RBC Capital Markets

Top 30 Global Ideas for 2021

First-Quarter Update

EQUITY RESEARCH | January 4, 2021

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

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This report is priced as of market close on December 31, 2020 unless otherwise noted.

Introduction

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In this note, we present our *Top 30 Global Ideas* list for 1Q 2021. The list remains one of high-conviction long-term ideas, but with quarterly updates that enable dynamic responses when stocks have performed well or an analyst has changed a rating. Our quarterly updates highlight any changes as well as performance metrics. While short-term COVID-19 news remains negative, the combination of politics (US election resolution and Brexit agreement in Europe) coupled with the US's recently approved stimulus packages left equity markets on highs at the end of 2020. Our RBC US Equity Investor Survey, carried out December 11–21, reflected similar optimism with a new high of 60% of respondents either very bullish or bullish. With expectations for economic recovery also high, we note vaccine rollout and politics/policy as the key downside risks to monitor.

Changes this quarter reflect a rotation out of companies that have seen strong performance and less upside, into names that have more attractive potential upside as the economic recovery progresses. These changes are listed at top right and on page 5.

Within **Financials**, we add **BBVA**, with underappreciated quality in our view, even before a transformational disposal of its US assets. We switch out of **Markel**, which we continue to like, and into our preferred name, **Arch Capital Group**, whose current valuation is in our view attractive for a top-caliber underwriting franchise in a diversified growth platform across both insurance and reinsurance. We also include **Element Fleet Management**, which we believe has strong growth opportunities in a favourable market environment. In **Retail**, after recovery and with lower upside, we remove **ABF** in the UK and replace with **Kingfisher**. We add **NIKE**, a recent initiation, and **Dollar Tree**, whose mix of value and convenience based business model should in our view enable the company to navigate economic weakness. We remove **PepsiCo** on a downgrade, as well as **Ollie's** and **McDonald's**, seeing better opportunities elsewhere in the sector. We also remove **LVMH** following a strong run-up in the stock. In **Industrials**, while we still like **Roper Technologies** for its high-quality defensive business, we switch to **General Electric**, preferring greater cyclical exposure. We remove **Canadian Pacific Railway** following strong performance in 2020, and with valuation at an all-time high. In **Utilities**, we add recently upgraded **SSE** given its unique exposure to renewables and grid networks. Alongside SSE, in the US, we include **CenterPoint Energy**, with new management selling non-core assets to reinvest in its fast-growing Texas service territory, sitting at odds with discounted PE, in place of **AES**, which we remove from the list. In **Energy**, we increase our exposure, adding **Enterprise Products Partners** given the growth in FCF and deleveraging profile alongside associated buybacks. Finally, in **Materials**, we add **Mosaic** on improving market fundamentals and the recent turnaround in management and operations that has not yet been priced into shares.

Beginning on page 7, we include further details on our investment thesis for each stock in the *Top 30* as well as a link to the latest company-specific research. We encourage you to reach out to our team to continue the dialogue regarding their investment ideas. As always, at RBC Capital Markets we strive to put clients first. As we look forward to the rest of 2021, we see our fundamental work being increasingly augmented by our four flagship research products: RBC Elements, RBC Imagine™, RBC Fusion, and RBC ESG Stratify. In conjunction with our internal data science team, RBC Elements, we believe integrating proprietary data insights into our traditional analytical work leads to a more holistic investment view for our clients. Looking beyond 2021, for investors interested in our longer-term vision of the investment landscape and perspective on multi-year secular winners, we recommend our RBC Imagine™ reports. Investors looking for our highest-conviction, most-differentiated calls need look no further than RBC Fusion, which provides some of our most rigorous and critically peer-reviewed, unique reports. Finally, RBC ESG Stratify reflects our intense focus on creating investor value, demonstrating how on ESG matters we are separating the signal from the noise with precise, analytical research that is quantitative, qualified, and strongly linked to strategic insights and perspectives.

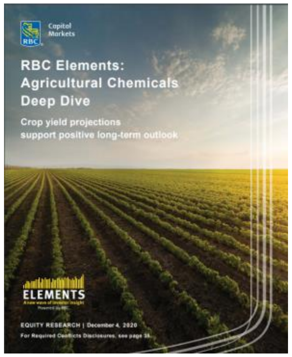
Top 30 Global Ideas for 2021 — Changes this Quarter

Additions: Arch Capital Group (ACGL), Banco Bilbao Vizcaya Argentaria (BBVA), CenterPoint Energy (CNP), Dollar Tree (DLTR), Element Fleet Management (EFN), Enterprise Products Partners (EPD), General Electric (GE), Kingfisher (KGF), NIKE (NKE), SSE plc (SSE), and The Mosaic Company (MOS)

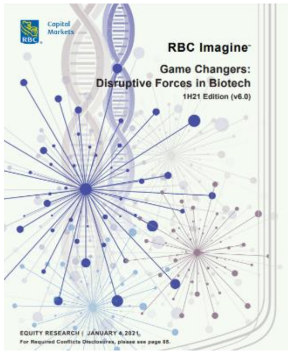
Deletions: Associated British Foods (ABF), Canadian Pacific Railway (CP), LVMH (MC), Markel (MKL), McDonald's (MCD), Ollie's Bargain Outlet Holdings (OLLI), PepsiCo (PEP), Roper Technologies (ROP), Terminix Global Holdings (TMX), The AES Corp. (AES), and Uber Technologies (UBER)

RBC Flagship Research Products

RBC Elements



RBC Imagine™



RBC Fusion

RBC ESG Stratify

Top 30 Global Ideas for 2021 — Pricing Data

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (12/31/2020)	Market Cap (MM)	Price Target	Dividend Yield (%)	Implied All-in Return (%)
AbbVie Inc.	ABBV US	Randall Stanicky	Outperform	USD	107.15	190,084	129.00	4.4	24.8
Alimentation Couche-Tard Inc.	ATD/B CN	Irene Nattel	Outperform	CAD	43.38	48,278	55.00	0.8	27.6
Americold Realty Trust	COLD US	Michael Carroll	Outperform	USD	37.33	7,795	43.00	2.3	17.4
Arch Capital Group Ltd.	ACGL US	Mark Dwelle	Outperform	USD	36.07	14,644	39.00	0.0	8.1
ASOS plc	ASC LN	Sherri Malek	Outperform	GBp	4,783.00	4,309	6,000.00	0.0	25.4
Banco Bilbao Vizcaya Argentaria, S.A.	BBVA SM	Benjamin Toms	Outperform	EUR	4.04	26,905	5.00	0.0	23.9
British American Tobacco p.l.c.	BATS LN	James Edwardes Jones	Outperform	GBp	2,708.00	50,504	3,200.00	4.8	23.0
Brookfield Asset Management Inc.	BAM US	Geoffrey Kwan	Outperform	USD	41.27	62,413	51.00	1.2	24.7
Canadian Natural Resources Limited	CNQ CN	Greg Pardy	Outperform	CAD	30.59	36,130	37.00	5.6	26.5
CenterPoint Energy, Inc.	CNP US	Shelby Tucker	Outperform	USD	21.64	10,928	26.00	5.3	25.5
Cigna Corporation	CI US	Frank Morgan	Outperform	USD	208.18	76,402	270.00	0.1	29.8
CrowdStrike Holdings, Inc.[1]	CRWD US	Matthew Hedberg	Outperform	USD	211.82	47,554	220.00	0.0	3.9
Dollar Tree, Inc.	DLTR US	Scot Ciccarelli	Outperform	USD	108.04	25,724	129.00	0.0	19.4
DuPont de Nemours, Inc.	DD US	Arun Viswanathan	Outperform	USD	71.11	53,247	71.00	1.7	1.5
Element Fleet Management Corp.	EFN CN	Geoffrey Kwan	Outperform	CAD	13.38	5,877	17.00	1.9	29.0
Enterprise Products Partners L.P.	EPD US	TJ Schultz	Outperform	USD	19.59	43,176	26.00	9.1	41.8
GDS Holdings Limited	GDS US	Jonathan Atkin	Outperform	USD	93.64	17,024	112.00	0.0	19.6
General Electric Company	GE US	Deane Dray	Outperform	USD	10.80	98,251	13.00	0.4	20.7
Genmab A/S[2]	GMAB US	Kennen MacKay	Outperform	USD	40.66	2,651	46.00	0.0	13.1
Gilead Sciences, Inc.	GILD US	Brian Abrahams	Outperform	USD	58.26	73,116	81.00	4.7	43.7
Kingfisher plc	KGF LN	Richard Chamberlain	Outperform	GBp	270.40	5,716	375.00	3.7	42.4
NIKE, Inc.	NKE US	Kate Fitzsimons	Outperform	USD	141.47	227,696	160.00	0.8	13.9
Royal Dutch Shell PLC	RDSB LN	Biraj Borkhataria	Outperform	GBp	1,259.40	98,485	2,000.00	3.7	62.5
SSE PLC	SSE LN	John Musk	Outperform	GBp	1,500.00	16,079	1,625.00	5.4	13.7
Teladoc Health, Inc.	TDOC US	Sean Dodge	Outperform	USD	199.96	31,034	260.00	0.0	30.0
The Mosaic Company	MOS US	Andrew Wong	Outperform	USD	23.01	8,723	32.00	0.9	39.9
Thomson Reuters Corporation	TRI US	Drew McReynolds	Outperform	USD	81.89	41,011	88.00	1.9	9.3
Truist Financial Corporation	TFC US	Gerard Cassidy	Outperform	USD	47.93	64,614	47.00	3.8	1.8
Twilio Inc.	TWLO US	Alex Zukin	Outperform	USD	338.50	55,853	500.00	0.0	47.7
Visa Inc.	V US	Daniel R. Perlin	Outperform	USD	218.73	482,956	244.00	0.5	12.0

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 December 31, 2020 pricing of the *Top 30 Global Ideas for 2021*, CRWD's price target was raised to USD 220.00 (from USD 200.00) on January 3, 2021. See note here.

[2] Subsequent to the December 31, 2020 pricing of the *Top 30 Global Ideas for 2021*, GMAB's price target was raised to USD 46.00 (from USD 40.00) on January 4, 2021. See note here.

Source: Bloomberg and RBC Capital Markets

RBC Capital Markets

Top 30 Global Ideas for 2021 — Changes This Quarter

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (12/31/2020)	Market Cap (MM)	Price Target	Dividend Yield (%)	Implied All-in Return (%)
Additions this quarter:									
Arch Capital Group Ltd.	ACGL US	Mark Dwelle	Outperform	USD	36.07	14,644	39.00	0.0	8.1
Banco Bilbao Vizcaya Argentaria, S.A.	BBVA SM	Benjamin Toms	Outperform	EUR	4.04	26,905	5.00	0.0	23.9
CenterPoint Energy, Inc.	CNP US	Shelby Tucker	Outperform	USD	21.64	10,928	26.00	5.3	25.5
Dollar Tree, Inc.	DLTR US	Scot Ciccarelli	Outperform	USD	108.04	25,724	129.00	0.0	19.4
Element Fleet Management Corp.	EFN CN	Geoffrey Kwan	Outperform	CAD	13.38	5,877	17.00	1.9	29.0
Enterprise Products Partners L.P.	EPD US	TJ Schultz	Outperform	USD	19.59	43,176	26.00	9.1	41.8
General Electric Company	GE US	Deane Dray	Outperform	USD	10.80	98,251	13.00	0.4	20.7
Kingfisher plc	KGF LN	Richard Chamberlain	Outperform	GBp	270.40	5,716	375.00	3.7	42.4
NIKE, Inc.	NKE US	Kate Fitzsimons	Outperform	USD	141.47	227,696	160.00	0.8	13.9
SSE PLC	SSE LN	John Musk	Outperform	GBp	1,500.00	16,079	1,625.00	5.4	13.7
The Mosaic Company	MOS US	Andrew Wong	Outperform	USD	23.01	8,723	32.00	0.9	39.9
Deletions this quarter:									
Associated British Foods plc	ABF LN	Richard Chamberlain	Outperform	GBp	2,264.00	17,886	2,600.00	1.5	16.4
Canadian Pacific Railway Limited	CP CN	Walter Spracklin	Outperform	CAD	441.53	59,960	506.00	1.0	15.6
LVMH Moet Hennessy-Louis Vuitton SE	MC FP	Piral Dadhania	Outperform	EUR	510.90	257,494	440.00	0.4	-13.5
Markel Corporation	MKL US	Mark Dwelle	Outperform	USD	1,033.30	14,260	1,250.00	0.0	21.0
McDonald's Corporation	MCD US	Christopher Carril	Outperform	USD	214.58	168,896	245.00	1.9	16.1
Ollie's Bargain Outlet Holdings, Inc.	OLLI US	Scot Ciccarelli	Outperform	USD	81.77	5,405	92.00	0.0	12.5
PepsiCo, Inc.[1]	PEP US	Nik Modi	Sector Perform	USD	148.30	206,582	153.00	2.8	5.9
Roper Technologies, Inc.	ROP US	Deane Dray	Outperform	USD	431.09	44,230	505.00	0.5	17.6
Terminix Global Holdings, Inc.	TMX US	RBC CM Global Rsrch	Outperform	USD	51.01	6,733	60.00	0.0	17.6
The AES Corporation	AES US	Shelby Tucker	Outperform	USD	23.50	15,675	23.00	2.3	0.2
Uber Technologies Inc	UBER US	RBC CM Global Rsrch	Outperform	USD	51.00	93,983	77.00	0.0	51.0

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 December 31, 2020 pricing of the *Top 30 Global Ideas for 2021*, PEP's rating was lowered to Sector Perform (from Outperform) on January 4, 2021. See note here.

Source: Bloomberg and RBC Capital Markets

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 Q4 2020 (October 1–December 31, 2020) and full-year 2020.

Ticker	Company	Total Return Q4/2020
CNQ CN	Canadian Natural Resources Ltd.	50.4%
CRWD US	Crowdstrike Holdings Inc.	48.3%
RDSB LN	Royal Dutch Shell PLC	40.3%
UBER US	Uber Technologies Inc.	37.3%
AES US	The AES Corp.	32.1%
TWLO US	Twilio Inc.	31.7%
DD US	DuPont de Nemours Inc.	31.0%
TMX US	Terminix Global Holdings Inc.	26.0%
MC FP	LVMH Moet Hennessy Louis Vuitton	25.2%
TFC US	Truist Financial Corp.	24.9%
ABBV US	AbbVie Inc.	24.6%
CI US	Cigna Corp.	24.4%
BAM US	Brookfield Asset Management Inc.	22.7%
ABF LN	Associated British Foods PLC	19.0%
GDS US	GDS Holdings Ltd.	13.1%
CP CN	Canadian Pacific Railway Ltd.	10.3%
GMAB US	Genmab A/S	10.1%
ROP US	Roper Technologies Inc.	9.7%
V US	Visa Inc.	7.7%
MKL US	Markel Corp.	7.0%
PEP US	PepsiCo Inc.	6.1%
COLD US	Americold Realty Trust	3.0%
TRI US	Thomson Reuters Corp.	2.2%
BATS LN	British American Tobacco PLC	0.8%
MCD US	McDonald's Corp.	-1.7%
ATD/B CN	Alimentation Couche-Tard Inc.	-6.3%
GILD US	Gilead Sciences Inc.	-6.9%
OLLI US	Ollie's Bargain Outlet Holdings Inc.	-7.3%
ASC LN	ASOS PLC	-9.2%
TDOC US	Teladoc Health Inc.	-9.4%
	Average total return for RBC CM Top 30 Global Ideas in Q4 2020	***15.6%***

Indices		Total Return Q4/2020	Total Return 1 Year
	RBC CM Top 30 Global Ideas	15.6%	31.9%
NDDUWI Index	MSCI World Net Total Return US	13.3%	15.9%
AS51 Index	S&P/ASX 200 Index	12.7%	2.3%
SPX Index	S&P 500 Index	11.5%	18.4%
SXXP Index	STOXX Europe 600 Index	10.6%	-1.4%
SPTSX Index	S&P/TSX Composite Index	8.5%	5.6%

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

Source: Bloomberg

Investment Thesis

AbbVie Inc. (NYSE: ABBV)

RBC Capital Markets, LLC
Randall Stanicky, CFA (Analyst) (212) 618-3266; randall.stanicky@rbc.com

Rating: Outperform	Closing Price: USD 107.15
Price Target: USD 129.00	Implied All-in Return (%): 24.8

Investment summary

Our investment thesis on ABBV is based on our view that the company will generate double-digit near-term growth on the back of P&L catch-up in 2021 and strength of core franchises. While we see a step-down in 2023 upon HUMIRA biosimilar entry, it should be manageable with growth off that trough year beyond. We do not think current valuation reflects that outlook and see upside to shares from here. Our thesis is based on the following key points that support our Outperform rating:

1) We see the biggest impact from COVID-19 occurring in 2020 (particularly 2Q) with continued improvement expected throughout the course of 2021. The biggest impact will likely come from the medical aesthetics business and BOTOX therapeutic, which were both acquired from the AGN deal. However, our checks suggest that both will bounce back meaningfully in 2021+ where we see solid tailwinds from deal synergies and core growth franchises including SKYRIZI and RINVOQ that can continue to push Street numbers higher.

