RBC Capital Markets

Top 30 Global Ideas for 2025

First-Quarter Update

EQUITY RESEARCH | January 6, 2025

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 January 3, 2025, unless otherwise noted.

Introduction

Graeme Pearson – Co-Head of Global Research
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Top 30 Global Ideas for 2025 — Changes This Quarter

Additions: Canadian Pacific Kansas City (CP CN), ConocoPhillips (COP US), Gitlab (GTLB US), MSCI (MSCI US), Nestlé (NESN SW), Safran (SAF FP), Snowflake (SNOW US), Xero (XRO AU)

Deletions: Anheuser-Busch InBev (ABI BB), Brambles (BXB AU), Canadian Natural Resources (CNQ CN), CrowdStrike (CRWD US), HealthEquity (HQY US), HEICO (HEI US), Intercontinental Exchange (ICE US), TELUS (T CN)

Maintains: Alimentation Couche-Tard (ATD CN), American International Group (AIG US), Bank of America (BAC US), Boston Scientific (BSX US), Cameco (CCO CN), Constellation Software (CSU CN), Ferrari (RACE IM), First Solar (FSLR US), Gaming and Leisure Properties (GLPI US), GFL Environmental (GFL US), HubSpot (HUBS US), Illumina (ILMN US), London Stock Exchange (LSEG LN), PayPal (PYPL US), PG&E (PCG US), Pinterest (PINS US), Sarepta (SRPT US), Shell (SHEL LN), Siemens (SIE GR), Veeva (VEEV US), Xylem (XYL US), Zalando (ZAL GR)

We are pleased to present our *Top 30 Global Ideas* for Q1 2025. 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.

In Q4/24 the *Top 30* delivered a total return of -1.0% in USD terms vs. the MSCI World Index at -0.2%, with the best-performing *Top 30* stock selections being HubSpot (+31.1%), CrowdStrike (+22.0%) and HealthEquity (+17.2%). For the year of 2024, the *Top* 30 delivered a total return of +18.6% vs. the benchmark at +18.7%, and since inception of our quarterly list at YE2019, the *Top 30* has delivered a total compound annual return of +13.7%, above the benchmark at +11.2%.

For Q1/25, in **Consumer** we add **Nestlé (NESN SW)**, replacing **Anheuser-Busch InBev (ABI BB)** as our top idea in European Consumer Staples. We believe Nestlé is taking positive steps toward stabilization and growth, with the new CEO and CFO pursuing investment in margin-driving initiatives aimed at restoring brand equity and enhancing market share. We view the valuation as inexpensive against other quality staples names.

In **Energy** we add **ConocoPhillips (COP US)**. In our view, the depth, quality, and diversity of COP's global inventory sets it apart from E&P peers, and its strong balance sheet and low WTI breakeven point position it to fund its maintenance capital and dividend and increase shareholder value through commodity price cycles. We switch out of **Canadian Natural Resources (CNQ CN)** as we see a less compelling setup for Canada's energy sector in 2025, including softer oil prices and government policy uncertainty; however, we maintain our positive view of CNQ as our favourite Canadian senior producer.

In **Financials** we add **MSCI (MSCI US)**, replacing **Intercontinental Exchange (ICE US)**. We think MSCI is well positioned to deliver high-single-digit revenue growth and 50+ bps margin expansion in 2025 with the benefit of improving Financial Services budgets, normalizing sales cycles, and normalizing pricing.

In **Industrials** we add **Canadian Pacific Kansas City (CP CN)** as we continue to see a generational growth opportunity for the next decade on the back of the KCS acquisition. CP's valuation has declined following the US election; we see this sell-off as overdone and expect fundamentals to drive the stock higher in 2025. We also add **Safran (SAF FP)**, which we view as a high-quality aerospace and defense supplier, with strong exposure in the narrowbody engine market. Safran recently guided for ~10% top-line growth in 2025 and a high-single-digit revenue CAGR through 2028. We believe this guidance is conservative and sets Safran up for a "beat and raise" year, supported by strong aftermarket business. We switch out of **Brambles (BXB AU)** and **HEICO (HEI US)** while maintaining Outperform ratings on both.

In **Information Technology**, within US software we add **Gitlab (GTLB US)** and **Snowflake (SNOW US)** and remove CrowdStrike (CRWD US) while maintaining an Outperform rating. We believe **Gitlab** is well positioned to become the center of the Develops ecosystem. FY/25 midpoint revenue guidance points to 30% growth with better profitability, and we are impressed by the market opportunity and strong execution. We think **Snowflake** is well poised for cross-selling opportunities, especially in business intelligence and GenAI applications, having evolved into a comprehensive Data Cloud platform. In our view, Snowflake's premium valuation is warranted, and we remain bullish based on its best-in-class growth, TAM expansion opportunities, management team, and scaling FCF margins. We also add small business accounting software company **Xero (XRO AU)**, as we see the CEO driving profitability and top-line growth, and valuation is attractive with Xero being the cheapest ASX Rule of 40 stock. We think Xero is likely to beat FY25 guidance through subscriber and ARPU growth and strong cost control.

In **Communication Services** we remove **TELUS (T CN)** in favor of higher-conviction ideas in other sectors, reflecting our relatively subdued growth outlook for the Canadian telecom sector in 2025. In **Health Care** we switch out of **HealthEquity (HQY US)** while maintaining our Outperform rating. 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.

Top 30 Global Ideas for 2025 – Analyst Coverage and Pricing Data

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (01/03/2025)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Alimentation Couche-Tard Inc.	ATD CN	Irene Nattel	Outperform	CAD	78.56	74,475	94.00	1.0	20.7
American International Group, Inc.	AIG US	Scott Heleniak	Outperform	USD	72.81	47,137	87.00	2.2	21.7
Bank of America Corporation	BAC US	Gerard Cassidy	Outperform	USD	44.81	344,544	50.00	2.3	13.9
Boston Scientific Corporation	BSX US	Shagun Singh	Outperform	USD	90.69	134,892	105.00	0.0	15.8
Cameco Corporation	CCO CN	Andrew Wong	Outperform	CAD	76.70	33,401	90.00	0.2	17.5
Canadian Pacific Kansas City Limited	CP CN	Walter Spracklin	Outperform	CAD	106.79	99,881	124.00	0.8	16.9
ConocoPhillips	COP US	Scott Hanold	Outperform	USD	101.09	116,346	135.00	3.1	36.6
Constellation Software Inc.	CSU CN	Paul Treiber	Outperform	CAD	4,458.44	94,481	5,300.00	0.1	19.0
Ferrari N V	RACE IM	Tom Narayan	Outperform	EUR	405.30	72,549	470.00	0.2	16.2
First Solar, Inc.	FSLR US	Christopher Dendrinos	Outperform	USD	186.43	20,024	280.00	0.0	50.2
Gaming and Leisure Properties, Inc.	GLPI US	Brad Heffern	Outperform	USD	47.86	13,540	57.00	6.4	25.5
GFL Environmental Inc.[1]	GFL US	Sabahat Khan	Outperform	USD	44.63	17,196	53.00	0.2	18.9
Gitlab Inc	GTLB US	Matthew Hedberg	Outperform	USD	59.76	10,595	80.00	0.0	33.9
HubSpot, Inc.	HUBS US	Rishi Jaluria	Outperform	USD	702.85	37,515	825.00	0.0	17.4
Illumina, Inc.	ILMN US	Conor McNamara	Outperform	USD	136.01	21,626	252.00	0.0	85.3
London Stock Exchange Group plc	LSEG LN	Ben Bathurst	Outperform	GBp	11,420.00	60,557	11,600.00	1.0	2.6
MSCI Inc.	MSCI US	Ashish Sabadra	Outperform	USD	601.48	47,664	675.00	0.5	12.7
Nestle S.A.	NESN SW	James Edwardes Jones	Outperform	CHF	74.70	194,071	93.00	4.1	28.6
PayPal Holdings, Inc.	PYPL US	Daniel R. Perlin	Outperform	USD	87.60	89,702	100.00	0.0	14.2
PG&E Corporation	PCG US	Shelby Tucker	Outperform	USD	20.40	43,615	24.00	0.2	17.8
Pinterest, Inc.	PINS US	Brad Erickson	Outperform	USD	30.94	21,518	48.00	0.0	55.1
Safran	SAF FP	Ken Herbert	Outperform	EUR	211.60	92,634	240.00	0.6	14.1
Sarepta Therapeutics, Inc.	SRPT US	Brian Abrahams	Outperform	USD	126.29	12,521	182.00	0.0	44.1
Shell PLC	SHEL LN	Biraj Borkhataria	Outperform	GBp	2,566.50	155,937	3,500.00	0.1	36.4
Siemens Aktiengesellschaft	SIE GR	Mark Fielding	Outperform	EUR	186.58	149,432	205.00	2.6	12.5
Snowflake Inc.	SNOW US	Matthew Hedberg	Outperform	USD	162.22	61,887	188.00	0.0	15.9
Veeva Systems Inc.	VEEV US	Rishi Jaluria	Outperform	USD	213.03	35,057	285.00	0.0	33.8
Xero Limited	XRO AU	Garry Sherriff	Outperform	AUD	167.89	25,351	195.00	0.0	16.2
Xylem Inc.	XYL US	Deane Dray	Outperform	USD	117.18	21,198	162.00	1.1	39.3
Zalando SE	ZAL GR	Richard Chamberlain	Outperform	EUR	32.02	8,316	50.00	0.0	56.2

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.

[1] Subsequent to the January 3, 2025 pricing of the Top 30 Global Ideas for 2025, GFL's price target was raised to USD 53.00 (from USD 52.00) on January 6, 2025. See note here.

Source: Bloomberg and RBC Capital Markets estimates

Top 30 Global Ideas for 2025 – Changes This Quarter

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (01/03/2025)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Additions this quarter:									
Canadian Pacific Kansas City Limited	CP CN	Walter Spracklin	Outperform	CAD	106.79	99,881	124.00	0.8	16.9
ConocoPhillips	COP US	Scott Hanold	Outperform	USD	101.09	116,346	135.00	3.1	36.6
Gitlab Inc	GTLB US	Matthew Hedberg	Outperform	USD	59.76	10,595	80.00	0.0	33.9
MSCI Inc.	MSCI US	Ashish Sabadra	Outperform	USD	601.48	47,664	675.00	0.5	12.7
Nestle S.A.	NESN SW	James Edwardes Jones	Outperform	CHF	74.70	194,071	93.00	4.1	28.6
Safran	SAF FP	Ken Herbert	Outperform	EUR	211.60	92,634	240.00	0.6	14.1
Snowflake Inc.	SNOW US	Matthew Hedberg	Outperform	USD	162.22	61,887	188.00	0.0	15.9
Xero Limited	XRO AU	Garry Sherriff	Outperform	AUD	167.89	25,351	195.00	0.0	16.2
Deletions this quarter:									
Anheuser-Busch InBev SA/NV	ABI BB	James Edwardes Jones	Outperform	EUR	47.38	94,997	75.00	2.1	60.4
Brambles Limited	BXB AU	Owen Birrell	Outperform	AUD	19.51	26,729	21.00	3.0	10.7
Canadian Natural Resources Limited	CNQ CN	Greg Pardy	Outperform	CAD	45.61	96,380	63.00	4.9	43.1
CrowdStrike Holdings, Inc.	CRWD US	Matthew Hedberg	Outperform	USD	359.02	92,340	420.00	0.0	17.0
HealthEquity, Inc.	HQY US	Sean Dodge	Outperform	USD	97.47	8,636	105.00	0.0	7.7
HEICO Corporation	HEI US	Ken Herbert	Outperform	USD	237.98	33,292	275.00	0.0	15.6
Intercontinental Exchange, Inc.	ICE US	Ashish Sabadra	Outperform	USD	149.84	86,345	200.00	1.2	34.7
TELUS Corporation	T CN	Drew McReynolds	Outperform	CAD	19.91	29,706	24.00	7.3	27.8

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.

