Capital Markets

Top 30 Global Ideas for 2024

Fourth-Quarter Update

EQUITY RESEARCH | October 1, 2024

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 38

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This report is priced as of market close on September 30, 2024, unless otherwise noted.

Introduction

Graeme Pearson – Co-Head of Global Research
Mark Odendahl – Co-Head of Global Research

Top 30 Global Ideas for 2024 — Changes This Quarter

Additions: American International Group (AIG US), Cameco (CCO CN), Gaming and Leisure Properties (GLPI US), HealthEquity (HQY US), Intercontinental Exchange (ICE US), Pinterest (PINS US), Sarepta (SRPT US), Zalando (ZAL GR)

Deletions*: Amazon.com (AMZN US), American Homes 4 Rent (AMH US), Biogen (BIIB US), Chubb (CB US), Marks & Spencer (MKS LN), Restaurant Brands International (QSR US), S&P Global (SPGI US)

Maintains: Alimentation Couche-Tard (ATD CN), Anheuser-Busch InBev (ABI BB), Bank of America (BAC US), Boston Scientific (BSX US), Brambles (BXB AU), Canadian Natural Resources (CNQ CN), Constellation Software (CSU CN), CrowdStrike (CRWD US), Ferrari (RACE IM), First Solar (FSLR US), GFL Environmental (GFL US), HEICO (HEI US), HubSpot (HUBS US), Illumina (ILMN US), London Stock Exchange (LSEG LN), PayPal (PYPL US), PG&E (PCG US), Shell (SHEL LN), Siemens (SIE GR), TELUS (T CN), Veeva (VEEV US), Xylem (XYL US)

In this note, we present our Top 30 Global Ideas for Q4 2024. This list remains one of high-conviction, long-term ideas with quarterly updates that enable dynamic changes into names where we see higher-conviction upside potential. The *Top 30* list is built around bottom-up best ideas that we also view as offering attractive positioning in the current environment.

Over the past quarter, the *Top 30* delivered a total return of +7.8% in USD terms, above the MSCI World Index at +4.3%, with the best-performing *Top 30* stock selections being Brambles (+41.5%), Marks & Spencer (+32.0%) and PayPal (+30.6%). Since inception of our quarterly list at YE2019, the *Top 30* has delivered a total return of +91.7%, above the benchmark at +70.0%.

This quarter, within our **Internet** coverage, in **Communication Services** we add **Pinterest (PINS US)** as we see momentum building on both direct links revenue capture and 3p retail media partnership, with a rebound to 20% growth likely to drive an upward re-rate in the shares, particularly given muted expectations amid execution and macro challenges. In **Consumer**, we add fashion ecommerce platform **Zalando (ZAL GR)**. We see attractive valuation upside potential underpinned by our view that ZAL's growth will accelerate as the company continues to invest in marketing and enhance its competitive advantage on services, while delivering margin gains from improving unit economics. We remove **Amazon.com (AMZN US)** in favor of other ideas, while maintaining an Outperform rating.

In **Consumer** we also switch out of **Marks & Spencer (MKS LN)** following strong share price appreciation over the past six months, and remove **Restaurant Brands International (QSR US)** in favor of higher-conviction ideas in other sectors, while maintaining our Outperform rating.

In **Energy/Mining** we add **Cameco (CCO CN)**. We see long-term upside potential in the shares as we believe Cameco is well-positioned to benefit from positive uranium market fundamentals and a nuclear energy rebirth, as a Western-based producer with top-tier uranium mines and a significant ownership in the Westinghouse nuclear services business.

Within **Financials,** in Insurance we add **American International Group (AIG US)**, replacing **Chubb (CB US)**. AIG shares have pulled back and earnings estimates were reset post deconsolidation from Corebridge, with valuation sitting below peers. We see attractive upside as we expect the company to produce strong core margins with expense savings and large buyback activity in the coming quarters. In Exchanges & Data we add **Intercontinental Exchange (ICE US)** following our recent initiation of coverage, replacing **S&P Global (SPGI US)**. In our view, ICE is well positioned to benefit from its diversified revenue mix and secular tailwinds across the business, namely in the global energy markets, fixed income indices and the modernization of the US residential mortgage sector.

In **Health Care** we add **Sarepta (SRPT US)** as our top idea in US Biotech, replacing **Biogen (BIIB US)**. We have high optimism for uptake of Sarepta's Elevidys with the recent label expansion, which we believe will enable the company to meet/exceed medium-term guidance and improve investor confidence in future cash flows supporting a much higher stock valuation. We also add **HealthEquity (HQY US)** which we view as a compelling opportunity as valuation has recently compressed due to concerns around interest rate sensitivity, despite improving fundamentals. Our deep dive analysis supports our outlook for a 25%+ EPS CAGR through FY27 even amid rate cuts, and we expect HQY to re-rate higher on continued execution.

In **Real Estate** we add **Gaming and Leisure Properties (GLPI US)**, replacing **American Homes 4 Rent (AMH US)**. We like GLPI's focus on the regional gaming net lease market, which has historically generated consistent cash flows and above-average acquisition accretion. We expect cap rates in the gaming space to stay elevated and think GLPI should re-rate higher given its high-quality cash flow stream and good leverage to falling rates.

This report contains detail on our investment thesis for each *Top 30* name beginning on page 7, and we encourage you to reach out to our team to continue the dialogue regarding their investment ideas.

We also highlight our flagship research products: RBC Elements™ features proprietary insights generated with our internal data science team. RBC Imagine™ is a suite of future-focused research looking beyond the near-term forecastable horizon. RBC Fusion™ offers peer-reviewed, unique reports on our highest-conviction, most-differentiated calls. RBC ESG Stratify™ separates the signal from the noise in the sustainable investing space with precise, analytical research.

***Note: Element Fleet Management (EFN CN)** is removed given our recent suspension of coverage due to analyst departure.

Top 30 Global Ideas for 2024 – Analyst Coverage and Pricing Data

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (09/30/2024)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Alimentation Couche-Tard Inc.	ATD CN	Irene Nattel	Outperform	CAD	74.77	71,532	94.00	0.9	26.7
American International Group, Inc.	AIG US	Scott Heleniak	Outperform	USD	73.23	48,844	87.00	2.2	21.0
Anheuser-Busch InBev SA/NV	ABI BB	James Edwardes Jones	Outperform	EUR	59.38	119,057	75.00	1.7	28.0
Bank of America Corporation	BAC US	Gerard Cassidy	Outperform	USD	39.68	308,512	46.00	2.4	18.4
Boston Scientific Corporation	BSX US	Shagun Singh	Outperform	USD	83.80	124,376	85.00	0.0	1.4
Brambles Limited	BXB AU	Owen Birrell	Outperform	AUD	19.03	26,005	19.25	3.1	4.3
Cameco Corporation	CCO CN	Andrew Wong	Outperform	CAD	64.54	28,136	75.00	0.2	16.4
Canadian Natural Resources Limited	CNQ CN	Greg Pardy	Outperform	CAD	44.91	95,552	59.00	4.7	36.1
Constellation Software Inc.	CSU CN	Paul Treiber	Outperform	CAD	4,400.00	93,243	4,700.00	0.1	6.9
CrowdStrike Holdings, Inc.	CRWD US	Matthew Hedberg	Outperform	USD	280.47	71,941	335.00	0.0	19.4
Ferrari N V	RACE IM	Tom Narayan	Outperform	EUR	419.70	76,805	468.00	0.2	11.7
First Solar, Inc.	FSLR US	Christopher Dendrinos	Outperform	USD	249.44	26,792	315.00	0.0	26.3
Gaming and Leisure Properties, Inc.	GLPI US	Brad Heffern	Outperform	USD	51.45	14,416	57.00	5.9	16.7
GFL Environmental Inc.	GFL US	Sabahat Khan	Outperform	USD	39.88	15,019	48.00	0.1	20.5
HealthEquity, Inc.	HQY US	Sean Dodge	Outperform	USD	81.85	7,252	100.00	0.0	22.2
HEICO Corporation	HEI US	Ken Herbert	Outperform	USD	261.48	36,579	272.00	0.0	4.1
HubSpot, Inc.	HUBS US	Rishi Jaluria	Outperform	USD	531.60	28,375	700.00	0.0	31.7
Illumina, Inc.	ILMN US	Conor McNamara	Outperform	USD	130.41	20,735	252.00	0.0	93.2
Intercontinental Exchange, Inc.	ICE US	Ashish Sabadra	Outperform	USD	160.64	92,408	200.00	1.1	25.6
London Stock Exchange Group plc	LSEG LN	Ben Bathurst	Outperform	GBp	10,220.00	54,176	11,000.00	1.1	8.8
PayPal Holdings, Inc.	PYPL US	Daniel R. Perlin	Outperform	USD	78.03	81,697	84.00	0.0	7.7
PG&E Corporation	PCG US	Shelby Tucker	Outperform	USD	19.77	42,268	24.00	0.2	21.6
Pinterest, Inc.	PINS US	Brad Erickson	Outperform	USD	32.37	22,926	48.00	0.0	48.3
Sarepta Therapeutics, Inc.	SRPT US	Brian Abrahams	Outperform	USD	124.89	12,382	181.00	0.0	44.9
Shell PLC	SHEL LN	Biraj Borkhataria	Outperform	GBp	2,425.00	150,056	3,500.00	0.1	44.4
Siemens Aktiengesellschaft	SIE GR	Mark Fielding	Outperform	EUR	181.20	145,123	195.00	2.7	10.3
TELUS Corporation	T CN	Drew McReynolds	Outperform	CAD	22.71	33,656	25.00	6.4	16.5
Veeva Systems Inc.	VEEV US	Rishi Jaluria	Outperform	USD	209.87	34,537	250.00	0.0	19.1
Xylem Inc.	XYL US	Deane Dray	Outperform	USD	135.03	24,427	163.00	0.9	21.6
Zalando SE	ZAL GR	Richard Chamberlain	Outperform	EUR	29.54	7,672	42.00	0.0	42.2

Note:

Past performance is not necessarily indicative of future performance. Price performance does not take into account relevant costs, including commissions and interest charges or other applicable expenses that may be associated with transactions in these shares.

Source: Bloomberg and RBC Capital Markets estimates

RBC Capital Markets

Top 30 Global Ideas for 2024 – Changes This Quarter

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (09/30/2024)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Additions this quarter:									
American International Group, Inc.	AIG US	Scott Heleniak	Outperform	USD	73.23	48,844	87.00	2.2	21.0
Cameco Corporation	CCO CN	Andrew Wong	Outperform	CAD	64.54	28,136	75.00	0.2	16.4
Gaming and Leisure Properties, Inc.	GLPI US	Brad Heffern	Outperform	USD	51.45	14,416	57.00	5.9	16.7
HealthEquity, Inc.	HQY US	Sean Dodge	Outperform	USD	81.85	7,252	100.00	0.0	22.2
Intercontinental Exchange, Inc.	ICE US	Ashish Sabadra	Outperform	USD	160.64	92,408	200.00	1.1	25.6
Pinterest, Inc.	PINS US	Brad Erickson	Outperform	USD	32.37	22,926	48.00	0.0	48.3
Sarepta Therapeutics, Inc.	SRPT US	Brian Abrahams	Outperform	USD	124.89	12,382	181.00	0.0	44.9
Zalando SE	ZAL GR	Richard Chamberlain	Outperform	EUR	29.54	7,672	42.00	0.0	42.2
Deletions this quarter:									
Amazon.com, Inc.	AMZN US	Brad Erickson	Outperform	USD	186.33	1,995,222	215.00	0.0	15.4
American Homes 4 Rent	AMH US	Brad Heffern	Outperform	USD	38.39	16,085	42.00	2.7	12.1
Biogen Inc.	BIIB US	Brian Abrahams	Outperform	USD	193.84	28,281	292.00	0.0	50.6
Chubb Limited	CB US	Scott Heleniak	Outperform	USD	288.39	117,836	295.00	1.3	3.6
Element Fleet Management Corp.	EFN CN	RBCCM Global Research	Not Rated	CAD	28.76	11,608	NA	0.0	NM
Marks and Spencer Group P.L.C.	MKS LN	Richard Chamberlain	Outperform	GBp	372.60	7,523	400.00	1.1	8.4
Restaurant Brands International Inc.	QSR US	Logan Reich	Outperform	USD	72.12	32,670	95.00	2.5	34.2
S&P Global Inc.	SPGI US	Ashish Sabadra	Outperform	USD	516.62	164,285	552.00	0.7	7.6

Notes:

Past performance is not necessarily indicative of future performance. Price performance does not take into account relevant costs, including commissions and interest charges or other applicable expenses that may be associated with transactions in these shares.

Element Fleet Management (EFN CN) is removed given our recent suspension of coverage due to analyst departure.

Source: Bloomberg and RBC Capital Markets estimates

Top 30 Global Ideas – Performance Summary

Although the *Top 30* is not intended to be a relative product, having been created to capture RBC Capital Markets' best ideas on an absolute basis, we compare the performance of the *Top 30* to the MSCI Developed World Index and regional indices to provide context for its returns. See the performance tables below for the Q3 2024 *Top 30* (July 5, 2024, to September 30, 2024) and since inception (December 2019).

Ticker	Company	Total Return Q3/2024* (in local currency)	Total Return Q3/2024* (in USD)
BXB AU	Brambles Ltd.	37.5%	41.5%
MKS LN	Marks & Spencer Group PLC	26.1%	32.0%
PYPL US	PayPal Holdings Inc.	30.6%	30.6%
ILMN US	Illumina Inc.	20.2%	20.2%
EFN CN	Element Fleet Management Corp.	15.2%	16.4%
LSEG LN	London Stock Exchange Group PLC	10.2%	15.4%
HEI US	HEICO Corp.	15.1%	15.1%
PCG US	PG&E Corp.	14.8%	14.8%
CB US	Chubb Ltd.	14.6%	14.6%
VEEV US	Veeva Systems Inc.	14.4%	14.4%
SPGI US	S&P Global Inc.	14.2%	14.2%
FSLR US	First Solar Inc.	12.3%	12.3%
T CN	TELUS Corp.	11.0%	12.0%
CSU CN	Constellation Software Inc.	10.6%	11.7%
RACE IM	Ferrari NV	8.2%	11.4%
ABI BB	Anheuser-Busch InBev SA/NV	7.7%	10.9%
BSX US	Boston Scientific Corp.	9.7%	9.7%
SIE GR	Siemens AG	2.4%	5.4%
QSR US	Restaurant Brands International Inc.	4.5%	4.5%
AMH US	American Homes 4 Rent	3.2%	3.2%
GFL US	GFL Environmental Inc.	1.5%	1.5%
XYL US	Xylem Inc.	0.8%	0.8%
BAC US	Bank of America Corp.	-1.1%	-1.1%
ATD CN	Alimentation Couche-Tard Inc.	-3.8%	-2.9%
CNQ CN	Canadian Natural Resources Ltd.	-7.3%	-6.4%
AMZN US	Amazon.com Inc.	-6.8%	-6.8%
HUBS US	HubSpot Inc.	-9.5%	-9.5%
SHEL LN	Shell PLC	-14.5%	-10.4%
BIIB US	Biogen Inc.	-14.1%	-14.1%
CRWD US	Crowdstrike Holdings Inc.	-28.0%	-28.0%
	Average total return for RBC CM Top 30 Global Ideas in Q3/2024	***6.6%***	***7.8%***

		Total Return (in local currency)		
Indices		**Q3/2024***	**2024 (YTD)**	**Since Inception** (Not annualized)**
SPTSX Index	S&P/TSX Composite Index	9.6%	17.2%	63.3%
AS51 Index	S&P/ASX 200	7.5%	13.4%	57.7%
	RBC CM Top 30 Global Ideas	**6.6%**	**19.3%**	**91.9%**
NDDUWI Index	MSCI World Net Total Return US	4.3%	18.9%	70.0%
SPX Index	S&P 500 Index	3.8%	22.1%	92.2%
SXXP Index	STOXX Europe 600 Price Index	1.6%	12.5%	46.6%

		Total Return (in USD)		
Indices		**Q3/2024***	**2024 (YTD)**	**Since Inception** (Not annualized)**
AS51 Index	S&P/ASX 200	10.6%	15.2%	55.8%
SPTSX Index	S&P/TSX Composite Index	10.6%	14.6%	56.9%
	RBC CM Top 30 Global Ideas	**7.8%**	**19.7%**	**91.7%**
SXXP Index	STOXX Europe 600 Price Index	4.6%	13.3%	45.5%
NDDUWI Index	MSCI World Net Total Return US	4.3%	18.9%	70.0%
SPX Index	S&P 500 Index	3.8%	22.1%	92.2%

Notes: *Q3 2024 performance calculated from the time of the *Top* 30 Q3 2024 update report priced as of market close on July 5, 2024, to market close on September 30, 2024. **Since inception performance calculated from YE2019. Past performance is not necessarily indicative of future performance. Price performance does not take into account relevant costs, including commissions and interest charges or other applicable expenses that may be associated with transactions in these shares.