2) We think there is very little appreciation for the growth story that is forming on the other side of the HUMIRA 2023 LOE. Once HUMIRA goes biosimilar, we see see a step-down to a trough 2023 level with 3% revenue CAGR over the following 3 years. We think that can be further bolstered as the pipeline progresses and ABBV executes on more business development and that would put the company into an enviable position of having stable growth with no near-term LOE's.

3) We do not believe that the current valuation at a deep peer discount reflects that growth outlook. ABBV is trading still not far from historical lows and we see cash flow support for the current sector-high dividend. Both should help support in the current market uncertainty.

Potential catalysts: (1) pipeline data reads, including SKYRIZI Phase 3 CD induction data during 4Q2020; and (2) regulatory decisions, including potential US approval of RINVOQ for AD in 1H2021.

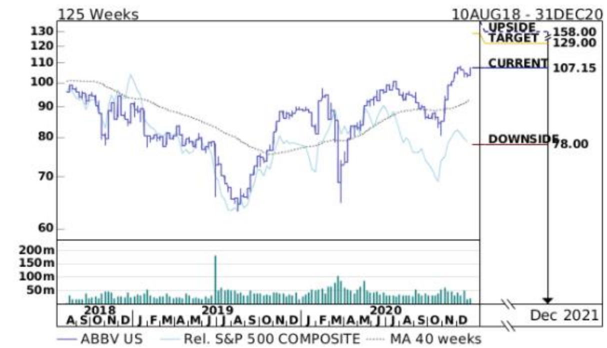
Valuation

Our $129 price target is based equally on EV/EBITDA and P/E on our 2022 estimates. We use multiples of 8.9x and 10.8x, respectively, which reflect a discount to historical industry averages to adjust for the US loss of exclusivity for HUMIRA in 2023. The implied return to our price target supports an Outperform rating.

Risks to rating and price target

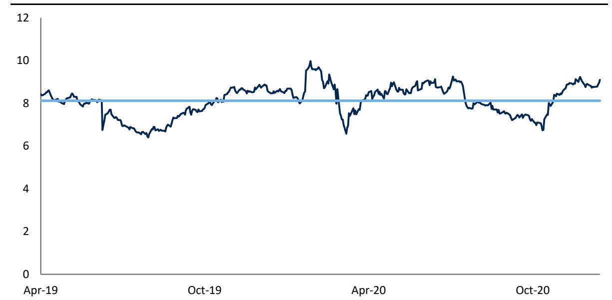
Risks to our rating and price target include but are not limited to: (1) tail value risk with HUMIRA still a meaningful contributor to the combined company; (2) acquisition risk as it works to integrate the Allergan transaction, which is the largest deal in its history; (3) regulatory/political risk which is broadly applicable to the sector, particularly around pricing/reimbursement; and (4) greater-than-expected COVID-19 impact.

Exhibit 1: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 2: Forward consensus PE history



Source: Datastream

Most recent company note: [link]

Alimentation Couche-Tard Inc. (TSX: ATD.B)

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

Rating: Outperform	Closing Price: CAD 43.38
Price Target: CAD 55.00	Implied All-in Return (%): 27.6

Investment summary: Solid performance since the pandemic was declared in CQ1/20 underscores defensive nature of the c-store industry. OP rating on ATD and thesis predicated on:

Multiple routes to future growth, *with the 5-year plan calling for double-digit EBITDA growth driven equally by organic growth/M&A,* versus 30%/70% historically. Positive underlying drivers remain: i) incremental synergies/reverse synergies from prior acquisitions, notably around rollout of Food at Scale beginning in C20; ii) renewed top-line momentum from a more focused, data-driven approach to merchandising/promotional strategies; iii) sharing of best practices among geographies to drive sales and optimize margin/productivity, an element that has proven extremely useful since the pandemic hit Europe earlier than North America; iv) focus on surfacing opex/scale benefits; v) increased activity on store openings, targeting 200 annually up from 100 previously. **And, of course, opportunistic acquisitions, with current environment likely to surface attractive opportunities.**

Solid underlying operating performance aided by global Circle K rebranding, with Food at Scale and other fresh food & coffee initiatives driving traffic, basket growth.

Industry performance in N.A. since the declaration of the pandemic reinforces defensive sector attributes. High gas margins/low fuel prices should enable ATD to offset gallon weakness related to current dislocation.

Attractive geographic diversification with >85% of GP$ outside Canada. Small, strategic acquisition in Asia is not yet meaningful to financial forecasts but establishes a platform for accelerating growth from new geography.

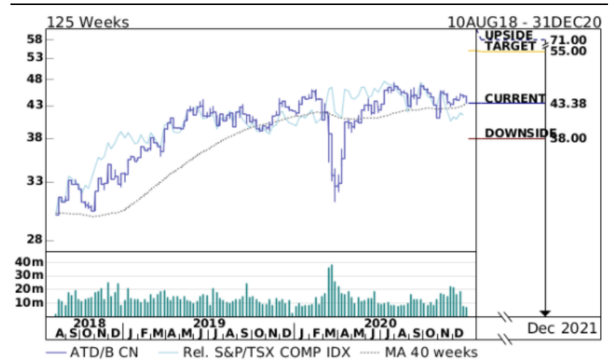
Real-world EV R&D lab in Norway: Sales of electric vehicles are likely to accelerate, and ATD is the only North American c-store player with a strong footprint in Norway, the global leader in EV adoption. ATD already operates >1k charging stations on their sites in addition to 2.7k chargers in homes and offices, and is gaining valuable insight into consumer behaviour/revenue opportunities associated with top-up charging.

Strong BS + FCF profile with forecasted FCF in the range of $2B to fund dividend growth, debt repayment, and acquisitions. Adjusted net debt/EBITDAR now <1.5x, well below the post-SFR peak of 3.6x, with normalized estimated balance sheet capacity in excess of US$10B.

Valuation: Midpoint of 20x/11x Q2/F23E (Oct C22E) TTM EPS/EBITDA drives our price target of $55, which supports our Outperform rating. The EBITDA multiple is consistent with the average of the five-year range, reflecting overall sector valuation trends, and supported by ongoing strong underlying performance, relatively recession-resistant business model and benefits from prior-period M&A. We believe multiples are also appropriate relative to our c-store coverage universe.

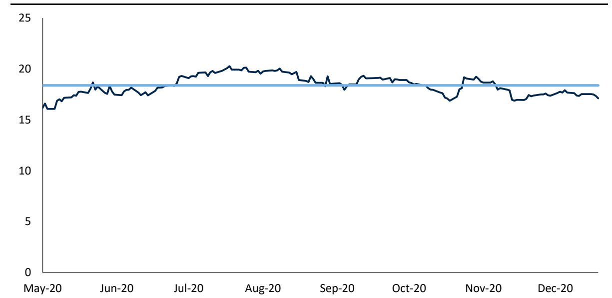
Risks to rating and price target: Unprecedented fuel demand destruction has been more than offset by margin gains so far. Margin normalization without a volume recovery would result in earnings and likely share price that are below expectations. Although c-stores provide a convenient fill-in shop, current substantial dislocation in normal daily patterns could cause sharply lower inside store traffic. Although c-stores typically are relatively recession-resistant, we note that 50% of US c-store customers have incomes of $50,000 or less, a group that could be hard-hit by a post-COVID recession if income support is lessened. We also note that with ATD's diversified geographic footprint, the risk profile of forecasts includes multiple geographies, currencies, economic and operating environments, each of which is being impacted at differing levels by COVID-19 and oil price movements.

Exhibit 3: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 4: Forward consensus PE history



Source: Datastream

Most recent company note: [link]

Americold Realty Trust (NYSE: COLD)

RBC Capital Markets, LLC
Michael Carroll, CFA (Analyst) (440) 715-2649; michael.carroll@rbccm.com

Rating: Outperform | **Closing Price: USD 37.33**
Price Target: USD 43.00 | **Implied All-in Return (%): 17.4**

Investment summary

Americold Realty Trust (NYSE: COLD) is an industrial REIT solely focused on owning and operating temperature-controlled warehouses. The company is the largest public player in this niche space, and we believe management will utilize its scale and platform to drive solid earnings growth and create value for shareholders. The in-place portfolio derives ~86% of NOI from the US and ~14% abroad, but over time, we expect the biggest growth opportunities to be international ones.

Potential catalysts

SS portfolio should generate above-average growth. COLD has driven solid growth over the last few years due to management's ability to replace old legacy customer agreements with the company's new commercial business rules. We expect this trend will continue.

Developments should drive strong external growth. We expect COLD will break ground on $325M of new developments in 2021 and $200 million in 2022. These investments should be noticeably accretive over time.

Forward settlements could compel capital inflows. COLD announced it settled 33.8 million shares of forward equity on 12/30. These settlements increase the share count by ~16%, and could push larger passive funds to re-weight their holdings.

Valuation

Price target justification: Our 12-month price target of $43/share is based on a targeted 2022 EV / EBITDA multiple of 22.5x. We believe an EV / EBITDA multiple is more appropriate to value temperature-controlled warehouse owner/operators given the intense operational nature of the business. Additionally, our target reflects the top-end of where high-quality portfolios have traded on the private market. Our target price supports our Outperform rating.

Net asset value: We currently estimate COLD's in-place NAV at $32.03/share assuming a 6.50% cap rate. Going forward, we expect the in-place portfolio to generate solid organic growth trends and management to create significant value through acquisitions, developments, and expansions, pushing our YE21 (looking at 2022) NAV estimate to $35.79/share from our YE20 (looking at 2020) estimate of $32.38/share.

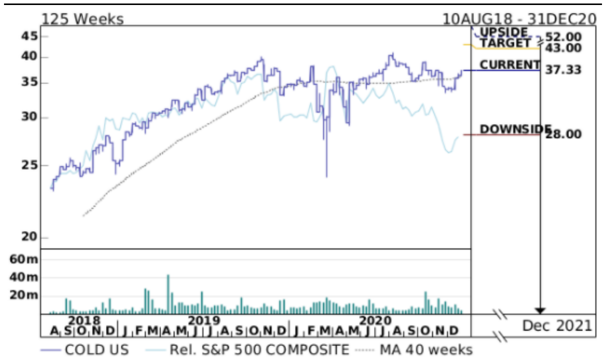
Risks to rating and price target

The greatest risks to our estimates, recommendation, and price target center on operational issues popping up within the company's platform. The temperature-controlled warehouse business model is more operationally intensive than the typical REIT, and given the lower operating margins, a small revenue shortfall or higher expenses could have a meaningful impact on NOI. The space is also going through a technological revolution including the rollout of more advanced automation within the facilities. These changes could drive increased efficiency throughout the system, making certain warehouses less competitive or even obsolete.

The COVID pandemic has also shed new light on the space, and has potentially changed consumer preferences and accelerated key trends such as grocery e-commerce. We believe COLD is well positioned to navigate through this environment, but it has also brought new capital to the space. This could drive construction activity higher and make the acquisition environment more competitive.

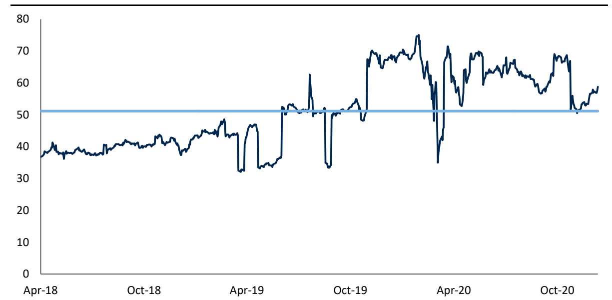
Finally, other risks including political risks (domestically and internationally), interest rate concerns, environmental or zoning issues, customer downsizing or bankruptcies, along with key personnel changes, could also become a concern. A full list of risk factors can be found in the company's filings with the Securities and Exchange Commission.

Exhibit 5: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 6: Current year consensus PE history



Source: Datastream

Most recent company note: link

Arch Capital Group Ltd. (NASDAQ: ACGL)

RBC Capital Markets, LLC
Mark A. Dwelle, CFA (Analyst) (804) 782-4008; mark.dwelle@rbccm.com

Rating: Outperform	**Closing Price: USD 36.07**
Price Target: USD 39.00	**Implied All-in Return (%): 8.1**

Investment summary

Arch is delivering solid core underwriting results and has enjoyed good momentum in recent quarters. The company has always been opportunistic in spotting profitable opportunities in both specialty insurance and reinsurance, which we believe will remain a key differentiator. Arch's Mortgage unit will likely be challenged near term by adverse market conditions but should come through with a solid capital position, only an earnings hit. We see the current valuation as very attractive for a top calibre underwriting franchise with a history of strong reserves and prudent capital management. Accordingly, we maintain our Outperform rating on ACGL shares.

Our investment thesis is driven by the following key characteristics:

Diversified platform for capital deployment. We believe Arch's diversified business platform and strong presence in both the insurance and reinsurance arenas leave it well positioned to opportunistically deploy capital in areas with the greatest likelihood of producing good underwriting results.

A proven manager of capital. The company has a strong track record as a disciplined underwriter and has shown a willingness to grow when good opportunities arise. The company is also a diligent manager of capital, returning excess capital when business growth opportunities are not readily apparent.

Impressive underwriting results. The company's underwriting approach is consistent and conservative. The company's reserving track record is among the best in the sector, in our view.

Potential upsides and risks to our thesis

Mortgage Insurance. The company entered the mortgage Insurance segment several years ago and Arch now has the largest MI market share in the sector. Mortgage Insurance is subject to a different set of risk factors, including macro and housing conditions as well as default rates and interest rates and is likely to see weaker results under current macroeconomic forecasts.

Reinsurance pricing. The weak reinsurance pricing environment could inhibit growth in the Reinsurance segment, but also produces opportunity on the Insurance side.

Covid-19 disruption: There is the possibility that Covid-19 may linger on longer than expected, weighing on the economy and the company's financial results.

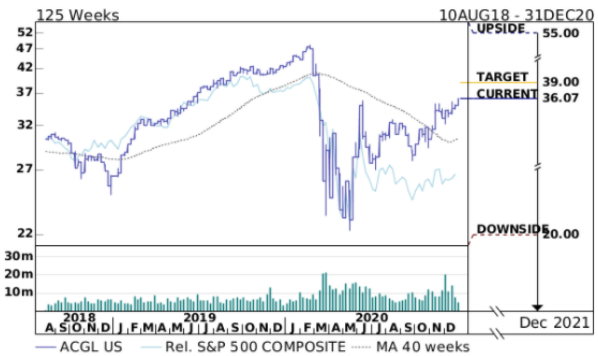
Valuation

Our $39 price target is based on 1.2x our estimated ending 2021 book value per share estimate. Our valuation is consistent with our Outperform rating and reflects the company's consistently good underwriting results, solid reserves, a strong capital base and reduced exposure to property catastrophe losses. Our price target also assumes manageable MI losses from the current downturn in the coming quarters. Our multiple is consistent with expected near-term economic conditions and could prove conservative if market conditions improve significantly.