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 Q4 2024 *Top 30* (October 1, 2024 to December 31, 2024) and since inception (December 2019).

Ticker	Company	Total Return Q4/2024 (in local currency)	Total Return Q4/2024 (in USD)
HUBS US	HubSpot, Inc.	31.1%	31.1%
CRWD US	Crowdstrike Holdings, Inc.	22.0%	22.0%
HQY US	HealthEquity, Inc.	17.2%	17.2%
GFL US	GFL Environmental Inc.	11.7%	11.7%
BAC US	Bank of America Corporation	11.4%	11.4%
PYPL US	PayPal Holdings, Inc.	9.4%	9.4%
CCO CN	Cameco Corporation	14.7%	7.7%
BSX US	Boston Scientific Corporation	6.6%	6.6%
LSEG LN	London Stock Exchange Group plc	10.4%	3.1%
ILMN US	Illumina, Inc.	2.5%	2.5%
PCG US	PG&E Corporation	2.2%	2.2%
ZAL GR	Zalando SE	8.9%	1.5%
ATD CN	Alimentation Couche-Tard Inc.	6.8%	0.3%
VEEV US	Veeva Systems Inc.	0.2%	0.2%
AIG US	American International Group, Inc.	0.0%	0.0%
SRPT US	Sarepta Therapeutics, Inc.	-2.6%	-2.6%
SIE GR	Siemens AG	3.9%	-3.1%
SHEL LN	Shell PLC	3.2%	-3.6%
GLPI US	Gaming and Leisure Properties, Inc.	-5.0%	-5.0%
CSU CN	Constellation Software Inc.	1.1%	-5.1%
CNQ CN	Canadian Natural Resources Limited	0.1%	-6.1%
ICE US	Intercontinental Exchange, Inc.	-7.0%	-7.0%
RACE IM	Ferrari NV	-1.7%	-8.4%
HEI US	HEICO Corporation	-9.1%	-9.1%
BXB AU	Brambles Limited	1.1%	-9.9%
PINS US	Pinterest, Inc.	-10.4%	-10.4%
XYL US	Xylem Inc.	-13.8%	-13.8%
T CN	TELUS Corporation	-12.4%	-17.8%
ABI BB	Anheuser-Busch InBev SA/NV	-18.7%	-24.6%
FSLR US	First Solar, Inc.	-29.3%	-29.3%
	Average total return for RBC CM Top 30 Global Ideas in Q4/2024	***1.8%***	***-1.0%***

Total Return (in local currency)

Indices		Q4/2024	2024	Since Inception* (Annualized)
SPTSX Index	S&P/TSX Composite Index	3.8%	21.7%	11.1%
SPX Index	S&P 500 Index	2.4%	25.0%	14.5%
	RBC CM Top 30 Global Ideas	**1.8%**	**21.5%**	**14.3%**
NDDUWI Index	MSCI World Net Total Return US	-0.2%	18.7%	11.2%
AS51 Index	S&P/ASX 200	-0.7%	12.7%	9.4%
SXXP Index	STOXX Europe 600 Price Index	-2.5%	9.6%	7.4%

Total Return (in USD)

Indices		Q4/2024	2024	Since Inception* (Annualized)
SPX Index	S&P 500 Index	2.4%	25.0%	14.5%
NDDUWI Index	MSCI World Net Total Return US	-0.2%	18.7%	11.2%
	RBC CM Top 30 Global Ideas	**-1.0%**	**18.6%**	**13.7%**
SPTSX Index	S&P/TSX Composite Index	-2.6%	11.7%	8.9%
SXXP Index	STOXX Europe 600 Price Index	-9.5%	2.5%	5.7%
AS51 Index	S&P/ASX 200	-11.4%	2.0%	6.6%

Notes: *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 78.56**

Price Target: CAD 94.00 | **Implied All-in Return (%): 20.7**

Investment summary

Despite challenging macro backdrop, multiple avenues for growth, underpinned by: (1) recovery in top-line demand as consumer spending stabilizes and as ATD generates momentum from more-focused, cross-regional initiatives to drive incremental sales and consumer value; (2) well-defined initiatives and strategies to optimize procurement and efficiency; (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 $10B, $8.9B 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 sustainable fuel margin in the mid-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. With gas prices normalizing and opex growth moderating, sustained elevated gas margins should enable ATD to offset SSS and SSG weakness related to cash-strapped consumer spending trends.

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 (GetGo) 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 more than sufficient to fund the targeted $1.1B of incremental EBITDA from M&A.

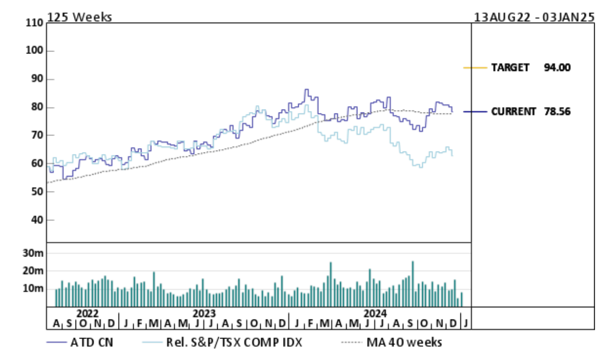
Valuation

Taking the midpoint of 20.0x Q1/F27E TTM (July 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

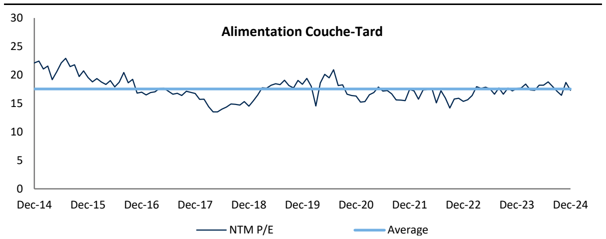
Normalization of gas margins without volume improvement would result in earnings below expectations. Substantial dislocation in inside-store volumes could reduce inside-store contribution. Although c-stores typically are relatively recession-resistant, ~50% of US c-store customers have incomes ≤$60k 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 72.81**
Price Target: USD 87.00 | **Implied All-in Return (%): 21.7**

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).

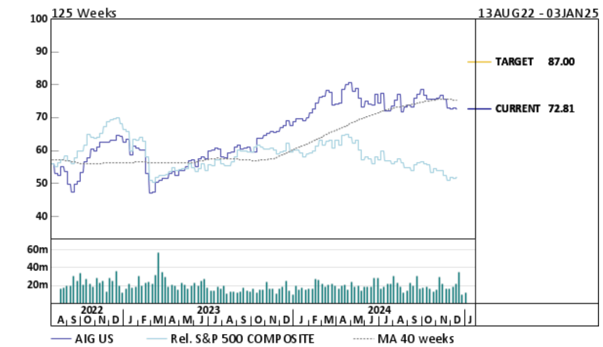
Valuation

Our $87 price target is based on 1.1x our ending 2025 book value per share estimate (or roughly 1.3x 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

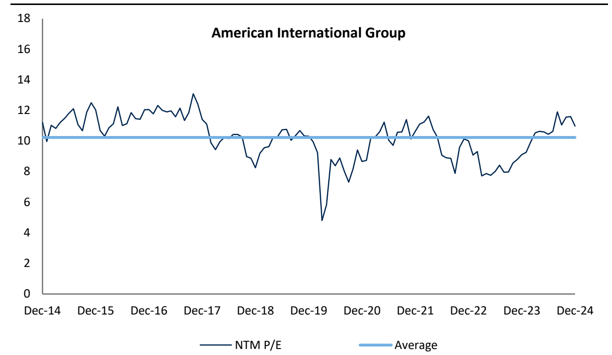
AIG is subject to many inherent risks including market risk (interest rate risk or equity risk) that could pressure investment spreads or put pressure on investment portfolio values. There is also inherent reserving and underwriting risk mainly through whether more recent accident years prove redundant 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

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 44.81**
Price Target: USD 50.00 | **Implied All-in Return (%): 13.9**

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 11.8% and SLR of 5.9%,*** as of September 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: In July 2024, 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 third quarter*.**

Global capital markets: As one of the leaders in global capital markets, BAC has relationships with 78% 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 $1.93 trillion in total deposits and $945 billion in total consumer banking deposits as of 3Q24,*** 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.

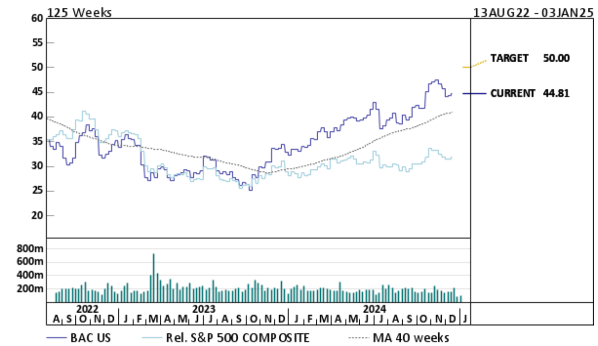
Valuation

Our price target of $50 is 13.5x our 2025 EPS estimate, 1.30x 4Q25E book value, and 1.71x 4Q25E 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

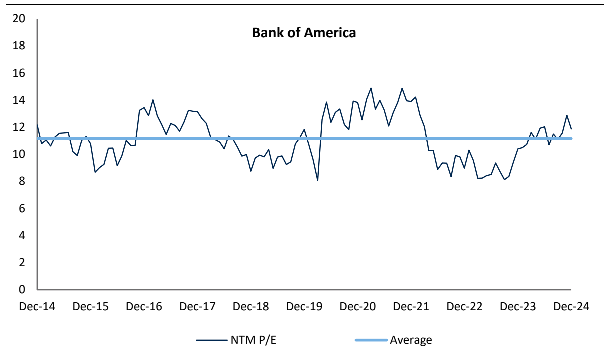
We believe excessive monetary easing by the Federal Reserve, which results in a reemergence of inflation in 2025, is the key risk for the company and our rating and price target. A reemergence of inflation would likely force the Federal Reserve to halt its easing (lowering of the Federal Funds rate) which could eventually lead to monetary tightening to bring down inflationary levels and possibly cause a recession.

Exhibit 5 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 6 - 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 90.69**
Price Target: USD 105.00 | **Implied All-in Return (%): 15.8**

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. BSX's category leadership strategy driven by product innovation and M&A should drive organic revenue growth above its WAMGR, and at the high end of its stated range (2024-26E LRP of 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.

Positioned to drive consistent double-digit EPS growth. BSX has a clear pathway to consistent double-digit EPS growth over its LRP period driven by top-tier organic revenue growth (2024-26E LRP of 8-10%) and strong OM expansion of +150bps over its LRP period.

Farapulse Pulsed Field Ablation (PFA) system launch is ongoing. BSX launched Farapulse in early Q1'24, and the CEO indicated that EP is one of the two strongest markets in MedTech, with EP being the greatest TAM expansion story in the sector.

Key potential catalysts are as follows: (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.

