RBC Capital Markets

Top 30 Global Ideas for 2021

Fourth-Quarter Update

EQUITY RESEARCH | October 1, 2021

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

Disseminated: Oct 1, 2021 06:18EDT; Produced: Oct 1, 2021 06:18EDT

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This report is priced as of market close on September 30, 2021 unless otherwise noted.

Introduction

Graeme Pearson – Global Head of Research

Mark Odendahl – Head of US Research

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Michael Hall – Head of European Research & Global Head of Research Product Management

In this note, we present our *Top 30 Global Ideas* list for Q4 2021. The list remains one of high-conviction long-term ideas, with quarterly updates that highlight performance metrics and enable dynamic changes to the list. The adjustments made to our *Top 30* this quarter reflect a rotation into names that offer more attractive perceived upside potential, and out of names that offer less perceived upside or on which we have suspended coverage. These changes are listed at top right and on page 5.

As discussed **here**, our US Equity Strategy team has overweight positioning views on the Financials, Energy and Technology sectors, balancing value/cyclical and growth exposure. We increase our *Top 30* exposure to Financials to a slightly overweight position, and the list remains notably overweight Energy relative to our benchmark (the MSCI World Index). While our US Equity Strategy team has a market weight view of the Materials sector, the *Top 30* remains notably overweight, driven by the inclusion of individual high-conviction names under coverage.

In **Consumer Discretionary** we add **Amazon (AMZN US)**, which in our view has unmatched scale and advantage in verticalized E-commerce and an industry-leading cloud business, providing many future growth opportunities, with advertising being an opportunity we're especially bullish on. We see valuation as compelling, with COVID deceleration guidance and expense miss/guidance now largely out of the way. We remove **The Home Depot (HD US)** following a suspension of equity research coverage.

Within **Financials**, we replace **Arch Capital (ACGL US)** with **American International Group (AIG US)**, where we see a significant valuation gap to peers and increasing visibility to sustainably improved results. We also add **S&P Global (SPGI US)**, as we expect meaningful synergies from the strategic INFO acquisition and potential for significant returns of capital to shareholders.

In **Health Care**, we replace **Humana (HUM US)** with **UnitedHealth Group (UNH US)**, which in our view is an industry leader in each of its business segments, touching virtually every segment of the US healthcare continuum, offering strong growth rates and margins with excellent visibility, with less volatility in earnings/stock performance.

In **Real Estate**, we add **Alexandria Real Estate Equities (ARE US)**, which we see as the dominant player in the strong life science real estate sector, with a good management team, a platform to drive value over time, and macro trends which appear supportive for tenants. We remove **Americold Realty Trust (COLD US)** due to near-term operating challenges, while maintaining our constructive longer-term outlook.

In **Energy**, we remove **Enterprise Products (EPD US)**. While we maintain our positive investment thesis and note strong YTD results and a stable dividend payout through commodity volatility, we believe Energy investors could potentially favor names more levered to natural gas prices in the current commodity environment.

We include further details on our investment thesis for each stock in the *Top 30* as well as a link to our latest company-specific research beginning on p. 7 of this report. 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. 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. Our RBC Imagine™ reports provide a longer-term vision of the investment landscape and perspective on multi-year secular winners. RBC Fusion™ reports provide some of our most rigorous and critically peer-reviewed, unique reports on our highest-conviction, most-differentiated calls. 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

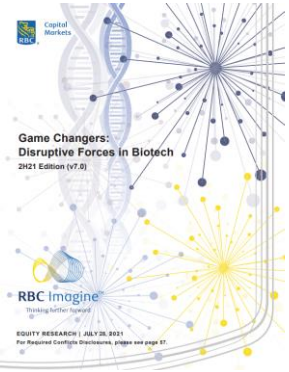
Additions: Alexandria Real Estate Equities (ARE US), Amazon (AMZN US), American International Group (AIG US), S&P Global (SPGI US), UnitedHealth Group (UNH US)

Deletions: Americold Realty Trust (COLD US), Arch Capital (ACGL US), Enterprise Products (EPD US), The Home Depot (HD US), Humana (HUM US)

