (Exchanges, Rating Agencies, Boutiques), its hard to see new \$ getting incrementally excited (unless growth were to reaccelerate, to be fair)
- **Market Structure Hearing (Thursday)** – The House will host its much anticipated hearing on recent market events. The extent to which this will prove a futile witch-hunt OR if any material change will come (ie PFOF, Sec Lending) is the source of much debate. A real risk or Buy the news?
- **UBS Corporate Events** – ICE, MC, SSNC

COLOR FROM THE UBS DESKS

Derivatives

- **From The Desk** – Better to buy in a very heavy week of trading. Specifically skewed in favor of more cyclical groups (Banks, Regionals, Brokers of note). Insurance also very active/though a bit more mixed. And then also active in non-balance sheet fins, better for sale in Exchanges, Rating Agencies and (surprisingly better for sale in V/MA (though busy on both sides, tilted toward profit-taking)
- **Derivs** – Call overwriters back – selling out of the money upside on a single-stock basis, mostly the big guys.

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Most Read Articles of the Week

1. [European Banks "Bank Merger Model"](#) – Jason Napier, Daniele Brupbacher, Ignacio Cerezo
2. [European Banks "Bank and Aggregated Financials"](#) – Jason Napier, Daniele Brupbacher, Ignacio Cerezo
3. [Australian Banking Sector Update: Will banks see EPS upgrades with Feb results?](#) – Jonathan Mott, Minh Pham

TELCO, MEDIA & INTERNET

Gabrielle Brown 212.713.9919 gabrielle.brown@ubs.com

Sentiment: The market started to re-gross this week, with a little bit of chasing thrown in for good measure. Earnings continued this week and stock reacted mostly the way they were supposed to. Consensus longs kept going higher as did expectations – some beat them like DIS but others fell short like EXPE and UBER. But it doesn't seem to matter this week as the key phrase is **"play the re-opening trade at all costs."** Slower growth names like cable and telco are lagging in favor of momentum and re-opening names. Video game earnings and consolidation brought that sector front and center with **ATVI and ZNGA the names to own** while TTWO and UBI are the least liked and EA somewhere in between. And new IPOs ripped higher out of the gate, adding fuel to the *"how high is too high"* fire. Media remains a hot sector, with VIAC and DISCA doing their best to get that NFLX multiple. Investors remain too scared to short the more volatile names.

WHAT HAPPENED THIS WEEK

- **VIAC:** D/G to Sell as recent stock appreciation (+45% YTD) does not take into account the risks from cannibalization of the legacy Pay TV business and content licensing associated with the push toward DTC. [\(link\)](#)
- **TTWO:** Better F3Q results, raised FY21 guide, post-pandemic demand is higher than pre-pandemic, but **no color on the content pipeline other than repeating that there are "93 titles."** [\(link\)](#)
- **LYFT:** Solid with better rev and **opex leverage** (\$360m of fixed cost savings) helping Adj EBITDA beat cons. **Rideshare rides** ~-50% in 4Q, improving in Jan to -51% from Dec's -52%. Profitability still in 4Q21. [\(link\)](#)
- **TWTR:** Big beat on 4Q fxn ad rev growth of 30% vs cons 18%/bogey mid-20s, miss on mDAUs, 1Q total rev in-line, **1Q OI guide weaker, FY21 opex growth of 25%** but rev growth higher (UBSe 30%). [\(link\)](#)
- **FOXA:** Strong F2 driven by political adv and news cycle, excitement over Tubi is nice and could be a lever to drive future ad growth but biz more challenged in 2H. [\(link\)](#)
- **UBER:** Solid results with Eats bookings +128% and Mobility bookings still weak at -47% but expecting improving as the year goes on. Clarity on investments and driver supply issues needed. [\(link\)](#)
- **ATUS:** Cons results better but noisy **HSD adds +14k after adj for storms/KAC/NJ**. Expect sub trends to improving in 2H. **FCF will decline in '21.** [\(link\)](#)
- **ZNGA:** Solid results and guide though expect pressure on margin due to new title mktg. M&A is a call option. [\(link\)](#)
- **DIS:** Solid F1Q results despite a \$2.6b COVID impact during the quarter, 95m D+ subs and constructive forward commentary that hints at the reopening trade. [\(link\)](#)
- **EXPE:** RN growth of -61% and Bookings -67%. Seeing a modest improvement in bookings and positive comments on VRBO but expect volatility to continue. [\(link\)](#)