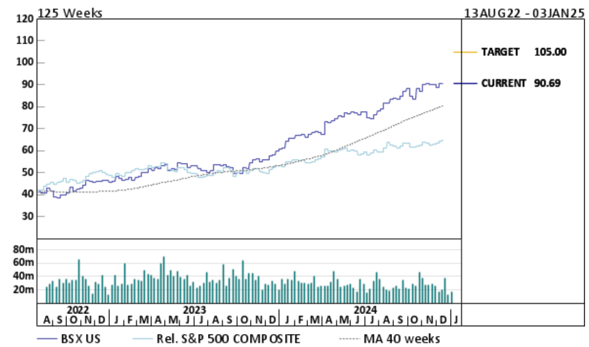
Valuation

Our $105 price target is an equal blend of: (1) DCF yields a value of $112 per share and reflects our forecast through 2033 with a 1.5% terminal value growth rate and a WACC of ~8.1%; (2) EV-to-Sales analysis uses a multiple of ~7.5x on 2026E sales, which yields a value of $100; (3) EV-to-EBITDA analysis uses a ~22.0x multiple on 2026E EBITDA, which yields a value of $103; and (4) P/E analysis uses a ~31.5x multiple on 2026E EPS, above its 10-year historical NTM P/E multiple of ~22.0x and slightly below its 10-year peak (~33.0x), which yields a value of $103. The return implied by our price target supports an Outperform rating.

Risks to rating and price target

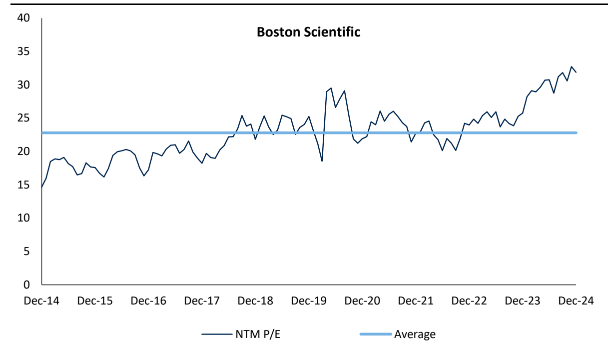
Risks to rating and price target include, but are not limited to: (1) competition that can disrupt and take share; (2) R&D efforts or clinical trials that do not materialize; (3) supply chain or manufacturing disruptions; (4) geopolitical risk; (5) FX headwinds; and (6) BSX/AXNX merger does not get regulatory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

Exhibit 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

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 76.70**
Price Target: CAD 90.00	**Implied All-in Return (%): 17.5**

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.

Potential catalysts

Longer-term, we expect Cameco to 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, which we include post-2035.

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.

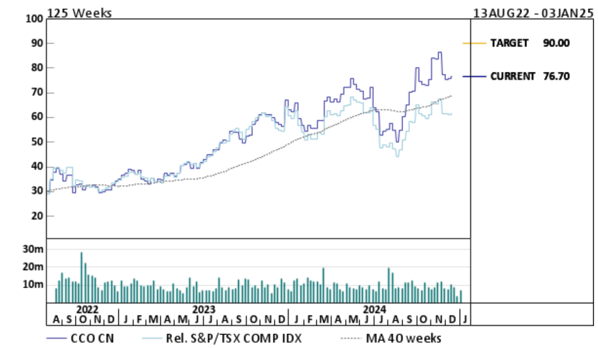
Valuation

Our $90 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

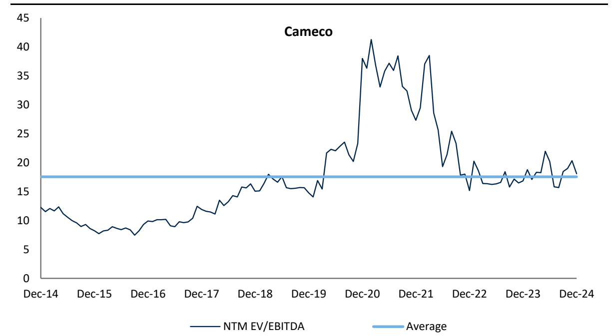
We highlight several key risks and sensitivities that could be potentially material to our thesis on Cameco including: (1) a negative outcome in the ongoing CRA transfer pricing dispute; (2) contract cancellations; (3) potential production disruptions; (4) weaker-than-expected uranium prices; (5) currency volatility, primarily CAD/USD; and (6) a decline in uranium investor sentiment resulting in lower valuation multiples.

Exhibit 9 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 10 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

Canadian Pacific Kansas City Limited (TSX: CP; NYSE: CP)

RBC Dominion Securities Inc.
Walter Spracklin, CFA (Co-Head of Global Industrials Research) (416) 842-7877,
walter.spracklin@rbccm.com

Rating: Outperform	**Closing Price: CAD 106.79**
Price Target: CAD 124.00	**Implied All-in Return (%): 16.9**

Investment summary

Our positive view on CP centers on a best-in-class railroad ahead of a transformative acquisition, which we believe will set the stage for significant growth and a material upward valuation re-rate. Key points:

CP's purchase of KCS significantly improves network reach. The network advantage of the CP-KCS deal is the most compelling merit of the transaction, in our view. The deal opens up new markets as well as gives CP a meaningful structural advantage versus peers. The transaction significantly increases the company's network reach from Vancouver to Saint John, and now via KCS, down to the ports of Lazaro Cardenas and Veracruz in Mexico. The new network connects six of the seven-largest metro regions in North America in a single-line connection, particularly between the Midwest US / Canada into the Gulf Coast / Mexico and a new third option between the Midwest US and Texas / Mexico.

Diversification a big component of the value proposition in KCS deal. Particularly favourable is the improvement in diversification that comes on both a business line and a geographic basis. Notable is the level of Merchandise exposure that KCS brings to CP, as well as the increased US and new Mexican revenue streams.

Valuation

Our $124 price target is based on applying a P/E multiple of 21x to our 2026 EPS estimate of $5.88. Our 2026 EPS forecast reflects CP achieving full synergy run-rate on the KSU acquisition in line with guidance provided when the deal was announced. The target multiple is a premium to peers, in our view warranted by CP's operations-focused management team as well as the increased network reach following the KSU acquisition. Our price target supports our Outperform rating.

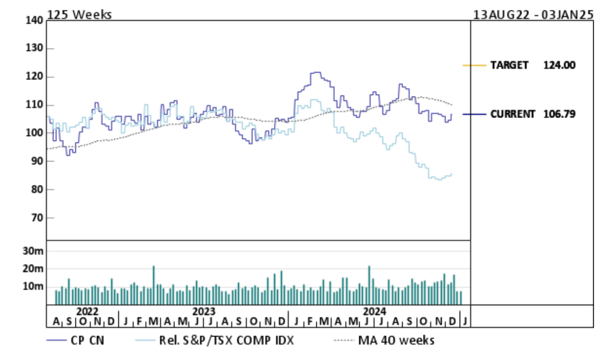
Risks to rating and price target

Key risks to our thesis relate to the acquisition of KSU.

Mexico concession risk. The two major rails in Mexico do not own their real estate and instead operate on concession from the Mexican government. The current concession expires in 2047 and was subject for review in 2027, but KCSM recently reached an agreement with the SICT that extended exclusivity rights granted to KCSM (in Mexico) for an additional period of 10 years to 2037. Management is of the view that if CPKC provides a high-value service offering at a competitive price, there will be no need to make major changes to the concession arrangement.

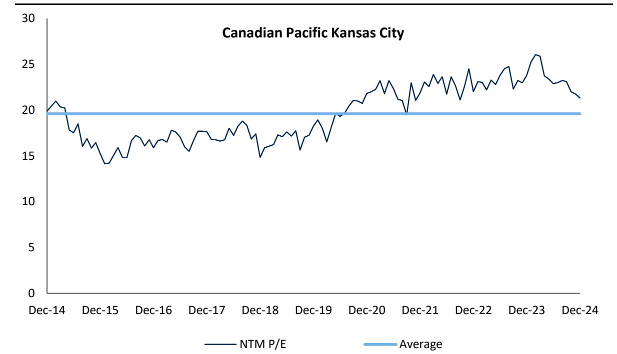
Integration risk. We consider CP management to be one of the top teams in North America and have strong confidence in its ability to execute on the integration of this deal and achieve (or exceed) the announced targets. Moreover, CEO Keith Creel has agreed to contract amendments that would see him lead the company out to at least 2026. However, it is still possible that CP encounters unforeseen headwinds that could potentially impact forecast synergies.

Exhibit 11 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 12 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

ConocoPhillips (NYSE: COP)

RBC Capital Markets, LLC
Scott Hanold (Analyst) (512) 708-6354, scott.hanold@rbccm.com

Rating: Outperform	**Closing Price: USD 101.09**
Price Target: USD 135.00	**Implied All-in Return (%): 36.6**

Investment summary

We believe COP shares should outperform large-cap E&P peers. COP has a returns-focused value proposition, a strong balance sheet, and peer-leading distributions. The company appears well positioned to maintain competitive FCF generation through various commodity price cycles. The scaled Permian position enhances the outlook with greater FCF generation, asset diversity, and development flexibility.

Management has one of the clearest and most defined investment propositions. COP was an early leader in committing and demonstrating high returns of capital back to shareholders. COP's priorities are: (1) sustain production and pay its dividend; (2) annual dividend growth; (3) A-rated balance sheet; (4) 30+% CFO total shareholder payout; and (5) disciplined investment for CFO expansion.

A global and diverse asset base across the commodity spectrum mitigates unsystematic risk. This also allows spending flexibility to deliver industry-leading returns through the commodity price and economic cycles.

COP has a low break-even point where it can fund its production maintenance capital and dividends at below $40/bbl (WTI). This is supported by a peer-leading base decline rate that results in a 35% less capital requirement to sustain production than peers.

COP is among the top five largest natural gas marketers in the US. This creates opportunities to enhance transportation and sales mechanisms for margin improvement.

COP adopted a Paris-aligned climate risk framework. The long-term ambition for net-zero operational (Scopes 1 and 2) emissions is by 2050. There is a more defined medium-term target to reduce GHG emissions 40–50% by 2030.

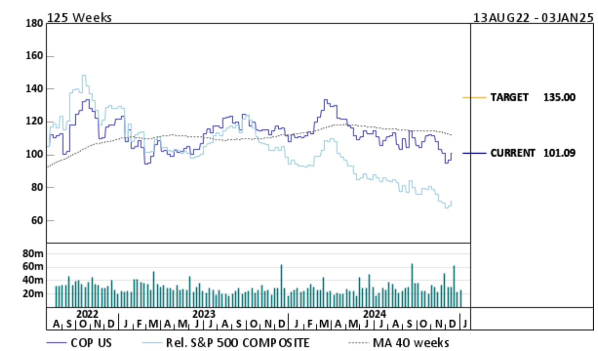
Valuation

Our $135/share price target is derived from a combination of evaluating forward EBITDA multiples and our Net Asset Value (NAV). Our target reflects: (1) 6.9x multiple on our 2024 EBITDA estimate, higher relative to peer averages; and (2) a 17% premium to our $116/share Net Asset Value (NAV), above the large cap peer average due to peer-leading shareholder return commitment, solid FCF growth rates, a strong balance sheet, and asset diversity. Our NAV is a risked assessment of 3P reserves using the long-term RBC commodity price outlook of $65/bbl (WTI), $70/bbl (Brent), and $3.50/Mcf (HH). Our price target supports our Outperform rating.