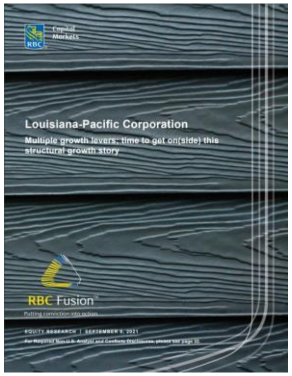
RBC Flagship Research Products

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 (09/30/2021)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Alexandria Real Estate Equities, Inc.	ARE US	Michael Carroll	Outperform	USD	191.07	29,119	222.00	2.3	18.5
Alimentation Couche-Tard Inc.	ATD/B CN	Irene Nattel	Outperform	CAD	48.46	51,908	65.00	0.7	34.9
Amazon.com, Inc.	AMZN US	Brad Erickson	Outperform	USD	3,285.04	1,688,511	4,150.00	0.0	26.3
American International Group, Inc.	AIG US	Mark Dwelle	Outperform	USD	54.89	47,913	65.00	2.3	20.8
ASOS plc	ASC LN	Sherri Malek	Outperform	GBp	3,002.00	2,999	7,300.00	0.0	143.2
Banco Bilbao Vizcaya Argentaria SA	BBVA SM	Benjamin Toms	Outperform	EUR	5.72	38,121	6.20	4.9	13.4
British American Tobacco p.l.c.	BATS LN	James Edwardes Jones	Outperform	GBp	2,604.00	48,565	3,200.00	8.1	31.0
Brookfield Asset Management Inc.	BAM US	Geoffrey Kwan	Outperform	USD	53.51	80,640	65.00	1.0	22.4
Canadian Natural Resources Limited	CNQ CN	Greg Pardy	Outperform	CAD	46.31	54,905	55.00	4.1	22.8
Canadian Pacific Railway Limited	CP CN	Walter Spracklin	Outperform	CAD	82.71	55,407	116.00	0.9	41.2
ConocoPhillips	COP US	Scott Hanold	Outperform	USD	67.77	90,750	75.00	2.7	13.4
CrowdStrike Holdings, Inc.	CRWD US	Matthew Hedberg	Outperform	USD	245.78	55,178	315.00	0.0	28.2
DuPont de Nemours, Inc.	DD US	Arun Viswanathan	Outperform	USD	67.99	35,083	94.00	1.8	40.0
Element Fleet Management Corp.	EFN CN	Geoffrey Kwan	Outperform	CAD	12.78	5,377	19.00	2.0	50.7
General Electric Company	GE US	Deane Dray	Outperform	USD	103.03	937,295	123.00	0.0	19.4
Genmab A/S	GMAB US	Kennen MacKay	Outperform	USD	43.70	2,889	56.00	0.0	28.2
Gilead Sciences, Inc.	GILD US	Brian Abrahams	Outperform	USD	69.85	88,011	84.00	4.1	24.3
H & M Hennes & Mauritz AB	HMB SS	Richard Chamberlain	Outperform	SEK	178.36	295,204	250.00	3.6	43.8
Louisiana-Pacific Corporation	LPX US	Paul Quinn	Outperform	USD	61.37	5,812	100.00	1.2	64.1
Royal Dutch Shell PLC	RDSB LN	Biraj Borkhataria	Outperform	GBp	1,649.60	125,947	2,200.00	4.1	37.4
S&P Global Inc.	SPGI US	Ashish Sabadra	Outperform	USD	424.89	98,782	495.00	0.7	17.2
SSE PLC	SSE LN	John Musk	Outperform	GBp	1,571.00	16,371	1,800.00	5.4	19.9
Teladoc Health, Inc.	TDOC US	Sean Dodge	Outperform	USD	126.81	19,782	260.00	0.0	105.0
TELUS Corporation	T CN	Drew McReynolds	Outperform	CAD	27.84	37,556	31.00	4.5	15.8
The Mosaic Company	MOS US	Andrew Wong	Outperform	USD	35.72	13,691	50.00	0.6	40.5
Twilio Inc.	TWLO US	Rishi Jaluria	Outperform	USD	319.05	57,620	450.00	0.0	41.0
UnitedHealth Group Inc.	UNH US	Frank Morgan	Outperform	USD	390.74	375,501	473.00	1.3	22.3
Visa Inc.	V US	Daniel R. Perlin	Outperform	USD	222.75	486,486	297.00	0.5	33.8
Zillow Group, Inc.	ZG US	Brad Erickson	Outperform	USD	88.58	22,973	155.00	0.0	75.0
Zoom Video Communications, Inc.	ZM US	Rishi Jaluria	Outperform	USD	261.50	79,862	450.00	0.0	72.1

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

Source: Bloomberg and RBC Capital Markets

Top 30 Global Ideas for 2021 — Changes This Quarter

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (09/30/2021)	Market Cap (MM)	Price Target	Dividend Yield (%)	Implied All-in Return (%)
Additions this quarter:									
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UnitedHealth Group Inc.	UNH US	Frank Morgan	Outperform	USD	390.74	375,501	473.00	1.3	22.3
Deletions this quarter:									
Americold Realty Trust	COLD US	Michael Carroll	Outperform	USD	29.05	7,611	38.00	3.0	33.8
Arch Capital Group Ltd.	ACGL US	Mark Dwelle	Outperform	USD	38.18	15,623	47.00	0.0	23.1
Enterprise Products Partners L.P.	EPD US	TJ Schultz	Outperform	USD	21.64	47,679	29.00	8.3	42.3
Humana, Inc.	HUM US	Frank Morgan	Outperform	USD	389.15	50,200	479.00	0.6	23.7
The Home Depot, Inc.	HD US	RBCCM Global Research	Not Rated	USD	328.26	352,880	NA	0.0	NM

Notes:

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

Source: Bloomberg and RBC Capital Markets

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 Q3 2021 (from the time of publishing the *Top 30* Q3 2021 update on July 2, 2021 to September 30, 2021) and since inception (December 2019).