Source: Bloomberg and RBC Capital Markets

Investment Thesis

Alimentation Couche-Tard Inc. (TSX: ATD)

RBC Dominion Securities Inc.
Irene Nattel (Analyst) (514) 878-7262, irene.nattel@rbccm.com

Rating: Outperform | **Closing Price: CAD 74.77**
Price Target: CAD 94.00 | **Implied All-in Return (%): 26.7**

Investment summary

Despite challenging macro backdrop, multiple avenues for growth, underpinned by: (1) top-line momentum from more-focused, cross-regional initiatives to drive incremental sales and consumer value; (2) well-defined initiatives and strategies to optimize procurement; (3) focus on localized merchandise pricing, promotions, and assortments; (4) innovative fuel initiatives, including ongoing rollout of Circle-K gas; (5) cost optimization; (6) network development; and (7) opportunistic acquisitions.

F28 EBITDA objective of $10 B, $8.9 B excluding new M&A, exceeds published forecasts; opportunity for ongoing upward revision to forecasts. Successful execution of well-defined strategies to drive higher sales and earnings from existing operations including the articulation of a sustainable fuel margin in the low 40s CPG should drive upward revision to forecasted earnings. While nature and timing of M&A are impossible to predict, the current macro backdrop and interest rate environment and ATD's attractive cost of capital could very well give rise to an accelerated pace of M&A after a relative drought over the F18–F23 period.

Industry performance in North America through COVID and during prior downturns reinforces defensive sector attributes. Despite high gas prices/opex increases, sustained elevated gas margins should enable ATD to offset gallon weakness related to dislocations.

Real-world EV R&D lab in Norway. ATD is the only North American c-store player with a strong footprint in Norway, the global leader in EV sales. With the operation of charging stations on its sites in addition to home and office chargers, ATD is gaining valuable insight into consumer behaviour/revenue opportunities.

Strong B/S + FCF profile with forecast annual FCF in excess of $2.4B to fund activity on NCIB (F25 renewed at 10% of common shares comprising ATD's "public float"), dividend growth, and acquisitions. Adjusted net debt/EBITDA ~2.2x pro forma acquisitions (TotalEnergies, MAPCO) despite activity on NCIB, well below the post-SFR peak of 3.6x, with normalized estimated balance sheet capacity of ~$10 B, which using ATD historical and recent transaction multiples is sufficient to fund the targeted $1.1B of incremental EBITDA from M&A.

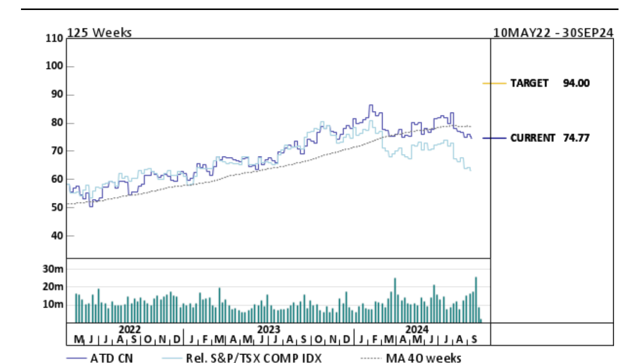
Valuation

Taking the midpoint of 20.0x F26E (April 2026E) EPS and 11.5x EBITDA drives our price target to C$94, which supports our Outperform rating. The EBITDA multiple is about one turn above the long-term average, reflecting overall sector valuation trends and supported by ongoing strong normalized underlying performance, relatively recession-resistant business model, and benefits from prior-period merger and acquisition. We believe the multiples are also appropriate relative to our c-store coverage universe based on relative investment attributes.

Risks to rating and price target

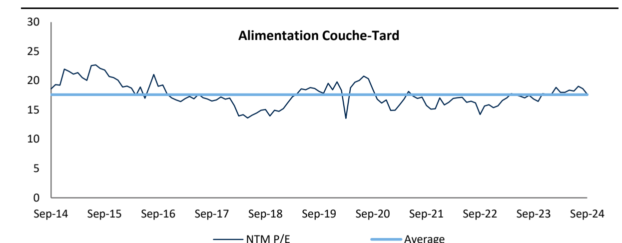
Normalization of gas margins without volume improvement would result in earnings below expectations. Substantial dislocation in inside-store volumes could reduce inside-store contribution. Although c-stores typically are relatively recession-resistant, ~50% of US c-store customers have incomes ≤$60k and could be hard-hit by a recession, particularly given inflation and interest rates backdrops. With ATD's diversified geographic footprint, the risk profile of forecasts includes multiple geographies and currencies, and economic and operating environments, each of which is being impacted at differing levels by current dislocation in Europe. Potential M&A not included in our forecasts could result in earnings/share price that differs from forecasts.

Exhibit 1 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 2 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

American International Group, Inc. (NYSE: AIG)

RBC Capital Markets, LLC
Scott Heleniak (Analyst) (804) 782-4006, scott.heleniak@rbccm.com

Rating: Outperform | **Closing Price: USD 73.23**
Price Target: USD 87.00 | **Implied All-in Return (%): 21.0**

Investment summary

We remain constructive on AIG and view the company as well positioned post the Corebridge deconsolidation. In our view, AIG has made significant strides in positioning the company for better ROEs with less earnings volatility and a more transparent business model. The P&C environment remains attractive and we expect AIG to return to premium growth. AIG is embarking on an expense reduction program now that Corebridge has been deconsolidated. While AIG still owns an ownership stake in Corebridge, we expect this to be reduced further in the coming quarters. Our Outperform rating reflects the following points:

Investment points:

Focused on underwriting margins improvement, reducing expenses: AIG has aggressively reduced exposure to underperforming lines and countries where returns are below acceptable levels. This effort along with the greater use of reinsurance, analytics, and better risk management should put AIG on a path toward improving core margins further in the years ahead. The AIG 200 program should also make AIG a more efficient and leaner company.

Favorable pricing supports growth and margin improvement: A favorable P&C pricing environment along with an improved macro backdrop should support margin improvement. Given all the heavy lifting done in the past year, we expect AIG to be in a position to return to premium growth in the quarters ahead.

Capital management & balance sheet strength: We expect AIG to remain highly active with share buybacks while also continuing to evaluate its dividend policy. We expect further progress toward a double-digit ROE as well as efforts to improve the strength of its balance sheet (debt reduction, investment portfolio credit quality, and reserves).

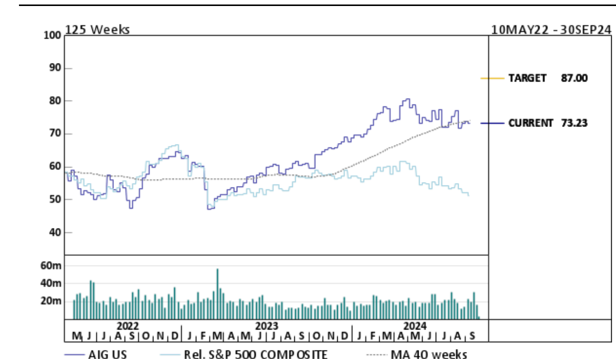
Valuation

Our $87 price target is based on 1.1x our ending 2025 book value per share estimate (or roughly 1.4x our ending core book value per share estimate). AIG has now deconsolidated its Corebridge unit and operating results are for its P&C insurance unit only (AIG still owns a CRBG stake). We expect management to continue making progress in repositioning underwriting, rightsizing expenses and investment infrastructure the P&C mix as well as be assertive with buybacks. As progress is made we believe that there is scope for some multiple expansion and for shares to trade at a smaller discount to peers. In our view, our price target is consistent with our Outperform rating.

Risks to rating and price target

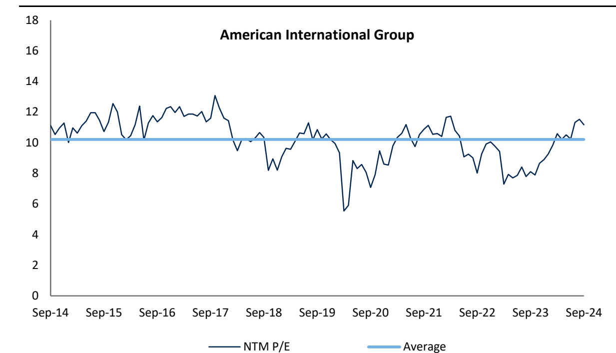
AIG is subject to many inherent risks including market risk (interest rate risk or equity risk) that could pressure investment spreads or put pressure on investment portfolio values. There is also inherent reserving and underwriting risk mainly through whether more recent accident years prove redundant relative to expected frequency and severity assumptions. Other risk factors include: (1) P&C insurance pricing risk; (2) international risk in operating in various countries; and (3) macro risks tied to its business.

Exhibit 3 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 4 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Anheuser-Busch InBev SA/NV (BRU: ABI; NYSE: BUD)

RBC Europe Limited
James Edwardes Jones (Analyst) +44 20 7002 2101, james.edwardesjones@rbccm.com

Rating: Outperform | **Closing Price: EUR 59.38**
Price Target: EUR 75.00 | **Implied All-in Return (%): 28.0**

Investment summary

AB InBev has underperformed the consumer staples sector significantly over the last five years. Some of this has been due to elements out of its control, such as turbulent currency fluctuations in Latin America, but the organic performance has also been volatile. Both factors have also led to an unappealingly large debt pile.

Currencies remain the unknown, but we think AB InBev's grip on the more controllable factors is tightening. The short-term performance has been more consistent, volume growth is improving and ABI's medium-term ambition of 4-8% EBITDA growth looks realistic to us. Its regional margins are underpinned by strong competitive positioning and there might even be some upside in South America. In addition, management seems to understand the negative implications of its debt load for shareholders and has hence made the decision to pass the interim dividend in both 2020 and 2021.

Adding to the long-term investment case is the change in focus of the global beer sector; both AB InBev and Heineken are talking more about investing in the category than before. Given beer has been losing share to spirits for some time while the brewers have been distracted by M&A and underinvesting and the spirits companies have done the reverse, this change in strategy is likely to be fruitful for the brewers.

Lastly there are additional long-term prospects of AB InBev's digital platform: 'Bees'. We think there is little in the share price to reflect this at the moment, but it's an interesting piece of optionality.

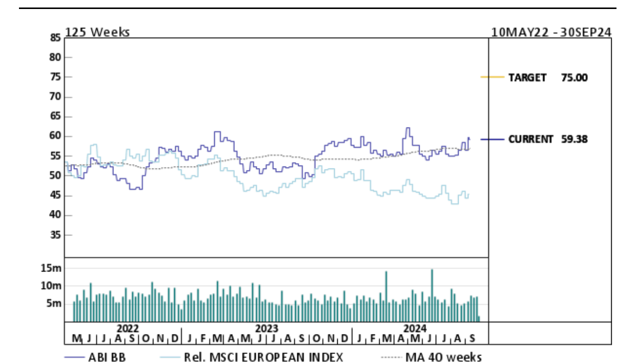
Valuation

We believe that consumer staples stocks lend themselves to a DCF valuation methodology owing to the relative strength and predictability of their cash flows together with, in some instances, a significant mismatch between capital expenditure and depreciation charged through the profit and loss account, meaning that P&L-based valuation metrics (PE ratio, EV/ EBITDA ratio) can be misleading. We use a derivative of a traditional DCF calculation called adjusted present value (APV) whereby the business's operating cash flows are discounted at its cost of equity (8% in this instance) and tax shield at the cost of debt (2.9%). We assume a terminal growth rate of 2.5% per annum from 2035. Under these assumptions, we derive a fair value of €70 per share. Discounting the APV forward by a year at the cost of equity and adding in our dividend forecast for 2023 yields a 12-month price target of €75. Our price target and the implied return support our Outperform rating.

Risks to rating and price target

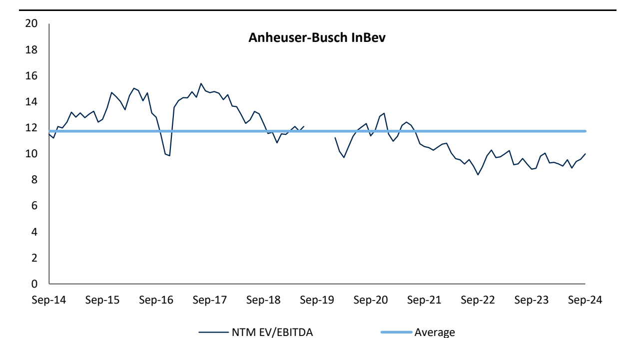
If the Bud Light controversy in the US continues to attract airtime with consequent impact on the volumes of ABI's largest brand, or negative repercussions spill over into other brands and/or geographies, it would have adverse implications for the group's reputation and profitability. Almost all of ABI's debt is in developed market currencies (principally US$ and €s). Any delay in paying down debt (for example, as a result of emerging market currency weakness) would be unhelpful for ABI's share price. The US is ABI's largest market and its largest mainstream brands have consistently lost market share; an acceleration in this market share loss, or slowdown in the US market overall, would not be good. ABI is heavily exposed to emerging markets, notably, Brazil, China, Colombia, Mexico and South Africa. A significant deterioration in consumption or market share in these markets would be a downside risk.

Exhibit 5 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 6 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Bank of America Corporation (NYSE: BAC)

RBC Capital Markets, LLC
Gerard Cassidy (Co-Head of Global Financials Research) (207) 780-1554,
gerard.cassidy@rbccm.com

Rating: Outperform | **Closing Price: USD 39.68**
Price Target: USD 46.00 | **Implied All-in Return (%): 18.4**

Investment summary

Our Outperform rating on Bank of America shares is primarily driven by the following key fundamental factors:

Driving the franchise to new highs: Under the leadership of Chairman and CEO Brian Moynihan, BAC has steadily delivered increased profitability through thoughtful growth combined with a focus on expenses and strong credit underwriting principles. We do not expect any shift in this strategy as the company looks to grow its business through deepening its relationships with existing clients and organically expanding into new geographies and markets.

Strong balance sheet: With a common equity tier 1 ***(CET1) ratio of 11.9% and SLR of 6.0%,*** as of June 30, 2024, BAC has demonstrated its commitment to maintain strong capital levels. Also, due to its strong capital position and PPNR (pre-tax, pre-provision revenue), it should be capable of paying and increasing its dividend throughout a downturn.

Return of capital: BAC announced that its Board of Directors has authorized the repurchase of up to $25 billion of its common stock over time. ***BAC repurchased $3.5 billion in common shares during the second quarter***.

Global capital markets: As one of the leaders in global capital markets, BAC has relationships with ~74% of the Global Fortune 500. Additionally, its investment in digital technology is driving a scale business to higher highs.

Impressive franchise: BAC has successfully grown its deposit market share – ***it had $1.91 trillion in total deposits and $952 billion in total consumer banking deposits as of 2Q24,*** providing evidence that the company is starting to go on the offensive after years of cleaning up the problems from the Financial Crisis. Additionally, we believe the company's mobile offerings are among the best in the industry, and as usage increases, we expect BAC to see an increase in its profitability and earnings growth.

Attractive valuation: Relative to its peers, we see the shares as an attractive longer-term risk-reward play, particularly given the current discounted multiples.

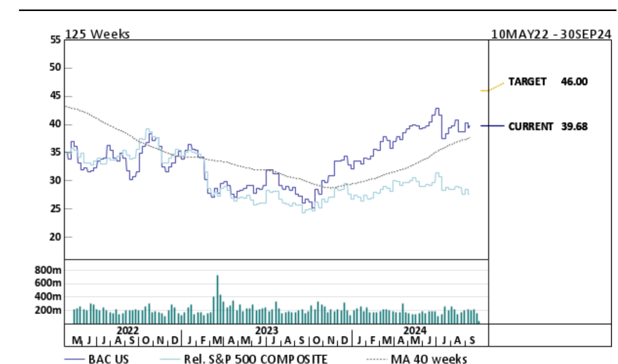
Valuation

Our price target of $46 is 14.2x our 2024 EPS estimate, 1.23x 3Q25E book value, and 1.64x 3Q25E tangible book value. These multiples are consistent with the highest-quality banks in the peer group. Our price target primarily reflects our profitability and risk assessment of the company relative to a peer group of similar companies, as well as current economic expectations. Our price target and implied return support our Outperform rating.