Risks to rating and price target

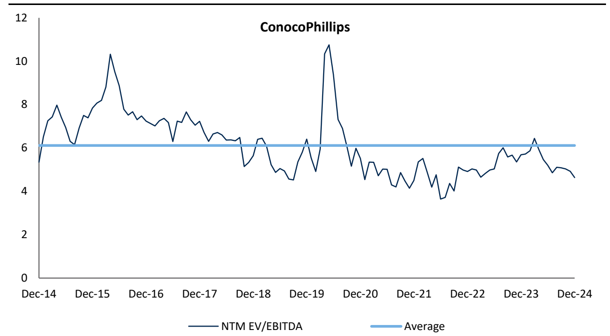
Risks to rating and price target include: (1) ConocoPhillips's returns-focused strategy is dependent on strong margins, cost control, and execution. Industry inflation or unforeseen cost overruns could limit the company's ability to deliver significant returns to shareholders and negatively impact the share price; and (2) regulatory changes could adversely impact the company's development opportunities and economics. COP has federal acreage on certain core assets in both the Permian Basin and Alaska that could be impacted by regulatory changes.

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

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 4,458.44**
Price Target: CAD 5,300.00	**Implied All-in Return (%): 19.0**

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 27.6% FY26e.

Constellation's valuation appears attractive. Constellation is trading above Canadian software consolidators on NTM EV/EBITDA. However, we believe Constellation's valuation is attractive given the company's proven ability to compound FCF/share over the long term.

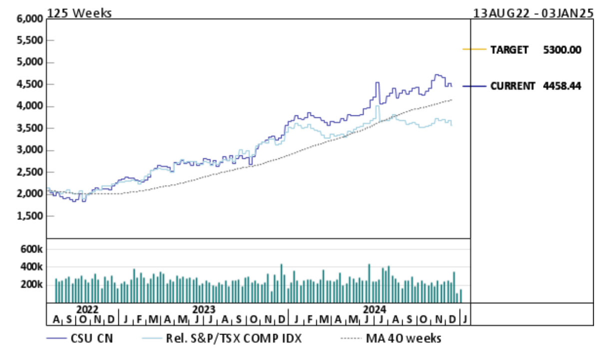
Valuation

Our C$5,300 price target is based on 24x CY26e 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

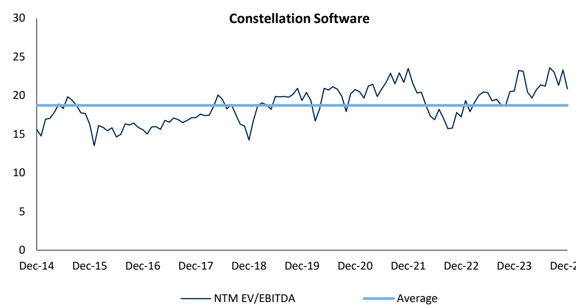
Risks to our rating and price target include: (1) inability to find attractive acquisition candidates at high rates; (2) unforeseen challenges managing large acquisitions; (3) unexpected organic growth headwinds; (4) loss of key employees; and (5) a decline in tech market valuations.

Exhibit 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

Ferrari N V (MILAN: RACE)

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

Rating: Outperform	**Closing Price: EUR 405.30**
Price Target: EUR 470.00	**Implied All-in Return (%): 16.2**

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; and (3) take rate of EV products.

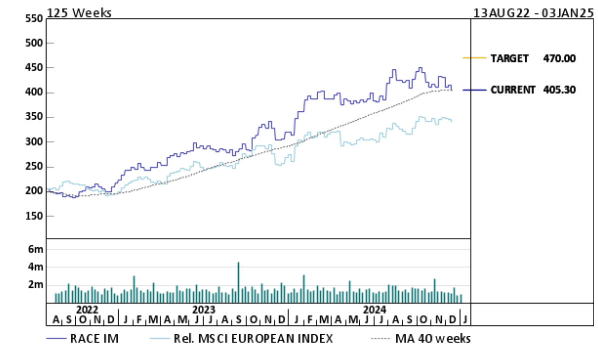
Valuation

Our €470 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

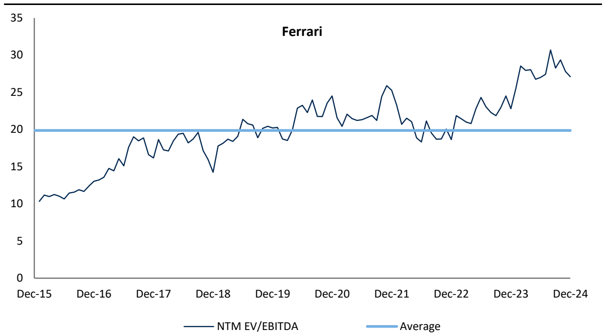
Risks to rating and price target include: (1) challenges to penetrating China; (2) electrification is not in Ferrari's DNA; and (3) premium SUV market is already hyper-competitive.

Exhibit 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

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 186.43**
Price Target: USD 280.00 | **Implied All-in Return (%): 50.2**

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.

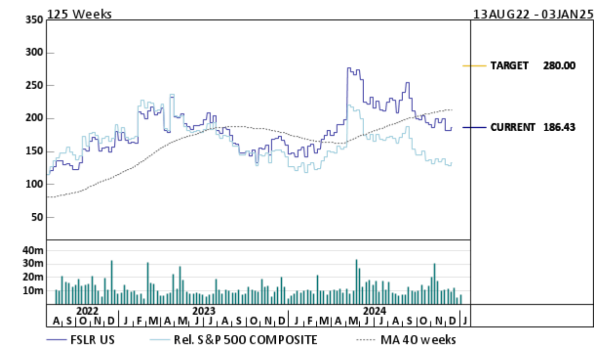
Valuation

Our $280 price target uses an equally weighted EV/EBITDA multiple (FY2026E ex-IRA credits) of 13x (down from 15.0x prior reflecting a more challenging macro environment in India) and a DCF analysis (using a 10% discount rate and a 2% perpetual growth rate). This yields an EV/EBITDA valuation of $335 (includes separately valued $93/share from IRA credits) and a DCF valuation of $225 for an equally weighted price target of $280. Our PT implies a ~7.2x multiple on 2026E EBITDA (including IRA credits) which is ~1x below the 3-year historical average of 8x. We believe this is warranted given macro demand concerns and US election risk. 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

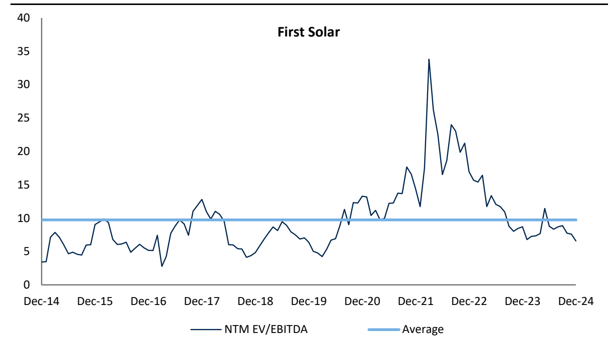
Risks to rating and price target include: (1) **political risk** – FSLR is a significant beneficiary of the Inflation Reduction Act and our valuation assumes certainty of IRA credits through 2032. Changes in federal policy and other incentives could have an adverse impact on the company; (2) **supply 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; (3) **competition** – FSLR faces competition globally from a number of solar module manufacturers and across the solar value chain; and (4) **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 19 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 20 - 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 47.86**
Price Target: USD 57.00	**Implied All-in Return (%): 25.5**

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 tenants, and the recent foray into tribal gaming could increase the universe even further. 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.

Tribal acquisitions: GLPI recently made its first foray into the tribal market, and additional opportunities there could be a catalyst.

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.

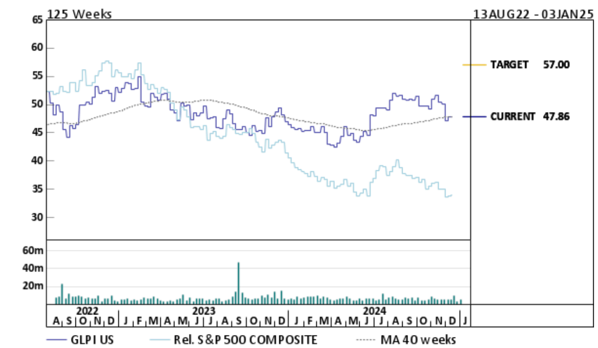
Valuation

We derive a DCF valuation of $59/sh using our 2024–27 AFFO/sh estimates, a terminal growth rate of 2.2%, and a WACC of 6.8%. 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

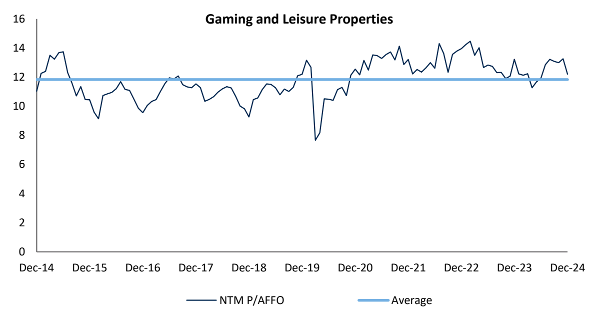
Risks to rating and price target include: (1) **economic trends** – the largest risks to all net lease companies relate to general economic trends; (2) **spread contraction** – a reduction in acquisition spreads through either cap rate compression or a higher cost of capital would be a headwind; (3) **concentration risk** – GLPI has all of its rent concentrated in seven casino operators, so issues with any of these operators is a potential risk; (4) **disruption risk** – an increasing rollout of iGaming platforms could eat away at the market share of traditional casinos; and (5) **regulatory risk** – gaming is a highly regulated industry, particularly at the state level, so any new regulatory headwinds are a risk.

Exhibit 21 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 22 - 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 44.63**
Price Target: USD 53.00*	**Implied All-in Return (%): 16.6**

* Subsequent to the January 3, 2025 pricing of the Top 30 Global Ideas for 2025, GFL's price target was raised to USD 53.00 (from USD 52.00) on January 6, 2025. See note here.

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, etc.); 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.

Investing in sustainability-related organic growth initiatives – GFL is investing in MRFs to take advantage of ongoing developments with EPR regulations, as well as RNG facilities to monetize the gas that the company's landfills are producing. GFL is expecting to generate annual run-rate Adjusted EBITDA of \$80–100MM by 2026 from its EPR-related investments and an additional \$175MM from RNG projects. For perspective, GFL has outlined EV/EBITDA "build" multiples of ~4–5x for its EPR-related initiatives and <2x for RNG projects.

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 – Since launching an auction for the Environmental Services business in fall 2024, GFL has received interest from several potential buyers (40 in total, resulting in ~10 proposals, four of which are proceeding) at a minimum valuation of \$6B after-tax (recent unconfirmed articles put the value of the Environmental Services business at as high as \$8B on a pre-tax basis). GFL expects to use these funds to repay at least \$3.5B of debt (we estimate that this would drive pro-forma leverage to the low-3x range vs. 4.05x exiting Q3), with the remainder to be used for buybacks/general corporate purposes. As it relates to timeline, management noted on the Q3 earnings call that it is aiming for a deal in early 2025, with a potential close in Q1/25. Overall, the above-noted valuation is consistent with our views, and we have a favorable view of management's commitment to getting the deal done at an accretive multiple to GFL.