Ticker	Company	Total Return Q3/2021 (in local currency)	Total Return Q3/2021 (in USD)
RDSB LN	Royal Dutch Shell PLC	16.0%	13.5%
MOS US	The Mosaic Company	12.6%	12.6%
COP US	ConocoPhillips	8.6%	8.6%
SSE LN	SSE plc	8.0%	5.6%
ATD/B CN	Alimentation Couche-Tard Inc.	6.8%	4.4%
BBVA SM	Banco Bilbao Vizcaya Argentaria SA	5.7%	3.2%
GMAB US	Genmab A/S	5.2%	5.2%
CNQ CN	Canadian Natural Resources Ltd.	4.0%	1.7%
BAM US	Brookfield Asset Management Inc.	3.8%	3.8%
HD US	The Home Depot, Inc.	2.6%	2.6%
GILD US	Gilead Sciences, Inc.	2.1%	2.1%
LPX US	Louisiana-Pacific Corporation	1.8%	1.8%
T CN	TELUS Corporation	1.2%	-1.0%
CRWD US	Crowdstrike Holdings, Inc.	-2.1%	-2.1%
BATS LN	British American Tobacco plc	-4.2%	-6.3%
GE US	General Electric Company	-4.4%	-4.4%
ACGL US	Arch Capital Group Ltd.	-4.4%	-4.4%
V US	Visa Inc.	-5.1%	-5.1%
EPD US	Enterprise Products Partners L.P.	-9.9%	-9.9%
EFN CN	Element Fleet Management Corp.	-11.2%	-13.1%
HMB SS	H & M Hennes & Mauritz AB	-11.2%	-13.1%
HUM US	Humana Inc.	-12.9%	-12.9%
CP CN	Canadian Pacific Railway Ltd.	-13.0%	-14.9%
DD US	DuPont de Nemours, Inc.	-13.2%	-13.2%
TWLO US	Twilio Inc.	-17.6%	-17.6%
COLD US	Americold Realty Trust	-22.5%	-22.5%
TDOC US	Teladoc Health, Inc.	-23.0%	-23.0%
ZG US	Zillow Group Inc.	-27.1%	-27.1%
ZM US	Zoom Video Communications, Inc.	-32.3%	-32.3%
ASC LN	ASOS plc	-41.8%	-43.1%
	Average total return for RBC CM Top 30 Global Ideas in Q3 2021	*-5.9%*	*-6.7%*

Indices		Total Return Q3/2021 (in local currency)	Since Inception (Not annualized)
AS51 Index	S&P/ASX 200 Index	2.9%	18.7%
SXXP Index	STOXX Europe 600 Index	0.3%	15.2%
SPTSX Index	S&P/TSX Composite Index	0.2%	24.1%
SPX Index	S&P 500 Index	0.1%	37.2%
NDDUWI Index	MSCI World Net Total Return US	-0.4%	31.0%
	RBC CM Top 30 Global Ideas	**-5.9%**	**37.6%**

Indices		Total Return Q3/2021 (in USD)	Since Inception (Not annualized)
SPX Index	S&P 500 Index	0.1%	37.2%
NDDUWI Index	MSCI World Net Total Return US	-0.4%	31.0%
AS51 Index	S&P/ASX 200 Index	-0.6%	21.9%
SPTSX Index	S&P/TSX Composite Index	-2.0%	26.9%
SXXP Index	STOXX Europe 600 Index	-2.0%	18.7%
	RBC CM Top 30 Global Ideas	**-6.7%**	**38.6%**

Notes: Q3 2021 performance calculated from the time of publishing the *Top 30* Q3 2021 update before market open on July 2, 2021, to quarter-end on September 30, 2021. 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

Alexandria Real Estate Equities, Inc. (NYSE: ARE)

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

Rating: Outperform | **Closing Price: USD 191.07**
Price Target: USD 222.00 | **Implied All-in Return (%): 18.5**

Investment summary

Alexandria Real Estate Equities, Inc. is the largest public life sciences REIT and one of the larger public REITs. We believe ARE will drive healthy organic and external growth with positive leasing trends in its in-service and development portfolios.

Potential catalysts

Macro trends appear healthy for tenants. FDA drug approvals hit a lull in '16, but 48 novel drugs were approved in '19, 53 in '20, and 34 YTD. Tenants are more likely to make real estate decisions once they have an approved drug.

COVID-19 could increase demand for space. COVID-19 has increased awareness around the need for life science products and R&D. Management noted that biotech venture funding, equity indexes, IPOs, and follow-ons hit all-time highs in 2020. This could lead to incremental demand.