NEXT WEEK'S CATALYSTS

- **TRIP 4Q EPS 2/19 @8:30AM:** Expect rev of \$108.5m or -68% y/y and Adj EBITDA of -\$13m to reflect travel restrictions/COVID case spikes that were implemented again in certain geographies during the quarter. Investors expect a rebound in rev and EBITDA in 1Q and throughout the year, with 1Q EBITDA of +\$18m and rev of +168m or -40% y/y.

COLOR FROM THE UBS DESKS

Derivatives

- The desk seeing upside buyers in ZNGA after GLUU deal. Chinese streaming names in focus w/DOYU / HUYA up 20% vols exploding. Seeing overwriters & underwriters in large cap tech as implied vols seem to have found a floor.

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Most Read Articles of the Week

1. [Q-Series: The next two billion in India and ASEAN are going digital: Who wins?](#) – Navin Killa, Eric J. Sheridan, Jerry Liu

TECHNOLOGY

Andrew Rocha 212.713.9011 andrew.rocha@ubs.com

Sentiment: By the time we got to the end of this week, it really **felt like a return to the go-go tech boom** we are all accustomed to. **Semis and Semicaps are like a powder keg just waiting to ignite** on any sort of speculative “goodness” in the press and bulls are very vocal about the “secularness” vs cyclicalities – especially in semicap and particularly after my piece on Friday morning. **Software at a high level feels a bit more mixed**, depending on the name, **but given some of the reactions to expectations misses** like DDOG and NET – it **really feels like investors just want to own these names**. If anything, what this week confirmed is that **names levered to cloud, or digital transformation, or customer experience are white hot**, which makes **CRM very interesting** from a setup perspective into EPS given the temperature of checks, potential slippage from Q3, and negative investor sentiment. **NVDA is also interesting** from a setup perspective for similar sentiment/positioning in addition to end-market reads from a perceived bounce in datacenter and tightness in gaming. **Stepping back, not every investor is max bullish** as I’ve had conversations on taking gross down on fears that we’ve come too far too from the January unwind.

WHAT HAPPENED THIS WEEK

- **U IPO Lock-up:** U continued to underperform trading down another -2.5% WTD following earnings last week and the lock-up on Monday.
- **TSMC Jan Sales:** Jan Revs were up +22% yy / +8% mm to TWD \$126.75B, which is the second highest monthly total ever. 1Q Revs were guided to \$12.7-13B, which is equivalent to TWD \$360B at the MP. Assuming normal seasonality for Feb -14.7% mm and Mar +31.2% mm, TSMC will be able to exceed 1Q guidance by TWD ~\$16.6B or 4.6%, at TWD \$376.6B vs 1Q guide of \$360B
- **MediaTek Jan Sales:** Jan Revs were up +78% yy / +9% mm to TWD \$35.3B. 1Q Revs were guided 0-8% qq, or TWD \$96-104.1B. Using TWD \$100B as the MP and assuming normal seasonality for Feb -18% mm and Mar +45% mm, MediaTek will be able to exceed 1Q guidance by TWD ~\$6B or 6%, at TWD \$106B vs 1Q guide of \$100B.
- **CSCO EPS:** Rev Growth was slightly better than the Street at Flat vs -1%. GMs were better than the Street at 66.9% vs 65%, and increased sequentially vs LastQ’s 65.8%. EPS came in ahead \$0.79 vs \$0.76. For the guide, Revs 3.5-5.5% yy vs 3% yy were guided above though +2.5pts of FX which caused the stock to sell-off.
- **HUBS EPS:** Stock traded up mid-teens after a nice beat and raise across the board. Rev growth accel’d to 35% vs LastQ 32% and beat the Street at \$252.1M vs \$236.5M and came in above the high-end of the guide. Billings growth accel’d to 43% vs Expects of L-30s% vs LastQ 37.6% and beat the Street at \$309.5M vs \$269M. For the guide, Q1 implies decel at the MP to 32% and beat the Street at \$260-265M vs \$245.7M. For C21, it implies an accel at the MP to 32% vs C20’s 31% vs Expects H-20s% with Revs raised to \$1,165M MP vs the Street \$1,062M.