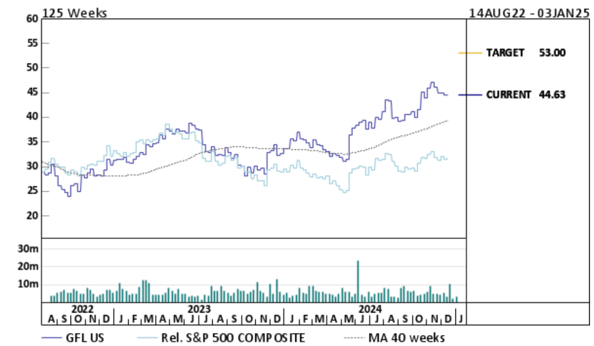
Valuation

In our base case scenario, we apply a ~14.5x EV/EBITDA multiple on our blended 2025/2026 EBITDA estimate of ~\$2.6B. We believe our target 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\$53 price target, which supports our Outperform rating.

Risks to rating and price target

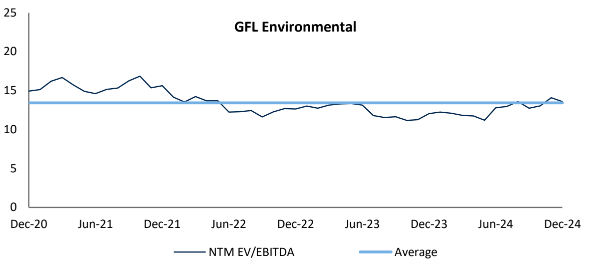
Risks to rating and price target include: (1) competition; (2) dependence on third-party landfills and disposal facilities; (3) acquisition risks (i.e., if GFL is unable to successfully acquire and integrate target companies); (4) sensitivity to macro factors; and (5) regulatory and environmental risk.

Exhibit 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 industry note: link

Gitlab Inc. (NASDAQ: GTLB)

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

Rating: Outperform	**Closing Price: USD 59.76**
Price Target: USD 80.00	**Implied All-in Return (%): 33.9**

Investment summary

We believe GitLab is well positioned to become the center of the DevSecOps ecosystem helping to consolidate spending in a large and growing market.

We believe GitLab's addressable market opportunity for its DevSecOps platform is ~$40 billion, which should grow over time. In our view, GitLab is well positioned to drive spending away from legacy DIY DevOps approach leveraging point tools manually integrated together, as companies realize the power of a single application for the entire DevSecOps lifecycle. With that said, there is an opportunity to grow by adding and maturing features in more stages of the DevSecOps lifecycle as well as making the features open-source to encourage contributions and further improve the platform. Additionally, we believe there are opportunities to grow within the existing customer base through higher tiered plans and more users, increased adoption of its SaaS offering, and international expansion. Finally, we believe that GitLab is differentiated in having been an all-remote company since its inception, which has enabled broader access to talent across the globe with diverse, specialized and highly in-demand skills that employers with physical locations may not have access to.

Potential catalysts include: (1) ultimate upsell and the Premium price increase; (2) GitLab Dedicated and Duo adoption; (3) international expansion; (4) advancing feature maturity across more stages of the DevSecOps lifecycle; (5) driving growth through increased S&M with a focus on replacing DIY DevOps within larger organizations and driving customer growth; (6) expansion within existing customer base through more users or move to higher tiered plans; and (7) increased adoption of the SaaS offering.

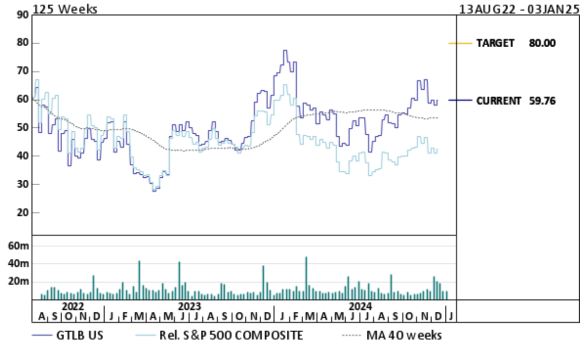
Valuation

We calculate our base-case price target of $80 by applying a 15.0x multiple (prior 13.6x) to our CY/25 revenue estimate. This implies a premium to high-growth peers, in our view, warranted due to a large and expanding TAM that leads to an attractive growth profile as well as the opportunity for upside to growth expectations. Our price target supports our Outperform rating.

Risks to rating and price target

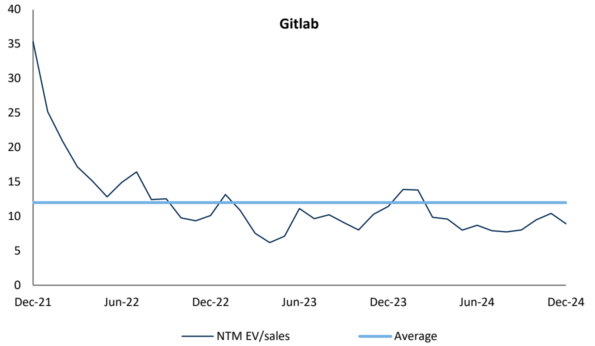
Risks to rating and price target include: (1) intense competition with competition across one to all ten stages of the SLDC, with limited barriers to entry; (2) competition with well-established providers such as Atlassian and Microsoft and larger and better-resourced competitors; (3) reliance on independent open source contributors beyond the company's direct control; (4) market for the services is relatively new and unproven; and (5) limited operating history.

Exhibit 25 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 26 - Forward consensus EV/sales 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 702.85**
Price Target: USD 825.00 | **Implied All-in Return (%): 17.4**

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 $825 by applying a 14x EV/revenue multiple to our 2025 estimate of $3,034M. 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.

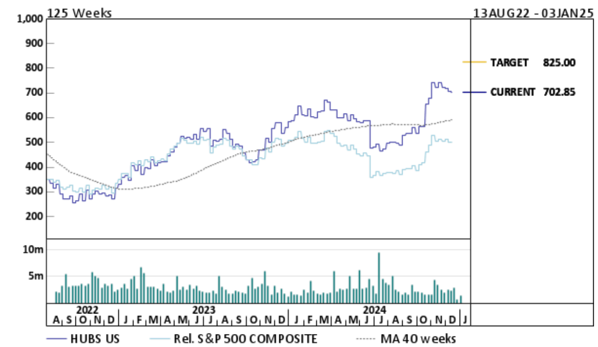
Risks to rating and price target

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.

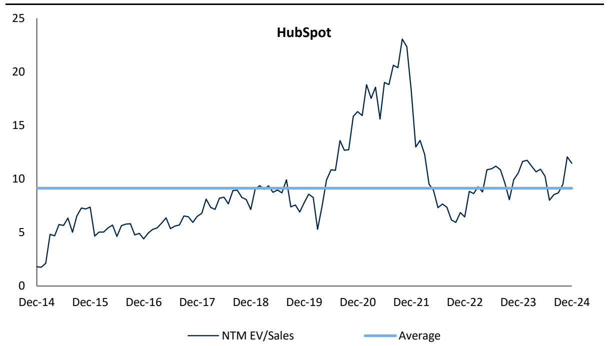
Long-term profitability: Margins have improved and are solid for HUBS growth, but the company's long-term margin structure remains uncertain. We believe the company has a strong enough cash position to achieve positive FCF generation without raising funds.

Exhibit 27 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 28 - 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 136.01**
Price Target: USD 252.00 | **Implied All-in Return (%): 85.3**

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

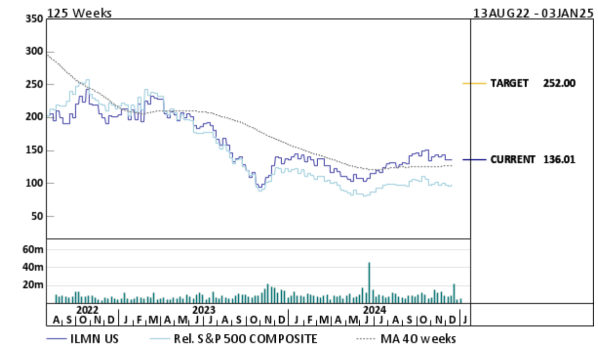
Our estimates are based on the assumption that revenue growth re-accelerates, expenses grow slower than revenue, and the tax rate will come down over time. If any of these assumptions prove to be incorrect, our estimates may be too high.

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.

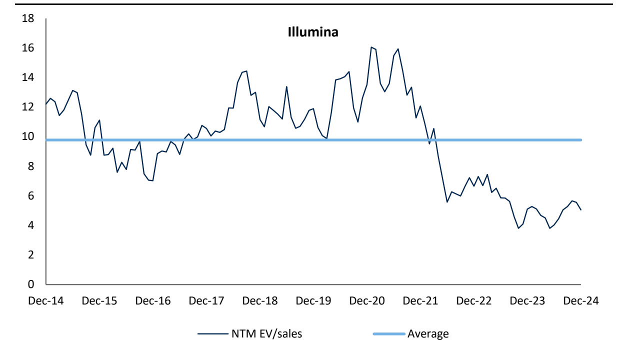
Alternatives to NGS – including long-read sequencing – could damage ILMN's market position.

Exhibit 29 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 30 - Forward consensus EV/sales 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 11,420.00**
Price Target: GBp 11,600.00 | **Implied All-in Return (%): 2.6**

Investment summary

Impressive operational momentum moving into 2025: 2024 looks set to be another strong year for LSEG, with underlying organic growth tracking at 8% at 9m, exceeding stated targets, and a reflection of the improved performance of the group as it moves into 2025. Encouraging commentary on traction and enhancements to the Workspace product through 2024, has further boosted our confidence in the medium-term investment case, whilst the risk-profile of the shares has also been reduced by successful placings by Refinitiv sellers (removing a notable overhang).

Diversified business model with an attractive growth outlook: LSEG is targeting 'mid-to-high single-digit' organic revenue growth, accelerating from 2025. This growth acceleration should be underpinned by (1) secular drivers; (2) return from elevated recent cap-ex investment; and (3) revenue contribution associated with the Microsoft partnership. We expect LSEG to deliver double-digit growth in EPS and dividends over FY23-FY26.

Favourable exposure to fixed income volatility: LSEG's transactional revenues (c25% of group revenues) tend to benefit when interest rate expectations fluctuate, meaning we see the group as a beneficiary from "higher-for-longer" rate scenarios that look more likely following the US election result. A "deregulatory" Trump administration could also benefit prospects for US banks, which remain in important customers for LSEG.

Strong cash generation to support capital returns and further bolt-on M&A: Following a period of elevated investment, we expect the underlying EBITDA margin to improve over the medium term, with capital expenditure strain also set to fall from 2025, supporting improved cash generation. The group has announced material buybacks in each of the last three years, and we expect similar returns looking forward, given the highly cash generative nature of the group's activities.

Discount to peers even more difficult to justify given changes to risk profile: We view the international data providers as the most appropriate peer group for LSEG. With overhang risk now removed (following sell downs by the Refinitiv sellers) we see the argument for a discount as further weakened. The group trades on a FY25E PE of 28x, versus the financial data provider average of 33x. This c15% discount offers a runway for a re-rating in our view.

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 7.5% (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 30x, which we see as justified given LSEG's strong FCF generation and exposure to structural growth markets. Our price target of 11,600p supports our Outperform rating.

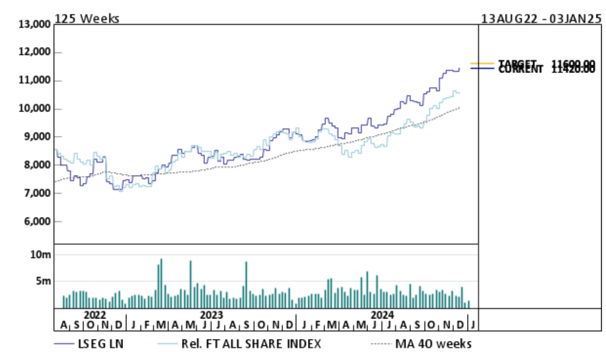
Risks to rating and price target

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.