Developments/redevelopments should drive growth. ARE has made solid progress advancing the development pipeline and management has also identified more than 18.0 million SF of near-term, intermediate-term, and future development projects that should add significant value.

Valuation

Our $222/sh price target reflects a ~5% premium to our 3Q22 NAV estimate of $210.57/sh. We believe a premium is warranted by the proven operating platform, solid tenant base, and strong balance sheet. Our target reflects 29.0x our 2023 AFFO estimate (in line with the trailing 4-and 8-quarter averages of 29.0x and 28.0x) and a ~$975/SF valuation (below recent large private market transactions averaging ~$1,300/SF). Our price target supports our Outperform rating. **Net asset value:** Our in-place NAV estimate is $191.44/sh assuming a 4.25% cap rate. We expect ARE to create value over time and therefore our NAV estimate of $195.80/sh at YE21 (2022 est.) increases to $214.01/sh at YE22 (2023 est.).

Risks to rating and price target

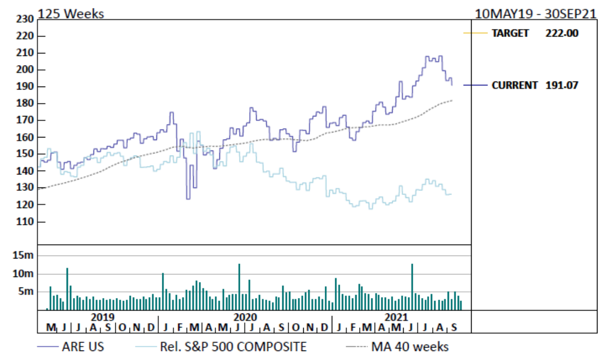
The greatest risks to our estimates, recommendation, and price target relate to general economic trends including, but not limited to, job growth, health-care expenditures, new biotechnology office supply, and access to capital. ARE's tenants require significant funding for the research, development, and clinical testing of products. Tenant products are also subject to regulatory approvals. Higher raw material and labor costs related to development or redevelopment activities could also negatively impact investments. Additional risks, including the threat of terrorism, weather, and key personnel changes, are outlined in the company's filings with the Securities and Exchange Commission.

Biotechnology sector could be binary. The tenant sector can have binary events. For example, ARIA expanded its space with ARE and later announced safety concerns around its blockbuster drug, sending the shares down as much as 80%.

Spread of COVID could slow investments. Due to COVID-19, management lowered its investment expectations for the year in 1Q20. While expectations were increased in 2Q20, we note that a re-acceleration of COVID could impact the investment pace.

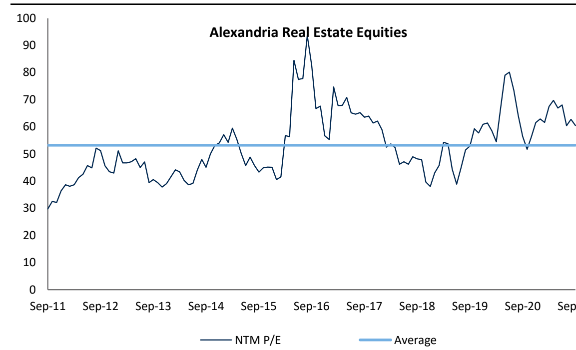
COVID could impair traditional office demand. The long-term impact of COVID on demand for office space remains to be seen. ARE generates ~18% of ABR from tenants using more traditional office space.

Exhibit 1 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 2 - Forward consensus P/E history



Source: Factset

Most recent company note: link

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 48.46**
Price Target: CAD 65.00 | **Implied All-in Return (%): 34.9**

Investment summary

Multiple avenues for growth, underpinned by i) acquisition synergies both direct and reverse; ii) 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 opex/scale benefits; v) increased activity on new store openings, and of course, opportunistic acquisitions.

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

Industry performance in North America 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$ generated 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: ATD is the only North American c-store player with a strong footprint in Norway, the global leader in EV sales. With the operation of charging stations on their sites in addition to home and office chargers, ATD is gaining valuable insight into consumer behaviour/revenue opportunities associated with top-up charging.

Strong B/S + 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.

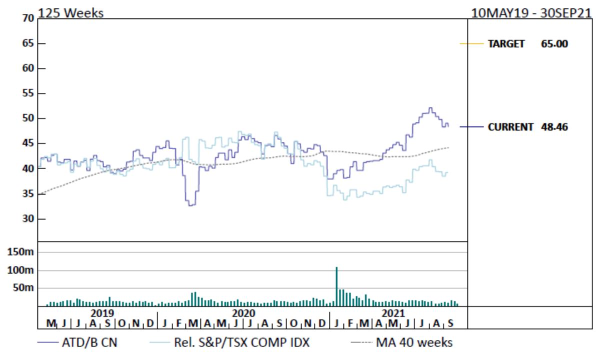
Valuation

Taking the midpoint of 20x Q1/F24E (Jul C23E) TTM EPS and 11x Q1/F24E TTM EBITDA drives our price target of $65, 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 normalized underlying performance, relatively recession-resistant business model and benefits from prior-period M&A. We believe the multiples are also appropriate relative to our c-store coverage universe based on relative investment attributes.