Risks to rating and price target

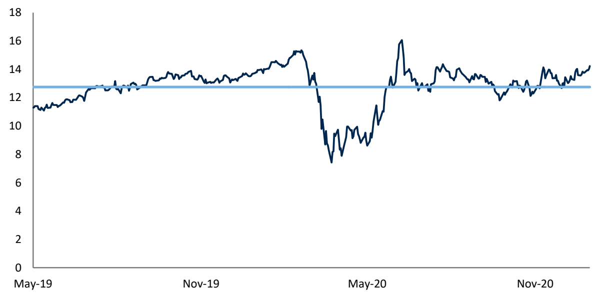
We believe the most significant risks to our price target and rating include: unusually large catastrophe losses; unfavorable prior-year reserve development; unexpectedly large changes in claims inflation, frequency, and severity; unusual movements in interest rates; unexpected losses in the company's investment portfolio; and Covid-19-driven macroeconomic disruption.

Exhibit 7: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 8: Forward consensus PE history



Source: Datastream

Most recent company note: link

ASOS plc (LSE: ASC)

RBC Europe Limited
Sherri Malek (Analyst) +44 20 7653 4510; sherri.malek@rbccm.com

Rating: Outperform	**Closing Price: GBp 4,783.00**
Price Target: GBp 6,000.00	**Implied All-in Return (%): 25.4**

Investment summary

We believe that ASOS can recover and sustain outperformance in revenue growth while also delivering an improvement in EBIT margin towards 5% long term, allowing ample room for re-investment. The key margin drivers we see will be efficiencies and leverage on warehouse, payroll and other operating costs, as we assume all incremental benefits from, e.g., more direct sourcing in the US and economies of scale are re-invested. Accordingly, we project ASOS can generate £2bn of FCF over the next 10 years, after more than doubling its warehouse capacity and investment in technology – fuel for innovation.

ASOS has an impressive track record in the UK, and if it can achieve even a third of its UK success in the US and Europe (in terms of customer penetration), we believe Group sales can triple in 10 years, as our regional revenue analysis implies. We believe the strength of ASOS's proposition can get it there, which currently looks more compelling than peers.

We believe ASOS is well positioned to take greater share in the US market – a key growth engine for the Group. Our proprietary survey highlights that ASOS offers what the majority of young online consumers are looking for: a multi-brand platform offering value and free, convenient shipping. We estimate that the US will drive c.40% of Group revenue growth in the next 10 years.

Valuation

We use a DCF analysis to arrive at our price target of 6,000p, which supports our Outperform rating. We apply a WACC of 8.5% and terminal growth rate of 3% to reflect the global growth opportunities and as ASOS improves its proposition around the world. We forecast a 10-year CAGR in sales of 12% and in EBIT of 15%, resulting in a terminal EBIT margin of 6.0%. We incorporate a 10% M&A premium in our valuation to reflect M&A risk.

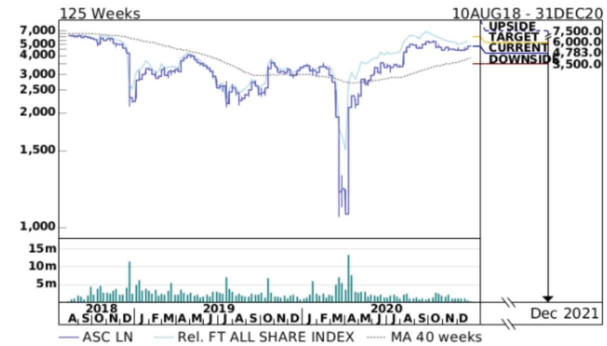
Risks to rating and price target

The key downside risks are if we see a slowdown in sales growth due to suppressed demand for occasion wear as a result of COVID-19 social distancing measures. A more intense promotional environment and weaker consumer backdrop have the potential to pressure revenue growth and margin.

Given that c.60% of ASOS's revenues are derived outside of the UK, the company is significantly exposed to movements in FX. More local buying should help protect against currency moves, although this will take some time to build in scale.

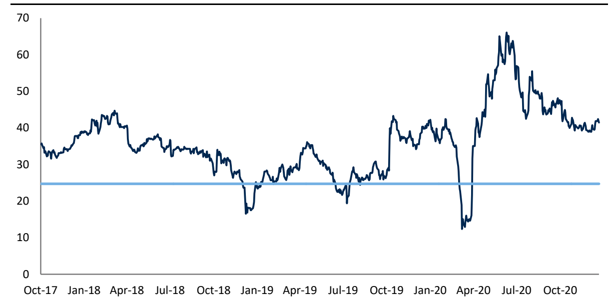
Any disruption to ASOS's warehousing would negatively impact the shares. As ASOS ramps up capacity, any operational issues would result in higher opex, thus pressuring margins.

Exhibit 9: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 10: Current year consensus PE history



Source: Datastream

Most recent company note: [link]()

Banco Bilbao Vizcaya Argentaria, S.A. (SIBE: BBVA)

RBC Europe Limited
Benjamin Toms, ACA (Analyst) +44 20 7002 2258; benjamin.toms@rbccm.com

Rating: Outperform	**Closing Price: EUR 4.04**
Price Target: EUR 5.00	**Implied All-in Return (%): 23.9**

Investment summary

Using 19 years of data, we conducted a linear regression for BBVA and 53 of its European peers to assess the historical relationship between earnings and valuation.

Rather than trading at a discount for volatility, we argue that BBVA should be trading at a premium. BBVA has had the 9th most consistent earnings since 1999 whilst delivering 7% PBT CAGR. This low volatility was maintained through both the financial and the sovereign crises.

Recent outperformance vs pan-European peers on the key metric of core CIR has been significant (core jaws 4yr CAGR 3% vs peers 1%), partially driven by the bank's digital banking capabilities (ranked 1st in Mexico and 2nd in Spain/Turkey).

Valuation

We value BBVA using an SOTP model based on our 2022 estimates discounted back one year to 2021E at a cost of equity of 15.1%, using a return on allocated capital for each division. Our EUR5.0 price target supports an Outperform rating.

Risks to rating and price target

COVID-19: Leading to a global downturn, recession and elevated cost of risk for a number of years.

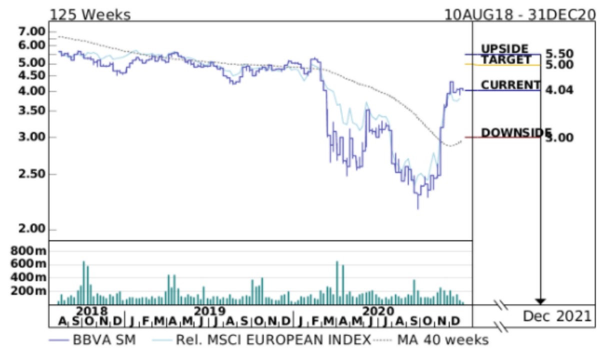
Mexico Pemex: The government being forced to step in to help the ailing company would represent a risk to our Mexican growth estimates.

Mexican Fees: Legislative proposal to prohibit banks from charging fees on certain banking products could act as a headwind to revenue growth.

Turkish Politics: Historical political decision-making has led to TRY depreciation against the USD, making it harder for retail and corporate customers to pay back USD-denominated loans; this in turn could lead to a higher COR.

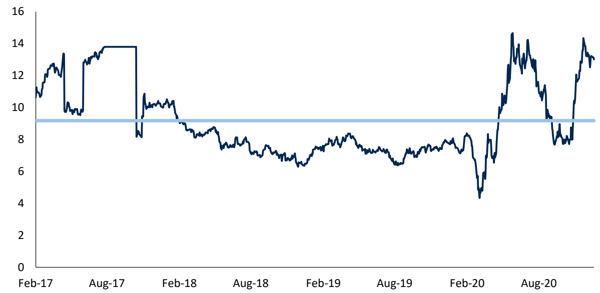
Wiretapping: The situation involving the former Chairman of BBVA has the potential to do reputational damage to the bank.

Exhibit 11: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 12: Current year consensus PE history



Source: Datastream

Most recent company note: link

British American Tobacco plc (LSE: BATS)

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

Rating: Outperform | **Closing Price: GBp 2,708.00**
Price Target: GBp 3,200.00 | **Implied All-in Return (%): 23.0**

Investment summary

We expect growth in next-generation products (NGPs) to erode the tobacco industry's historically insurmountable barriers to entry and, by extension, extremely high competitive concentration and profitability. We forecast sales growth to accelerate, but this to be more than offset by a margin decline of 800 basis points by 2030.

BAT is taking credible steps to develop its portfolio of new category products (Vapour, THP, or tobacco heating products, and Modern Oral). In 2019 these new categories accounted for less than 5% of BAT's sales. In our view, BAT's prospects remain predominantly a function of the cigarette industry.

Despite this the shares trade well below our target price reflecting, we believe, the reluctance of ESG-sensitive investors to buy them. In our view, this would be compensated for if the company prioritised share buybacks over dividends and M&A.

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 (P/E ratio, EV/EBITDA ratio) can be misleading.

We use a derivative of a traditional DCF calculation called adjusted present value, whereby the business's operating cash flows are discounted at its cost of equity (9.0% versus 7.0% for the majority of branded consumer companies reflecting our relative uncertainty) and tax shield at the cost of debt (2.6%). We use explicit forecasts out to 2022, then assume revenue growth of 3.7% from 2021 to 2024 and then 2% until 2030. We assume EBIT margin decreases by 100bps per annum from 2023 until 2030. We assume a terminal growth rate of -1.0% per annum from 2030. This yields an adjusted present value of £31. Discounting this forward by one year at the cost of equity yields a 12-month price target of £32 net of our forecast dividend payment. Our price target supports our Outperform rating.

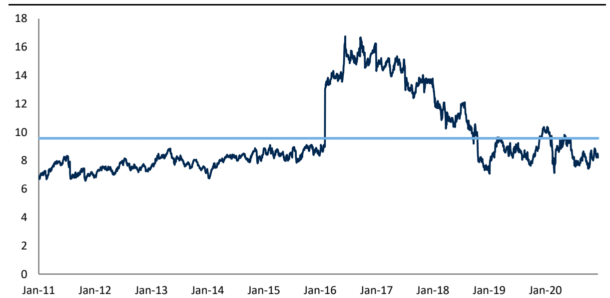
Risks to rating and price target

The sector's business model is dependent on strong pricing power to offset progressive volume declines. Any deterioration in that pricing power or decline in the trajectory of volumes could be expected to have an adverse effect on the share price. Changes in regulation of tobacco, for example, in the form of banning menthol cigarettes, plain-packaging requirements, advertising restrictions and smoking bans will be a significant determinant of share price performance as will decisions on the timing and extent of excise duty increases. The growth, regulation and taxation of next-generation products (NGPs) will be significant.

Exhibit 13: Share performance and RBC valuation

Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 14: Forward consensus PE history



Source: Datastream

Most recent company note: link

Brookfield Asset Management Inc. (NYSE: BAM; TSX: BAM.A)

Rating: Outperform | **Closing Price: USD 41.27**
Price Target: USD 51.00 | **Implied All-in Return (%): 24.7**

RBC Dominion Securities Inc.
Geoffrey Kwan, CFA (Analyst) (604) 257-7195; geoffrey.kwan@rbccm.com

Investment summary

Why we rate Brookfield shares as Outperform: We think the combination of: (1) BAM’s strong long-term investment track record; (2) significant liquidity available ($76B) to fund acquisitions and investments at potentially attractive prices in the current market environment and drive future NAV growth; and (3) a differentiated and diversified product shelf with demonstrated ability to fundraise and drive scale benefits could result in double-digit NAV growth over time. Coupled with the shares trading at a 9% discount to NAV, we believe the current share price is an attractive entry point for a stock we view as a core holding.

Potential catalysts: (1) material value-surfacing monetizations or transactions; (2) strong fundraising activity positively impacting future Fee Related Earnings and carried interest growth; and (3) a significant narrowing of BPY's discount to NAV.

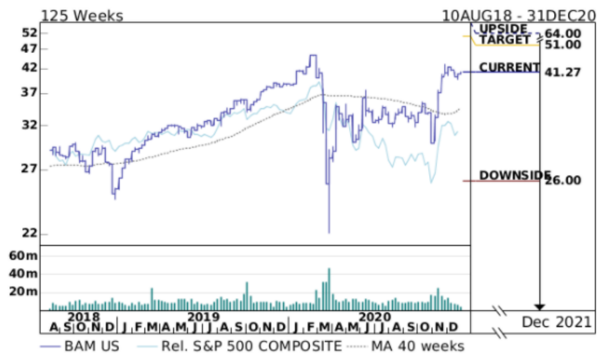
Valuation

Base case is our current 12-month price target. We value BAM using an NAV methodology, which we think is appropriate given the diverse nature of BAM’s assets. To arrive at our price target of US$51/share, we separately value: (1) BAM's asset management business using a 20x multiple applied to our 2022 FRE forecast; (2) BAM's publicly traded investments with RBC's 12-month price targets, if covered; and (3) we assume a 10% growth for BAM's private investments. We also include a 5% premium to NAV. We believe our price target and implied return support our Outperform rating.

Risks to rating and price target

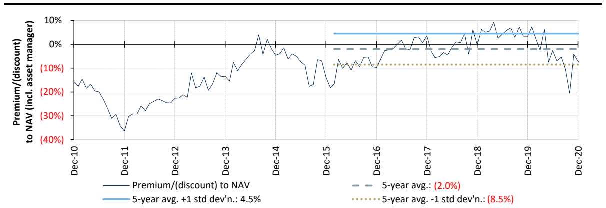
Risks to our price target and rating include: deteriorating overall investment performance; rising interest rates; an economic downturn (particularly in real estate), sustained capital markets volatility and reputational risks given BAM's significant global operations.

Exhibit 15: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 16: Premium/discount to NAV (incl. asset manager)



Source: Bloomberg, Company Data, RBC Capital Markets Estimates

Most recent company note: link

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

Rating: Outperform	Closing Price: CAD 30.59
Price Target: CAD 37.00	Implied All-in Return (%): 26.5

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

Investment summary

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

Globally Distinguished. Canadian Natural Resources' management committee structure and shareholder alignment are unique factors that distinguish the company globally. CNQ's long-life, low-decline portfolio—anchored by moderate sustaining capital of about $3 billion—affords the company with superior free cash flow generative power.

Management Committee Structure. CNQ has no CEO. Instead, the company is stewarded by a management committee comprised of 18 people. This group meets weekly, and oversees all matters ranging from marketing, finance, ESG, operations and technology amongst others. Murray Edwards, Executive Chairman, Tim McKay, President, and Mark Stainthorpe, CFO are all key members of the committee.

ESG—Lots of Progress. CNQ has set a long-term aspirational target of net zero oil sands emissions over time. During the interim, the company is targeting a 25% reduction in oil sands GHG emissions intensity by 2025. Thus far, strong progress has been made at Horizon where CNQ has reduced its emissions intensity by 37% since 2012.