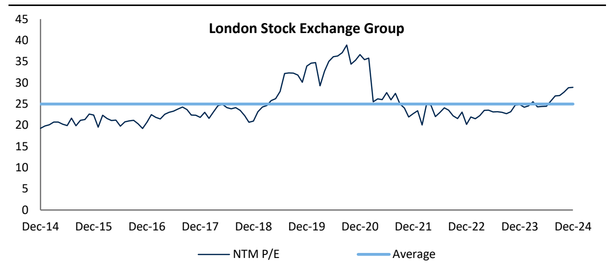
The Post Trade business is exposed to regulatory uncertainty, as temporary CCP equivalence has only been granted to the UK clearing houses until 2025 for Euro-denominated interest rate swaps.

Exhibit 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

MSCI Inc. (NYSE: MSCI)

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

Rating: Outperform | **Closing Price: USD 601.48**

Price Target: USD 675.00 | **Implied All-in Return (%): 12.7**

Investment summary

Industry-leading position in large multi-billion dollar opportunities including Indices, Analytics, ESG, and Private markets should sustain low-double-digit organic revenue growth. We believe high contribution margins should deliver long-term EBITDA margins in the high-50% range. Shareholder-friendly capital allocation focused on strategic tuck-in acquisition and buybacks should drive double-digit earnings growth. Separately, the downturn playbook should help defend margins and EPS in a potential downturn. Given all the considerations above, we believe the company deserves its premium valuation.

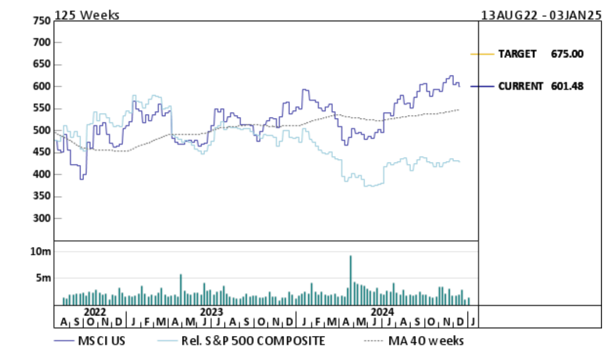
Valuation

Our price target of $675 is based on ~35x our FY26E EPS of $19.25. Our target multiple is in line with the 5-year PE average. We remain encouraged by MSCI's dominant market position in four verticals with a strong moat, accelerated revenue growth profile, industry-leading margins, and shareholder-friendly capital allocation. Our price target supports our Outperform rating.

Risks to rating and price target

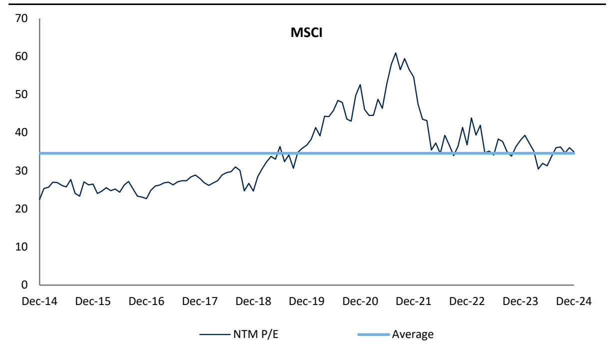
Risks to rating and price target include: (1) inability to deliver on the Analytics growth initiatives; (2) impact of market volatility and pricing pressure on indexing business; (3) increased regulations; (4) increased competition and lack of ESG adoption; and (5) sell-off in the high-multiple stocks.

Exhibit 33 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 34 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Nestlé S.A. (SW: NESN)

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

Rating: Outperform	Closing Price: CHF 74.70
Price Target: CHF 93.00	Implied All-in Return (%): 28.6

Investment summary

We think that Nestlé's problems have been as much to do with expectations' management as operational management. The fresh CEO/CFO combination seems determined to put that right. Part of this process is making it apparent that margins will decline in the short term to fund the revenue investment necessary to revive brand equity, thereby stimulating Nestlé's category and market share performance. Given Nestlé's portfolio, we think that equates to organic sales growth of below 4% (previous medium-term guidance, currently under review, was for 4-6%). This might seem disappointing, but we believe that thoughtful investors are already there, hence Nestlé's unprepossessing share price performance. Our Adjusted Present Value derived price target underpins our Outperform rating.

Valuation

We believe that consumer staples stocks lend themselves to a DCF valuation methodology owing to the relative strength and predictability of their cash flow 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 and EV/EBITDA ratios) 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 (7.5% for Nestlé) and tax shield at the cost of debt (2.0%). We assume a terminal growth rate of 2.5% from 2035. Under these assumptions, we derive an APV of CHF90 per share. Discounting the APV forward by one year at the cost of equity yields a 12-month price target of CHF93 net of our forecast dividend payment. Our price target supports an Outperform rating.

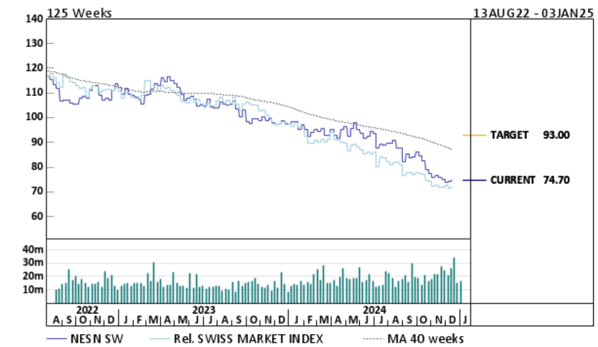
Risks to rating and price target

Nestlé's strategy is based around increased revenue investment driving improved category growth and market share. If Nestlé's portfolio proves to be unresponsive, or the investment is mishandled, we would expect the shares to underperform.

A more intense promotional environment and heightened competition would be negative for the shares, as would further deterioration in the global consumer environment. Disruptions to its supply chain and IT system as well as capacity constraints also present a downside risk.

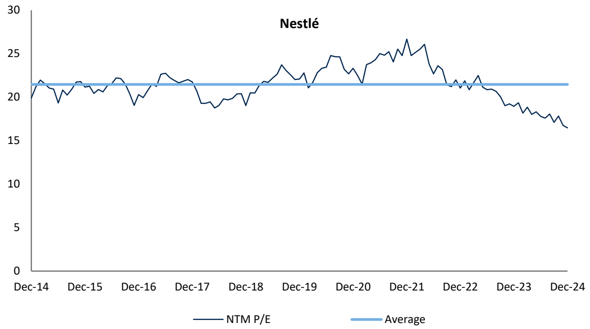
A wider and more frequent take up of GLP-1 drugs and a subsequent reduction in calories consumed globally could have a negative impact on Nestlé, a food company. It has various products that it hopes to be used alongside weight loss drugs, however their penetration potential is an unknown.

Exhibit 35 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 36 - 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 87.60**
Price Target: USD 100.00	**Implied All-in Return (%): 14.2**

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.

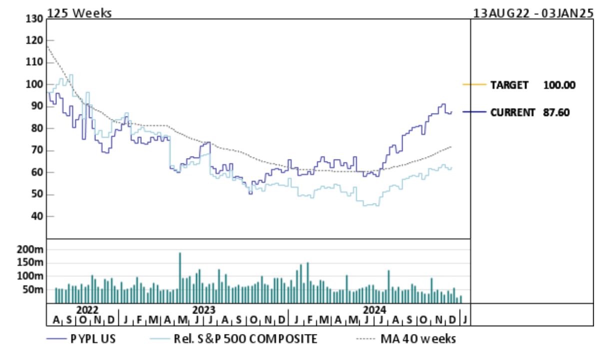
Valuation

Our price target of $100 is 20x our FY25 adj. EPS estimate and supports our Outperform rating. Our multiple reflects current peer group multiples. 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

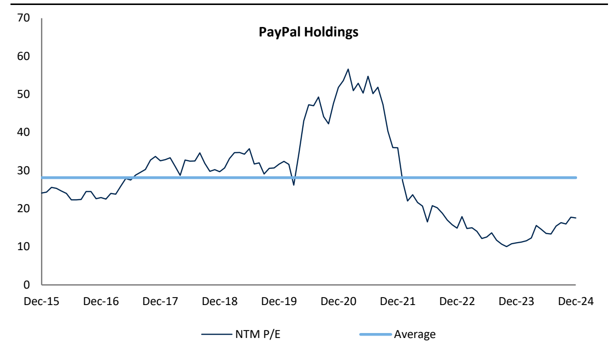
We believe there are four broad impediments to achieving our rating and price target: (1) accelerated decline in the company's take rate beyond what has been contemplated; (2) increasing competition in the global payments landscape pressuring PayPal's leadership position; (3) unexpected regulation, especially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

Exhibit 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

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 20.40**
Price Target: USD 24.00 | **Implied All-in Return (%): 17.8**

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.

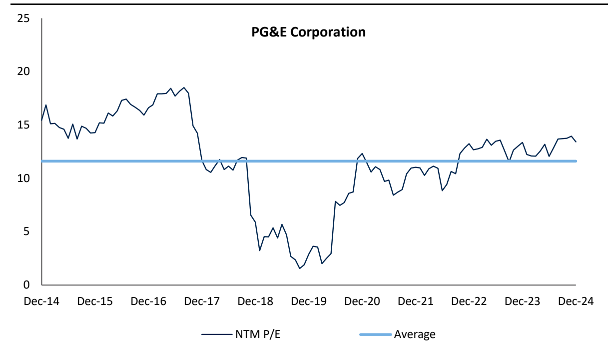
Risks to rating and price target

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 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

Pinterest, Inc. (NYSE: PINS)

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

Rating: Outperform	**Closing Price: USD 30.94**
Price Target: USD 48.00	**Implied All-in Return (%): 55.1**

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.

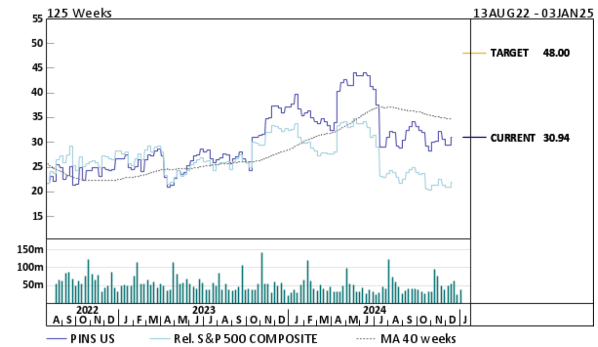
Valuation

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 25.2x EV/'25E EBITDA and supports our Outperform rating.

Risks to rating and price target

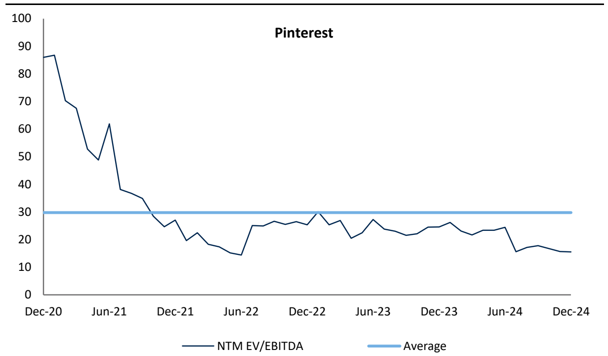
Risks to rating and price target include: (1) US MAU declines; (2) slow pace of advertisers recognizing higher value from better conversions; (3) slowing international user growth; (4) SEO traffic disruption; (5) user churn due to waning interest; (6) advertising churn due to less measurement signal 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 41 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 42 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

Safran (NXT PA: SAF)

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

Rating: Outperform	Closing Price: EUR 211.60
Price Target: EUR 240.00	Implied All-in Return (%): 14.1

Investment summary

We rate Safran (SAF-FR) Outperform with a €240 price target. We view Safran as a high-quality aerospace and defense supplier, with strong exposure in the narrowbody engine market. Investors are primarily focused on the Aerospace Propulsion segment, particularly with the CFM56 program, the primary profit driver for the segment, and execution on the LEAP, the next generation narrowbody engine program.