Risks to rating and price target

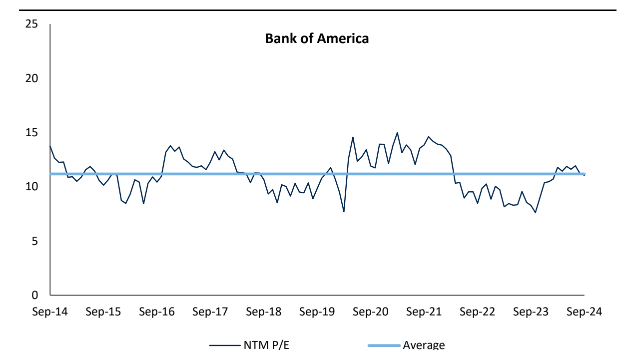
We believe excessive monetary tightening by the Federal Reserve, which results in driving the US economy into a recession in 2024, is the key risk for the company and our rating and price target. A recession would bring on elevated levels of credit losses, which would depress earnings.

Exhibit 7 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 8 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Boston Scientific Corporation (NYSE: BSX)

RBC Capital Markets, LLC
Shagun Singh (Analyst) (646) 618-6886, shagun.singh@rbccm.com

Rating: Outperform	**Closing Price: USD 83.80**
Price Target: USD 85.00	**Implied All-in Return (%): 1.4**

Investment summary

BSX is increasing its WAMGR by shifting into faster growing MedTech end-markets. BSX's shift into higher adjacent growth markets via tuck-in M&A is poised to drive its WAMGR from -1% in 2011–12 to above 6% by 2024. The key growth areas include single-use endoscopes (EXALT-D/B), prostate health (Rezum), cardiac monitors (Preventice, LuxDx), cryoablation (POLARx) and pulsed field ablation (Farapulse), neuromodulation (WaveWriter Alpha), structural heart (Accurate Neo2, Watchman), and peripheral interventional (TheraSphere, EKOS), among others. BSX's category leadership strategy driven by product innovation and M&A should drive organic revenue growth above its WAMGR (5–6%) and at the high end of its stated range (8–10%).

M&A is the #1 focus at BSX in driving category leadership. We expect BSX to continue its disciplined approach to M&A. It spent +$13B in deals and +$1B in investments across +50 companies in the last decade with +35 active investments in its VC portfolio. In 2021, BSX made six acquisitions (Preventice, Farapulse, Lumenis, Vertiflex, Devoro, and Baylis), and is committed to a BBB+ rating with gross leverage of 2.25–2.50x. BSX expects to allocate its FCF to high-quality tuck-in/adjacent M&A, and opportunistic share buybacks.

Positioned to drive consistent double-digit EPS growth. BSX has a clear pathway to consistent double-digit EPS growth driven by top-tier organic revenue growth (guidance of 6– 8% organic CAGR during 2022–24) and strong annual OM expansion (+50bps annually). We project GM expansion driven by annual product cost reduction, contribution from value improvement programs, and strategies to reduce pricing pressure and COVID inefficiencies; OM driven by efficient SG&A spending and enhanced productivity in R&D spending. We expect BSX to deliver +30% OMs over time.

Key catalysts include: (1) FDA approval for Farapulse PFA in Q1'24 (achieved) followed by full market release; (2) launch of Acurate Neo2 (TAVI system) in the US; (3) launch of AGENT coronary drug-coated balloon in the US (limited launch Q2'24); (4) next-gen Watchman FLX Pro launch; and (5) acquisitive on the M&A front given BSX's history of accretive M&A to expand its portfolio offerings.

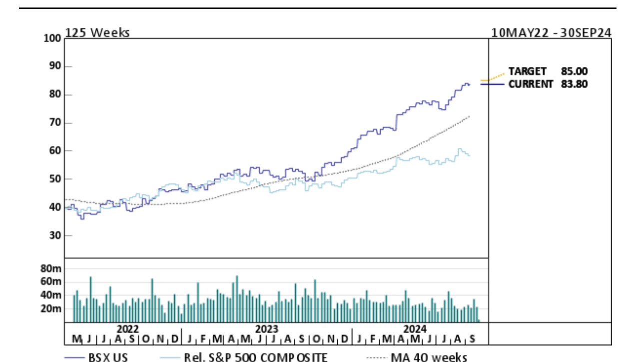
Valuation

Our $85 price target is an equal blend of: (1) DCF yields a value of $87 per share and reflects our forecast through 2033 with a 1.5% terminal value growth rate and a WACC of ~6.7%; (2) EV-to-Sales analysis uses a multiple of ~7.5x on 2025E sales, which yields a value of $84; (3) EV-to-EBITDA analysis uses a ~21.5x multiple on 2025E EBITDA, which yields a value of $83; and (4) P/E analysis uses a ~31.5x multiple on 2025E EPS, above its 10-year historical NTM P/E multiple of 22.0x, which yields a value of $85. The return implied by our price target supports an Outperform rating.

Risks to rating and price target

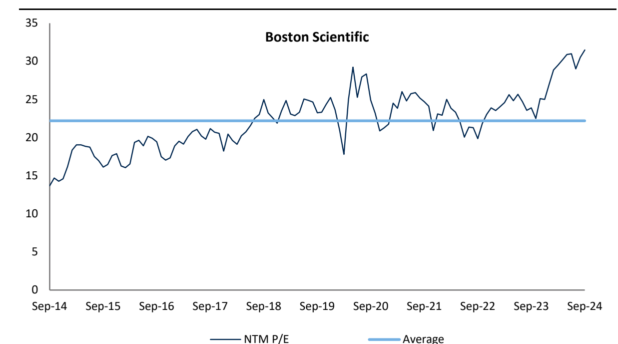
Risks to rating and price target include but are not limited to: (1) competition that can disrupt and take share; (2) R&D efforts or clinical trials that do not materialize; (3) supply chain or manufacturing disruptions; (4) geopolitical risk; (5) FX headwinds; and (6) BSX/AXNX merger does not get regulatory approval.

Exhibit 9 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 10 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Brambles Limited (ASX: BXB)

Royal Bank of Canada, Sydney Branch
Owen Birrell (Analyst) +61 3 8688 6519, owen.birrell@rbccm.com

Rating: Outperform | **Closing Price: AUD 19.03**
Price Target: AUD 19.25 | **Implied All-in Return (%): 4.3**

Investment summary

Brambles (BXB) continues to manage its business for both near-term uncertainty and delivering long-term structural improvement. The last five years have seen a major restructure of the operating model, gross margins were insulated, and operating leverage was added through process efficiency investment and fixed-cost reductions. Cashflow conversion has also improved given the increased focus on asset utilization and capital efficiency. Underpinned by a further program of digital and supply chain investment, we expect sales and earnings growth to continue.

Valuation

Our 12-month price target of A$19.25/share employs a 50% short-term (fwd-SOTP) and 50% long-term (fwd-NPV) valuation mix, rounded up to the nearest 25c. Our fwd-SOTP valuation of A$18.98/share applies 1yr forward peer average multiples to our 2yr EBIT forecasts by division. Our fwd-NPV of A$19.16/share discounts the future cashflows using a long-term WACC of 7.4% (terminal growth rate 2.5%). Our price target supports our Outperform rating.

Risks to rating and price target

Regional economic growth. Demand for pallets is tied to the movement of consumer staples, which is underpinned by that region's economic growth. Any slowdown in consumer demand will reduce the demand for pallets.

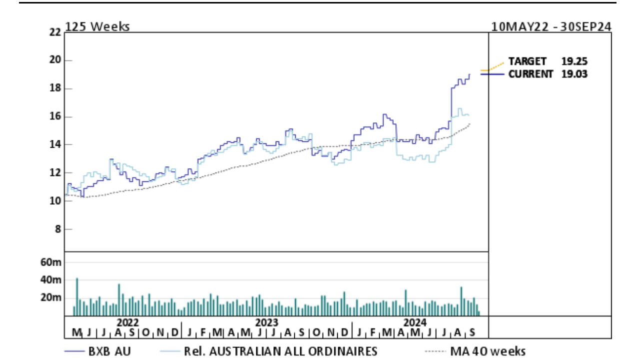
Market share loss. BXB operates within highly competitive markets; any loss of share to competitors has the effect of slowing volume growth and can cause the pool to become unbalanced. We highlight that the shift by Costco to a plastic pool in the US could see CHEP Americas lose share and force actions to restabilise the timber pallet pool.

Price pressures on margins. Achieving ongoing unit price growth is a key mechanism to offset any underlying cost inflation and maintain/grow margins. Recent changes in price contracts to add indexation clauses / surcharges have served to insulate and stabilise gross margins.

Supply-side constraints and cost inflation. Overarching supply-side constraints and subsequent cost inflation (labour, lumber, transport) can impact the efficient operation of the pool and have a major detrimental impact on gross margins.

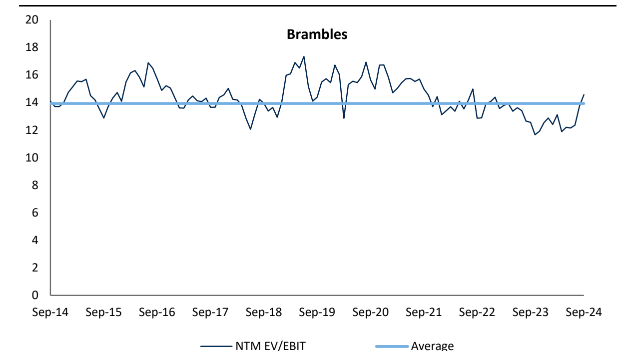
Loss of pallets and capex escalation. BXB must maintain strict control over the stability of the pallet pool to ensure efficient cashflow conversion of underlying earnings. This conversion can be disrupted by any material loss of pallets and/or escalation in pooling capex.

Exhibit 11 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 12 - Forward consensus EV/EBIT history



Source: Factset

Most recent company note: link

Cameco Corporation (TSX: CCO; NYSE: CCJ)

RBC Dominion Securities Inc.
Andrew D. Wong (Analyst) (416) 842-7830, andrew.d.wong@rbccm.com

Rating: Outperform	Closing Price: CAD 64.54
Price Target: CAD 75.00	Implied All-in Return (%): 16.4

Investment summary

We believe the company is well positioned to benefit from a renewed focus on nuclear energy and a tightening uranium market, especially as a Western-based producer in a market shift toward security of supply. Additionally, we think Cameco has the right mix of assets to meet the coming market needs: proven uranium production with upside, conversion capacity, potential long-term enrichment technology, and nuclear services through Westinghouse.

Potential catalysts:

Longer-term, Cameco may increase McArthur River production to 17.5Mlbs (25Mlbs 100% basis) and extend the Cigar Lake life-of-mine beyond 2030. The company also has idled Tier 2 uranium assets in Rabbit Lake and US ISR that could potentially be restarted at higher uranium prices, but we do not currently include these assets in our valuation.

Cameco has a 49% ownership in Westinghouse, a global nuclear services provider. We expect long-term growth in the core services business above the average growth rate of the broader nuclear industry, as Westinghouse is well positioned to benefit from re-investment in well-developed nuclear regions where the company is a leading player and utilities are shifting away from Russian services. We also see potential growth from future new-builds of the company's AP1000 Gen 3+ reactor, AP300 small modular reactor, and eVinci micro reactor.

Cameco has a 49% ownership in the Global Laser Enrichment project (in partnership with Silex Systems) with the option to increase ownership to 75%. GLE is an advanced enrichment technology that could be deployed in the future to re-enrich depleted uranium tails and produce high-assay low-enriched uranium that may be used in future advanced reactor designs.

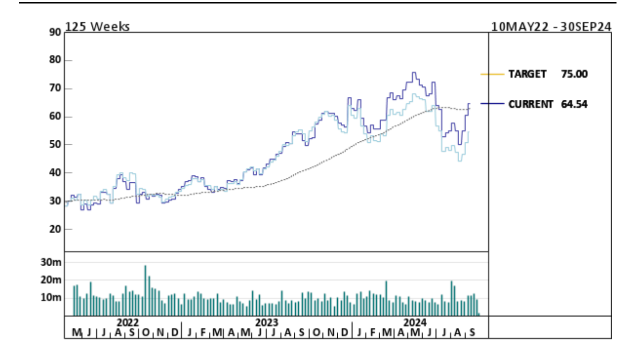
Valuation

Our $75 price target supports our Outperform rating. We value the company by applying a 1.5x P/NAV multiple to our NAV estimate. Our target multiple is above the historical average but in line with multiples during periods of strong investor interest and rising uranium prices. Our DCF uses an 8% discount rate.

Risks to rating and price target

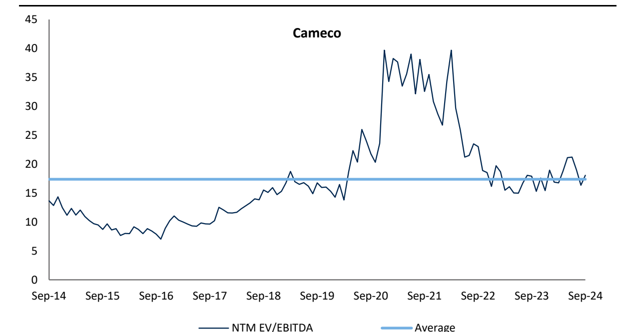
Risks to rating and price target include: (1) a negative outcome in the ongoing CRA transfer pricing dispute; (2) contract cancellations; (3) potential production disruptions; (4) weaker-than-expected uranium prices; (5) currency volatility, primarily CAD/USD; and (6) a decline in uranium investor sentiment resulting in lower valuation multiples.

Exhibit 13 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 14 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

Canadian Natural Resources Limited (TSX: CNQ; NYSE: CNQ)

Rating: Outperform	Closing Price: CAD 44.91
Price Target: CAD 59.00	Implied All-in Return (%): 36.1

RBC Dominion Securities Inc.
Greg Pardy, CFA (Head of Global Energy Research) (416) 842-7848, greg.pardy@rbccm.com

Investment summary

We rate the common shares of Canadian Natural Resources Outperform for the following reasons:

Globally Distinguished. Canadian Natural Resources' management committee structure and shareholder alignment are unique factors which distinguish the company globally. CNQ's long-life, low-decline portfolio—anchored by moderate sustaining capital—affords the company superior free cash flow generative power.

Management Committee Structure. CNQ does not have a CEO. Instead, the company is stewarded by a management committee consisting of 22 people. This group meets weekly and oversees all matters spanning marketing, finance, ESG, operations, and technology, amongst others. Murray Edwards, Executive Chairman, Scott Stauth, President, and Mark Stainthorpe, CFO, are all key members of the committee.

100% Allocation to Shareholder Returns. Given the achievement of its net debt floor of $10 billion in the fourth quarter of 2023, the company is now targeting to return 100% of free cash flow to shareholders through dividends and share repurchases in 2024. Moving forward, the company will manage this allocation of free cash flow on a go-forward annual basis, while managing working capital and cash management as required. Free cash flow will be defined as adjusted FFO less dividends and total capital expenditures (excluding A&D) in the year.

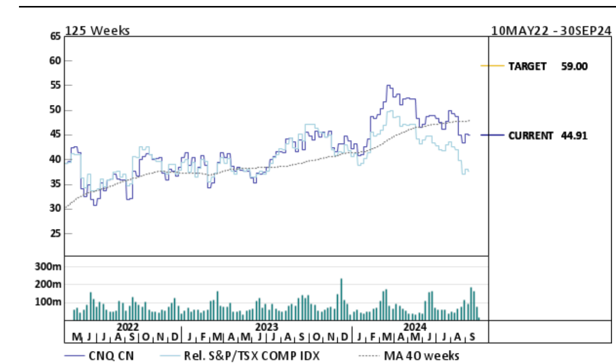
Valuation

Our price target of $59 per share reflects an equal weighting toward a multiple of 1.4x our NAV and an implied 2025E debt-adjusted cash flow multiple of 11.0x at mid-cycle commodity prices. The multiples we have chosen reflect CNQ's superior execution capability, long-life, low-decline asset base, and free cash flow generation potential. Our price target and implied return support our Outperform rating.