NEXT WEEK’S CATALYSTS

- **Expert Call on the Cyber Post-SWI Impact (2/16):** Fatima and Karl are hosting an Expert Call on the Post-SWI Impact on the Enterprise with the Head of Security IT and the Global Head of Cyber Threat response and Investigations at UBS at **10am ET**. Happy to say it’s a Zoom meeting! Registration: (<https://bit.ly/3a99pRn>). Let me know if you need the speaker bios
- **QCOM CFO Group Call (2/16)** – Tim Arcuri is hosting a meeting with QCOM CFO Akash Palkhiwala.
- **SWKS CFO NDR (2/17)** – Tim Arcuri is hosting an NDR with 1x1’s and a Group with SWKS CFO Kris Sennesael.
- **SSNC CEO NDR (2/18)** – Alex Kramm is hosting an NDR with 1x1’s and a Group with SWKS CEO Bill Stone.
- **AMAT EPS (2/18):** Sentiment on AMAT is max bullish as semicaps are rerating higher on domestic semis production in the US and Europe, and AMAT is the preferred pick given their diversification across F/L and memory, with less of a weighting to NAND which investors prefer. There are no real expectations for the print/guide as fundamentals are not driving the stock right now –just needs to be higher.
- **AMAT EPS Recap Call (2/19):** Tim Arcuri and I are hosting an **EPS Recap Call for AMAT Fri, Feb 19 at 8:30am ET**. Again there will be a live Q&A following Tim’s comments, so email/IB me if you’d like to ask a question. Registration (<https://bit.ly/2Ow9K8b>). Replay is available for 10 days at 1pm ET. Toll-Free: 888-286-8010 Toll: +1 617-801-6888 pw: 79003332
- **PLTR IPO Lock-Up Expiration (2/19)**
- **More Tech EPS:** other key earnings I’ll be watching: PLTR, RNG, ADI, SNPS, TWLO, FSLY, DBX, and ANET.

COLOR FROM THE UBS DESKS

Derivatives

- Flow has been dominated in earnings names, specifically in the weekly space. We are seeing overwriters and underwriters in large cap tech as implied vols seem to have found a floor.

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Most Read Articles of the Week

1. [Microsoft Corp.: Azure Accelerates \(and Everything Else Went Right\)](#) – Karl Keirstead, Taylor McGinnis

HEALTHCARE

[Gregg Genova 212.882.5460 gregg.genova@ubs.com](mailto:gregg.genova@ubs.com)

Sentiment: Earnings winds down and from a big picture perspective I don't think sentiment drastically has shifted one way or the other. The market continues to grapple with recovery and COVID vaccination excitement vs UK / South Africa mutations. So do we stay long Tools / Dx given continued testing or do we rotate into Medtech / Providers? Pharma and MCOs remain a source of funds which is particularly frustrating given we have de-risked the biggest perceived headwinds: drug pricing reform, Medicare 4 All and ACA pressures. Biotech remains hot (XBI+20% YTD)

WHAT HAPPENED THIS WEEK

- **COVID Vaccines** Tug of war is on – on the positive side, seems like the US finally is getting its act together in terms of vaccinations after an embarrassing start. On the flip side are the mutations, particularly the UK Variant, which is more infectious, and the South Africa and Brazil variants, which lower vaccine efficacy. We hosted an interesting conf call with prominent epidemiology Dr Eric Feigl-Ding on Monday that covered this in detail.
- **BIIB** Colin Bristow hosted a well-attended expert call on Alzheimer's that focused on Aducanumab. Key takes: One expert put odds at approval at 60-80%. The other ultimately expects a CRL (<50% PoS). Both agreed the additional materials submitted to FDA as a "major amendment" are likely related to safety, labeling, or CMC/manufacturing, and not efficacy. Our more neutral/negative expert believed the major amendment means this is being taken out of the hands of Billy Dunn and into senior hands. They did not think Janet Woodcock would intervene, and they thought LLY's Donanemab may have an indirect benefit.
- **ARWR** Esther Rajavelu hosted a vNDR with the CEO. Plenty of datapoints on ENAC, HIF2, APOC3 and more.