Risks to rating and price target

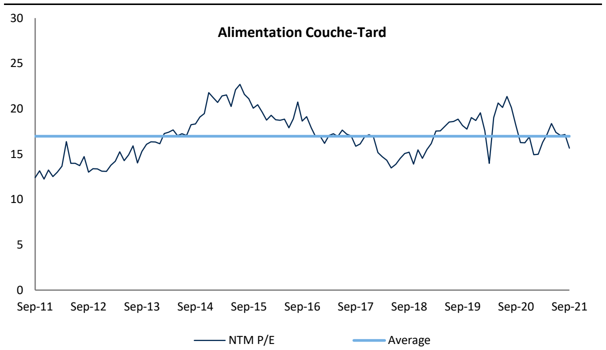
Normalization of gas margins without volume improvement would result in earnings below expectations. As well substantial dislocation in normal daily consumption/traffic patterns could cause sharply lower inside store traffic. Although c-stores typically are relatively recession-resistant, ~50% of US c-store customers have incomes ≤$50k and could be hard-hit by a post-COVID recession if income support is lessened. With ATD's diversified geographic footprint, the risk profile of forecasts includes multiple geographies and currencies and economic and operating environments, each of which is being impacted at differing levels by COVID-19 and low oil prices. Although not included in our forecasts, potential M&A could fail to surface anticipated value creation, which could negatively impact earnings/share price.

Exhibit 3 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 4 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Amazon.com, Inc. (NASDAQ: AMZN)

RBC Capital Markets, LLC
Brad Erickson (Analyst) (503) 830-9488, brad.erickson@rbccm.com

Rating: Outperform	**Closing Price: USD 3,285.04**
Price Target: USD 4,150.00	**Implied All-in Return (%): 26.3**

Investment summary

AMZN is one of the internet's largest true alpha dogs, in our view. The company's unmatched scale and advantage in verticalized E-commerce combined with its industry-leading cloud business gives it many shots on goal for future growth opportunities in new verticals. Our channel checks indicate the burgeoning advertising business in particular has a massive opportunity to drive accretive growth. Regulatory scrutiny is inevitable but carries relatively low risk to long-term equity value, in our view. We rate the stock Outperform with a $4,150 price target based on 18.6x EV/our modestly below Street's '23 EBITDA estimates.

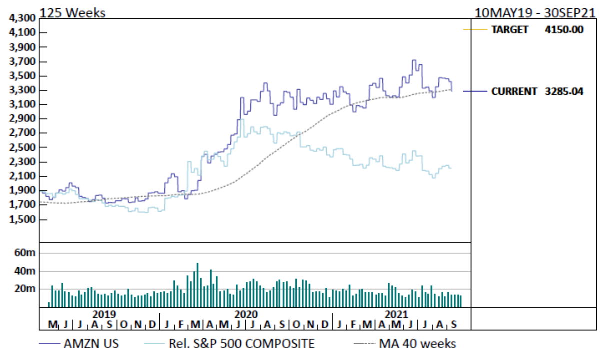
Valuation

The stock trades at 15.2x EV/'23E EBITDA which is a discount to the group. Reasons for the discount are valid in some ways given the law of large numbers limiting growth rates and the multiple ascribed to the low-margin 1P retail business. That said, we believe an in-line multiple is fair given the E-commerce moat AMZN has developed combined with rising exposure to highly cash generative segments like advertising and cloud. Our Outperform rating is justified by our $4,150 price target which is based on 18.6x EV/our '23 EBITDA estimate.

Risks to rating and price target

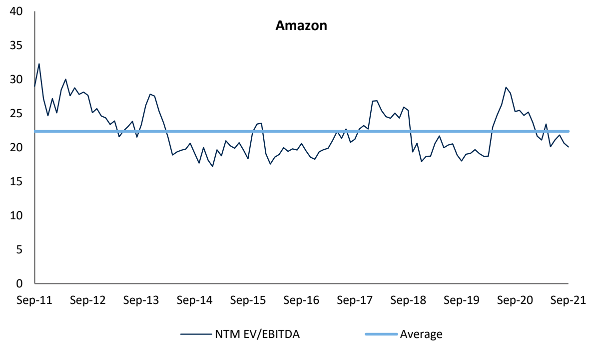
Challenging integration of ongoing capacity expansion (hiring over 125,000 employees upcoming). Less sticky E-commerce trends post-pandemic. Less successful Prime membership adoption in international markets leading to slowing growth and less margin expansion than expected. Inability to secure rights to meaningful sports content, particularly in Europe. A lack of improvement to the advertising platform's targeting algorithms and conversion leading to slowing growth. Intensifying competition in cloud. Global macroeconomic slowdown.