Risks to rating and price target

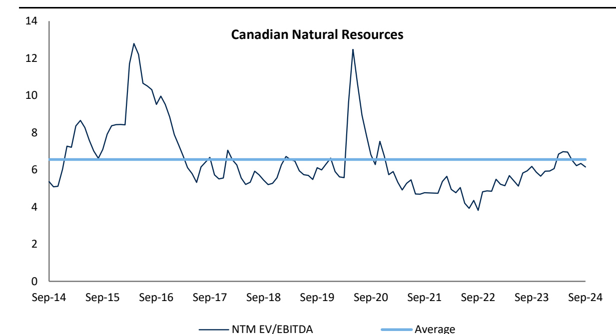
The most significant risk to our rating and price target is unexpected changes in crude oil and natural gas prices. Other risks include the impact of foreign exchange and government legislation as it relates to royalties, income taxes, and environmental policy.

Exhibit 15 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 16 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Constellation Software Inc. (TSX: CSU)

RBC Dominion Securities Inc.
Paul Treiber, CFA (Analyst) (416) 842-7811, paul.treiber@rbccm.com

Rating: Outperform	Closing Price: CAD 4,400.00
Price Target: CAD 4,700.00	Implied All-in Return (%): 6.9

Investment summary

We believe that Constellation Software is likely to generate one of the highest returns for shareholders over the long term in our coverage universe. Our Outperform thesis reflects: (1) Constellation's ability to rapidly compound capital through acquisitions; (2) solid underlying fundamentals as a result of an attractive market structure and ROIC-based performance incentives; and (3) Constellation's valuation appears attractive.

Constellation's ability to rapidly compound capital through acquisitions. Our positive outlook reflects the continued compounding of Constellation's capital deployed at high hurdle rates, along with the scalable nature of Constellation's decentralized business model. The acquisition targets in Constellation's database continue to grow (now estimated at 60k, up from 1.2k in 2006). The 60k acquisition targets imply a large $300B+ addressable market. Constellation deployed a record $2.46B capital on acquisitions in FY23, compared to $1.69B in FY22 and just $1.36B in FY21.

Solid underlying fundamentals. Constellation focuses on mission-critical vertical market software (VMS), which offers an attractive market structure. As a result, Constellation benefits from stable organic growth, high margins, and solid FCF conversion. Moreover, the company's ROIC-performance incentives ensure that managers improve performance over time. As a result, Constellation has experienced 440 bps of margin expansion over the last 10 years. Our outlook calls for adj. EBITDA margins to expand from 26.3% FY23 to 26.6% FY25e.

Constellation's valuation appears attractive. Constellation is trading above Canadian software consolidators. We believe Constellation's valuation appears attractive given the company's proven ability to compound FCF/share over the long term.

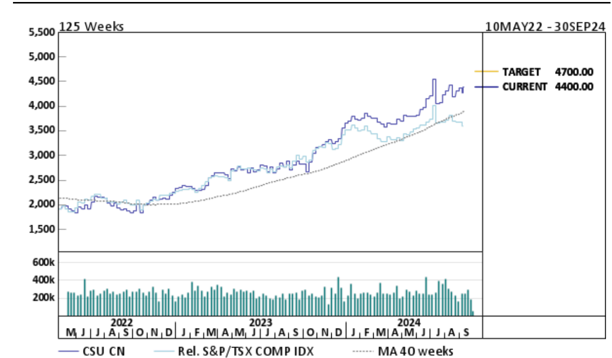
Valuation

Our C$4,700 price target is based on 26x CY25e EV/EBITDA, justified above Canadian software consolidator peers in our view, given Constellation's faster ability to compound capital in the long term. Constellation has converted 82% of adj. EBITDA into FCF over the last five years. Our price target supports an Outperform rating.

Risks to rating and price target

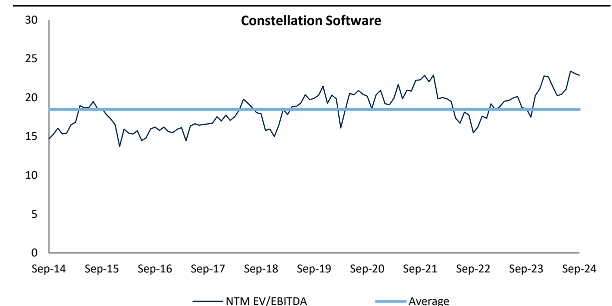
Risks to rating and price target include: (1) inability to find attractive acquisition candidates at high rates; (2) unforeseen challenges managing large acquisitions; (3) unexpected organic growth headwinds; (4) loss of key employees; and (5) a decline in tech market valuations.

Exhibit 17 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 18 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

CrowdStrike Holdings, Inc. (NASDAQ: CRWD)

RBC Capital Markets, LLC
Matthew Hedberg (Head of Global TIMT Research) (612) 313-1293,
matthew.hedberg@rbccm.com

Rating: Outperform | **Closing Price: USD 280.47**
Price Target: USD 335.00 | **Implied All-in Return (%): 19.4**

Investment summary

High-level thesis on CrowdStrike

CrowdStrike was founded in 2011 with a mission of reinventing security for the cloud era. Co-founder George Kurtz previously worked at a gen-1 AV endpoint vendor and was motivated to build CrowdStrike after realizing that legacy security technology was incapable of protecting customers against modern attacks within a hybrid-cloud architecture.

The company developed a differentiated cloud-native security platform that leverages its lightweight intelligent agent and Threat Graph database across a multi-module portfolio of solutions. The company and its customers benefit from the network effect, as each additional endpoint added to the platform expands the crowd-sourced database, which in turn improves the quality of the algorithms.

We view CrowdStrike as a prime land-and-expand model benefiting from SaaS delivery and ability to rapidly add more modules with no extra configuration or consulting needed. The long-term power of the install base should lead to strong net expansion rates as the company cross-sells additional seats (endpoints) and modules.

Potential catalysts include: (1) ability to maintain net expansion rates by selling additional products into its growing customer base and maintaining low churn rates; (2) new product introduction and/or traction from recently introduced modules; specifically Cloud Workload protection; (3) accelerated customer additions leveraging its multi-pronged, go-to-market approach; (4) accelerated share-shift from legacy vendors; and (5) faster-than-expected progression toward profitability driven by top-line success.

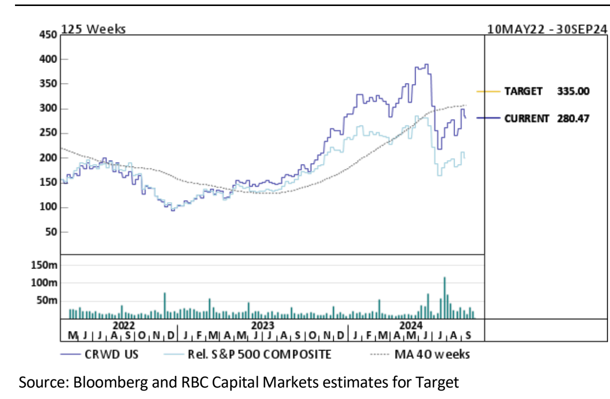
Valuation

We calculate our $335 price target based on 17x CY/25E EV/S which is a premium to leading growth security peers and appears reasonable given our LT view of growth and profitability. Additionally, our target equates to 57x CY/25E FCF. Our price target supports an Outperform rating.

Risks to rating and price target

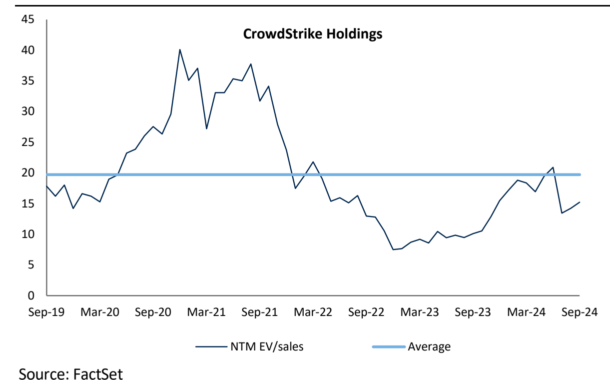
Risks to rating and price target include: (1) following the outage, there is increased concerns that discounting and free modules could slow organic ARR growth; (2) CrowdStrike operates in competition with larger legacy competitors, like Symantec, as well as newer entrants; (3) potential pricing pressure given the crowded market; (4) CrowdStrike operates a land-and-expand model; failure to retain existing customers could be a detriment; and (5) CrowdStrike has experienced rapid growth; failure to manage growth/expectations could cause operational challenges.

Exhibit 19 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 20 - Forward consensus EV/sales history



Source: FactSet

Most recent company note: link

Ferrari N V (MILAN: RACE)

RBC Capital Markets, LLC
Tom Narayan (Analyst) (212) 428-2364, tom.narayan@rbccm.com

Rating: Outperform	Closing Price: EUR 419.70
Price Target: EUR 468.00	Implied All-in Return (%): 11.7

Investment summary

Production increase on the horizon. The success of new launches of vehicles like the Roma and the Purosangue should enable Ferrari to penetrate new demographics and the substantial Chinese luxury auto market. Finally, Ferrari is likely, in our view, to dramatically expand its production. It has the capacity to make 15,000 vehicles but currently makes only 13,000.

Ferrari is a luxury stock. Ferrari's EBITDA margins, stock price movements, and customer base are more similar to those of luxury stocks than auto OEMs. More than 40% of Ferrari owners already have at least one Ferrari and customers are largely in the growing UHNW (ultra-high net worth) and millionaire segment, similar to high-end luxury products. Furthermore, like some luxury brands, Ferrari has pricing power and loyalty, especially given the aura of exclusivity that it has garnered among its customers.

Electrification fears overblown. Demand for Ferrari's PHEV products is strong and the company is able to price its EVs higher. Moreover, we expect the company to leverage EV technology to enhance the product—acceleration, handling etc. Finally, Ferrari is open to using partners instead of going it solo on EVs. As such, we expect capital allocation to be prudent.

Potential catalysts include: (1) successful launches; (2) growth of UHNW and millionaire demographic; (3) take rate of EV products.

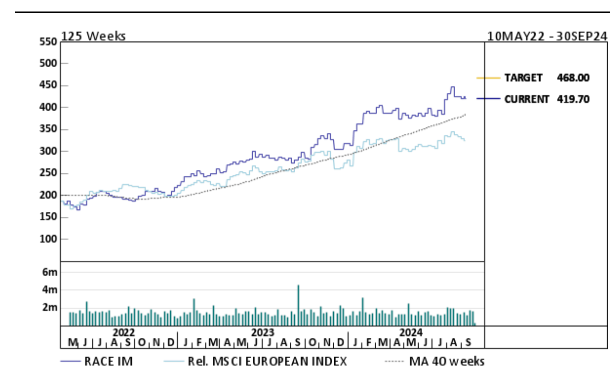
Valuation

Our €468 price target is derived by applying a 31x (DCF-derived) multiple to our 2025E EBITDA. We then add industrial net cash and subtract underfunded pension liabilities to arrive at our equity value. Our price target supports our Outperform rating.

Risks to rating and price target

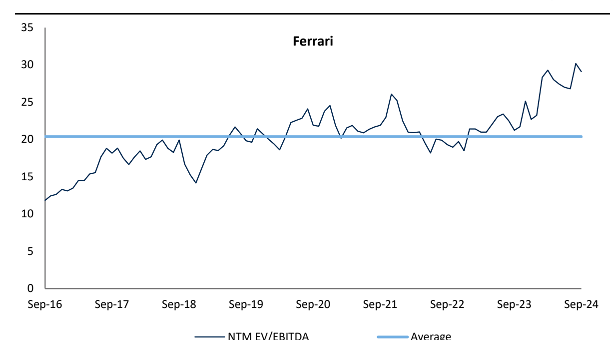
Risks to rating and price target include: (1) challenges to penetrating China; (2) electrification is not in Ferrari's DNA; and (3) premium SUV market is already hyper-competitive.

Exhibit 21 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 22 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

First Solar, Inc. (NASDAQ: FSLR)

RBC Capital Markets, LLC
Christopher Dendrinos, CFA (Analyst) (212) 428-6522, christopher.dendrinos@rbccm.com

Rating: Outperform	**Closing Price: USD 249.44**
Price Target: USD 315.00	**Implied All-in Return (%): 26.3**

Investment summary

We believe shares of FSLR will outperform the peer group for the following key reasons:

Strong visibility on future revenue and margins. FSLR's strong backlog allows for visibility in future sales and margins. Additionally, ~1/3 of its backlog has been contracted with performance adjusters, providing for some potential upside.

Domestic supply chain and favorable regulatory environment. We believe FSLR's manufacturing footprint and domestic supply chain are key competitive advantages, as they have positioned the company to qualify for both the base IRA manufacturing credits and the domestic adder. Additionally, the domestic production allows for lower freight costs and avoids trade restrictions.

Product roadmap. FSLR has invested ~$370mm into a R&D center and has committed to accelerating investment towards its technology roadmap. We believe this will result in continued cost downs and improving efficiencies, and support market share growth.

Valuation

Our $315 price target uses an equally weighted EV/EBITDA multiple (FY2026E ex-IRA credits) of 15.0x (which is above the historical average and in line with cross industry industrial peers, reflecting the strong visibility for future earnings and the competitive benefit FSLR has as a domestic manufacturer of solar given IRA incentives) and a DCF analysis (using a 10% discount rate and a 2% perpetual growth rate). This yields an EV/EBITDA valuation of $410 (includes separately valued $96/share from IRA credits) and a DCF valuation of $221 for an equally weighted price target of $315. For our DCF analysis, we forecast out to FY2032 and assume FSLR grows revenues at a 9% CAGR to ~$7.2bn and EBITDA margins to ~41%. Our terminal value has an implied exit EV/EBITDA multiple of 7x and ~48% of the DCF value is derived from the terminal assumption. Our price target supports our Outperform rating.

Risks to rating and price target

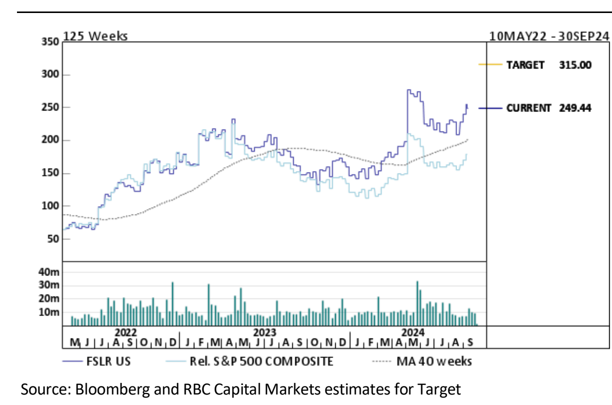
Political risk. FSLR is a significant beneficiary of the Inflation Reduction Act and our valuation assumes certainty of IRA credits through 2032. Changes in federal policy and other incentives could have an adverse impact on the company.

Supply chain risk. FSLR depends on specific raw materials and has exposure to a limited supply chain. The company's growth outlook could be negatively impacted if it is unable to secure supply, such as the case if global production of tellurium cannot fulfill growing demand.

Competition. FSLR faces competition globally from a number of solar module manufacturers and across the solar value chain.

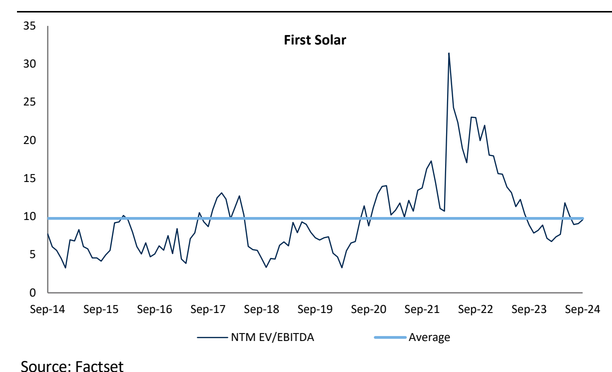
Cost structure. FSLR will need to continue to execute on bringing down costs and improving its manufacturing capabilities in order to remain competitive with low-cost competitors.

Exhibit 23 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 24 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

Gaming and Leisure Properties, Inc. (NASDAQ: GLPI)

RBC Capital Markets, LLC
Brad Heffern, CFA (Analyst) (512) 708-6311, brad.heffern@rbccm.com

Rating: Outperform | **Closing Price: USD 51.45**
Price Target: USD 57.00 | **Implied All-in Return (%): 16.7**

Investment summary

We like GLPI's focus on the regional gaming net lease market, which has historically generated highly consistent cash flows and above-average acquisition accretion levels. We also think that there is still a large potential universe of future acquisitions among both existing tenants and potential new net lease tenants. GLPI has a solid balance sheet, and we see upside to its credit rating over time. We also think the current valuation is too low given GLPI's high quality cash flow stream, and we think the stock can re-rate higher.