NEXT WEEK'S CATALYSTS

- **CVS** (2/16) Recall @ JPM CVS reiterated expectations for MSD EPS growth in 2021E vs. the 2020E baseline (\$7.10 per the company, which would imply \$7.46). Key questions: What is the downside risk to Aetna margins in 2021? How accretive will COVID vaccinations be in FY21? What will the benefit from HealthHubs and Transformation Initiatives in 2021/2022? Will the SCOTUS PBM ruling hit PBM Retail Profits?
- **VTRS** (2/22) Viatrix hosting a financial session ahead of their March analyst day. Should be a catalyst for shares with heavy investor focus on ability to meet FCF targets post caution @ JPM.
- **A** (2/16) Recall Agilent preannounced F1Q revenue upside, expecting organic growth of at least + HSD % in FQ1. What to Watch: Topics/questions include: size of the budget flush? Base vs COVID contribution? What customer groups / business segments were most responsible for driving the beat? Incremental drop thru on the revenue upside (and what margins will be assumed in updated full year guide). Geographic trends in 1Q and what's assumed for full year? Cadence of growth expected through F21? Potential /magnitude for full year guidance raise?

COLOR FROM THE UBS DESKS

Derivatives

- **MRK** 12Feb 73 puts, customer in the mkt sold 2500x at .15
- **TEVA** March 14 calls, customer in the mkt paid up to 55c for 2k
- **ENDP**... 10k Mar 9 straddle sold in the market at 1.85, opening
- **ABBV** Feb 105 calls, customer in the mkt sold 7500x down to \$1.50.. looks closing.

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Most Read Articles of the Week

1. [China Testing & Diagnosis Sector: ICLs in early growth stages; key driver of new testing technology and cost efficiency](#) – Stella Xing, Kevin Caliendo
2. [Life Sciences & Diagnostic Tools: UBS Evidence Lab Survey: Employer & University COVID Testing Trends & Outlook](#) – Dan Brennan, Matthew Taylor, Kevin Caliendo
3. [Life Sciences & Diagnostic Tools: mRNA Expert Call Highlights MRVI's Very Strong Competitive Position & Exciting Growth Outlook](#) – Dan Brennan, Nathan Treybeck, John Sourbeer

INDUSTRIALS

Kelsey Perselay 212.713.4177 kelsey.perselay@ubs.com

Sentiment: I really haven't seen a notable shift in sentiment in relation to fundamental aspects of the industrials group. Investors have anecdotally still favored aerospace, airlines, rails, ag, ESG/EV themes, infrastructure beneficiaries, commodity tied names and inflation beneficiaries. While the curve has see-sawed a bit, investors have continued to ask for steeper proxies as well. Now, fundamentals might as well have been tossed out the window this week as another violent unwind ran its course, what felt like each day, and / or random moves in the market created this anxiety where no one knew what or why the moves were happening. Price action in crowded long names underperformed crowded shorts, and notable standout performance on both sides included TDG, PH, ITW, URI, F, GM, IFF, DD, UPS, XPO and the rails.

WHAT HAPPENED THIS WEEK

- **SAIA:** Investors have viewed the stock favorably, just not to the same extent as ODFL. Q4 performance metrics seemed about in line with expectations, but strength in OR performance was the standout, which led to a much better bottom line
- **ACM Q1:** Uneventful quarter as previewed
- **CARR:** Co missed across the board on segment margins & adj operating margin was -24% y/y (driven by planned investment spending on growth initiatives & incremental public co costs..etc). HVAC margins were 9.9% vs cons 13.6% while Fire & Security margins 13.1% vs cons 13.4% and UBSe 14.2%.
- **J (Q1):** Nice beat here and co-managed to keep revenues up 2% vs cons down slightly with a better than expected margin performance.
- **DD:** Stock has definitely been under the microscope lately given the trading dynamics of the DD/IFF deal – feels like investors are constructive on the stock, and are willing to buy the weakness, just waiting till selling pressure subsides. Overall, print was pretty much in line with the pre-release. 2021 guidance looks to be slightly better than cons on EBITDA at \$3.83-\$3.93B vs cons \$3.7-\$3.9B.
- **TDG (Q1):** Margins actually expanded in the quarter vs investor views of contraction. Otherwise, Q1 looks pretty in line with the street - EBITDA was \$474M vs cons \$472M; EPS \$1.97 vs cons \$1.96; Revenue \$1.11B vs cons \$1.12B.
- **MLM:** Strong beat across the board and while investors expected a beat, this looks to be better than expectations.
- **GM:** Not really a surprising print...Q4 adj EBIT at \$3.71B vs cons \$3.08B and FCF of \$3.4B vs cons \$3.1B both beat, but not by huge magnitude (i.e sort of expected).