We believe key positive catalysts for SAF-FR will come from continued strength in the commercial aftermarket, execution on LEAP and potential upside to the 2028 targets provided in its 2024 CMD, and capital allocation optionality. We believe the valuation disconnect with US peers provides upside potential.

Valuation

Our €240 price target is based on a 22x multiple, applied to our 2026 FCF estimate of ~€4.7B. We believe a multiple at the upper end of historical ranges is appropriate considering the outlook for margin upside, catalysts associated with capital allocation, the company's low leverage, and strong market fundamentals. The implied return to our price target supports our Outperform rating.

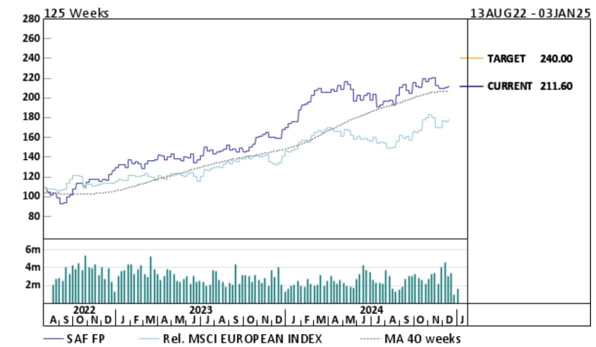
Risks to rating and price target

The primary risks to our rating and price target are focused in the company's civil aerospace business. Specifically, we would highlight risks associated with passenger and cargo travel levels, airline maintenance spending schedules and MRO capacity and lead times, as well as work scopes and the availability of spare parts and material lead times. The company also faces risk from the pace of new aircraft deliveries and aircraft interior modification and retrofit spending.

We also would highlight the engine supply chain's ability to support expected LEAP engine production increases, as well as the overall health of the aerospace supply chain and risks associated with sanctions and trade policies, capital spending by supplies as well as necessary investments in people and working capital.

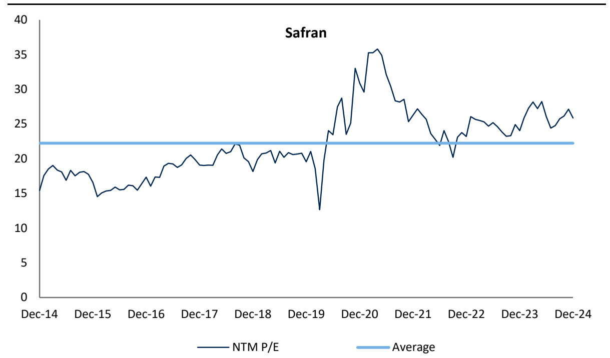
The company also faces risks from exchange rates and currency hedging strategies, as well as airline and lessors' access to capital to support aircraft purchases and investments. The company also faces risks from global defense spending, technology advancements in propulsion and other areas, and timing of defense contracts and investments, as well as the global geopolitical risks.

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

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 126.29
Price Target: USD 182.00	Implied All-in Return (%): 44.1

Investment summary

We believe the key value driver for shares going forward will be progress toward the multibillion-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; and (2) strong US launch of exon skippers, with quick uptake and high visibility for growth.

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

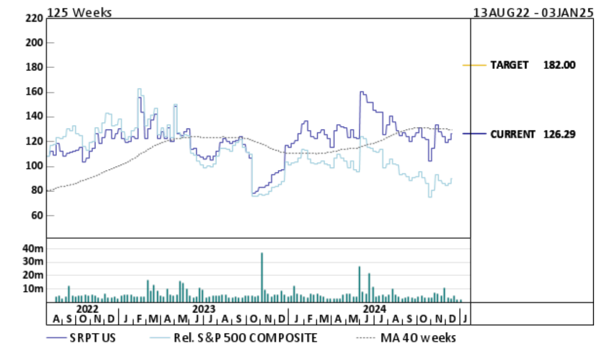
Valuation

Our $182 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; and (3) poor performance in confirmatory study leading to market removal or increased patient discontinuations.

Exhibit 45 - 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 2,566.50**
Price Target: GBp 3,500.00	**Implied All-in Return (%): 36.4**

Investment summary

Key reasons for our positive stance:

Operational turnaround. 3Q24 marked five quarters in a row of earnings coming in above market expectations with the drive from the new management on improving operational performance appearing to be coming through across a number of divisions. We think this should support cash generation over the coming years, underpinned by its oil leverage and #1 presence in a growing LNG market.

Resilient distributions. We think Shell's balance sheet (current ~5% gearing) should allow for buybacks to continue at the current pace, even in a lower price scenario through 2025. Sustained buybacks in the face of falling share prices mean share count reductions could be more rapid than anticipated, which in turn could drive higher DPS growth over time.

More rateable earnings. One of the aspects of the investment case that we've been highlighting has been around volatility, and our calculations suggest that earnings and cash flow volatility is lower than US peers despite the trading business seemingly adding to it. This seems to be underappreciated by the market with a difference between perception and financials.

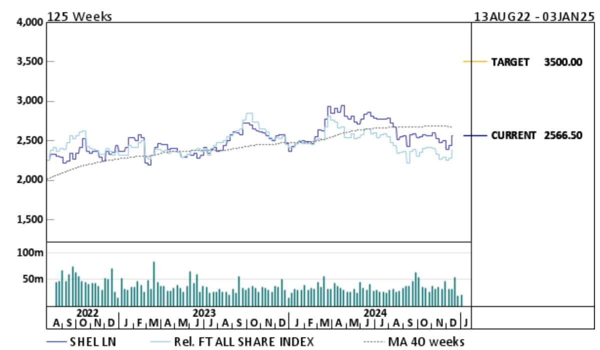
Valuation

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

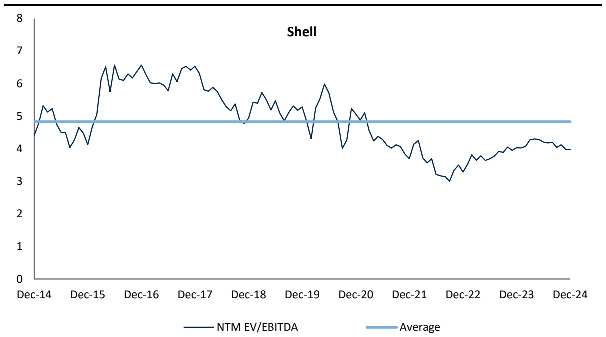
Risks to our rating and price target include: (1) overcapacity in LNG as Shell is involved in multiple growth projects whilst also being the largest supplier of LNG globally; (2) sustained weakness in US gas prices constraining profitability of gas drilling in the US; (3) security risk in key areas in 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 46 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 47 - 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 186.58**
Price Target: EUR 205.00	**Implied All-in Return (%): 12.5**

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 19.5x25E, 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 €205 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 ~0.5x being below 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.

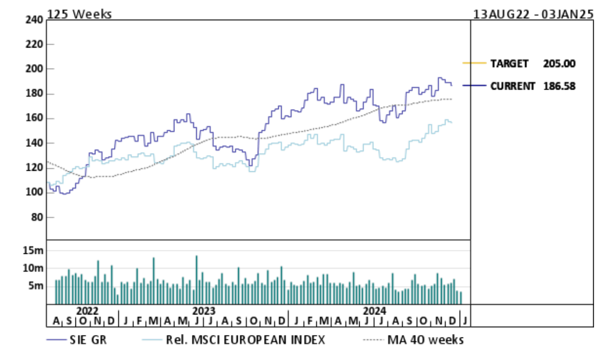
Cost flexibility: Siemens' size, complexity and board-level representation from labour unions mean that it has historically not been very agile with its cost basis. Siemens has been changing this, but it remains a factor.

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.

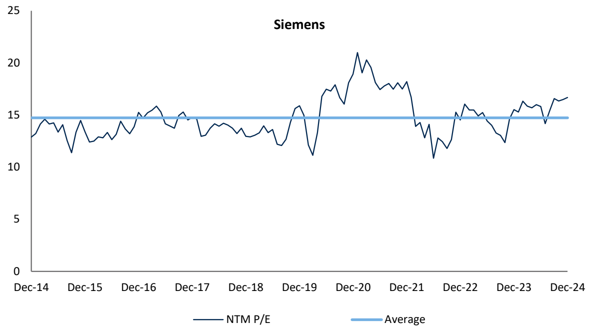
Siemens could suffer indiscriminate buying/selling pressure: Siemens is a highly liquid proxy for industrial Europe and could be bought or sold by portfolio managers wanting to increase or reduce European industrial or European cyclical exposure. The share is also a major component of Germany's DAX Index.

Exhibit 48 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 49 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Snowflake Inc. (NYSE: SNOW)

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

Rating: Outperform | **Closing Price: USD 162.22**
Price Target: USD 188.00 | **Implied All-in Return (%): 15.9**

Investment summary

Cloud remains the center of gravity for data: Despite 2023 cloud optimization trends, we believe the cloud remains the center of gravity for data longer-term. We believe 2024 will increasingly show stability and ultimately improvement in cloud spend, partially benefiting from easier compares. We believe this bodes well for Snowflake, as consumption trends are likely to improve in 2024 as macros stabilize/improve.

A more competitive Data Cloud: Historically, Snowflake was a Cloud Data Warehousing platform, but it has recently evolved into a Data Cloud platform, which supports use cases across data warehousing, data lakes, and beyond. We believe its move into the data lake market through Snowpark should enable cross-sell into BI use cases and increasingly GenAI.

World-class management: We've interacted with Snowflake's management team for many years, including at prior companies, and we believe they are world-class with a high ability to execute and attract/retain industry-best talent. Any significant change in senior leadership should be looked at closely given the high quality of talent they employ.

GenAI should drive higher consumption: We believe that a modern data strategy is a precursor to a GenAI strategy and that Snowflake is well positioned given the large amount of data on its platform, as new GenAI offerings should help drive incremental workload utilization. We think a more material impact on results is likely in 2025 and beyond as new products go into GA. Ultimately, we believe GenAI remains a key tailwind to support the company's long-term growth and margin targets.

SNOW is not inexpensive but deserves a premium valuation, in our view: We believe the premium valuation is warranted based on Snowflake's best-in-class growth, TAM expansion opportunities, management team, and scaling FCF margins.

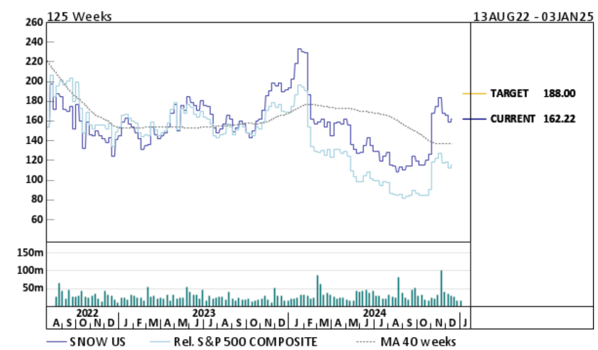
Valuation

We calculate our base-case price target of $188 by applying a 15.5x multiple to our CY/25 revenue estimate. This is a premium to the 30%+ growth peers, in our view warranted by the best-in-class growth, TAM expansion opportunities, and scaling FCF margins. Our price target supports our Outperform rating.