Potential catalysts:

Continued acquisitions: Most of GLPI's growth potential is inorganic, but this tends to be more episodic than for most net lease peers, so new acquisitions would be a catalyst.

New tenants: Exposure to a new tenant could diversify risk and also provide a runway of new acquisitions.

Spread expansion: If GLPI's acquisition spreads were to expand, through either a lower cost of capital or higher cap rates (quality neutral), we think this would be positive for the stock.

Non-gaming acquisitions: GLPI has discussed potentially moving outside of gaming in the past; such a move could be a catalyst depending on deal type and price.

Development opportunities: GLPI has agreements with some of its tenants that allow for co-investments in new developments, which could generate higher returns than traditional acquisitions.

Higher credit rating: We think GLPI's credit quality is higher than the company's current ratings, and upside to these ratings could improve cost of debt.

Valuation

We derive a DCF valuation of $60/sh using our 2024–27 AFFO/sh estimates, a terminal growth rate of 2.00%, and a WACC of 6.7%. The terminal growth rate and WACC are consistent with the average we use for peers. We apply a 14.0x AFFO multiple to our NTM estimate to arrive at an AFFO methodology value of $54/sh; this multiple is in line with the group average. The simple average of the two methodologies yields our $57/sh price target, which supports our Outperform rating.

Risks to rating and price target

Continued acquisitions: Most of GLPI's growth potential is inorganic, but this tends to be more episodic than for most net lease peers, so new acquisitions would be a catalyst.

New tenants: Exposure to a new tenant could diversify risk and also provide a runway of new acquisitions.

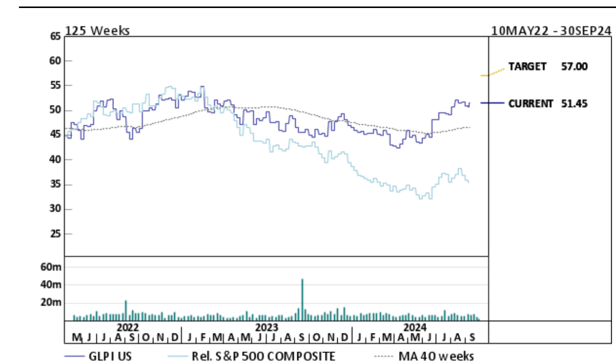
Spread expansion: If GLPI's acquisition spreads were to expand, through either a lower cost of capital or higher cap rates (quality neutral), we think this would be positive for the stock.

Non-gaming acquisitions: GLPI has discussed potentially moving outside of gaming in the past; such a move could be a catalyst depending on deal type and price.

Development opportunities: GLPI has agreements with some of its tenants that allow for co-investments in new developments, which could generate higher returns than traditional acquisitions.

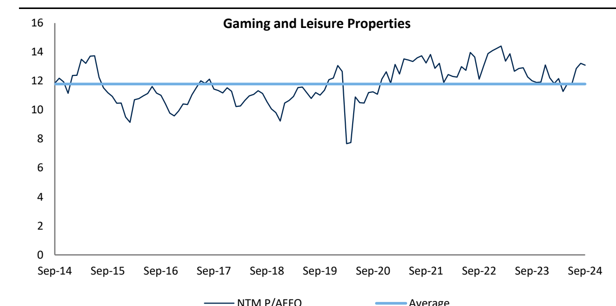
Higher credit rating: We think GLPI's credit quality is higher than the company's current ratings, and upside to these ratings could improve cost of debt.

Exhibit 25 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 26 - Forward consensus P/AFFO history



Source: Factset

Most recent company note: link

GFL Environmental Inc. (NYSE: GFL; TSX: GFL)

RBC Dominion Securities Inc.
Sabahat Khan (Analyst) (416) 842-7880, sabahat.khan@rbccm.com

Rating: Outperform	Closing Price: USD 39.88
Price Target: USD 48.00	Implied All-in Return (%): 20.5

Investment summary

The 4th largest player in a very attractive industry – At a high level, the Solid Waste business is characterized by:(1) defensiveness due to being an essential service; (2) long-term contracts that drive high revenue visibility; (3) price-driven organic growth that closely follows CPI (volume growth tied to population/GDP growth); (4) barriers to entry (e.g., regulations); and (5) regional oligopolies across many markets (in part due to the consolidation that has occurred over recent decades). As a result of these characteristics, profitability is very strong across the industry, which in turn drives consistent FCF generation.

Long M&A runway – Although GFL has acquired +260 companies since inception and has grown into the 4th largest company in the Solid Waste industry, GFL is still meaningfully smaller (~5% market share) than the other Majors (~45% share). We estimate that there are still several thousands of companies operating in the industry, with the industry still being fragmented beyond the Waste Majors (~33% share between private companies and other public companies). As the smallest of the Majors, we believe GFL has the longest runway of needle-moving acquisitions.

Environmental Services is a differentiating factor – Among the 4 Waste Majors, GFL has the highest exposure to Environmental Services at 19% of 2023 revenue. We estimate the North American Infrastructure & Soil Remediation and Liquid Waste Management market was ~US$100B as of 2023, having grown at a ~3%-3.5% CAGR since 2012. Amidst this backdrop, we estimate that GFL only has a +1% market share, which means that the company has ample room to continue growing in this market going forward. There are attractive cross-selling opportunities between Environmental Services and Solid Waste, and we believe that GFL could drive margins in its Environmental Services segment higher over time.

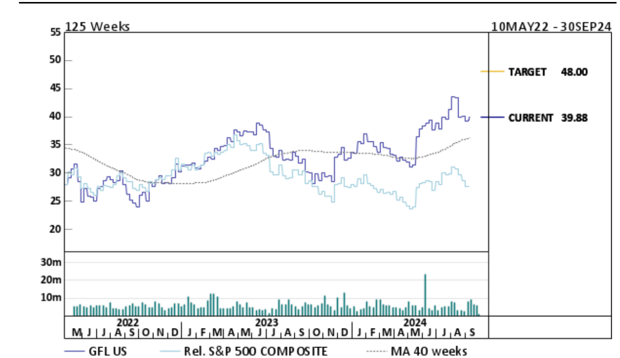
Valuation

In our base case scenario, we apply a ~13.0x EV/EBITDA multiple on our 2025 EBITDA estimate of ~$2.5B. We believe our multiple (a slight discount vs. what we use for the company's Waste Major peers) appropriately reflects the combination of the company’s industry-leading growth profile, a more meaningful M&A opportunity (relative to the current scale of the base business), and relatively higher leverage vs. peers. This drives our US$48 price target, which supports our Outperform rating.

Risks to rating and price target

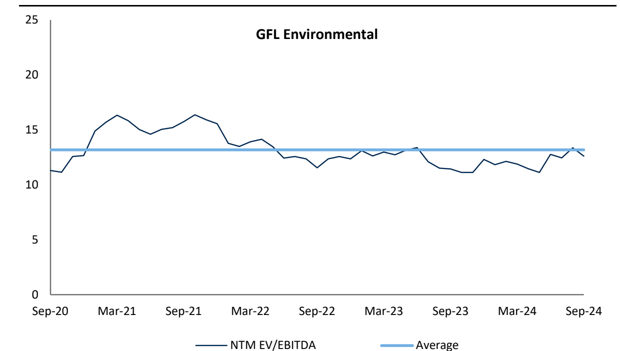
Risks to rating and price target include: (1) competition; (2) dependence on third-party landfills and disposal facilities; (3) acquisition risks (i.e., if GFL is unable to successfully acquire and integrate target companies); (4) sensitivity to macro factors; and (5) regulatory and environmental risk.

Exhibit 27 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 28 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

HealthEquity, Inc. (NASDAQ: HQY)

RBC Capital Markets, LLC
Sean Dodge, CFA (Analyst) (615) 372-1322, sean.dodge@rbccm.com

Rating: Outperform | **Closing Price: USD 81.85**
Price Target: USD 100.00 | **Implied All-in Return (%): 22.2**

Investment summary

HealthEquity (HQY) provides consumer-driven benefits, most notably health savings accounts (HSAs), to US employers. The company's flagship HSA platform is designed to empower and incentivize users to proactively manage healthcare spending as the industry shifts an increasing share of the financial burden onto patients. Management expects demand and utilization of HSAs to increase considerably and its core TAM to grow from $3B currently to as much as $10B at maturity, excluding the additional $3B of TAM relating to its other consumer-driven benefits (CDBs). The company is in a position to grow along with the market, as: (1) higher-revenue investment HSAs represent just 7% of HQY's total account base; (2) only <10% of its customer base purchased both an HSA and at least one other CDB, despite a majority of RFPs including multiple benefits; and (3) with the 2019 acquisition of WageWorks, HQY became the largest single-vendor option for employers, giving it the benefit of breadth and scale.

Potential catalysts:

Interest Rates. Given that >90% of the company's HSA accounts are still in cash, rising interest rates would drive an increase in custodial revenue. On the other hand, falling interest rates act as a negative catalyst.

Significant Success Cross-Selling to WageWorks Base. Based on our estimates, the opportunity to sell HSAs into the WW base could generate $255M, potentially reaching >$500M over the long term. Given that these customers are already buying benefits from HQY, this should be an easier sell and could accelerate further capturing of share in the HSA market.

Passing Legislation to Add New Populations. While precise timing is difficult to pin down, there is legislation currently proposed that would effectively de-couple the HSA from HDHPs and expand eligibility to other populations such as Medicare/Medicaid. Opening up the HSA to new markets of this scale could add billions to HQY's TAM.

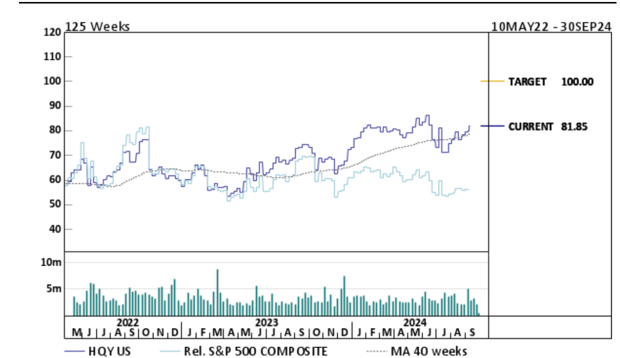
Valuation

Our $100 price target is based on shares trading at 24x our FY26 (CY25) EPS estimate, representing a premium to the average of its Digital Health/HCIT/Benefits peers. We believe a premium valuation is warranted given HQY's above-average combination of revenue growth and EBITDA margin. Our valuation work supports our Outperform rating.

Risks to rating and price target

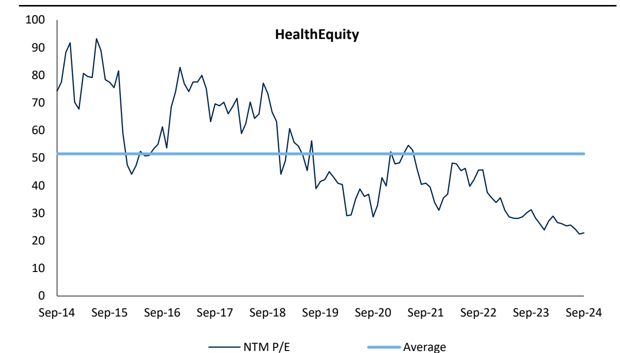
Risks to rating and price target include: (1) falling interest rates and/or investment returns; (2) increasing competition; (3) growing popularity of alternative payment methods; (4) a slow post-pandemic recovery; (5) cyber-security attacks, and (6) unfavorable changes in the regulatory environment.

Exhibit 29 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 30 - Forward consensus P/E history



Source: Factset

Most recent company note: link

HEICO Corporation (NYSE: HEI)

RBC Capital Markets, LLC
Ken Herbert (Analyst) (415) 633-8583, ken.herbert@rbccm.com

Rating: Outperform | **Closing Price: USD 261.48**
Price Target: USD 272.00 | **Implied All-in Return (%): 4.1**

Investment summary

HEICO is a high-quality A&D supplier. The company generates above-industry margins and its FCF conversion ranks consistently as some of the highest in the industry. Moreover, HEI has delivered ~20% top-line growth for several years, making it a long-time A&D favorite for growth investors. We believe the company identified an inefficiency in the commercial aerospace AM (PMA parts) and has built a strong commercial AM and defense electronics set of capabilities.

As the industry recovers, we believe there is a long runway for HEI's commercial business. For example, as fleets age in emerging markets and China, we believe the demand for alternative aircraft parts will increase. The pace may not be the same as it has been in established markets in North America, Europe, and North Asia, but we believe the fundamentals will support the gradual adoption of PMA parts globally. HEI does face competition from OEMs, but it remains disciplined on its PMA and DER selection process. Moreover, the company is well positioned for continued share gains in its commercial aerospace offering as the aviation industry continues to recover.

Key catalysts for HEI include potential M&A transactions, Wencor integration, de-leveraging and quarterly upside surprises relative to conservative estimates. We also believe that investors will be focused on the quarterly cadence of aerospace sales.

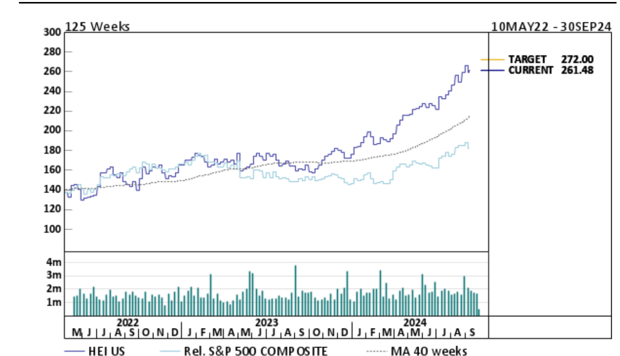
Valuation

Our $272 price target is based on a 32x multiple applied to our FY26 EBITDA estimate of $1,256M. We believe a multiple above historical ranges is appropriate considering the continued strength in the aftermarket, HEI's opportunity for margin expansion, and incremental upside from acquisitions. Our price target supports our Outperform rating.

Risks to rating and price target

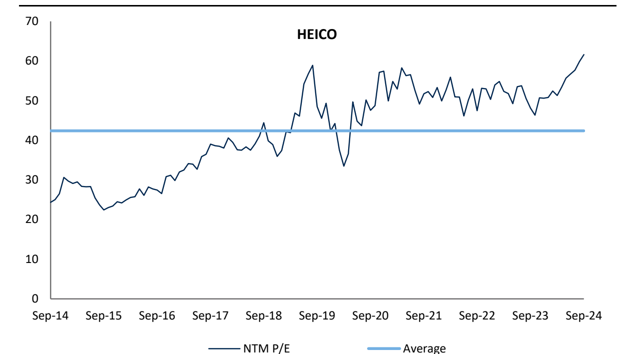
Risks to rating and price target include: (1) pace of the air travel recovery and impact of COVID-19 variants on business and leisure air travel; (2) supply chain disruptions and material lead times; (3) ability to hire the necessary human capital to support growth objectives and opportunities; (4) airline maintenance spending plans and overall airline financial health; (5) airline and aircraft part distributor inventory levels; (6) airline deferred maintenance plans and availability and pricing of new and used space parts and material; (7) total defense spending levels for both modernization efforts and legacy defense systems; (8) timing and opportunity for foreign military sales; (9) risk to FY24 defense budget passage and timing of contract awards; (10) pace of new company product and service introductions; (11) pace and successful integration of future M&A activity; (12) cost management and free cash flow generation; and (13) interest rates and the ability to access capital to support acquisition and other growth initiatives.

Exhibit 31 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 32 - Forward consensus P/E history



Source: Factset

Most recent company note: link

HubSpot, Inc. (NYSE: HUBS)

RBC Capital Markets, LLC
Rishi Jaluria (Analyst) (415) 633-8798, rishi.jaluria@rbccm.com

Rating: Outperform | **Closing Price: USD 531.60**
Price Target: USD 700.00 | **Implied All-in Return (%): 31.7**

Investment summary

HubSpot is an innovative software player that is transforming from a marketing automation vendor to a fully fledged customer relationship management platform with a primary focus in SMB.

Potential catalysts

Faster-than-expected adoption of newer hubs: We see potential for upside in the model from further acceleration in the adoption and revenue growth of the newer hubs (Service, Payments, CMS, and Operations). Sales Hub represents a larger market opportunity than Marketing; therefore, adoption could also accelerate and drive upside.