NEXT WEEK'S CATALYSTS

- Earnings Prints:** EXPD, VMC, ALLE, ECL, ALB, MOS, CFX, KEYS, DE, FLS, ITT
- **EXPD (2/16):** While EXPD had been a short for most over the last year, investors have largely covered given the unwind/degross. The problem is, the quarter is rear looking and co doesn't give guidance or host a call...so question is what will make the stock actually work.
 - **VMC (2/16):** Investors appear sidelined on the name after the stock's blue Senate run. The next catalysts are an infra bill and the start of construction season...the first is difficult to handicap, and second is still a ways off.
 - **ALLE (2/16):** Q4 estimates appear well calibrated, rising above guidance which has been viewed as overly conservative. Focus into results is on Q1 guidance with the company facing a difficult yoy comp.
 - **CFX (2/18):** The spike in COVID cases presents risk around MedTech Q4 results & Q1 guidance but also positions CFX for outsized 2021 growth. Given MedTech pressure, UBSe Q4 EPS of \$0.49, a touch below \$0.50 consensus. As normalization inches closer, there should be less concern on near-term headwinds and a larger focus on '21-'22 growth potential.
 - **DE (2/19):** Without a doubt still a crowded long, as stock trajectory has been meteoric and client sentiment euphoric around the Ag cycle. The key to the quarter is the guidance. The stock is pricing in an expected raise, and the question is how much DE will raise it
 - **ITT (2/19):** Co is well positioned to accelerate market share gains in Friction (outgrowing auto OEM by ~2x per annum) and is in the middle innings of multiyear margin expansion opportunity, applying MT best-in-class operating excellence to rest of biz (~60% of portfolio).

COLOR FROM THE UBS DESKS

Derivatives

- Airlines upside has been active
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Most Read Articles of the Week

1. [US Reshoring: UBS Evidence Lab: Reshoring announcements up 5x in '20, Supports Covid catalyst](#) – Chris Snyder

ENERGY/UTILITIES

Cat Gordon 212.713.9836 catherine.gordon@ubs.com

Sentiment: Sentiment back to bullish with crude up another ~3% this week and Brent above \$61. Concerns around Biden's O&G agenda have been mostly mollified at this point as folks have come to the conclusion that his plans doesn't have much teeth. **Thus, the narrative is now back to the positive demand recovery / reflation trade for the space with oil acting as a proxy for inflation. As long as the micro doesn't get in the way, the consensus view is that the trajectory from here is still to the upside for the space especially with LO generalists still mostly underweight. In utilities, sell the news has been the trend this earnings season for nearly every print thus far despite in-line to better results.** Worst performers this week include Canadian, top quartile P/E names, big caps > smid caps, and there remains a bias towards ESG names. So overall the group is continuing same the grind to the middle quartile names we've been witnessing for a while now. Only outlier of o/p has been the water utilities names. And we're finally seeing a bid for names with midstream gas/infra (such as real buyers in DTE).