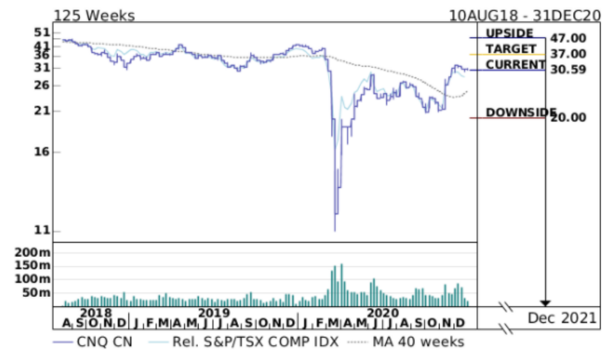
Valuation

Our price target of $37 per share reflects an equal weighting toward a multiple of 0.9x our NAV and an implied 2021E debt-adjusted cash flow multiple of 6.5x at mid-cycle commodity prices. The multiples we have chosen reflect CNQ's superior execution capability, long-life, low-decline asset base, and free cash flow generation potential. Our price target and implied return support our Outperform rating.

Risks to rating and price target

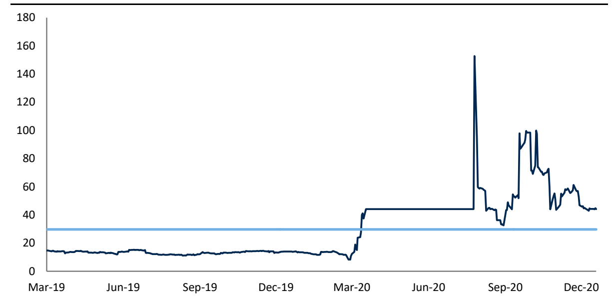
The most significant risk to our price target and rating is unexpected changes in crude oil and natural gas prices. Specifically, to the extent that the COVID-19 pandemic and associated social distancing measures continue to negatively impact global oil demand, it may result in CNQ realizing lower-than-anticipated sales prices for its production volumes. Other risks include the impact of foreign exchange and government legislation as it relates to royalties, income taxes and environmental policy.

Exhibit 17: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 18: Forward consensus PE history



Source: Datastream

Most recent industry note: link

CenterPoint Energy, Inc. (NYSE: CNP)

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

Rating: Outperform	**Closing Price: USD 21.64**
Price Target: USD 26.00	**Implied All-in Return (%): 25.5**

Investment summary

CenterPoint turns in the direction of a more pure play regulated utility. A $3 billion increase in rate base raises total investment to $16 billion between 2021 and 2025, or 10% CAGR, with potential upside of an incremental $1 billion if approved. Houston Electric remains fundamentally strong with annual customer growth ~2%. If implemented successfully, Indiana Electric could benefit from rate base investments in renewables. Together, we believe electric utilities EPS could achieve 8.5% CAGR 2020-2023. CNP's gas utilities continue to benefit from a series of pipeline replacement programs and we see EPS CAGR of 9% 2020-2023. Accounting for corporate expenses, we see overall utility operations EPS growing at 5.9% CAGR. CNP's midstream investment, Enable Midstream (ENBL, covered by TJ Schultz) remains a wild card.

Potential catalysts (positive) include: sustainable customer growth across utility jurisdictions; approval of incremental rate base; rebound in commodity prices to allow sustainable ENBL distributions; successful turnout of Indiana IRP and rate cases supporting growth in Vectren utilities; and, the company announces additional investment projects at the utilities to further enhance rate base growth

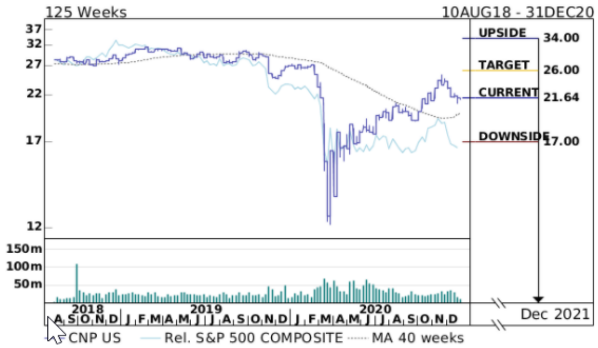
Valuation

Our $26 price target is based on a P/E multiple approach as we contemplate a return to regulated utility model at CNP, after the sale of Energy Services and Infrastructure Services. Management now shifts focus to aggressively grow utility operations, targeting above-average rate base growth of 10% CAGR. We see 2020-2023 utility operations EPS CAGR of 5.9%, with midstream operations complementing utilities despite a flatter earnings trajectory. We apply a 5% premium on a blended peer electric and gas multiple of 18.1x, on 2022 consolidated EPS of $1.45. Our premium reflects a robust rate base program but also recognizes the concerns over the recent management change. Our price target supports our Outperform rating.

Risks to rating and price target

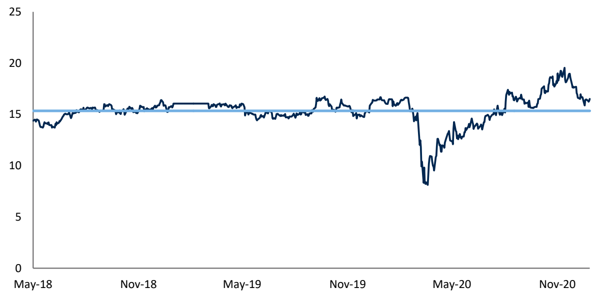
Risks to rating and price target include: customer/load growth in Texas/Indiana slows, limiting rate base and earnings growth at electric and gas utilities; loss of investment grade status at CEHE, causing dividends to parent to cease and jeopardizing credit metrics at the parent; ENBL/Non-utility segment performance deteriorates, leading to material decrease in cash and earnings contribution to CenterPoint; key rate base programs disallowed at various state commissions; and, unfavorable valuations of upcoming LDC sale(s), resulting in limited rate base growth

Exhibit 19: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 20: Forward consensus PE history



Source: Datastream

Most recent industry note: link

Cigna Corporation (NYSE: CI)

RBC Capital Markets, LLC
Frank G. Morgan, CFA (Analyst) (615) 372-1331; frank.morgan@rbccm.com

Rating: Outperform | **Closing Price: USD 208.18**
Price Target: USD 270.00 | **Implied All-in Return (%): 29.8**

Investment summary

We expect CI shares to outperform the sector for the following reasons:

Cigna's growth outlook is accelerated through the Express Scripts acquisition, to an annual long-term EPS growth target of 10–13% (vs. its previous target of ~7–9% annually).

Cigna's industry-leading medical cost trend, combined with Express Scripts' strong performance with company-record pharmacy cost trend, positions the combined company for strong improvement in affordability.

Visibility remains strong on achieving management's target of $20–21 in adjusted EPS by 2021 through: underlying base performance in both assets; achieving $600MM in administrative cost synergies; and the P&L impact from deleveraging.

Potential catalysts

We believe the potential catalysts are: Quarterly earnings results; increased M&A given some expectation of vertical integration in the sector; membership growth in employer groups, Medicare, and Medicaid; changes in economic and employment conditions; inflection points in utilization; and, continued declines in medical trend.

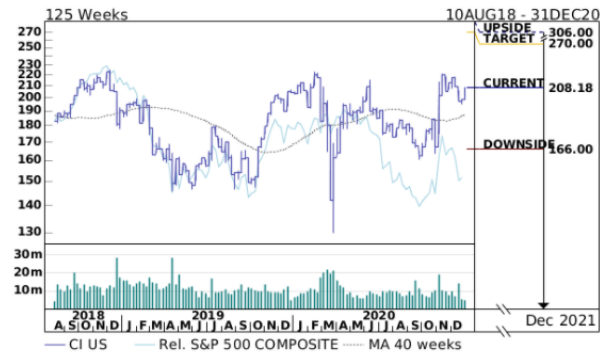
Valuation

Our base case price target of $270 represents a P/E multiple of ~13x, generally consistent with the peer group, on our FY21E EPS. Our conviction in our price target is strengthened by our belief that CI's current P/E discount to peers suggests significant under-appreciation for the value of the ESRX platform and the improving visibility across the enterprise. Our price target supports our Outperform rating.

Risks to rating and price target

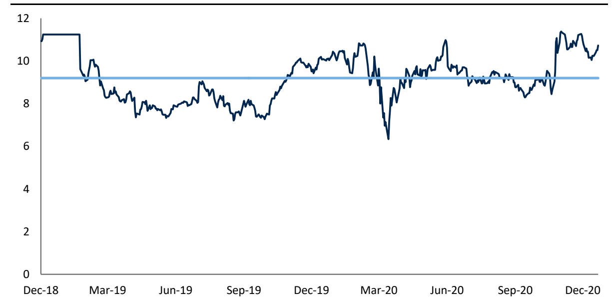
Risks to our rating and price target include: integration risk in the larger vertical merger with Express Scripts, including the potential loss of major customers during the transition; execution risk in predicting and managing medical cost trends; execution risk in network contracting; reimbursement risk in the government business; potential impact from regulatory changes on rebate economics; and, a potential protracted economic downturn could affect the earnings growth trajectory.

Exhibit 21: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 22: Forward consensus PE history



Source: Datastream

Most recent company note: link

CrowdStrike Holdings, Inc. (NASDAQ: CRWD)

RBC Capital Markets, LLC
Matthew Hedberg (Analyst) (612) 313-1293; matthew.hedberg@rbccm.com

Rating: Outperform	**Closing Price: USD 211.82**
Price Target: USD 220.00*	**Implied All-in Return (%): 3.9**

***** Subsequent to the December 31, 2020 pricing of the *Top 30 Global Ideas for 2021*, CRWD's price target was raised to USD 220.00 (from USD 200.00) on January 3, 2021. See note **here**.

Investment summary

High-level thesis of CrowdStrike

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

The company developed a differentiated cloud-native security platform that leverages its lightweight intelligent agent and Threat Graph database across a 10-module portfolio of solutions. The company and its customers benefit from the network effect, as each additional endpoint added to the platform expands the crowd-sourced data base, which in turn improves the quality of the algorithms.

We view CrowdStrike as a prime land-and-expand model benefiting from the SaaS delivery and ability to rapidly add more modules with no extra configuration or consulting needed. The long-term power of the install base of more than 5,500 customers should continue to lead to strong net expansion rates as the company cross-sells additional seats (endpoints) and modules.

Potential catalysts include: ability to maintain net expansion rates by selling additional products into its growing customer base and maintaining low churn rates; new product introduction and/or traction from recently introduced modules; accelerated customer additions leveraging its multi-pronged, go-to market approach; and, faster-than-expected progression toward profitability driven by top-line success.

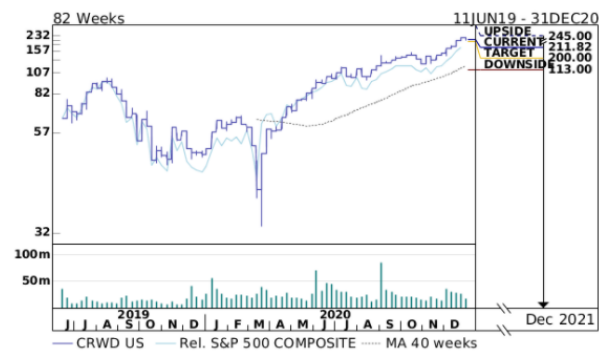
Valuation

To derive our $220 price target, we apply a 34.0x EV/S multiple on CY/22E revenue of $1,500M, which is roughly in line with leading growth security peers, in our view reasonable given that our growth outlook is likely biased higher. Our price target supports an Outperform rating.

Risks to rating and price target

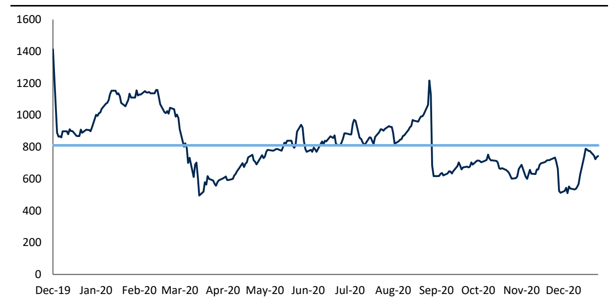
Risk to rating and price target include: CrowdStrike operates in a market with competition from larger legacy competitors, like Symantec, as well as newer entrants; potential pricing pressure given the crowded nature of the market; CrowdStrike operates a land-and-expand model; failure to retain existing customers could be a detriment; CrowdStrike has experienced rapid growth; failure to manage growth/expectations could cause operational challenges; and, COVID-19 could impact company operations or customer demand.

Exhibit 23: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 24: Forward consensus PE history



Source: Datastream

Most recent industry note: link

Dollar Tree, Inc. (NASDAQ: DLTR)

RBC Capital Markets, LLC
Scot Ciccarelli, CFA (Analyst) (212) 428-6402; scot.ciccarelli@rbccm.com

Rating: Outperform | **Closing Price: USD 108.04**
Price Target: USD 129.00 | **Implied All-in Return (%): 19.4**

Investment summary: We think Dollar Tree's value and convenience-based business model and heavy mix of consumables can help the company navigate economic deterioration better than most of the other companies in our coverage. Further, we think that dollar stores are very well suited for consumers with low nominal budgets (e.g., government support), since they can leverage their existing dollars across more products and categories than at other retailers given the value-priced merchandise and, often, smaller package sizes. While customers currently have money in their pockets, we believe that the company is well positioned from a value standpoint when/if that isn't necessarily the case (i.e., stimulus checks cease arriving in the mail). Further, we think that the company's expanded food and consumables offering has greatly increased Dollar Tree's addressable customer market, and that its stores continue to draw a broad cross-section of consumers. The company has also historically shown highly consistent gross margin performance and an ability to leverage SG&A even on a low-single-digit comp. So even in a low-single-digit comp environment, we would expect high-single-digit sales growth and low-double-digit EBIT growth. With an estimated combined ~4% annual new store growth potential over at least the next few years across Dollar Tree, Family Dollar, and its Canadian operations, we believe Dollar Tree has one of the best store growth profiles in retail. In our view, few companies have the combination of store growth, customer acquisition growth, and category expansion that Dollar Tree offers.

Valuation: Our price target of $129 is based on a 21x P/E multiple applied to a blend of our 2020/21 EPS estimates of $5.60/$6.30. This target P/E multiple is higher than the stock's 3-year median, which we believe is warranted given the turn in DT margins, improved performance of FD and accretion potential of DT Plus. We also believe that a heavy mix of consumables (especially at Family Dollar) and the company's value/convenience offering will provide relative upside potential vs. peers in a more challenging macro economy. Our price target supports our Outperform rating.

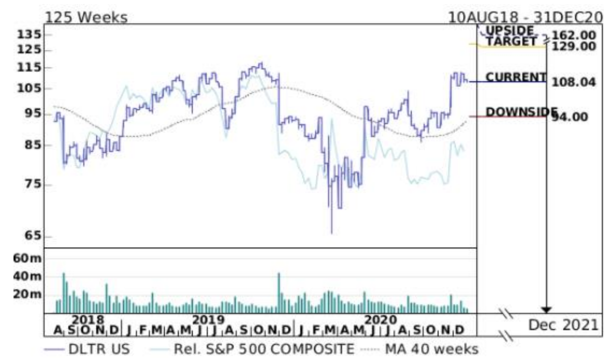
Risks to rating and price target

Dollar sections within the discounters – A significant and sustained push into the $1 section by Walmart, Target, and other discounters could have a negative impact on both the fundamentals and valuation of Dollar Tree. Even with the convenience advantages provided by Dollar Tree, no retailer wants to be in the direct path of Walmart when it decides to target a particular category or concept.

A sharp increase in inflation – Some of Dollar Tree's customers live week to week from an income perspective and are thus impacted more quickly and severely when the prices of basic goods such as food and fuel increase. When these categories take up a bigger portion of the customer's available income, it reduces disposable income. In addition, broad-based price increases will put pressure on the company's merchandising teams to maintain margins, especially given the company's fixed $1 price point and lack of selling price flexibility.