We could see improving retention rates: We think success with the CRM Suite, multi-hub adoption, and drift upmarket are likely to continue to lift unit retention rates. Negative dollar churn is very meaningful for unit economics of the business over time.

FCF generation: We think HubSpot has reached sustainable FCF generation as product/operational levers kick in. As HubSpot continues to mature its operating model, this should not only provide near-term valuation support but also drive a shift in the valuation focus long-term.

Valuation

We calculate our base-case price target of $700 by applying a 12x EV/revenue multiple to our 2025 estimate of $2,994M. Our target multiple is a premium to the 40-60 Rule of 40 peer group, warranted in our view by HubSpot's large market opportunity, strong execution track record, and attractive long-term financial profile. Our price target supports our Outperform rating.

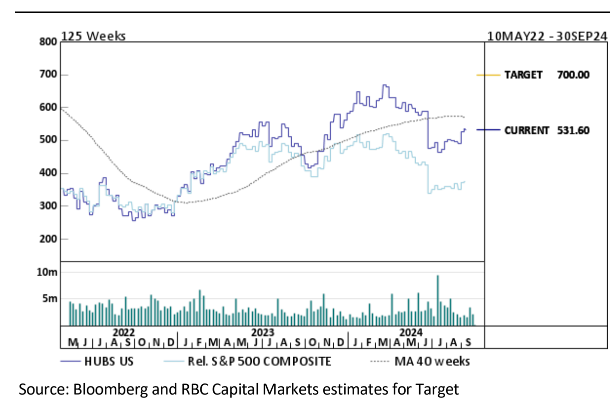
Risks to rating and price target

SMB attrition: The company's annual unit retention rate is in the high 80s. While a meaningful improvement relative to two years ago, it remains higher than most enterprise SaaS providers.

Competition: A very competitive market with risk from new innovation and disruption in the SMB space. However, today, we think HubSpot's competitive position is strong and improving.

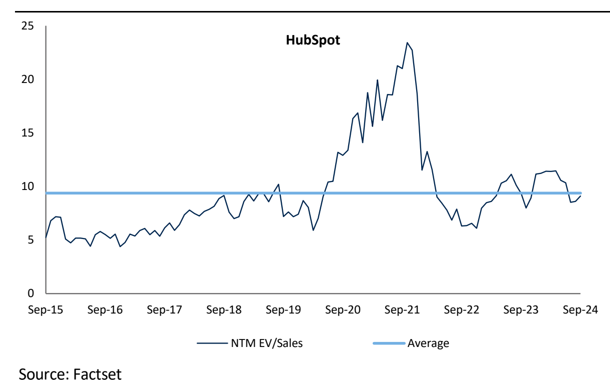
Long-term profitability: Margins have improved and are solid for HUBS growth, but the company's long-term margin structure remains uncertain. We believe the company has a strong enough cash position to achieve positive FCF generation without raising funds.

Exhibit 33 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 34 - Forward consensus EV/sales history



Source: Factset

Most recent company note: link

Illumina, Inc. (NASDAQ: ILMN)

RBC Capital Markets, LLC
Conor McNamara, CFA (Analyst) (619) 782-5265, conor.mcnamara@rbccm.com

Rating: Outperform | **Closing Price: USD 130.41**
Price Target: USD 252.00 | **Implied All-in Return (%): 93.2**

Investment summary

We have an Outperform rating on Illumina with a $252 price target. We believe Illumina's current stock price over-discounts the likelihood of share erosion from smaller competitors, and does not factor in years of R&D spend and product innovation that Illumina has invested in the next gen sequencing (NGS) market. We believe a return to sustainable HSD/LDD revenue growth will lead to multiple expansion more in line with historical levels and thus price appreciation.

Valuation

Our 12-month price target of $252 applies the 1y P/E multiple of high-growth 'innovator' HC companies (TECH, ISRG, IDXX – as of latest FQE) of 45.0x to our FY'26 EPS estimate. Our methodology and multiple are based on the assumption that the company can return to growth rates above traditional life science tools companies, and will trade in-line with higher growth HC stocks on a P/E basis. Our price target supports an Outperform rating.

Risks to rating and price target

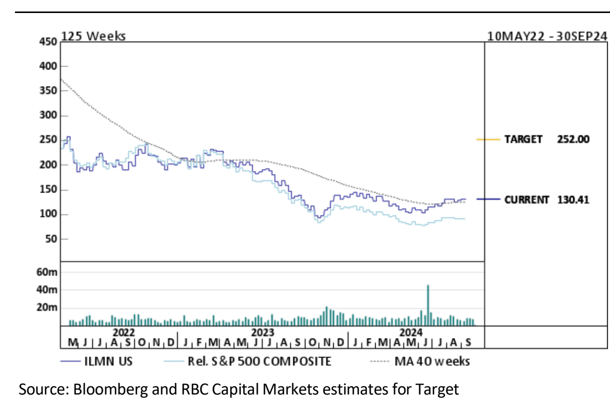
Our estimates are based on the assumption that revenue growth re-accelerates, expenses grow slower than revenue, and the tax rate will come down over time. If any of these assumptions prove to be incorrect, our estimates may be too high.

We use a P/E average of other high-growth HC stocks to reflect our assumption that ILMN's revenue growth returns to historical levels and therefore warrants a higher P/E than other LST peers with slower growth. If revenue growth does not improve, then ILMN may never fetch a P/E similar to other growth HC stocks.

Competition may adversely impact Illumina's operations and financial performance.

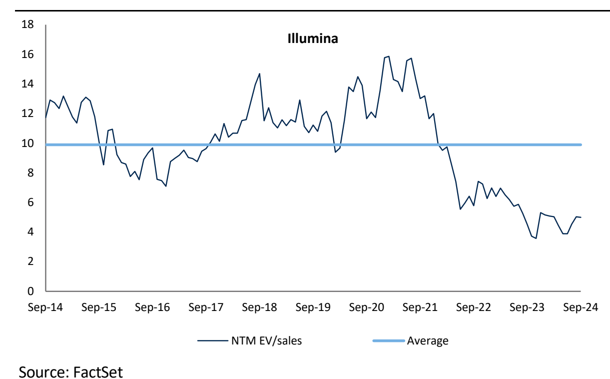
Alternatives to NGS – including long-read sequencing – could damage ILMN's market position.

Exhibit 35 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 36 - Forward consensus EV/sales history



Source: FactSet

Most recent company note: link

Intercontinental Exchange, Inc. (NYSE: ICE)

RBC Capital Markets, LLC
Ashish Sabadra (Analyst) (415) 633-8659, ashish.sabadra@rbccm.com

Rating: Outperform | **Closing Price: USD 160.64**
Price Target: USD 200.00 | **Implied All-in Return (%): 25.6**

Investment summary

ICE is well positioned to benefit from its diversified revenue mix and secular tailwinds across the business, namely in the global energy markets, fixed income indices, and the modernization of the US residential mortgage sector. Additionally, ICE has a portfolio of leading market franchises and a business model resilient to economic downturns.

Within its Exchanges segment, ICE should benefit from increased demand for natural gas and the global energy transition to cleaner energy sources. The Fixed Income Data Services segment should benefit from lower interest rates and increasing demand for ICE's fixed income indices and reference data services.

Operational efficiencies, highlighted by a planned $200m in cost synergies post-BKI integration and leveraged reductions, should increase margins and bolster earnings growth.

Favorable capital return strategy. ICE provides shareholder value through stable dividends and share repurchases. Furthermore, ICE has a solid track record of successfully integrating acquisitions, which highlights management's ability to prudently allocate capital and create value long-term value for shareholders.

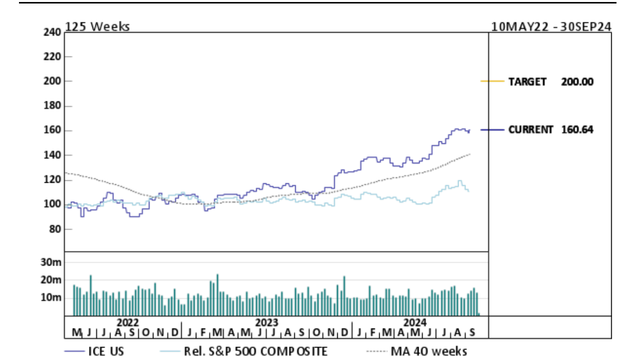
Valuation

We value ICE based on ~25x our FY26E EPS of $7.90, resulting in our price target of $200/share. Our target multiple is at the high end of ICE's NTM PE multiple range of ~15–26x, which reflects higher growth prospects and a higher degree of recurring revenue mix following the acquisition of BKI. Additionally, we expect ICE to benefit from recoveries in the US mortgage market and the capital markets. Our $200 price target supports our Outperform rating.

Risks to rating and price target

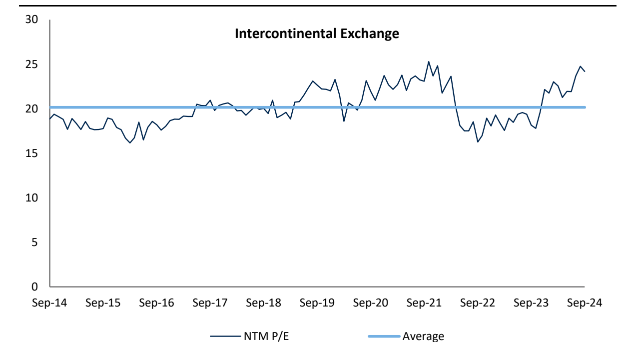
Risks to rating and price target include: (1) continuation of subdued IPO markets and elevated company delistings; (2) softer than expected trading volumes; (3) challenges in integrating BKI, namely achieving cost/revenue synergy targets, as well lower than expected cross-sell opportunities; and (4) elevated gross leverage should consume a significant portion of ICE's FCF generation over the near term and limit share repurchases.

Exhibit 37 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 38 - Forward consensus P/E history



Source: Factset

Most recent company note: link

London Stock Exchange Group plc (LSE: LSEG)

RBC Europe Limited
Ben Bathurst (Analyst) +44 20 7429 8910, ben.bathurst@rbccm.com

Rating: Outperform	**Closing Price: GBp 10,220.00**
Price Target: GBp 11,000.00	**Implied All-in Return (%): 8.8**

Investment summary

LSEG is a global leader in data & analytics and market infrastructure with desirable exposure to secular growth themes, including and extending beyond the partnership with Microsoft, which the company has guided will deliver incremental revenues from FY25.

Following a period of elevated investment, during which time management has successfully integrated Refinitiv with over- delivery on growth and synergies, we believe the group is now well positioned to increase pricing power leading to an acceleration in revenue growth.

We expect the diverse, mostly recurring, revenue streams of the enlarged group to convert into improving cash generation as investment tapers, resulting in a reduction in leverage and creating capital flexibility for either further future shareholder returns, or for more bolt-on M&A.

Following the transformation in business mix in recent years, we now see information service providers as the most relevant peer group for LSEG. Compared to this group, LSEG stands out as trading at a discount to sub-sector averages in P/E and EV/ EBITDA terms, despite having stronger than average expected earnings growth. Following the final placing of shares held by the Refinitiv sellers in May 2024, we believe a key overhang risk on the stock has been removed, although we think there is little evidence of this improved risk profile baked into the share price as yet.

Valuation

Our price target for London Stock Exchange Group (LSEG) is derived from a discounted cash flow model. We use a three-stage model, whereby we apply a Risk Discount Rate of 7.8% (reflecting our view of the relative risk of LSEG's business model) and a terminal value growth assumption of 3%. We model our DCF on a reported basis, incorporating FX adjustments to our earnings. We also deduct current net debt of £7.3bn to reach our equity value.

Our price target implies a FY 2024E P/E of 31x, which we see as justified given LSEG's strong FCF generation and exposure to structural growth markets. Our price target of 11,000p supports our Outperform rating.

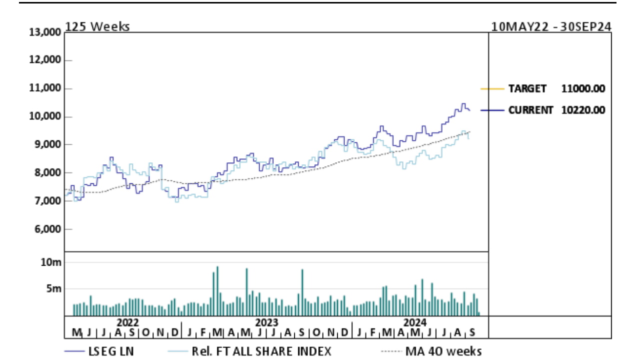
Risks to rating and price target

Execution issues from the Microsoft partnership — such as delays to product releases or weaker-than-expected revenue benefits — could impact the rating of the group, given strong investor sentiment around the partnership.

Competition in each of LSEG's five business areas could lead to a decrease in LSEG's market share in the respective areas.

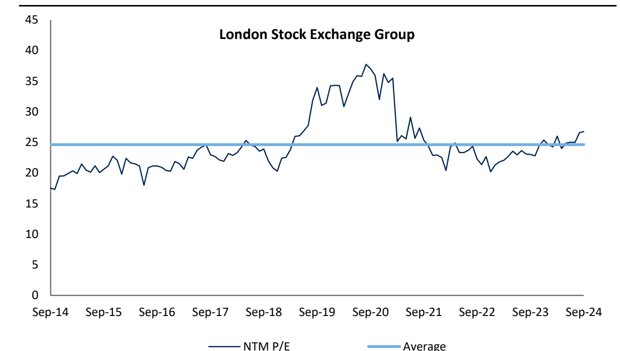
The Post Trade business is exposed to regulatory uncertainty, as temporary CCP equivalence has only been granted to the UK clearing houses until 2025 for Euro-denominated interest rate swaps.

Exhibit 39 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 40 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

PayPal Holdings, Inc. (NASDAQ: PYPL)

RBC Capital Markets, LLC
Daniel R. Perlin, CFA (Analyst) (410) 625-6130, daniel.perlin@rbccm.com

Rating: Outperform	Closing Price: USD 78.03
Price Target: USD 84.00	Implied All-in Return (%): 7.7

Investment summary

We believe PYPL's pivot to narrow its investment and innovation focus on Branded checkout, Braintree (unbranded), and Venmo monetization could enable the company to re-establish itself as a leader in eCom and mobile payments. In the near-term, we think PYPL needs to demonstrate its ability to drive better margins in unbranded transactions via moving to smaller merchants and expanding international. As proof-points to the success of this strategy emerge, we believe the stock could begin to re-rate higher.

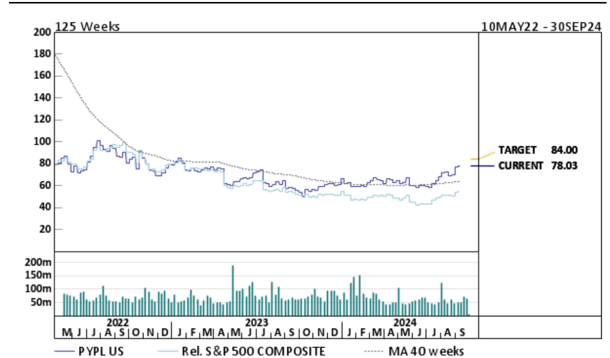
Valuation

Our price target of $84 is 17x our FY25 adj. EPS estimate and supports our Outperform rating. Our 17x multiple reflects current peer group multiples, which have come under pressure as a result of the rapid increase in interest rates. As PYPL continues to increasingly focus on driving consumer engagement, which should result in higher monetization rates, we believe its growth rates can begin to accelerate and thus support higher valuation.

Risks to rating and price target

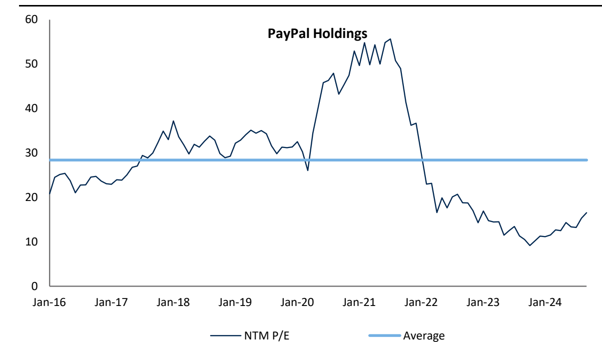
We believe there are four broad impediments to achieving our rating and price target: (1) accelerated decline in the company's take rate beyond what has been contemplated; (2) increasing competition in the global payments landscape pressuring PayPal's leadership position; (3) unexpected regulation, especially if it slows growth or precludes PYPL from certain operations; and (4) macroeconomic weakness.