WHAT HAPPENED THIS WEEK

- **CRUDE – where's the risk from here?:** Energy index weightings have begun to rise, supported by fundamentals. With that said, energy investors have been taught to remain wary. While sentiment remains to the upside on the inflation / demand recovery story, incremental oil supply always remains top of mind. With OPEC+ staying on task though, questions are now more about what (if anything) can derail the strong inflation given oil is essentially a proxy for inflation now – investors now watching datapoints such as CPIs, USD, and the 10 yr to determine the oil move.
- **DUK:** stock reaction was sell the news (similar to what we've seen with most prints thus far) despite in-line results; guide reiterated. Sentiment remains positive on the name following a slew of positive news over the past month and a half
- **D:** beat, reiterated long term growth goals and updated capital spending plans was well received by investors.
- **GNRC:** finished up 14% post better than expected 4Q & '21 guide. GNRC remains a top pick for Windham - fundamentals remain bullish (guidance 8-12% ahead of consensus), and sentiment is improving (fits the ESG bucket). ([link](#))
- **PAA:** finished -9% on miss & guide down. Guide was straight up disappointing - it went down when folks were hoping for a signal of positive improvements coming given commodity prices up since the prelim guide update in Nov. ([link](#))
- **CHK:** emerges from Chap 11 bankruptcy. We're hosting the CEO next week for 1x1s and a grp meeting. Demand is high.

NEXT WEEK'S CATALYSTS

4Q'20 EARNINGS:

- **CLR** (2/16, AMC): remains a cons short with bears worried CLR is one of the few co's that won't stay discipline amid higher crude prices + Qs on incremental acquisitions/acreage. Expect a relatively in line qtr.
- **DVN** (2/16, AMC): skewed long. Lloyd is modestly above cons.
- **ES** (2/16, AMC): confusing regulatory docket from this week dampened sentiment on the name - a lot of tail to it and unclear as to what we'll get out of it, but will be an overhang.
- **OXY** (2/16, AMC): remains controversial, but a HF long on oil torque. Projected to beat slightly vs UBSe. Also Low Carbon Ventures likely to be of interest.
- **ET** (2/17, AMC): '21 adj. EBITDA outlook will be the focus - Shneur thinks the street looks low, and those who removed DAPL for the FY likely need to add in at least a qtr of earnings.
- **MRO** (2/17, AMC): controversial name. Project a slight beat, driven by strong oil and total prod'n vs cons.
- **PXD** (2/17, AMC): remains a cons long. See a beat w/ total prod'n and realizations higher than expectations + costs lower.
- **SO** (2/17, BMO): schedule update on HFT remains the key question. Expect mgmt will provide guide for '21 on the call.
- **TRGP** (2/18, BMO): fear out there is that it's a crowded long. UBSe above the Street for '21 and comfortable w/ our outlook.
- **DTE** (2/19, BMO): DTE spin of midstream business the key focus for the call – company expects filing in Feb.

COLOR FROM THE UBS DESKS

Derivatives

- After a 4% rip higher in the XLE the market took a pause the rest of the week. Flows were quiet but saw a bearish lean to it for the first time in a while, with profit taking trades in **XOM**, **COP** and **MUR**. ([Back to Top](#))

Most Read Articles of the Week

1. [China Solar Industry: Supply tightness for polysilicon: déjà vu?](#) – Yishu Yan
2. [Global Oil Fundamentals: Answers to the Most Frequently Asked Questions](#) – Jon Rigby, Lloyd Byrne, Henri Patricot

CONSUMER

Nick Smith 212.713.9583 nicholas.smith@ubs.com

Sentiment: We pointed out some of the trends we saw this week: (1) **Taxation:** The remains a clear trend unfolding in the last few weeks - as the talk of stimulus and government spending continues to trend higher; many are looking at areas within consumer where states could help close the budget gaps (YTD: MJ +74%, DKNG, +33%, PENN +37%, etc). (2) **Reversion:** Many of the longs that we saw factor into the broader risk reduction in January have since recovered much of their losses, and some (see LB) are actually well beyond where they were in mid-January. However, beta adjusted, there are still some names that look like they have some room to run. (3) **Rotation:** As we continue to see a broad group of investors putting money to work in the re-open trade, our flows remain very skewed for sale in the 2020 winners - particularly those that fared well during Covid: packaged food, broadlines, QSRs. Happy to speak further to single names here.