Exhibit 5 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 6 - Forward consensus EV/EBITDA history



Source: Factset

Most recent initiation note: link

American International Group, Inc. (NYSE: AIG)

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

Rating: Outperform	**Closing Price: USD 54.89**
Price Target: USD 65.00	**Implied All-in Return (%): 20.8**

Investment summary

We remain constructive on AIG and view the company as an attractive value idea in the insurance space at the current valuation. AIG's main focus is improving P&C insurance margins and repositioning the entire business for better ROEs with less earnings volatility and a more transparent business model. The company has made progress on improving core loss ratios, and we expect the trends to continue, along with a return to premium growth. In addition, the AIG 200 program is also expected to translate into further expense reduction opportunities. AIG's Life & Retirement segment has been performing well in recent quarters, and we expect further progress on its planned separation of a portion of the Life & Retirement segment. Our Outperform rating reflects the following points:

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

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

Life & Retirement positioning: We expect the L&R unit to continue to produce solid results relative to peers even in this low interest rate environment. We expect additional repositioning actions to improve ROEs. Meanwhile, we expect management to focus on moving forward with its plans to separate the L&R unit from AIG (through the initial sale stake to Blackstone and anticipated sale stake via an IPO).

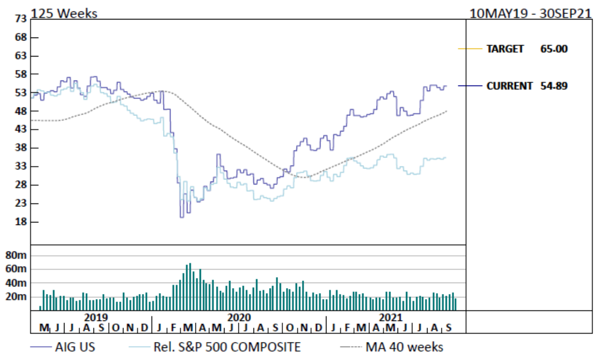
Valuation

Our $65 price target is based on 1.0x our ending 2022 adjusted ending book value per share estimate (or 0.8x stated book value). We think it is appropriate to use adjusted book value for valuation purposes, as this has been management's focus in setting its ROE targets. While we think a discount to peers is warranted, in our opinion the discount is too steep, and we consider a valuation well below tangible book to be excessive in view of the better margin outlook. We expect the current management team to continue making progress in terms of repositioning the business and rightsizing the related expense infrastructure. In our view, our price target is consistent with our Outperform rating.

Risks to rating and price target

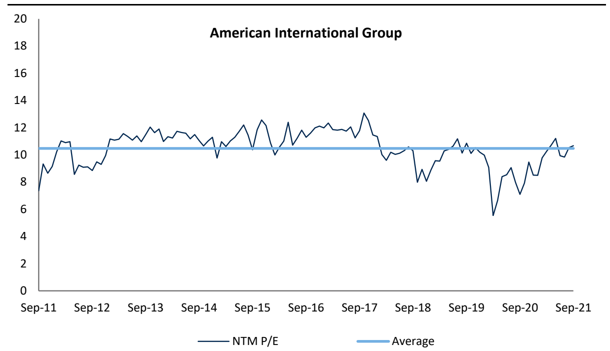
AIG is subject to many inherent risks including market risk (interest rate risk or equity risk) that could pressure investment spreads or put pressure on investment portfolio values. There is also inherent reserving and underwriting risk mainly through whether more recent accident years prove redundant relative to expected frequency and severity assumptions. Other risk factors include: 1) P&C insurance pricing risk; 2) international risk in operating in various countries; 3) macro risks tied to its business; and, 4) risks that Covid continues to linger on.

Exhibit 7 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 8 - Forward consensus P/E history



Source: Factset

Most recent company note: link

ASOS plc (LSE: ASC)

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

Rating: Outperform | **Closing Price: GBp 3,002.00**
Price Target: GBp 7,300.00 | **Implied All-in Return (%): 143.2**

Investment summary

ASOS is a rare case of a structural growth story that is underearning and trading attractively on valuation, both relative to history and peers. We believe that ASOS can recover and sustain outperformance in revenue growth while also delivering an improvement in EBIT margin towards 7% long term, allowing ample room for re-investment. The key margin drivers we see are accretion from its acquisition of Topshop and 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 £3bn 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 7,300p, which supports our Outperform rating. We apply a WACC of 8.4% and terminal growth rate of 3% to reflect the global growth opportunities and as ASOS continues to improve its proposition around the world. We forecast a 10-year CAGR (FY20-30) in sales of 14% and in EBIT of 18%, resulting in a terminal EBIT margin of 6.6%. We incorporate a 10% M&A premium in our valuation to reflect M&A risk.