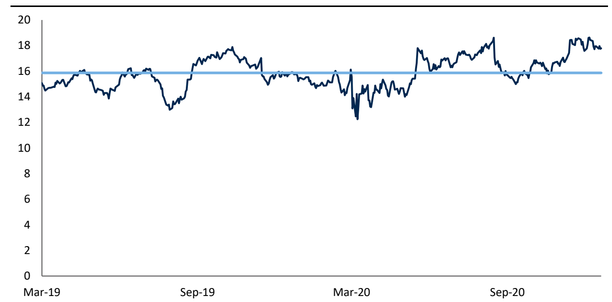
Beta risk related to a sharp recovery in demand – An economic turnaround led by a sharp recovery in consumer demand could lead to underperformance by stocks that are viewed as more "defensive", such as Dollar Tree. DLTR was one of the best-performing stocks in the market in 2008 as the economic downturn accelerated, underperformed the S&P 500 during the rally in 2009, and then significantly outperformed the market in 2010 and 2011—before underperforming again in 2012. While Dollar Tree should benefit from a consumer-led economic rebound, as this would likely boost spending within its stores, we believe DLTR would likely lag higher-beta stocks with more leverage to a cyclical recovery.

Exhibit 25: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 26: Forward consensus PE history



Source: Datastream

Most recent industry note: link

DuPont de Nemours, Inc. (NYSE: DD)

RBC Capital Markets, LLC
Arun Viswanathan, CFA (Analyst) (212) 301-1611; arun.viswanathan@rbccm.com

Rating: Outperform	**Closing Price: USD 71.11**
Price Target: USD 71.00	**Implied All-in Return (%): 1.5**

Investment summary

Factors that support our Outperform rating. Early cycle recovery in China will likely help DD achieve a faster recovery than peers, along with cost action plans to help incremental margins. Additionally, we believe the N&B sale to IFF was a major first step in DD's portfolio transformation plan and DD still has further portfolio transformation plans in place. Lastly, the PFOA case brought by CC has now been dismissed, and we believe a settlement will help DD move past the PFOA uncertainty overhang.

Multiple expansion opportunity as a multi-industrial company. Given that DuPont's valuation multiples could increase 2–3x, should DuPont successfully market itself as a multi-industrial company, we believe valuation multiples could move higher. DuPont notes that when comparing against other multi-industrial companies (MMM, HON, and ITW), DuPont provides similar-in-class benchmarks (based on FY 2018 results, DuPont delivered 5% y/y revenue growth and a 12% y/y adjusted EBITDA growth at a 26% margin).

Further divestment plans post COVID-19. During its Q1/19 earnings call, DuPont announced plans to divest an additional ~10% of its portfolio, bringing the total divestment plans to ~15%. Most of the divestment will come from the PV (photovoltaic solutions) segment given the volatile earnings cycle.

Considering Chairman Ed Breen's successful divestment cases at Tyco when he was CEO of that company, we believe DuPont will continue assessing its portfolio to divest unaligned businesses in order to deliver shareholder value.

Potential catalysts include: faster- or greater-than-expected synergy capture; sharp uptick in global industrial demand (housing/construction, auto, smartphones); faster-than-expected monetization of the non-core assets; and, potential breakup of DuPont into four different entities.

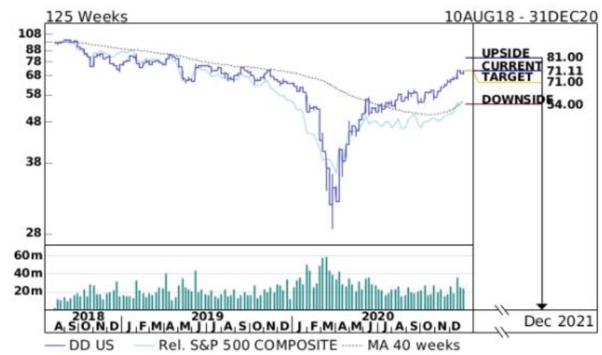
Valuation

We value DuPont on a forward EV/EBITDA basis using 2021E. We apply a 12.5x multiple (mid-to-high end of DD's historical range of 9–14x given portfolio transformation and diminishing PFAS uncertainty) to our 2021E EBITDA of $5.2B to arrive at a price target of $71/share. Our price target supports our Outperform rating. Additionally, our SOTP analysis supports a 13.3x multiple.

Risks to rating and price target

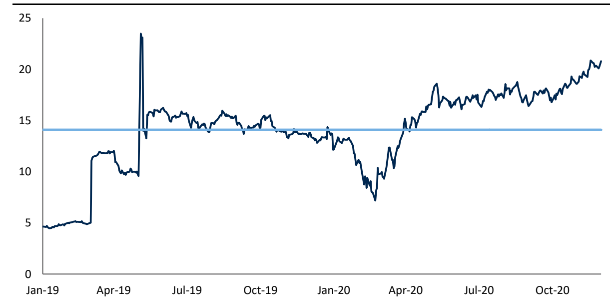
Risks to our rating and price target include: new PFOA cases brought by other parties; slower than expected cycle recovery in China and North America; synergy/integration challenges; further delays or failure to optimize spin strategy; and, further demand deterioration from COVID-19 impact.

Exhibit 27: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 28: Forward consensus PE history



Source: Datastream

Most recent company note: link

Element Fleet Management Corp. (TSX: EFN)

RBC Dominion Securities Inc.
Geoffrey Kwan, CFA (Analyst) (604) 257-7195; geoffrey.kwan@rbccm.com

Rating: Outperform	Closing Price: CAD 13.38
Price Target: CAD 17.00	Implied All-in Return (%): 29.0

Investment summary

Why we rate EFN shares Outperform: There are 4 key themes that drive our positive view of EFN: **(1) attractive growth.** We forecast EFN's EPS will grow at a +14% CAGR over the next 5 years driven by new client wins, organic growth within existing customers and significant returns of capital; **(2) multiple potential catalysts.** See below; **(3) strong defensive attributes.** EFN faces minimal credit/residual risks and tends to have long-term contracts (3-5 years) with high retention rates (~98%); and **(4) attractive valuation,** as we see high EPS growth as a key driver of valuation and potential valuation multiple expansion.

Why we like the fleet management industry: We think the fleet management industry has several attractive attributes, which we think, given EFN is the largest player in North America, should provide outsized benefits to the company. Specifically: (1) the fleet management industry has high barriers to entry, which we think is partly attributable to high switching costs for customers, but also significant scale benefits; (2) the industry has a favorable competitive landscape, which we think has generally resulted in rational pricing behavior; (3) as mentioned above, the industry benefits from long-term contracts and very low client turnover/churn; and (4) the industry has strong free cash flow generation potential.

Potential catalysts: (1) accelerated wins of government/self-managed and/or mega-fleet customers; (2) increased returns of capital (e.g., further dividend increases, share buybacks, etc.); and (3) continued progress successfully re-opening economies, which would benefit new order activity and fleet services.

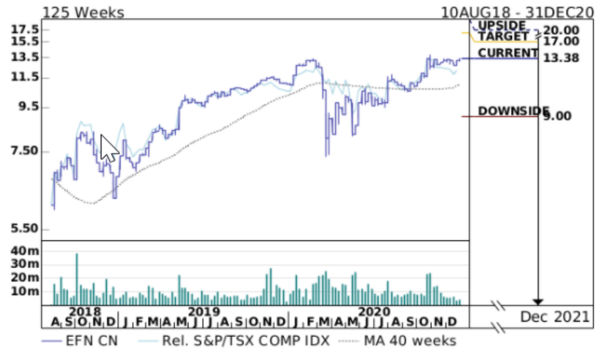
Valuation

Our 12-month price target is $17/share. Our 12-month price target is based on 15x our 2022 fully diluted operating EPS forecast, which is in line with its current multiple and a premium to the global fleet manager peer average. We believe a premium to global fleet management peers is warranted given factors including higher expected growth, stronger fundamentals, greater scale and very little exposure to credit risk. We believe our 12-month price target and the implied total return support our Outperform rating.

Risks to rating and price target

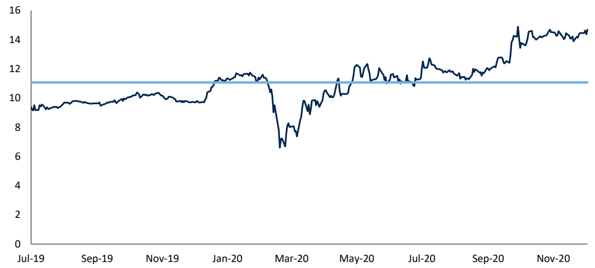
An economic recession could reduce demand for re-orders and/or new orders of fleet vehicles negatively impacting originations and portfolio growth; credit and/or equity market volatility could reduce the ability to access capital on profitable terms to fund the current portfolio and future growth opportunities; increased competition leading to customer losses; and key personnel departures.

Exhibit 29: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 30: Forward consensus PE history



Source: Datastream

Most recent company note: link

Enterprise Products Partners L.P. (NYSE: EPD)

RBC Capital Markets, LLC
TJ Schultz, CFA (Analyst) (512) 708-6385; tj.schultz@rbccm.com

Rating: Outperform	**Closing Price: USD 19.59**
Price Target: USD 26.00	**Implied All-in Return (%): 41.8**

Investment summary

We rate EPD Outperform and view the stock as a core MLP holding with both offensive and defensive characteristics. EPD offers investors broad exposure to a full spectrum of the midstream value chains for NGLs and, increasingly, crude and petrochemical products. Furthermore, the partnership's multi-year organic growth backlog helps provide visibility on long-term distribution growth. EPD has grown and should continue to grow its fee-based cash flows as announced projects enter service and ramp. The large market capitalization relative to the rest of the midstream MLP space should mean easier access to and lower cost of capital and better trading liquidity. We believe the diverse asset base adds stability to the cash flows and is defensive in a softer equity market or energy tape specifically. EPD continues to have a solid slate of identified organic growth projects.

Potential catalysts for the stock include: larger than expected benefits from contango; quicker than expected return of refinery utilization, which would improve downstream demand; and, higher commodity prices.

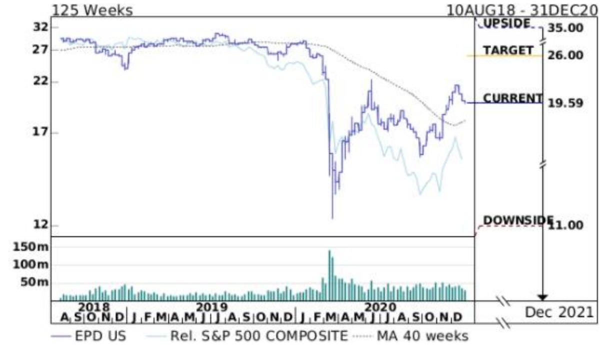
Valuation

We value EPD based on a sum-of-the-parts analysis where we apply target EV/EBITDA multiples to our 2021 EBITDA estimates for each business segment. Particularly, we apply an 8.0x EBITDA multiple to G&P, 12x to crude and gas TT&S and refined products and an 11x to petrochemical businesses. Our target multiples are reflective of our view on EPD's growth outlook and long-term cost-of-capital. After subtracting net debt and the capex that drives 2021E EBITDA, we ultimately arrive at an implied $26/unit price target. Our SOTP valuation implies an overall EV/EBITDA of ~11.1x. Our $26 price target supports our Outperform rating.

Risks to rating and price target

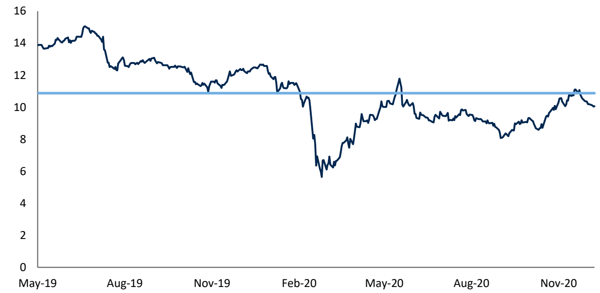
Among the key issues that could impede our price target and rating are: a sustained weak demand or pricing environment for NGLs and other commodities; weaker NGL, crude, or natural gas prices and lower drilling activity, which could reduce demand across EPD systems; lower crude basis differentials could reduce EPD marketing margins; lower liquids prices and/or deteriorating processing margins can reduce EPD margins from equity volumes and utilization across its downstream systems; lower demand for crude oil or crude oil transportation and logistics solutions; overbuild of NGL pipeline capacity to Mont Belvieu reducing prices; failure to obtain sufficient contractual support for announced projects; project execution risk (both in terms of cost and timing); lower natural gas prices and the impact on dry gas gathering systems in South Texas and Haynesville.

Exhibit 31: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 32: Forward consensus PE history



Source: Datastream

Most recent company note: link

GDS Holdings Limited (NASDAQ: GDS)

RBC Capital Markets, LLC
Jonathan Atkin (Analyst) (415) 633-8589; jonathan.atkin@rbccm.com

Rating: Outperform	**Closing Price: USD 93.64**
Price Target: USD 112.00	**Implied All-in Return (%): 19.6**

Investment summary

We believe GDS has potential to outperform its peers given its positioning in an under-penetrated, growing market with strong customer demand trends and limited competitive supply. We believe the biggest risk (under the company's control) is management's ability to successfully manage, plan, and execute its expansion plans.

Positives

We believe the following are positives for the company: 1) GDS is well positioned to capitalize on strong secular and macro trends, such as faster-than-average GDP and increased IT outsourcing. 2) GDS' differentiation lies in its carrier-neutrality, national reach focused on key metro areas, and high quality standard. 3) Most new construction projects are driven by specific customer requirements, driving commitment rates above 50% for high-performance sites. 4) Large-scale Chinese cloud and Internet platforms are a major driver of colocation demand in China and for GDS in particular. 5) Costs of revenue are predominantly fixed, providing a key source of margin expansion. GDS's stabilized (and company-level) EBITDA margins rival or exceed those of Western datacenter operators, subject to expansion drag. 6) The Chinese datacenter market has high barriers to entry and limited competitive supply in tier 1 metros due to the market structure, permitting and environmental challenges, and limited capital focus by independent datacenter peers.

Valuation

Our price target of $112 is based on applying an 18x EBITDA multiple to our estimate of the company's fully developed/stabilized EBITDA, taking into account its land bank. We believe an 18x EBITDA multiple supported by the five-year historical average of the company's more mature datacenter peer group. Our price target supports an Outperform rating.

Risks to rating and price target

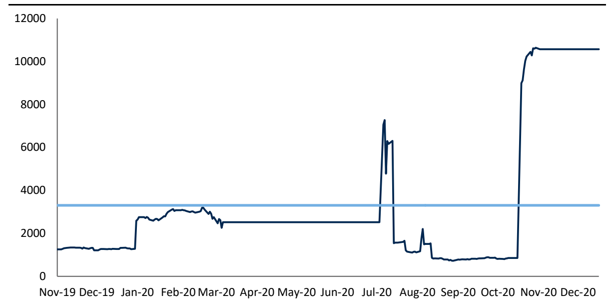
Risks include execution uncertainties around datacenter capacity and customer demand, high customer concentration, unforeseen capital requirements that impair the company's trajectory toward positive free cash flow, country risk, and limited share liquidity.

Although GDS has already absorbed most COVID-19 impacts, given China's earlier exposure, any unforeseen obstacles to the company's supply chain or ability to pursue its targeted development pipeline could mute its growth profile.

Exhibit 33: Share performance and RBC valuation

Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 34: Forward consensus PE history



Source: Datastream

Most recent company note: link

General Electric Company (NYSE: GE)

RBC Capital Markets, LLC
Deane Dray, CFA (Analyst) (212) 428-6465; deane.dray@rbccm.com

Rating: Outperform	**Closing Price: USD 10.80**
Price Target: USD 13.00	**Implied All-in Return (%): 20.7**

Investment summary

Turnaround story likely gains momentum in 2021 with vaccine news boosting commercial aero; Improving free cash flow is the key metric. We expect the high-profile turnaround led by CEO Larry Culp and team to gain significant momentum in 2021, especially as the vaccine news accelerates the recovery in commercial aero. The bear thesis is fading and enthusiasm for GE's improving free cash flow is building, likely drawing in more believers. Our SOP model implies attractive upside and our analysis shows that GE shares are still significantly under-owned.