WHAT HAPPENED THIS WEEK

- **Lodging - Earnings Outlook for Lodging:** We are lowering our 2021 RevPAR ests for the REITs (HST/PK) to -50% vs 2019 from -40% prev given trends in the markets and chainscales that are most relevant to HST and PK have not yet inflected. Given industry performance during Q4, we are raising our HLT Q4 RevPAR estimate to -58% YOY from -60% previously vs consensus at -57% and raising our MAR Q4 RevPAR estimate to -63% YOY from -66% previously vs consensus at -62%.
- **WMT (Buy, PT \$165) - All Plussed Up:** Our 6.0% WMT US SSS est. is above the 5.2% cons. & compares to the ~6%+ buy-side bar (based on convos w. investors). While the nuances of WMT's 4Q margins will be in focus, this shouldn't overshadow the LT potential it has to drive further gains. We'd expect for it to guide to a core US 2 year stack that's at least in line with what it's posted over the past few years. Any EPS guidance could bracket the cons. of \$5.75.
- **ADS (Buy, PT €338 from €268) - Making a fresh start, upgrade to Buy:** UBS Evidence Lab data now showing cleaner inventory in the channel and the company presenting its new product innovation pipeline at the 10 March CMD we believe 2021 offers the group an opportunity to make a fresh start and provide a roadmap to margin expansion.

NEXT WEEK'S CATALYSTS

REGISTRATION CLOSED this past week for our UBS Consumer Conference.

UBS: Global Consumer and Retail Virtual Conference

Tuesday, March 9th - Wednesday, March 10th

A Full list of Confirmed Company Attendees can be found [here](#)
Click [here](#) to view the Preliminary Agenda (*subject to change*)
REMINDER - 1x1 Requests are past due / Investor schedules will be distributed by Friday, February 19th

We, of course, still have upcoming calls and expect more:

NEW: 02/24 @ 15:00:00 - UBS Access: Mattel Inc. Fireside Chat with CEO & CFO Hosted by Arpine Kocharyan
02/26 @ 11:00:00 - 100% Electric Boating w/ Vision Marine Hosted by Jon Windham [Please Register Here](#)

COLOR FROM THE UBS DESKS

Derivatives

- **TSLA** Mar 20 put bought 223k .025
- **ELY** March 34 - 39 (1x2) call spread, customer here paid \$0.475 for 2500 x 5k
- **TSN**... July 50-75 bull risky, our customer paid \$1.95 for 1500x here
- **CVS** Mar 80 calls sold 10k at 1.01 in the mkt, creates 225k shrs for sale
- **HBI** March 21 calls, customer in the mkt just paid 60c for 10k... looks like 15k on tape now. Stock up big after co said they will explore strategic alternatives for its EU biz.
- **CCL** April 30 - 40 call spread, customer in the mkt paid \$0.54 for 10k. wingy reopening trade
- **COTY** Feb 8 calls, customer in the mkt paid 11c for 9k.

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Most Read Articles of the Week

1. [Petco Health and Wellness Company Inc: UBS Evidence Lab inside: Waiting Fur a Treat – Initiate at Neutral](#) – Michael Lasser, Mark Carden, Evan Ketterhagen
2. [Cruise Lines: Trimming the Sails: Revised Cruise Capacity Outlook](#) – Robin M. Farley, Arpine Kocharyan, Scott McConnell
3. [Unilever Plc: Share gains not translating into superior operational performance](#) – Guillaume Delmas, Kate Rusanova

SPECIAL SITUATIONS

Randy Udell 212.713.3370 randy.udell@ubs.com ; Evren Ergin 203.719.6679 evren.ergin@ubs.com ;

Armando Anido 212.713.4541 armando.anido@ubs.com

Sentiment: In merger arb, we saw 4 new deals announced (**CUB-Private**, **CRHM-Private**, **GLUU-EA**, **EGOV-TYL**), while seeing the rare and elusive 3-way bidding situation for **COHR**. There have only been 7 cases of a 3-way bidding situation since 1998. Overall, we think the setup favors **IIVI** to prevail. We have gotten questions on **FTI** (a complicated cross-border / taxable spin which goes ex next week – with no when-issued period), **XPO** (started to bounce back post earnings dip as Wadewitz defended) & **BHC** (Icahn looking to enhance value, potentially nominate directors & Glenview suggesting a pre-spin partial sale of eyecare and a more definitive 2021 time frame for the spin, etc). **THC** delayed their Conifer spin by a year (Glenview supportive). **SLM** has been trading at or above the top end of the range, prompting the bump questions, with the wild card in what Value Act will do. **IFF** saw news flow of an activist amassing a \$1bn stake heading into their earnings. Kramm continues to like the **INFO-SPGI** deal and raised his SPGI PT post earnings. Ahead of next week's **WORK-CRM** HSR expiration, we continue to get questions on the likelihood of clearing / levels if they get a second-request. We think the market has been pricing the spread (~16% annualized to end of May) as though they get a 2nd request, but it is already a well held position by arbs. The **SPAC** market shows no signs of slowing down, with 25 IPOs priced to raise \$8bn and 11 De-SPAC announcements representing \$22.8bn of TEV / \$3.1bn of PIPE proceeds / Backed by \$3.5bn in IPO proceeds.