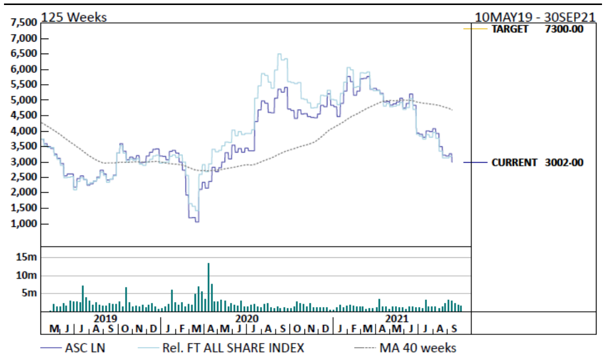
Risks to rating and price target

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.

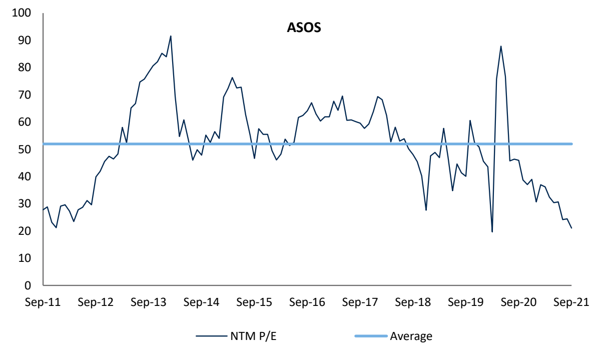
Any disruption to ASOS's warehousing would negatively impact the shares. As ASOS ramps up capacity, any operational issues would result in higher opex, thus pressuring margins.

Exhibit 9 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 10 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Banco Bilbao Vizcaya Argentaria, SA (SIBE: BBVA)

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

Rating: Outperform	**Closing Price: EUR 5.72**
Price Target: EUR 6.20	**Implied All-in Return (%): 13.4**

Investment summary

We like BBVA for the following reasons:

Consistency: Since 1999 BBVA has had the 9th most consistent earnings out of 54 European banks.

Plenty of capital: Post the US bank sale BBVA has plenty of excess capital relative to its regulatory target which gives the bank optionality.

Best in class costs: BBVA continues to outperform peers in improving cost efficiency.

Digital banking: The importance of a bank's digital banking franchise will be increasingly important post C-19. BBVA's digital banking franchise compares very favourably to peers in our view.

Demographics: We are ahead of consensus in Mexico & Turkey because of our belief that the demographics of these two countries will lead to growth outperformance. The populations of Mexico and Turkey are young (median age 29yrs/32yrs respectively). Younger populations are likely to have more of society in work, delivering higher GDP and loan growth. The weighted average age of the populations of BBVA is 36yrs; this compares to a European average of 42yrs.

Valuation

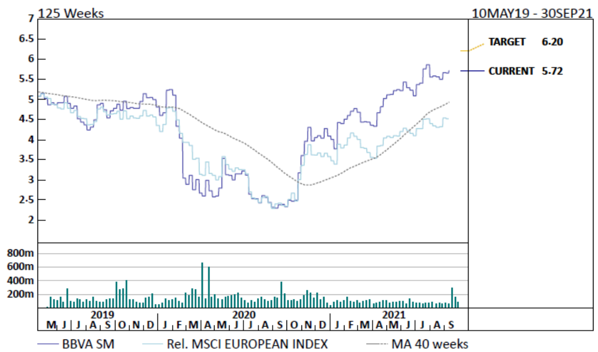
We value BBVA using an SOTP model based on our 2023 estimates discounted back two years to 2021E at a cost of equity of 14.4%, using a return on allocated capital for each division. We include EUR1.4bn (20 cents ps) of excess capital in our valuation. Our EUR6.2 price target supports our Outperform rating.

Risks to rating and price target

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

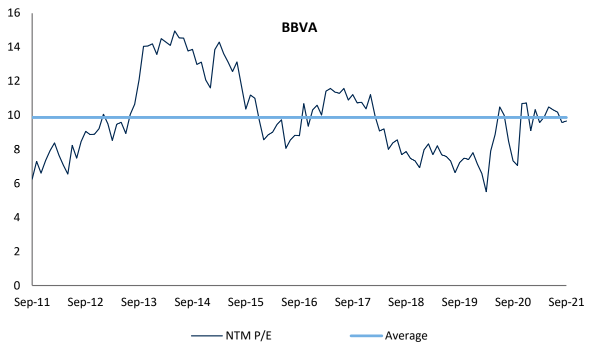
Turkish Politics: Historically, political decision-making has led to TRY depreciation against the USD, making it harder for retail and corporate customers to pay back USD-denominated loans; this in turn could lead to a higher COR.

Exhibit 11 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 12 - Forward consensus P/E history



Source: Factset

Most recent company note: link

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 2,604.00**
Price Target: GBp 3,200.00 **Implied All-in Return (%): 31.0**

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 price target 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.