Bear case fading. With the urgency of battlefield triage, CEO Larry Culp and his handpicked team have surgically de-fanged the bear case that had been raging two years ago. Notably, GE Capital has been largely dismantled/de-risked, the balance sheet deleveraging is well underway, long-term health insurance has successfully gone through two regulator audits; the pension plan is now pre-funded through 2023, and the legacy SEC accounting investigations dating back two CEOs ago have been settled.

Improving FCF is the single most important metric. In his first conference call just five weeks into his role as CEO, Larry Culp declared that he was not managing GE to hit a specific EPS target. Instead, FCF was the primary operating metric and EPS would simply be an outcome. Despite the ongoing COVID challenges, the company has achieved steadily improving FCF in 2020, with 2021 likely to see further progress in working capital, and a steadier quarterly conversion vs. the legacy hockey stick 4Q. For 2021, we are estimating $1.9 bil in FCF.

Power segment turnaround still in progress. GE's previous management had missed the signs of the sector's Energy Transition, where renewables gained sufficient critical mass to permanently reduce demand for traditional fossil fuel power generation. GE continues to resize/invest in gas turbine equipment and services, while maximizing value in the non-core Power Portfolio. The company is also the largest North American manufacturer of wind turbines, boosting its ESG appeal.

Our analysis indicates GE shares are still significantly under-owned. About 90% of large cap core funds are underweight GE, as are 85% of large cap value funds. Yes, GE represents a smaller part of the benchmark but we expect to see more investors drawn in from the sidelines as the turnaround gains more traction.

Valuation

Our SOP model implies a weighted-average 2021E EV/EBITDA multiple of 16.0x. Applying our 2021 EBITDA estimate and deducting net debt, pension deficit, operating leases, and long-term care insurance liability, corporate expense, underpins our $13 price target, supporting our Outperform rating.

Risks to rating and price target

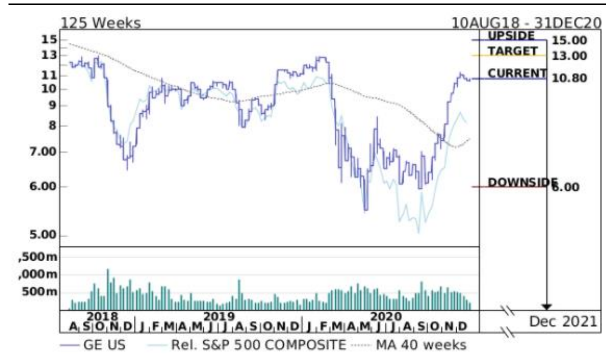
Coronavirus: The pandemic triggered a global recession and wreaked havoc on the commercial aero industry, GE's most profitable business. The recovery is still uncertain but the vaccine news is encouraging.

Economic conditions: A slower-than-expected economic recovery or protracted recession would negatively impact GE's financial results, as would changes in inflation, commodity prices, credit availability, currency, and price-cost realization.

Cost-out targets: GE is targeting a significant reduction in SG&A over the next several years. A shortfall could make our estimates too optimistic.

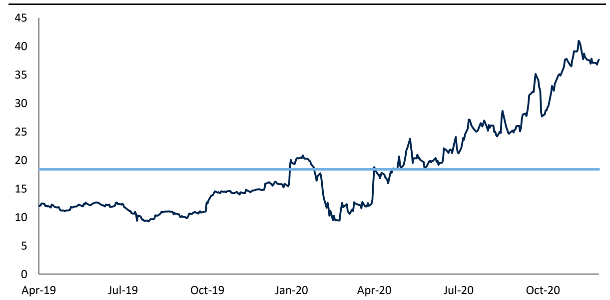
Emerging market exposure: GE generates substantial sales from high growth markets like China, India, and the Middle East. A slowdown in these markets or currency weakness could have a negative impact on GE.

Exhibit 35: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 36: Forward consensus PE history



Source: Datastream

Most recent industry note: link

Genmab A/S (NASDAQ: GMAB)

RBC Capital Markets, LLC
Kennen MacKay, Ph.D. (Analyst) (212) 905-5980; kennen.mackay@rbccm.com

Rating: Outperform	Closing Price: USD 40.66
Price Target: USD 46.00*	Implied All-in Return (%): 13.1

***** Subsequent to the December 31, 2020 pricing of the *Top 30 Global Ideas for 2021*, GMAB's price target was raised to USD 46.00 (from USD 40.00) on January 4, 2021. See note here.

Investment summary: We see GMAB as a highly validated antibody/biologics engineering company with demonstrated potential to develop best-in-class blockbuster products. We are most impressed by GMAB's proprietary antibody technology, where its history of success differentiates it from competition and provides platform scarcity value. GMAB has a robust pipeline consisting of mAbs and BsAbs, which we see as compelling given GMAB's platform successes. GMAB is also pioneering novel antibody technology such as "Next-Generation" HexaBody, DuoHexaBody, and HexElect antibody technologies.

We see a high probability that Darzalex's move into 1L Multiple Myeloma (MM) across standards of care will dominate the market for years to come. With Dara setting to seek more penetration in the larger market of frontline (especially with label expansion to transplant-eligible patients) and recently approved subcu formula with a broad label, we see limited risks associated with the drug in MM market and royalties from this adding non-dilutive revenue to offset pipeline development spending.

Epcoritamab (DuoBody-CD3xCD20) is a major pipeline focus with new partnership collaborations with ABBV. GMAB gained a surprisingly large $750M USD upfront milestone (total milestones of $3.15B USD) in exchange for partnering partial rights to pipeline standout epcoritamab (DuoBody-CD3xCD20), and two deeper pipeline assets that have previously seen little investor attention: GMAB's DuoHexaBody-CD37 and DuoBody-CD3x5T4. Importantly, the epcoritamab deal is structured as a global co-development and co-commercialization program.

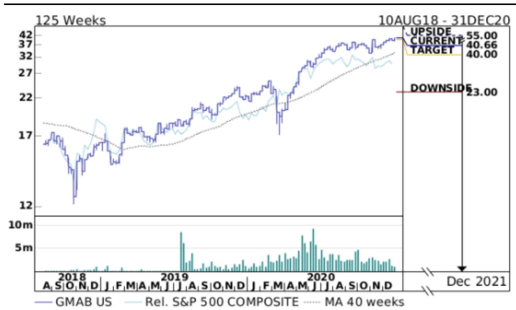
Tisotumab Vedotin (TV) could see a rapid path to market in cervical cancer with positive data from innovaTV204 trial.

Key upcoming potential catalysts: (i) early pipeline updates with focus on GEN1046 (DuoBody-PD-L1x4-1BB) early data in solid tumors in 2021; (ii) anticipated tisotumab vedotin (TV) BLA filing in cervical cancer in early 2021 with anticipated launch in 2L+ cervical cancer in 2H:21; (iii) regulatory decisions for Darzalex in AL amyloidosis and in MM in combination with pomalidomide and dexamethasone in 2021; (iv) Epcoritamab development expansion with potential updated data in 2021; and (v) 2021 outlook/guidance likely with 4Q:20 earnings with focus on Darzalex outlook.

Valuation: Our DKK 2,943/sh (ADS US$46/sh) price target is derived from the NPV of cash flow generated from PoS-adjusted commercial product, pipeline, and royalty/milestones forecast through 2030. Our base case includes: 1) Darzalex 25–30% peak penetration in NDMM and 45–55% peak penetration in RRMM; 2) Darzalex 90% PoS (US/EU) in AL Amyloidosis; 3) Ofatumumab 95–100% PoS in RMS; 4) Tisotumab Vedotin 50–60%/70–75% (1L/2L+) PoS in cervical cancer and 30% PoS in ovarian cancer; 5) Epcoritamab 65% PoS in r/r NHL and 15% PoS in 1L NHL; and 6) Tepezza 100% PoS in US and 90% PoS in EU. Our price target supports our Outperform rating.

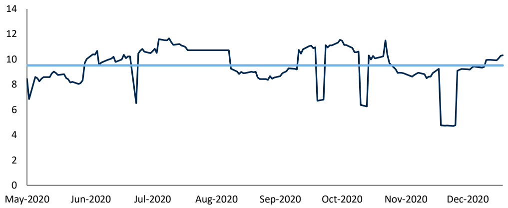
Risks to rating and price target: We expected limited impacts due to COVID-19 circumstances on GMAB's business operations, as the company's current commercial products target severe oncology or other disease patients who need active treatments. However, we see risks in clinical program development of some of the company's early-stage assets, such as Epcoritamab or GEN1046, as patient recruitment for these trials could be temporarily delayed or halted as COVID-19 cases increase. Additional risks to our price target and rating include pricing and commercial update risk for Darzalex in MM and Ofatumumab in RMS, and clinical development and regulatory risk for Tisotumab Vedotin.

Exhibit 37: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 38: Forward consensus PE history



Source: Datastream

Most recent company note: link

Gilead Sciences, Inc. (NASDAQ: GILD)

RBC Capital Markets, LLC
Brian Abrahams, M.D. (Analyst) (212) 858-7066; brian.abrahams@rbccm.com

Rating: Outperform	**Closing Price: USD 58.26**
Price Target: USD 81.00	**Implied All-in Return (%): 43.7**

Investment summary

We believe Biktarvy's strong profile and robust launch, along with favorable demographic and pricing dynamics, will underpin good HIV franchise sustainability through at least 2025, with nearer-term competitive threats overblown; we expect this to maintain a strong foundation for GILD's valuation. Though we expect continued HCV declines, share and pricing stability should provide more predictability, and sustainable patient volumes should still contribute a meaningful ~$17B in cash flows over the next decade. We also see Trodelvy, magrolimab, and anti-TIGIT as a potential blockbusters in the pipeline, and see strong BD optionality. Overall, we expect sentiment to remain more positive, with continued strong commercial execution and additional BD and pipeline diversification helping to drive share appreciation.

Key positives: (1) favorable leadership position, pricing power, demographics in HIV; (2) more predictable HCV share and pricing, and sustainable volumes that should enable meaningful cash flows; (3) blockbuster potential for oncology assets; and (4) further recent pipeline expansion through GLPG, FTSV and IMMU deals, with additional BD/ pipeline optionality.

Potential catalysts: (1) data from MANTA and MANTA-RAy studies of filgotinib (1H21); (2) Interim look at Trodelvy data in mUC (1H21); (3) Interim analysis of '1690 in IPF (1H21); (4) Initial data from RCUS partnered anti-TIGIT antibody (1H21)

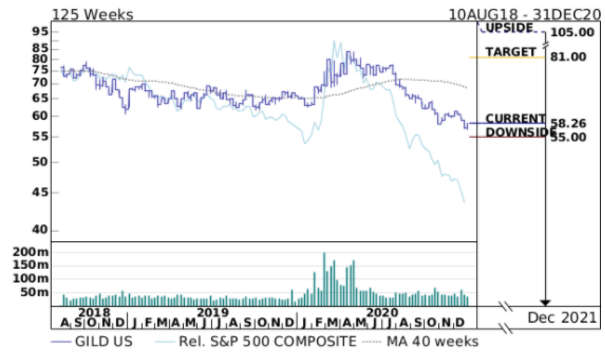
Valuation

Our $81 price target is derived via a DCF analysis, with an 8.9% discount rate and a 3% terminal growth rate off 2029E (post-TAF generic). Our price target supports our Outperform rating.

Risks to rating and price target

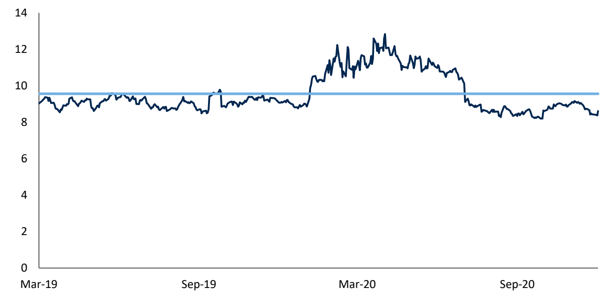
Risks inherent to GILD's business include generic HIV entrants, competition in HCV, pricing pressure, commercial and scientific complexities of cellular CAR-T therapies, and efficacy and safety risk for pipeline products such as magrolimab. More systemically, GILD could also be negatively affected by the macro effects of an economic downturn, or impacts on the company's workforce, related to COVID-19.

Exhibit 39: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 40: Forward consensus PE history



Source: Datastream

Most recent company note: link

Kingfisher plc (LSE: KGF)

RBC Europe Limited
Richard Chamberlain (Analyst) +44 20 7429 8092; richard.chamberlain@rbccm.com

Rating: Outperform	**Closing Price: GBp 270.40**
Price Target: GBp 375.00	**Implied All-in Return (%): 42.4**

Investment summary

We rate Kingfisher Outperform with a 375p price target as we think the outlook for home improvement has improved with people spending more time at home, more wear and tear, and people looking to save money doing DIY. We also think Kingfisher's new management team has introduced a more effective trading strategy, with a stronger digital offer, lower inventory and better cost control.

Potential catalysts

Kingfisher will report its FY results on March 22. We forecast a continuing trend in strong LFL sales growth with +11% yoy overall in Q4. In addition industry data, e.g., from Barclaycard in the UK and from the Banque de France should be supportive for DIY. Finally any announcements of further governmental support for the housing market would be a positive catalyst.

Valuation

We use DCF analysis to derive our 375p price target for Kingfisher, which supports our Outperform rating on the shares. In the DCF, we model a 10-year CAGR in sales of 2%, EBIT of 4%, and cashflow of 6%. We use a WACC of 8.0% and terminal growth rate of 1.0% to account for Kingfisher's international exposure.

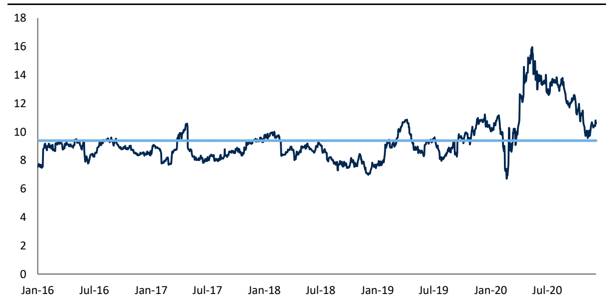
Risks to rating and price target

We would see downside risk to our rating and price target if: 1) the outlook for home improvement deteriorates in Kingfisher's major markets the UK, France or Poland; 2) Kingfisher's new trading strategy fails to cause a sustained improvement in sales; or 3) if KGF is forced to cut prices and promote more than we expect. Alternatively, the GBP could appreciate materially versus the EUR and zloty causing translation headwinds or Kingfisher could fail to execute successfully on its new strategy.

Exhibit 41: Share performance and RBC valuation

Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 42: Current year consensus PE history



Source: Datastream

Most recent company note: link

NIKE, Inc. (NYSE: NKE)

RBC Capital Markets, LLC
Kate Fitzsimons (Analyst) (212) 428-6550; kate.fitzsimons@rbccm.com

Rating: Outperform | **Closing Price: USD 141.47**
Price Target: USD 160.00 | **Implied All-in Return (%): 13.9**

Investment summary

We see NKE as a best-in-class global athletic play, with its Consumer Direct Acceleration strategies supporting a multi-year mid-high teens EPS CAGR through FY26E. As the dominant brand in the attractive athletic category, NKE is in the early days of its new Consumer Direct Acceleration strategy, which should support a sustained multi-year +HSD top-line trajectory via: 1) product innovation, aided by a simplified product organization, supporting ongoing growth in footwear and lesser penetrated categories such as women's and kids; 2) digital penetration approaching 50% over time from 30% (owned + partnered) today, with the backbone being Nike's suite of loyalty-garnering apps having added >70MM members since the onset of the pandemic (~247MM total members as of October 2020); 3) a focus on building the marketplace of the future via own doors and strategic partners; 4) international gains, especially China with its rising middle class; 5) owned door expansion, with 150-200 full-price monobrand doors to come; while 6) paring back on undifferentiated wholesale doors. Coming out of COVID, we see NKE as a structural winner as a lifestyle brand leveraging consumers' prioritization of health, wellness, and casualization with a margin accretive competitive moat to boot.