CLIENT CONVERSATIONS

- **FTI:** We haven't done a deep dive on this one – as the spinco won't be a US listed co but we looked at the mechanics given some inbounds – we have more questions than answers. This is a taxable spin, Intl listing (with US OTC ADR), overhang with parent maintaining 49.9% (of which they are contracted to sell \$200m to BPI based on a 30 day VWAP at a 6% discount), potential technical overhang if US investors decide to sell the Intl company they are receiving (the OTC ADR is supposed to alleviate some of this). Terms are TechnipFMC holders get 1 share of SpinCo, Technip Energies (will be ticker TE FP on the listed line) for every 5 shares of TechnipFMC held. This implies ~178.8m shares outstanding for SpinCo (of which, ~90.1m shares being distributed). There is no when-issued trading. We believe on 2/16, parent will no longer trade with spinco rights (PR is clear on this and they list 2/16 as the ex-date but there was some conflicting language in the F-1 in our view). Another question we have is when will they release the F-6 for the OTC ADRs?
- **SLM:** Since SLM has been trading through the offer terms, bump considerations are relevant. Aside from SLM trading through the terms, the following factors could be supportive of below average participation: **(i)** above-average adjusted relative offer size at 18%, **(ii)** below-average premium range, **(iii)** relatively large absolute buyback size at \$1.0 billion, **(iv)** reasonably large index ownership (~22% of outstanding), **(v)** average analyst price target of ~\$18 (20% upside to the top end of the range; pre-earnings average price target was ~\$14.50, but forward EPS estimates have been raised by 30%+ since earnings on 1/27/21, including to reflect buybacks). Working against these factors could be the following: **(i)** relatively high hedge fund ownership, **(ii)** ValueAct behavior in past Dutch tenders (tendered ~80% of its stake below trading prices into the AFI Dutch tender in 2019; sold a significant amount of stock during, and tendered some stock into, the Nordion / MDS Dutch tender in 2009), **(iii)** estimated cost basis of substantially all shareholders is significantly below the Dutch tender range, **(iv)** limited retail ownership. We believe a bump is relevant primarily when the stock is trading at a sufficiently high level such that the issuer believes the tender would likely be undersubscribed and would be inclined to do something about it – empirically, we believe such a trigger level is likely not less than 90% of the way within the range. Overall, if SLM prices stay at current levels, we think a 30%-50% bump probability range is reasonable. Avg bump size in precedents was ~9%.
- **COHR-IIVI:** We have an extremely rare three-way bidding situation involving all strategic parties. We have not had a three bidder situation in our deal universe (\$400+ million) since 2011 and they are generally rare (7 cases since 1998 involving topping bids to an initially definitive deal with three or more bidders). IIVI is the largest of the parties and trades at higher P/E multiples than the others (higher than LITE and slightly lower than MKSI on EV/EBITDA). Deal financial metrics are generally comparable (assuming matching bumps), with the higher guided synergies from IIVI balancing against the higher premium it would be paying, and likely comparable accretion in MKSI and IIVI deals. Overall, we think the setup favors IIVI. We would expect IIVI to propose an agreement that addresses the overlaps (but presumably somewhat different from the LITE agreement given the stated differences in China) and to ultimately prevail.
- **SPACs:** The SPAC market shows no signs of slowing down, with 25 IPOs priced to raise \$8bn and 11 De-SPAC announcements representing \$22.8bn of TEV / \$3.1bn of PIPE proceeds / Backed by \$3.5bn in IPO proceeds. We started to see cracks in some of the market receptions to definitive announcements, with Sharecare-FCAC, MoneyLion-Fuse, and Hyzon-DCRB trading off on announcement.

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