Exhibit 41 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 42 - Forward consensus P/E history



Source: Factset

Most recent company note: link

PG&E Corporation (NYSE: PCG)

RBC Capital Markets, LLC
Shelby Tucker, CFA (Analyst) (212) 428-6462, shelby.tucker@rbccm.com

Rating: Outperform | **Closing Price: USD 19.77**
Price Target: USD 24.00 | **Implied All-in Return (%): 21.6**

Investment summary

In the long term, we see significant upside potential if the company is able to execute on its plans and improve investor and rating agency confidence. Near-term, we believe a discounted P/E multiple is warranted due to an untested AB 1054, though this should provide better protection relative to the past. Any potential for further material wildfire liabilities could sour regulators and politicians. Our Outperform rating is predicated on a reasonable application of AB 1054 during this wildfire season, should the need arise, which should allow some of the discounted stock valuation to subside.

Potential catalysts:

Execution of plan under new management. Execution of the company's Lean Operating System (LOS) and wildfire plans will be essential in terms of improving the company's perceived risk profile, which could lead to greater confidence from investors and rating agencies.

Upside to capital expenditure program. Current capital forecasts include spend above authorized amounts. Potential recovery of these investments in the future may result in greater rate base growth. Approval of undergrounding would provide a boost of confidence.

CA regulatory environment. Constructive outcomes for rate cases as well as approval of additional capital investments may accelerate growth at the utility.

CA emissions targets and electrification. Statewide emissions goals as well as local efforts to decarbonize may promote electric systems over gas systems, resulting in impacts on gas customer counts.

Outsized dividend growth. We expect PCG's low dividend payout ratio to increase over time. This should prompt income investors to add PCG to their portfolios.

Valuation

We arrive at our $24 price target by applying a 14.8x P/E to our 2026 EPS estimate of $1.64. Our target multiple is a material discount to our base electric target P/E multiple of 17.4x, which we believe is warranted due to an untested AB 1054 and headline risks. Our price target supports our Outperform rating.

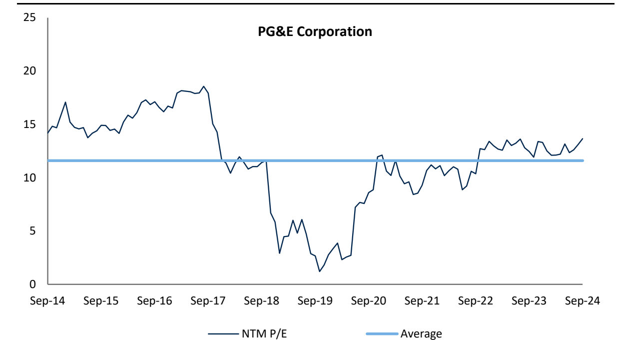
Risks to rating and price target

Risks to rating and price target include: (1) negative change in California regulatory environment; (2) additional fines or penalties that are unexpected related to safety matters; (3) utility causes large-scale wildfire; (4) unplanned reduction in the capital spending program; and (5) CA electrification efforts result in fewer gas customers.

Exhibit 43 - Share performance and RBC valuation

Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 44 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Pinterest, Inc. (NYSE: PINS)

RBC Capital Markets, LLC
Brad Erickson (Analyst) (971) 842-9607, brad.erickson@rbccm.com

Rating: Outperform	Closing Price: USD 32.37
Price Target: USD 48.00	Implied All-in Return (%): 48.3

Investment summary

Pinterest is a solid social media property, particularly good for inspiration and discovery within a somewhat more narrow set of topics and product categories. That said, we believe the changes the company is making, such as direct links and the AMZN 3p partnership, could drive ad relevance and conversion higher, and hence advertiser ROAS despite higher ad load. While it's unclear whether these changes will be a tailwind to US MAUs, we think the current user base is under-monetized to a degree that the company doesn't necessarily need to grow US users meaningfully in order to accelerate revenue growth and drive margins higher; therefore, we rate PINS Outperform.

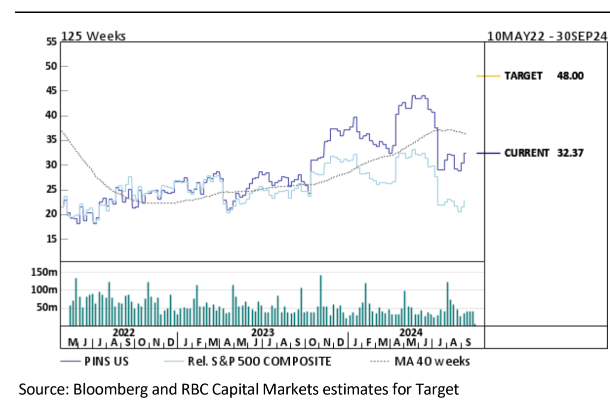
Valuation

The stock trades at a premium to the internet peer group. We believe PINS deserves a premium to the group given that the company has historically under-monetized its platform, which new management seems to be addressing, and it is growing and ramping margins more quickly relative to the overall space. Our price target is attributable to confidence in: the 3p ad partnership ramping more quickly than expected; higher ad load not negatively impacting engagement; and direct links and better relevance driving ROAS higher. To the degree that the company is able to reaccelerate MAUs in the US, there would likely be upside to our valuation. Our $48 price target is based on 25.5x EV/'25E EBITDA and supports our Outperform rating.

Risks to rating and price target

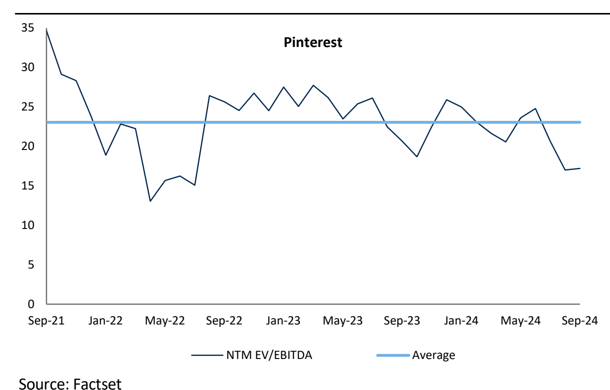
Risks to rating and price target include: (1) US MAU declines; (2) slow pace of advertisers recognizing higher value from better conversions; (3) slowing international user growth; (4) SEO traffic disruption; (5) user churn due to waning interest; (6) advertising churn due to less measurement signal and inability to prove attribution than expected; (7) 3p partnerships drive less revenue/relevance than expected; and (8) direct links don't drive conversion higher.

Exhibit 45 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 46 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

Sarepta Therapeutics, Inc. (NASDAQ: SRPT)

RBC Capital Markets, LLC
Brian Abrahams, M.D. (Head of Global Healthcare Research) (212) 858-7066,
brian.abrahams@rbc.com

Rating: Outperform	**Closing Price: USD 124.89**
Price Target: USD 181.00	**Implied All-in Return (%): 44.9**

Investment summary

We believe the key value driver for shares going forward will be progress toward the multi billion-dollar opportunity we see for Sarepta's two most advanced muscular dystrophy gene therapy programs. Based on the robust expression, biomarker and safety data for both programs to date—along with highly encouraging functional gains—we believe SRPT could have the best-in-class therapy for both Duchenne and limb girdle muscular dystrophy. Supporting its gene therapy efforts are approved drugs (Exondys 51, Vyondys 53, and Amondys 45) addressing a subgroup of DMD patients, and a strong balance sheet bolstered by what we view as a highly validating ex-US microdystrophin DMD gene therapy commercialization deal with Roche. So far we have seen a strong launch of Elevidys in its currently labeled indication, and KOL as well as patient feedback suggests strong demand for continued use of the drug, which we believe should drive a rapid acceleration and multi-$B peak revenues.

Key positives include: (1) potentially transformative clinical-stage gene therapy programs represent a substantial opportunity; (2) strong US launch of exon skippers, with quick uptake and high visibility for growth; and (3) next-generation PPMO-based exon skippers in development.

Key potential catalysts include: (1) ongoing Elevidys launch (2H24+); and (2) SRP-9003 topline data in LGMD (2024/2025).

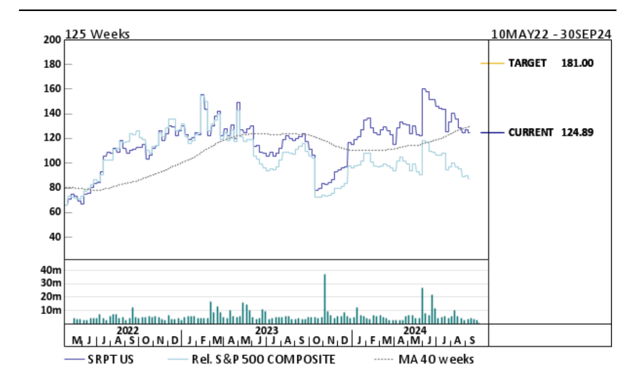
Valuation

Our $181 price target blends DCF (using a 10% discount rate and a 0% terminal growth rate) and probability-adjusted multiples (30x on 2033E adjusted EPS discounted at 10%) analyses. Our price target supports our Outperform rating.

Risks to rating and price target

Risks to rating and price target include: (1) clinical, manufacturing, or regulatory setbacks in DMD or LGMD gene therapy programs; (2) slower-than-anticipated growth or other commercial setbacks for Exondys 51, Vyondys 53, and Amondys 45; (3) failure to successfully develop and gain regulatory approval for follow-on exon-skipping drugs, including PPMOs; and (4) poor performance in confirmatory study leading to market removal or increased patient discontinuations.

Exhibit 47 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Most recent company note: link

Shell PLC (LSE: SHEL; NYSE: SHEL)

RBC Europe Limited
Biraj Borkhataria, CFA (Head of Global Energy Transition Research) +44 20 7029 7556,
biraj.borkhataria@rbccm.com

Rating: Outperform | **Closing Price: GBp 2,425.00**
Price Target: GBp 3,500.00 | **Implied All-in Return (%): 44.4**

Investment summary

Key reasons for our positive stance:

Cash flow machine. On our numbers, Shell generates significant amounts of cash, supported by its oil leverage and #1 presence in an extremely strong LNG market. The updated plans laid out by management have focussed more on operational reliability and momentum, and this should further support cash generation over the coming years.

Re-rating warranted? Shell generates a superior FCF yield on average relative to the sector over 2024-25 but trades at a discount on a DACF multiple basis. We think strong shareholder returns should help drive a re-rating, while continued de-leveraging sets Shell up to become a more stable business through the cycle.

Sum of the parts. Shell has three franchise businesses within the group, all of which are #1 in their respective areas, which we believe is not reflected in the share price today. Activist investors recently engaged with the company and this could help unlock value.

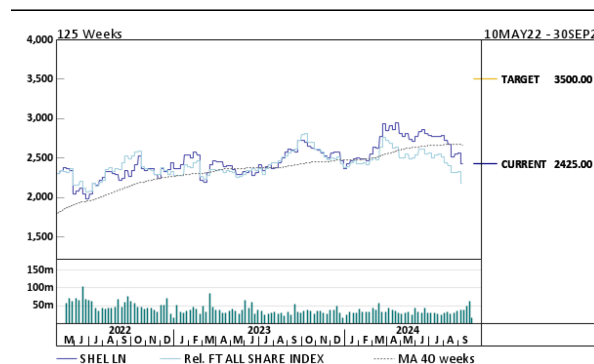
Valuation

We value Shell based on a 50/50 weighting between SOTP and normalized EV/DACF using a multiple of 7x. This leads to a price target of 3,500p, which supports our Outperform rating.

Risks to rating and price target

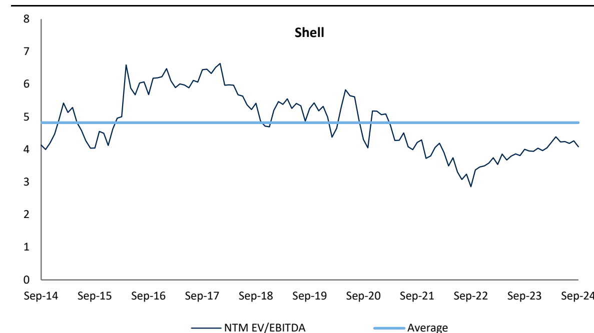
Risks to rating and price target include: (1) overcapacity in LNG as Shell is involved in multiple growth projects whilst also being the largest supplier of LNG globally; (2) sustained weakness in US gas prices constraining profitability of gas drilling in the US; (3) security risk in key areas in the Middle East and North Africa where Shell is highly exposed; and (4) fiscal risk and uncertainty surrounding regulation in the oil & gas industry. In general, all international integrated oil companies are exposed to resource price fluctuations, political/security risk, execution risk, and environmental/permitting risks.

Exhibit 48 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 49 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Siemens AG (XETRA: SIE)

RBC Europe Limited
Mark Fielding (Analyst) +44 20 7002 2128, mark.fielding@rbccm.com

Rating: Outperform | **Closing Price: EUR 181.20**
Price Target: EUR 195.00 | **Implied All-in Return (%): 10.3**

Investment summary

Siemens has become a simpler business over the last 10-15 years, but all the change has made past performance hard to understand. We have analysed in detail the underlying performance of the continuing "new" Siemens over the last 15 years. This shows above sector growth and margin progress across the cycle, and one of the most resilient companies in downturn phases. This does not tally with a continued sector P/E discount of 15-20%.

Outperforming the sector through the cycle: Our analysis shows that "new" Siemens has not just outgrown "old" Siemens since 2006, but also the sector. It has delivered a 2006-21 sales CAGR of +4.2% vs the sector +3.6% and old Siemens +2.9%. And profit margins have risen by ~500bps such that the Industrial business is slightly better than the sector average. This supports our base case for ongoing growth in the 5-7% target range and further margin expansion.

And "new" Siemens is resilient in downturn phases: While our base case is for further positive progress, given wider geopolitical concerns we also considered recessionary risks. Our modelling of the new Siemens industrial business shows it is much less cyclical than average for our coverage. Over the past three industrial downturn phases since 2007 its sales have never fallen by more than -2% and its margins by less than 100bps. This is versus a sector average -7% sales fall and 160bps margin decline.

Valuation

We value Siemens on a target P/E of 18.5x 24E, which is broadly in line with our sector average supported by our analysis which shows Siemens continuing business as a through-cycle outperformer versus the sector from an operational standpoint. It gives a valuation of €195 per share. P/E is a fair multiple to use in our view given the complicated nature of the group and its underlying net debt/EBITDA being at ~1x in line with the sector average. Our price target supports our Outperform rating on the stock.

Risks to rating and price target

Economic cycle: Siemens continues to see growth reflecting its strong order backlog, but if the macro backdrop was to worsen it could impact this assumption.

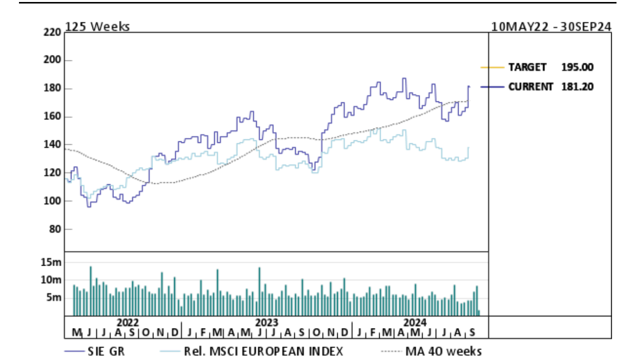
Cost flexibility: Siemens' size, complexity and board-level representation from labour unions mean that it has historically not been very agile with its cost basis. Siemens has been changing this, but it remains a factor.

Supply chain: There continue to be supply chain constraints. Siemens' outlook assumes some continued normalisation, which if it did come through would be negative.

Sector de-rating: Further concerns of a deep recession could precipitate a general sell-off and de-rating in the industrials sector, thus affecting Siemens' valuation.

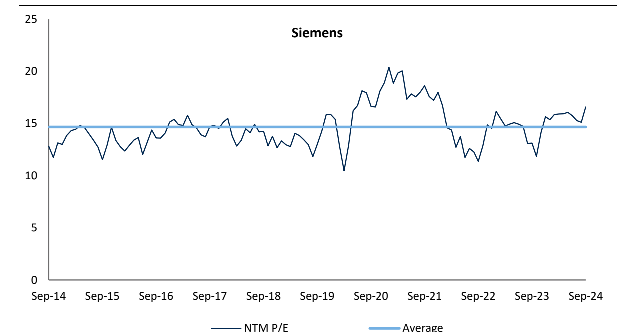
Siemens could suffer indiscriminate buying/selling pressure: Siemens is a highly liquid proxy for industrial Europe and could be bought or sold by portfolio managers wanting to increase or reduce European industrial or European cyclical exposure. The share is also a major component of Germany's DAX Index.