We also see multiple levers to support mid-high teens EPS CAGR for the next five years as EBIT margins move towards 16-17% vs. 13% in FY21E. On gross margin, levers include: 1) mix shift benefits towards digital, with owned digital in a normalized environment 10% higher margin vs. wholesale; 2) operational efficiency gains via use of RFID, personalization, analytics, etc., supporting greater inventory productivity and lower markdowns; 3) mix shifts towards international, especially China; 4) benefits from a more productive wholesale distribution; offset by 5) ongoing fulfillment investments. On the opex front, we see efficiencies associated with NKE's recent $315MM restructuring, on top of a stricter eye on NKE's demand-creation machine supporting leverage of customer acquisition costs.

Potential catalysts include: 3QF21 earnings; return of live sports; COVID-19-related headwinds abating; digital reaching 50% penetration faster than anticipated; gross margin upside from mix shifts; and, new product and marketing campaign launches

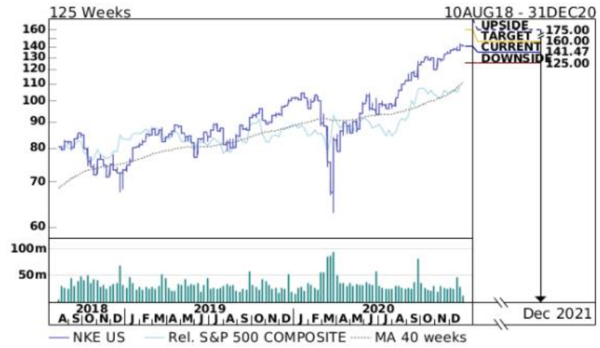
Valuation

Our price target of $160 applies 37x to our calendarized FY22 EPS estimate of $4.31 (implies 43x our FY22 EPS estimate of $3.76), above its historical average but fair considering a faster recovery from COVID headwinds vs. peers. Our 37x applies just over a 2x PEG on our CY21E-23E EPS CAGR of 17%, fair in our view given NKE’s current momentum and category leadership with margin prospects as the mix shift to digital ultimately pivots the business towards higher profitability. Our price target supports our Outperform rating.

Risks to rating and price target

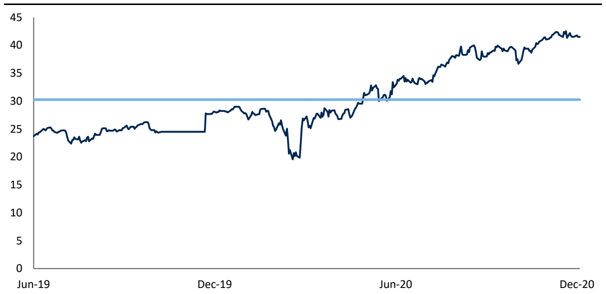
Downside risks to our rating and price target include: 1) slower-than-expected top-line results or the potential retrenchment of the consumer in connection with rising COVID cases; 2) weakening consumer spending, particularly at the wholesale channel; 3) FX headwinds given 59% international exposure; and 4) other macro-related risks including tariffs and rising commodity prices.

Exhibit 43: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 44: Forward consensus PE history



Source: Datastream

Most recent company note: link

Royal Dutch Shell PLC (LSE: RDSB; NYSE: RDS.B)

RBC Europe Limited
Biraj Borkhataria, CFA (Analyst) +44 20 7029 7556; biraj.borkhataria@rbccm.com

Rating: Outperform | **Closing Price: GBp 1,259.40**
Price Target: GBp 2,000.00 | **Implied All-in Return (%): 62.5**

Investment summary

We rate Royal Dutch Shell at Outperform. See our note "**Would you own me if I didn't pay a dividend?**" for our overall thesis.

Key reasons for our stance:

FCF breakeven point is below peers: Following the dividend cut, Shell's free cash flow breakeven is below the peer group average at $35-40/bbl in 2021E, which leaves room for DPS growth over time, as well as debt paydown and potentially buybacks even assuming a moderate recovery in commodity prices.

Multiple franchise businesses should leave Shell generating higher returns: In our minds, Shell has three franchise businesses within the group, all of which are #1 in their respective areas. Global deepwater, integrated gas and marketing form Shell's key competitive advantages, in our view. Shell's marketing business in particular generates >20% ROACEs consistently and is the highest return business within the group.

Free cash flow vs shareholder claim. Shell's free cash flow generation relative to EV screens at the top of the peer group; however, its dividend yield remains much lower than most European peers. We think returns to shareholders will be higher in the coming years, but likely in the form of buybacks over a large, fixed, progressive dividend.

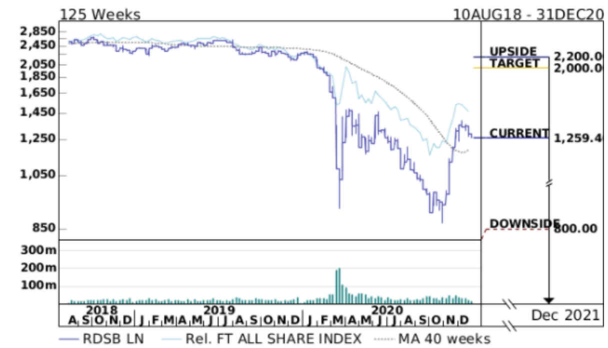
Valuation

Our one-year price target for Shell of 2,000p is based on a 6x 2022E EV/DACF multiple, slightly below Shell's long-term average at 7.0x, given uncertainty on capital allocation. Our price target for the A shares of 2,000p is calculated on the same basis. On this basis, we see greater risk-adjusted upside versus peers, and rate the shares Outperform.

Risks to rating and price target

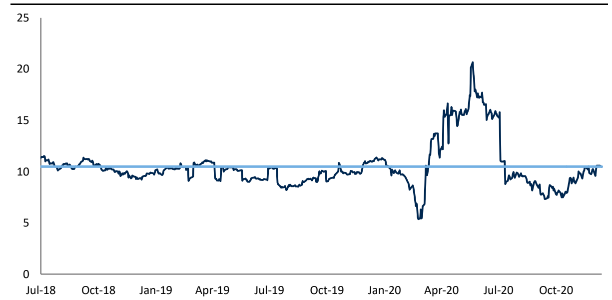
Risks to our price target and rating include: overcapacity in LNG as Shell is involved in multiple growth projects whilst also being the largest supplier of LNG globally; sustained weakness in US gas prices constraining profitability of gas drilling in the US; security risk in key areas in the Middle East and North Africa where Shell is highly exposed; and 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 45: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 46: Forward consensus PE history



Source: Datastream

Most recent company note: link

SSE plc (LSE: SSE)

RBC Europe Limited
John Musk (Analyst) +44 20 7029 0856; john.musk@rbccm.com

Rating: Outperform **Closing Price: GBp 1,500.00**
Price Target: GBp 1,625.00 **Implied All-in Return (%): 13.7**

Investment summary

We see SSE a 'dual threat' with an attractive mix of assets with ~95% of EV and EBITDA in regulated networks and renewable activities.

For **Renewables** we see SSE as having a premier position in the UK, but reserve judgment on potential international expansion. SSE now targets 9.5GW of renewable capacity in 2030 vs ~4GW today and we give credit for ~90% of this. We value SSE at £15.6bn (~55% of EV), at an implied ~14x EV/EBITDA multiple. This is a 12.5% discount to the peer average of 16x, despite SSE renewable EBITDA CAGR to 2030E of 10% being in line with the peer average.

In **Networks** SSE is also positively exposed to the energy transition and we expect Ofgem to soften its stance on allowed returns and totex in the upcoming final determination in December. We assume 90% of business plan Totex is allowed and an RoE of 4.5% (up from 3.7% at the draft determination).

These attractions comes with a much improved balance sheet as SSE looks to complete its £2bn asset disposal programme. This gives us confidence in the deliverability of growth capex and the continuation of the RPI linked dividend (FY21 yield ~6%).

Our revised estimates sit comfortably (~15%) above consensus in FY22E & FY23E and with ~20% upside potential to our 1625p price target we upgrade to Outperform.

Valuation

Our base case valuation of 1,625p is based upon a sum-of-the-parts model, and supports our Outperform rating.

Within the SOP, for regulated assets we use the FY21E RAV and apply a premium (blended ~25%, up from 22%) to capture regulatory outperformance and growth. We assume a RIIO2 RoE of 4.5%.

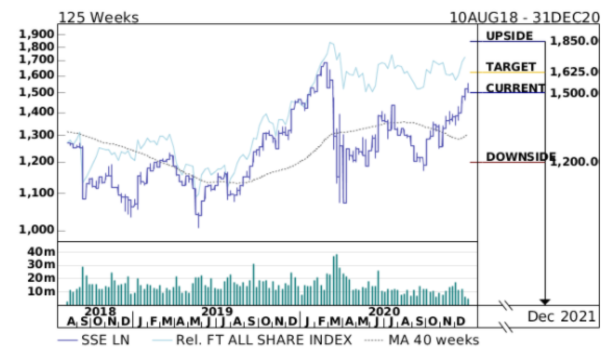
On generation, we use a DCF per generation type which implies ~£160/kW for thermal, ~£2,100/kW for hydro, ~£2,400/kW for onshore wind, and ~£9,500/kW for offshore wind (will reduce as assets come online). For renewables we use a WACC of 4.75%.

For customer operations we use DCFs with ~7-8% WACCs, no terminal growth, and long-term EBIT margins of ~3.5%.

Risks to rating and price target

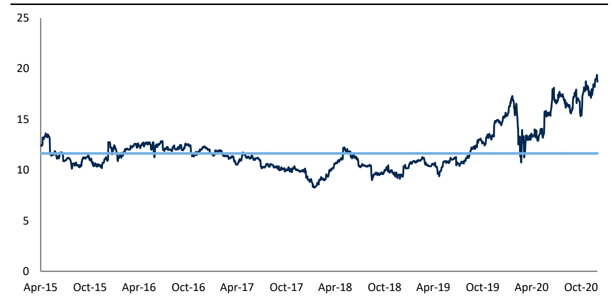
Power and commodity prices have been volatile in 2020 as a result of Covid-19 and could potentially give up recent gains on lower demand if lockdowns last longer than expected. Furthermore, large capital growth projects in offshore wind are not without risk and there is competition that could threaten returns on future projects. Finally in networks returns for the transmission business in RIIO2 are yet to be finalised and this could impact valuation.

Exhibit 47: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 48: Current year consensus PE history



Source: Datastream

Most recent company note: link

Teladoc Health, Inc. (NYSE: TDOC)

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

Rating: Outperform	Closing Price: USD 199.96
Price Target: USD 260.00	Implied All-in Return (%): 30.0

Investment summary

Virtual health has gone mainstream. We believe awareness and comfort with the technology have reached a tipping point and the breadth of potential use-cases is expanding rapidly. There are more examples of this surfacing across healthcare every day. We are also seeing increasing evidence that the Virtual First benefit design is beginning to take hold, which adds even more momentum to our outlook. While the rising tide should lift all boats, we believe Teladoc is the best positioned to capitalize on this. Its superior consumer engagement platform, breadth of offerings/clinical capabilities, and global reach are all important and durable competitive differentiators. Now with the inclusion of Livongo, we believe the combination of new member adds, cross-selling, and ramping utilization should drive 30-40% organic revenue growth for the next 3+ years.

Potential catalysts

Big client wins/new member adds. The most impactful driver of our financial model continues to be the addition of new members. COVID-19 is pushing TDOC's paid member base to record levels, up 40% in 3Q20 from the end of 2019. Opportunities this large are few and far between, but a significant greenfield and burgeoning replacement market remain.

Ramping utilization. TDOC's Surround Sound consumer engagement platform has enabled it to drive utilization well beyond that of its peers. This is an important contributor to the value proposition that TDOC provides its clients—payers only save money if their members use the service. Continued success here, and a potential acceleration driven by the proliferation of the Virtual First benefit design, would take the stock higher in our view.

Valuation

We believe the COVID-19 pandemic has pushed virtual health to its tipping point. Coupled with both the Livongo and InTouch acquisitions, this strengthens our confidence in TDOC's ability to accelerate its organic revenue trajectory into the 30-40% range, better balances its strategy (provider vs. payer/consumer), and further distances it from peers as the virtual health leader. Our $260 PT is 21x our pro-forma combined 2021E revenue, which is a 5-turn discount to the 27x SaaS/tech peer average, but a premium to the 8x average of other HCIT companies. Our price target supports our Outperform rating.

Risks to rating and price target

Risks include multiple ongoing M&A integrations, growing international exposure, uncertain and dynamic regulatory environment, exposure to potential medical malpractice, data breaches, and elevated expectations concerning future organic revenue growth.

Exhibit 49: Share performance and RBC valuation

Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 50: Forward consensus PE history

Forward PE data unavailable from Bloomberg

Source: Datastream

Most recent company note: link

The Mosaic Company (NYSE: MOS)

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

Rating: Outperform	**Closing Price: USD 23.01**
Price Target: USD 32.00	**Implied All-in Return (%): 39.9**

Investment summary

Mosaic provides strong leverage to the potash and phosphate markets, and we believe it would be an ideal investment in a commodity upside scenario. The acquisition of production and distribution assets in Brazil further enhances the company's exposure to the fastest-growing agriculture market and provides significant synergy potential.

Potential catalysts

The company expects to realize significant cost savings through 2023 with a combination of company controllables and lower input costs – ramp-up of Esterhazy K3, permanent closure of Plant City, lower input costs (sulphur, ammonia, nat gas), ongoing savings initiatives to lower phosphate conversion costs, higher operating rates, weaker Brazilian Real, and no Brazil dam remediation costs.

Mosaic acquired Vale's Brazil-based phosphate and potash assets in 2018 and realized run-rate synergies of $275M by end-2019. The company is targeting an additional $200M EBITDA benefit from ongoing business transformation efforts by end-2022.

Mosaic is currently working on constructing the Esterhazy K3 potash expansion. The project should increase capacity by 900Kt and alleviate production risk around brine inflow issues at K1 and K2. We expect the project to ramp through 2019–20 and brine inflow costs to be completely mitigated by end-2022.

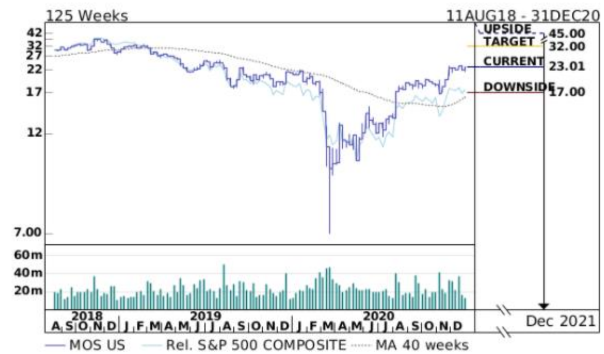
Valuation

We arrive at our $32 price target by attributing an equal weighting to our SOTP EV/EBITDA and DCF valuation. Our SOTP EV/EBITDA analysis applies an 8x multiple to 2021 EBITDA estimates for the Potash, Phosphate, and Fertilizantes segments. These multiples are in line with the multiples used to value Mosaic's peers. Our DCF analysis uses a 9% real discount rate. The implied return to our price target supports our Outperform rating.