Risks to rating and price target

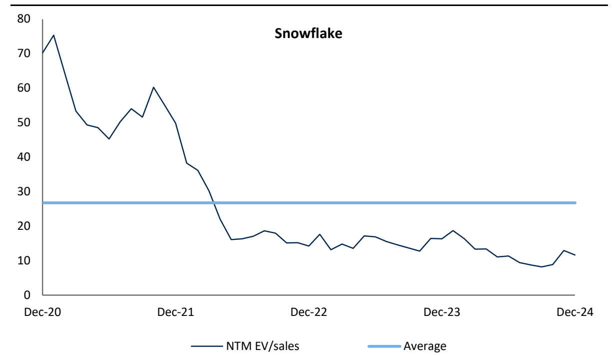
Risks to rating and price target include: (1) consumption trends could fluctuate, particularly in difficult economic times; (2) the AT&T hack could have negative ramifications for new and add-on business; (3) changes in the executive leadership team, which remains a meaningful portion of our bullish investment thesis; (4) high level of competition in the market from large established public cloud providers as well as emerging cloud native vendors; (5) the company's ability to attract new customers or expansion within existing customers and its ability to maintain high retention rates; and (6) failure to invest adequately and continue to innovate can create risk of losing share to competitors.

Exhibit 50 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 51 - Forward consensus EV/sales 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 213.03**
Price Target: USD 285.00 | **Implied All-in Return (%): 33.8**

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.

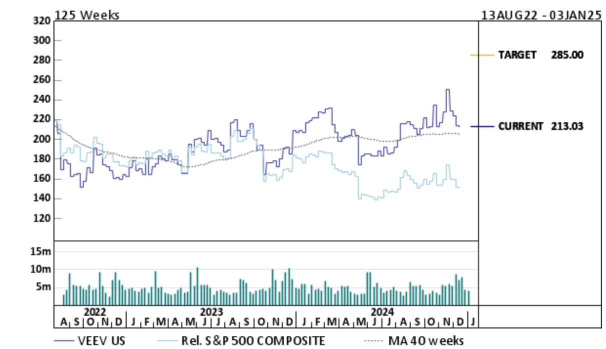
Valuation

Our $285 price target is based on 35x 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

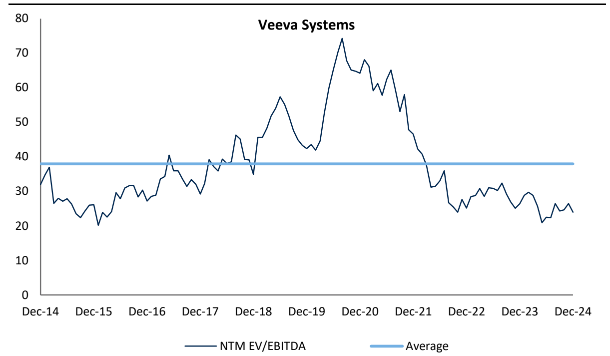
Risks to rating and price target include: (1) customer concentration, with the top 10 customers representing 36% of revenue; (2) international risk, with non-US revenue representing ~40% of total revenue; (3) CRM remains a significant part of the business at ~45% of total revenue (according to our estimates);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

Exhibit 52 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 53 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Xero Limited (ASX: XRO)

Rating: Outperform	**Closing Price: AUD 167.89**
Price Target: AUD 195.00	**Implied All-in Return (%): 16.2**

Royal Bank of Canada, Sydney Branch
Garry Sherriff (Head of Australian Equity Research & Lead Technology Research) +61 2 9033 3022, garry.sherriff@rbccm.com

Investment summary

Mission-Critical Software. Over 4m subscribers globally with SMEs paying ~$40/month on average for business-critical software. High product utility and relative low price translate to high recurring revenue over 99% and low churn ~1%. XRO's software fulfils increased mandatory obligations from tax authorities in Australia, New Zealand and the UK.

Cloud First, SaaS First with Global Scalability Advantages. XRO is the only global accounting software player built in the cloud as an SaaS platform since inception for SMEs. These attributes give XRO material global scalability advantages relative to key competitors that started life as desktop or on-premises software packages. XRO is not saddled with the complexities of a hybrid solution or transitioning its core offerings to the cloud.

Potential catalysts include: (1) subscriber net adds; (2) average revenue per user (ARPU) growth; (3) financial results in May (FY) and Nov (1H); (4) AGM in August; (5) acquisitions; and (6) new products and geographies.

Potential risks include: (1) lower subscriber growth; (2) lower average revenue per user (ARPU) growth; (3) higher-than-forecast costs; and (4) lower EBITDA and free cash flow margins.

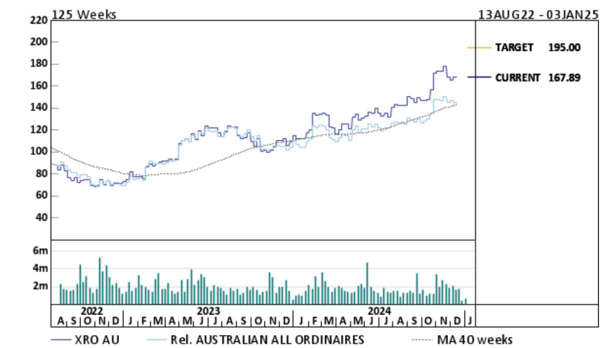
Valuation

Our 12-month forward A$195.00/share price target is based on our DCF valuation. The assumptions for our base-case valuation are: (1) cash flow forecast to FY34; (2) WACC 7.7%; and (3) terminal value calculated as a blended average of our perpetuity growth 3.5% assumption and a terminal EV/EBITDA multiple 18x. These metrics are broadly consistent with those we use for peers. Our price target supports an Outperform rating.

Risks to rating and price target

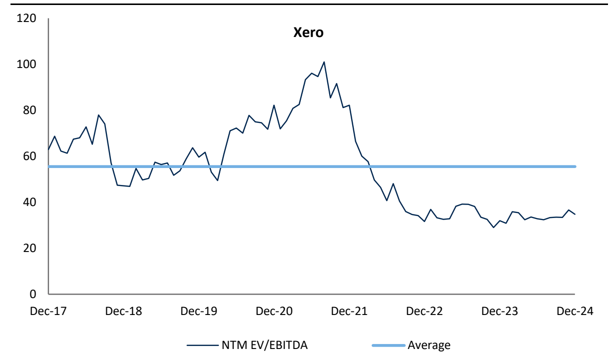
Risks to rating and price target include: (1) weak economic conditions impacting SME bankruptcies and business formations which may see a lower subscriber number growth; (2) higher investment in opex and capex above market expectations; (3) increased competition; (4) financial results; (5) potential bolt-on acquisitions; and (6) entering new geographies.

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 117.18
Price Target: USD 162.00	Implied All-in Return (%): 39.3

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 $162 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.

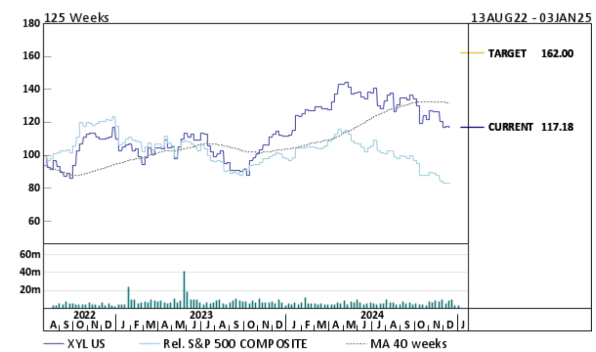
Foreign exchange. FX headwinds from the appreciation of the USD would have an outsized negative impact on sales.

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.

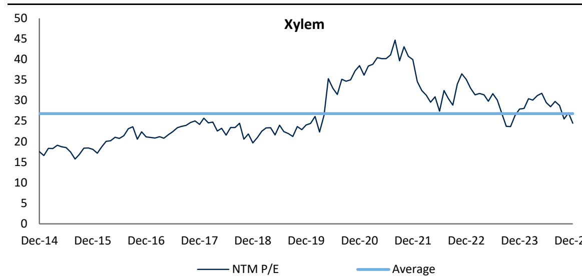
Competition. The global water sector remains highly competitive. The rise of credible Chinese players in the global water market is a key risk factor.

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 32.02**
Price Target: EUR 50.00	**Implied All-in Return (%): 56.2**

Investment summary

We believe ZAL's growth will accelerate from here, as the company continues to spend on marketing and enhance its competitive advantage on services. Its improving unit economics, particularly for Wholesale orders, should allow it to invest incrementally while still delivering margin improvement. ZAL is currently trading at c.11x CY25e EV/ EBIT, which we view as attractive given its strong growth prospects.

Potential catalysts

Zalando will report its FY results on March 6th. For FY24, ZAL is guiding to GMV growth of +3-5%, revenues +2-5% yoy and it expects an adj. EBIT of EUR440-480mn. Capex for the full year is expected to be around EUR200mn. We believe this step change down in capex is sustainable into the medium term following a review of ZAL's capacity requirements. This should provide ZAL with scope for bolt on M&A and potentially higher cash returns. We also expect ZMS to accelerate and believe it could see a return to double digit growth next year.

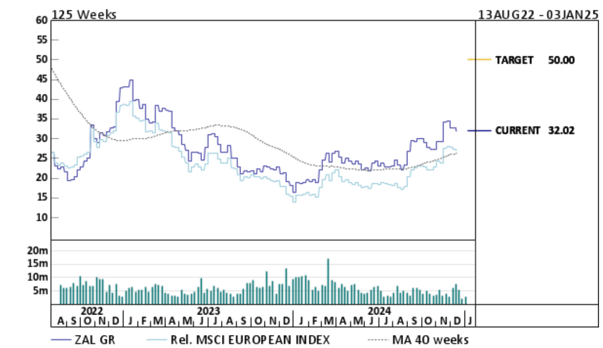
Valuation

We use a DCF analysis to derive our PT of €50. Our DCF analysis applies a WACC of 9% 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 13%, resulting in a terminal EBIT margin of 10%. Our price target supports our Outperform rating.

Risks to rating and price target

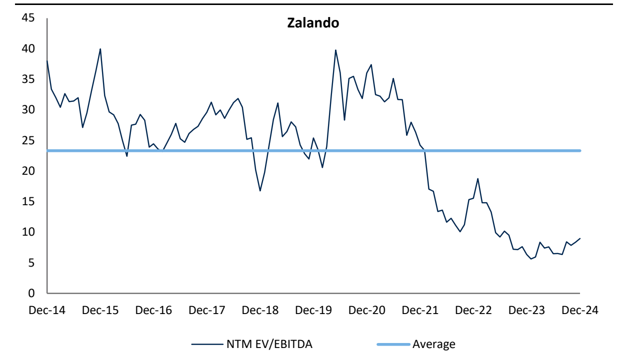
Downside risks to our rating and price target include: (1) greater-than-expected slowdown in sales as pressure on consumer spending increases with the rising cost of living, and/or due to increased competition (including from Amazon or traditional retailers as they invest more in online); (2) Zalando's 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 company note: [link]

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As of 31-Dec-2024

			Investment Banking Serv./Past 12 Mos.	
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