Exhibit 50 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 51 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

TELUS Corporation (TSX: T; NYSE: TU)

RBC Dominion Securities Inc.
Drew McReynolds, CFA, CA, CPA (Analyst) (416) 842-3805, drew.mcreynolds@rbccm.com

Rating: Outperform	Closing Price: CAD 22.71
Price Target: CAD 25.00	Implied All-in Return (%): 16.5

Investment summary

TELUS has not been immune to cyclical impacts on TELUS Digital and TELUS Agriculture & Consumer Goods (TAC), inflation impacts on TTech, and incremental competitive impacts in the wake of the Rogers-Shaw and Quebecor-Freedom Mobile transactions. Despite the more challenging operating environment, we expect TELUS to deliver industry-leading underlying growth and capital returns. We continue to see an attractive and improving growth and risk profile for the company reflecting: (1) a 2024E-2027E NAV CAGR of +7.5% underpinned by mid single-digit organic EBITDA growth, declining low double-digit capex intensity and double-digit FCF growth; and (2) better visibility around (and confidence in) the company's ability to sustain industry-leading underlying EBITDA and FCF growth almost irrespective of most industry growth, competition and regulatory outcomes.

Potential catalysts for the stock include: (1) greater-than-expected wireline subscriber traction driven by FTTH expansion; (2) better-than-expected efficiencies and operating leverage resulting in higher margins; (3) an easing of Alberta headwinds resulting in improved business market performance; (4) stronger-than-expected improvement in wireless ARPU growth; (5) greater-than-expected step-down in consolidated capex intensity over the medium term; and (6) the crystallization of TELUS Health and/or TELUS Agriculture & Consumer Goods.

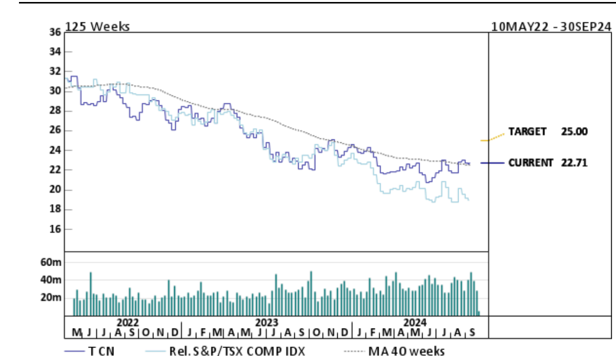
Valuation

The implied total return to our $25 price target supports our Outperform rating. To derive our price target, we take the average of three approaches: (1) applying an 19.0x multiple to our blended two-year forward adjusted EPS estimates; (2) applying a target EV/EBITDA multiple of 8.25x to our blended two-year forward EBITDA estimates for TELUS Technology Solutions and factoring in our one-year target for TELUS International; and (3) discounted FCF through 2030E factoring in a WACC of 9.0% and a terminal growth rate of 1.5%. We believe our target multiples are consistent with the company's growth and risk profile relative to Canadian peers, and a higher interest rate environment.

Risks to rating and price target

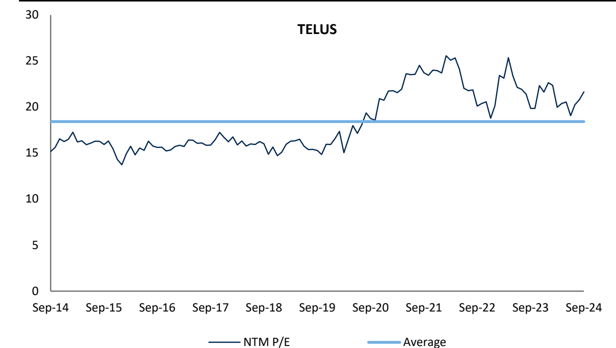
Risks to rating and price target include: (1) a prolonged and/or significant economic downturn; (2) a sustained increase in wireless and/or wireline competition and/or unexpected change in regulation resulting in higher churn and/or accelerated declines in ARPU; (3) inability to realize additional cost savings to improve TTech margins; (4) higher-than-forecast spectrum outlays; (5) emergence of irrational pricing in residential Internet, telephony and/or television markets; and (6) higher interest rates and/or a reversal in fund flows out of the sector.

Exhibit 52 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 53 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Veeva Systems Inc. (NYSE: VEEV)

RBC Capital Markets, LLC
Rishi Jaluria (Analyst) (415) 633-8798, rishi.jaluria@rbccm.com

Rating: Outperform | **Closing Price: USD 209.87**
Price Target: USD 250.00 | **Implied All-in Return (%): 19.1**

Investment summary

We like shares of Veeva for four primary reasons:

Veeva's domain expertise and deep customer relationships have created a market leadership position and a sustainable economic moat, limiting the threat of competition. As a result, Veeva has one of the highest average revenues per customer in software (~$1.6M last year).

We see multiple growth drivers for Veeva to maintain 20%+ subscription growth, including CDMS, Data Cloud, and Vault OLS (Outside of Life Sciences). We believe Veeva has a large TAM that will continue to grow with new products and that Vault, Veeva's content management platform, is a continued engine for innovation.

Veeva's financial model is best-in-class, with a leading blend of growth and profitability. Veeva continues to show 20%+ organic subscription growth, while also seeing FCF margins approach 40% (which places Veeva in rare territory among SaaS companies), making Veeva a consistent "Rule of 40" company. This is the result of Veeva's product-led growth, fiscal discipline, and its unique GTM motion of the "Veeva Way", which involves slowly driving adoption through reference selling.

The life sciences market is attractive, as it is a defensive industry that is also rather profitable (pharmaceutical companies have software-like gross margins of 70%+) and technology-forward (with the pandemic accelerating digital transformation initiatives). One key feature of life sciences is that the industry is more collaborative than others, which makes reference selling a key part of the GTM model. In addition, Veeva's blue chip customer base spans almost all of the top pharmaceutical companies, including household names such as Pfizer, Moderna, Johnson & Johnson, AstraZeneca, and Regeneron.

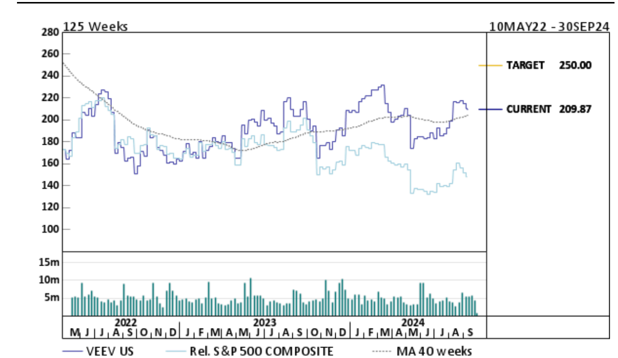
Valuation

Our $250 price target is based on 31x EV/C25E FCF, in line with best-in-class vertical software, which we believe is warranted considering Veeva's leading blend of growth and margins, runway for future growth, and competitive positioning. Our price target supports our Outperform rating.

Risks to rating and price target

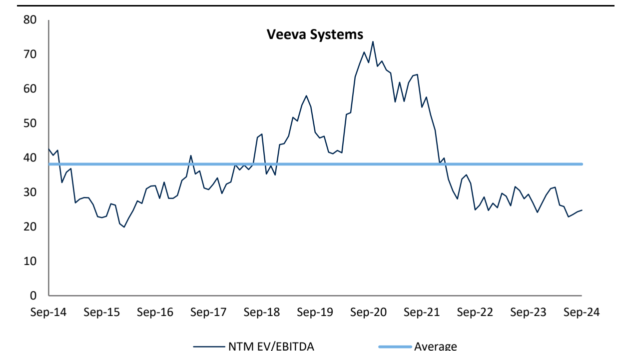
Risks to rating and price target include: (1) customer concentration, with the top 10 customers representing 36% of revenue; (2) international risk, with non-US revenue representing ~40% of total revenue; (3) CRM remains a significant part of the business at ~45% of total revenue (according to our estimates); and (4) competition, including from vertical and horizontal software vendors.

Exhibit 54 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 55 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Xylem Inc. (NYSE: XYL)

RBC Capital Markets, LLC
Deane Dray, CFA (Co-Head of Global Industrials Research) (212) 428-6465,
deane.dray@rbccm.com

Rating: Outperform | **Closing Price: USD 135.03**
Price Target: USD 163.00 | **Implied All-in Return (%): 21.6**

Investment summary

Largest US water pure-play with attractive defensive growth and ESG appeal. Xylem is the largest US pure-play water technology solutions provider, with a commanding first-mover advantage in the multi-year adoption of smart water systems. Growing digitally enabled products is longer term a margin tailwind. Xylem also benefits from scarcity value (limited water pure-plays) and ESG appeal.

Potential catalysts:

Advanced Infrastructure Analytics (AIA) is an incubator of new smart water solutions. AIA consists of Pure Technologies and Xylem's digital solutions platform, which includes its acquisitions of EmNet, Visenti, HYPACK, and Valor Water Analytics. We would characterize AIA as an "incubator" of new water technologies within the Xylem portfolio, with a mandate to develop and pilot innovative software and data analytics.

COVID-19 pandemic accelerated adoption of smart water offerings. Xylem believes the pandemic accelerated trends that had already been emerging in the water utilities space, such as remote asset and workforce management, automated operations, and remote monitoring. The increasing focus on the affordability of capex and productivity of opex by utilities customers should also spur conversions to its digital offerings.

Evoqua synergies. Where the deal gets compelling, will be the "old school" revenue synergies; namely taking Evoqua treatment services internationally and increasing the share of wallet with municipalities.

Valuation

Our $163 price target assumes XYL trades to a 45% premium to our 2025E target group P/E multiple of 24.0x, near the high end of its historical relative P/E range of 25%-50%. We believe that a target relative multiple near the high end of the range is warranted given encouraging long-term trends in the water utility end market, a mix-shift to digital, revenue and cost synergy opportunities, PFAS remediation tailwind on the horizon, capital allocation, and investments in new smart water solutions that we expect to ramp over the coming years. On our 2025 cash EPS estimate, this underpins our price target, which supports our Outperform rating.

Risks to rating and price target

Economic conditions. Macro trends such as inflation/deflation, credit availability, currency, commodity costs and availability, and supply chain could all cause Xylem's results to differ from our estimates.

Europe. At 24% of revenues, Xylem carries one of the higher exposures to Europe in the sector.

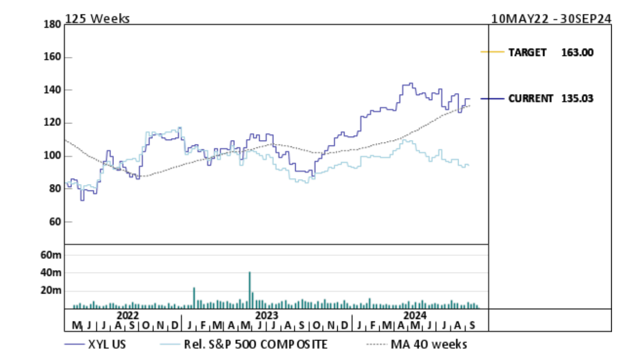
Foreign exchange. FX headwinds from the appreciation of the USD would have an outsized negative impact on sales.

Regulations. Xylem's solutions are often a beneficiary of new regulations on water quality, efficiency, and usage. However, regulations can also affect which technology wins in a competitive new market.

Acquisitions. A failure to identify and integrate acquisitions successfully could prevent the company from reaching its full growth potential.

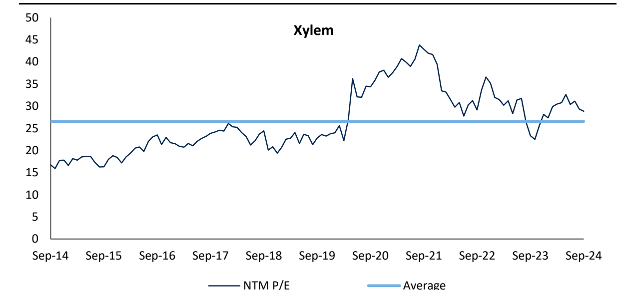
Competition. The global water sector remains highly competitive. The rise of credible Chinese players in the global water market is a key risk factor.

Exhibit 56 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 57 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Zalando SE (XETRA: ZAL)

RBC Europe Limited
Richard Chamberlain (Co-Head of Global Consumer & Retail Research) +44 0 20 7429 8092,
richard.chamberlain@rbccm.com

Rating: Outperform | **Closing Price: EUR 29.54**
Price Target: EUR 42.00 | **Implied All-in Return (%): 42.2**

Investment summary

Zalando is well positioned as the leading online fashion destination in Europe, together with its expertise in technology, to continue taking market share as well as monetise its platform through delivering value-added services to its 2,000 brand partners. We view this as one of Zalando's longer-term revenue drivers, along with improved personalisation and entry into new markets and product categories over time. We also expect Zalando's Partner Program and Media Solutions will also be an important long-term driver of profitability.

We are confident in Zalando's ability to sustain top-line growth long term because of its large market opportunity, competitive moats including its range advantage, and increasing diversification. Zalando's competitive advantages include its powerful network effects created by its large customer base and number of partners and its strong distribution network through which it has achieved a highly competitive delivery proposition. Also, its in-house developed technology enables a greater pace of innovation and a superior website experience versus peers.

Potential catalysts

Zalando is scheduled to report its Q3 on November 5. For Q3 we think GMV growth of 4% for Q3 is reasonable owing to a stronger September, helped by good demand for Autumn fashions. We expect a further release in provisions for Q3, so ZAL should see another increase in GM (due to this, lower promos and as its wholesale business has been improving. For Q3 we forecast adjusted EBIT of EUR54mn compared to consensus of c.40mn. We also expect ZMS to accelerate and believe it could deliver HSD % growth for the full year now. We expect a return to double digit growth next year.

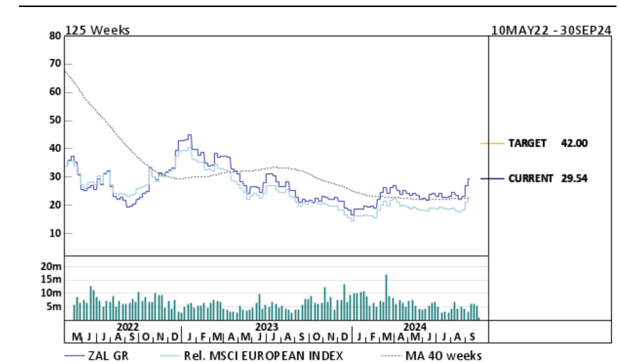
Valuation

We use a DCF analysis to derive our PT of €42. Our DCF analysis applies a WACC of 9.2% and terminal growth rate of 2.5% to reflect Zalando's growth potential. We model a 10-year CAGR in sales of 4% and in EBIT of 15%, resulting in a terminal EBIT margin of 9%. Our price target supports our Outperform rating.

Risks to rating and price target

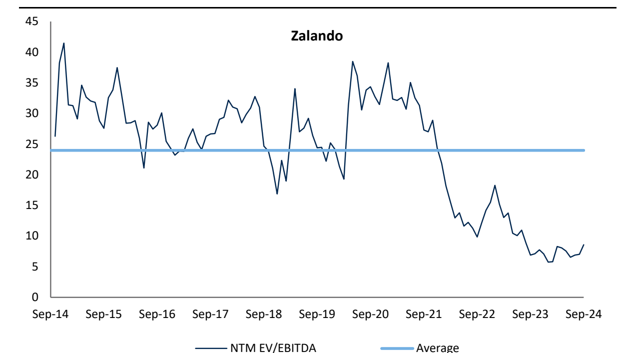
Risks to rating and price target include: (1) greater-than-expected slowdown in sales as pressure on consumer spending increases with the rising cost of living, and/or due to increased competition (including from Amazon or traditional retailers as they invest more in online); (2) Zalando's margins could be lower than expected owing to greater investments in price or the overall proposition, poor inventory control or higher warehousing or marketing costs; and (3) execution risk – e.g., from disruption as a result of opening new warehouses or additional infrastructure investments could also put pressure on our price target and rating.

Exhibit 58 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 59 - Forward consensus EV/EBITDA history



Source: Factset

Most recent industry note: link

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As of 30-Sep-2024

			Investment Banking Serv./Past 12 Mos.	
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