Risks to rating and price target

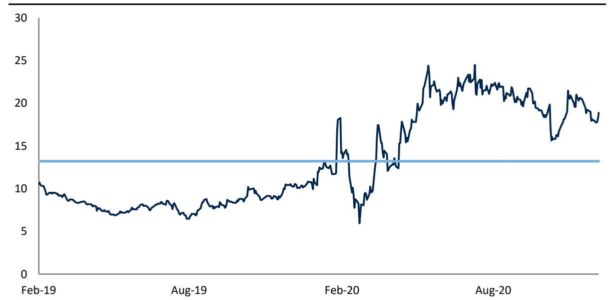
Risks to our price target and rating include: 1) unpredictable weather events in North America or international markets can have an adverse impact on demand for agricultural inputs; 2) Mosaic has operations in the US, Canada, and other foreign countries, so currency fluctuations can have an impact on earnings; 3) nutrient prices can be volatile and can have a significant impact on Mosaic's profitability; and 4) Mosaic uses natural gas, sulphur, and other inputs in producing its fertilizer products, so changes in the prices of these inputs can have an impact on its earnings.

Exhibit 51: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 52: Forward consensus PE history



Source: Datastream

Most recent company note: link

Thomson Reuters Corporation (NYSE: TRI; TSX: TRI)

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

Rating: Outperform | **Closing Price: USD 81.89**
Price Target: USD 88.00 | **Implied All-in Return (%): 9.3**

Investment summary

As we detailed in our August 2020 report "Sizing Up Thomson 3.0", we believe Thomson Reuters over the next five years can sustain an NAV CAGR of +8–9%, a notable increase over an estimated normalized NAV CAGR of +5–6% through the 2000s and 2010s. We see potential for further multiple expansion as Thomson Reuters continues an evolution to software provider. Importantly, we believe all of the KPIs underpinning NAV growth and multiple expansion are sitting at structural low points when looking out over the next decade.

Potential catalysts for the stock include: greater-than-expected resilience in end-market demand; more robust EBITDA margin expansion driven by operating leverage and/or additional cost-efficiencies; higher revenue growth and/or efficiency rating; greater appreciation for a content-driven software model; sustained outperformance relative to traditional information publishing peers; and, accretive tuck-in acquisitions and/or share repurchases.

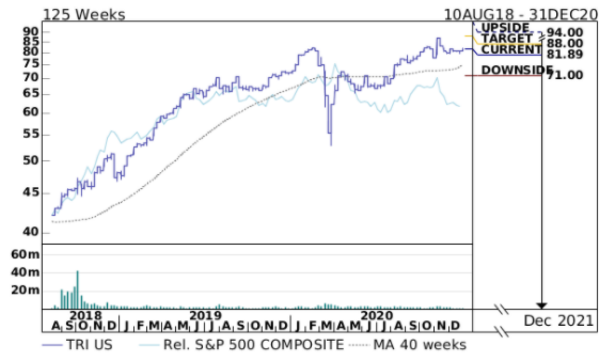
Valuation

Our price target of US$88 supports an Outperform rating on a risk-adjusted basis. Our one-year price target is based on an NAV approach. We apply target EV/EBITDA multiple of 17.5x to our blended 2021E/2022E EBITDA estimates for Legal Professionals, Corporates, and Tax & Accounting Professionals, respectively. We believe these target multiples are consistent with a resilient organic revenue growth profile, expanding adjusted EBITDA margins, and comparable valuations in a low interest rate environment.

Risks to rating and price target

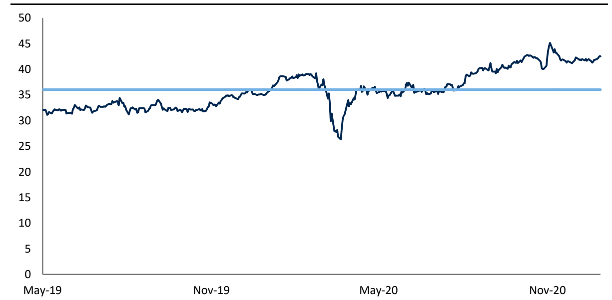
Risks to our price target and rating include: (i) unforeseen direct and indirect COVID-19 impacts; (ii) reductions in the number of customers due to macro headwinds; (iii) sustained revenue pressure in the event that the current economic downturn is deeper and longer than anticipated; (iv) inability to further reduce operating costs leading to margin deterioration; (v) potential dilution associated with further acquisitions; and (vi) inability for the LSE to consummate the acquisition of Refinitiv or an unforeseen decrease in the value of the LSE stake.

Exhibit 53: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 54: Forward consensus PE history



Source: Datastream

Most recent company note: link

Truist Financial Corporation (NYSE: TFC)

RBC Capital Markets, LLC
Gerard Cassidy (Analyst) (207) 780-1554; gerard.cassidy@rbccm.com

Rating: Outperform	**Closing Price: USD 47.93**
Price Target: USD 47.00	**Implied All-in Return (%): 1.8**

Investment summary: We rate TFC Outperform for the following key reasons:

Return on Tangible Common Equity (ROTCE): TFC's low 20% ROTCE goal puts it in the "best in class" category. We expect TFC to be able to reach this target through executing on the merger and effectively managing capital.

TBV and BV per share growth: TFC's tangible book value (TBV) per share increased by 0.9% and 8.0% to $26.63 from $26.38 in 2Q20 and $24.66 in 3Q19, respectively. Book value per share of $45.86 increased by 0.3% from $45.74 on a sequential basis and by 21% from $38.07 in the prior-year period.

Upside to cost savings: The current stock price does not reflect any upside to the conservatively targeted cost savings of $1.6 billion, in our view. Assuming that cost savings approach 35–40% of STI's expense base, incremental expense savings above the target would range from $0.21 to $0.37 per share.

Diversified revenue mix: Estimated fee revenue as a percentage of estimated total revenue will account for 39% of estimated total revenues in 2020 compared to legacy BB&T's fee revenue to total revenue of approximately 43%. We anticipate that Truist will have enhanced capacity to grow its insurance and capital markets businesses, which should accelerate fee revenue growth and enable the company to return to fee revenue levels closer to legacy BB&T in the future.

Attractive markets: Truist's footprint is located in one of the strongest and fastest-growing regions of the U.S. We expect TFC to maintain a competitive advantage over many of its competitors headquartered outside its footprint due to its being physically located in the southeast part of the U.S.

Operating efficiency: TFC expects its adjusted efficiency ratio to reach the low-50% range after completing the integration. We expect TFC to hit this target due to the realization of revenue synergies and cost savings.

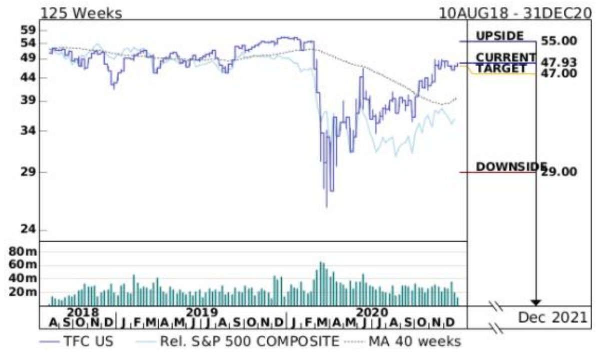
Digitalization: We expect Truist to benefit from the tech investments undertaken by both SunTrust and BB&T. While SunTrust has invested in a cloud-based open architecture framework, BB&T has largely focused on building data centers. We expect that Truist will benefit from the cloud-based agility that allows for quickly testing new technologies and implementing new systems, while also maintaining a high degree of security afforded by BB&T's data centers.

Return of capital: In light of the ongoing COVID-19 pandemic, the Federal Reserve (Fed) announced in June that it was temporarily suspending share repurchases for the 34 large banks that are subject to its annual stress testing exercises, including TFC. The Fed announced at the end of September that it would extend the restriction through the end of the year.

Valuation: Our price target of $47 is 12.1x our 2021 EPS estimate, 1.02x book value, and 1.76x tangible book value. 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 market concerns over the impact from COVID-19. This multiple is consistent with the highest quality banks in the peer group. We believe the premium is warranted by the company's consistent fundamental performance, strong capital position, and clean asset quality. Our price target and implied return support an Outperform rating.

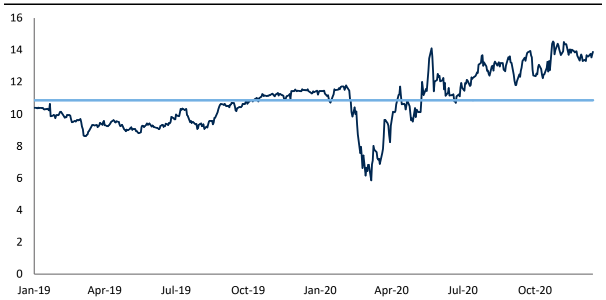
Risks to rating and price target: We believe that COVID-19 containment strategies are likely to cause a severe near-term economic downturn, amplifying risks that could affect the achievement of our rating, outlook, and price target objective. Interest rate risk causing additional margin pressure, as well as the deterioration of asset quality metrics from current levels would represent two of these potential risks. Additionally, we are monitoring the realization of cost savings associated with the merger.

Exhibit 55: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 56: Forward consensus PE history



Source: Datastream

Most recent company note: link

Twilio Inc. (NYSE: TWLO)

RBC Capital Markets, LLC
Alex Zukin (Analyst) (415) 633-8659; alex.zukin@rbccm.com

Rating: Outperform | **Closing Price: USD 338.50**
Price Target: USD 500.00 | **Implied All-in Return (%): 47.7**

Investment summary

Potential catalysts

Large Addressable Market. We estimate Twilio's addressable market to be ~$87B today. With revenues of ~$1.7B anticipated in 2020, Twilio is only ~2% penetrated today.

New Products. We view SendGrid, Flex, and IoT as all providing potential upside. With SendGrid, we believe there is opportunity to bring some of Twilio's best sales practices to SendGrid's sales strategy. With Flex, we see a unique product in a market that is benefiting from a rapid, generational move to the cloud. While IoT is a less immediate opportunity relative to SendGrid/IoT, the looming introduction of 5G technology has potential to accelerate adoption of this newer offering.

M&A. We view Twilio as a highly differentiated asset that would complement the product suite of multiple enterprise software vendors. We believe a Tier-1 or greater multiple (10x+ EV/FY+2 revenue) would be required.

Valuation

Our $500 price target is based on a ~27x multiple on our CY22 EV/revenue estimate, which is in line with our hyper growth comp group. Our price target supports an Outperform rating.

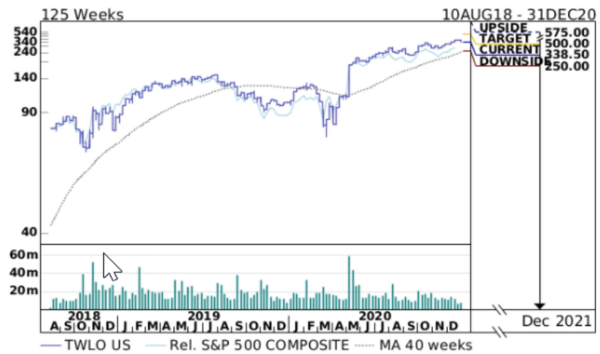
Risks to rating and price target

Competition. Twilio has a number of competitors in its core CPaaS market that generally compete on price. While Twilio's broad suite of developer-focused services has allowed for differentiation and premium pricing, this could be pressured if Twilio's services were to become commoditized.

Customer Concentration. Twilio's ten largest customers accounted for ~3% of Total Revenue in the most recent quarter. The company's stock was pressured in 2017 when Uber, at the time Twilio's largest customer, announced plans to multi-source its CPaaS needs across Twilio's competitors; as a result, its spending with Twilio would materially decrease.

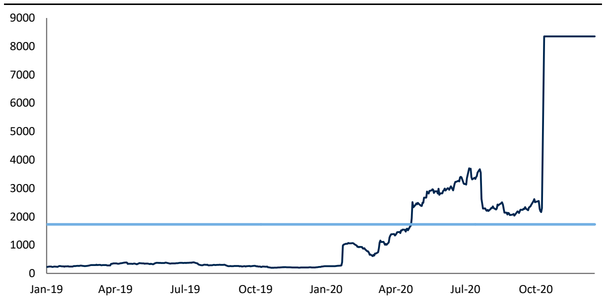
Regulation. Operating in a telco-adjacent market, Twilio's regulatory environment is arguably more complex than that of most enterprise software vendors.

Exhibit 57: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 58: Forward consensus PE history



Source: Datastream

Most recent industry note: link

Visa Inc. (NYSE: V)

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

Rating: Outperform	**Closing Price: USD 218.73**
Price Target: USD 244.00	**Implied All-in Return (%): 12.0**

Investment summary

Visa's business model is such that, while we expect near-term results to be hurt by the macro environment, we believe it should be among the first companies to benefit from a reacceleration in retail spending. The macro environment has led to a significant drop in the stock price since the February 2020 highs, but we believe this does not change its being a long-term secular-driven stock that should provide solid compounding organic growth with opportunities for additional strategic M&A or change Visa's long-term fundamentals of high-single- to low-double-digit organic revenue growth, 60%+ GAAP operating margins, potential for close to mid-teens+ EPS growth, and significant free cash flow generation.

In addition to being one of the best ideas in our space, we believe that Visa's fundamentals and significant free cash flow generation) rank it among a select group of companies with strong fundamentals.

We see the macroeconomic environment as the major near-term fundamental risk and note that the stock price could also come under pressure based on headline risk around litigation and regulation, in our opinion.

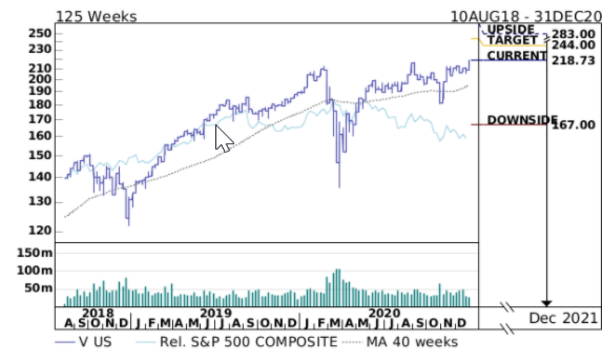
Valuation

Our price target of $244 is based on 36x our CY22 EPS estimate of $6.77, generally in line with Visa's fundamental peers. Underlying our EPS estimates are expectations for constant-currency revenue growth in the high-single digits and 60%+ GAAP operating margins, once near-term macro factors abate. Our price target supports our Outperform rating.

Risks to rating and price target

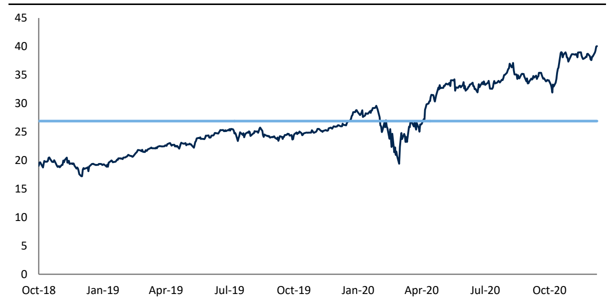
A persistent slowdown in payment volumes and cross-border travel as result of macro conditions, or pushback from large financial institutions on pricing could impede our price target objective and/or rating. Increased regulatory scrutiny, inability to maintain pricing structure, and a prolonged global recession could cause the stock to perform below our expectations and impede achievement of our price target objective and/or rating.

Exhibit 59: Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Exhibit 60: Forward consensus PE history



Source: Datastream

Most recent industry note: link

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			Investment Banking Serv./Past 12 Mos.	
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HOLD [Sector Perform]	**615**	**40.73**	**166**	**26.99**
SELL [Underperform]	**67**	**4.44**	**12**	**17.91**

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