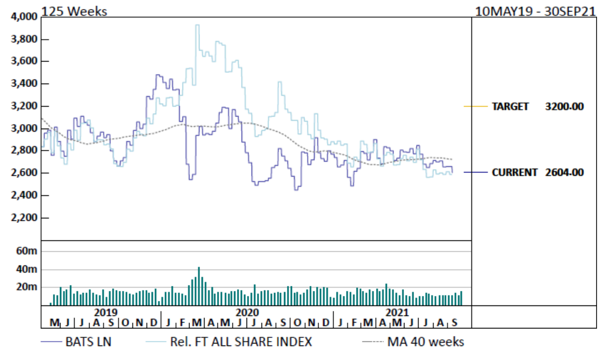
Valuation

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 (2.9%). We use explicit forecasts out to 2022, then assume revenue growth of 3.7% from 2021 to 2024 and then 2% until 2030 and 0% from 2030-35. We assume EBIT margin decreases by 100bps per annum from 2023 until 2035. We assume a terminal growth rate of -1.0% per annum from 2035. 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

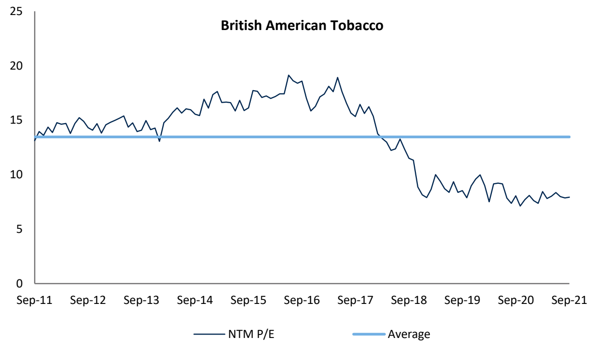
The sector's business model is dependent on strong pricing power to offset progressive volume declines. Any deterioration in that pricing power or decline in the trajectory of volumes could be expected to have an adverse effect on the share price. Changes in regulation of tobacco, for example, in the 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 Target

Exhibit 14 - Forward consensus P/E history



Source: Factset

Most recent company note: link

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

Rating: Outperform **Closing Price: USD 53.51**
Price Target: USD 65.00 **Implied All-in Return (%): 22.4**

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

Investment summary

Why we rate Brookfield Asset Management shares Outperform: We think the combination of (1) BAM's strong long-term investment track record, (2) significant liquidity available ($78B) 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. We continue to view the stock 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) active acquisition/investment activity to drive future NAV growth.

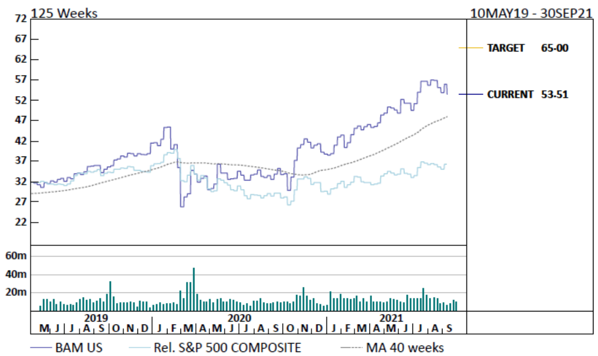
Valuation

Our 12-month price target is US$65/share. 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, we separately value: (1) BAM's asset management business by applying a 22x multiple to our blended 2022/2023 FRE forecast; and (2) we assume 25% growth in BAM's hard NAV (publicly traded subsidiaries, private investments, etc.). We believe our forecast of BAM's hard NAV growth over the next 12 months is supported by the company's long-term investing track record. 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

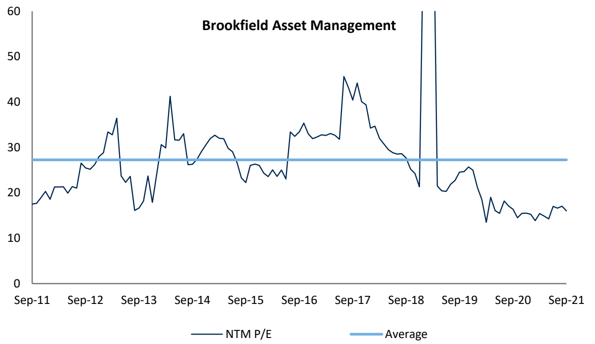
Risks to our price target and rating include: (1) economic downturn, particularly in real estate; (2) a sudden and/or significant increase in interest rates; and (3) sustained capital markets volatility.

Exhibit 15 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 16 - Forward consensus P/E history



Source: Factset

Most recent company note: link

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

Rating: Outperform	**Closing Price: CAD 46.31**
Price Target: CAD 55.00	**Implied All-in Return (%): 22.8**

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

Investment summary

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

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

Share Repurchases. CNQ will repurchase 1% of its shares outstanding (11 million shares) per quarter going forward. Once an absolute debt level of $15 billion is reached—which CNQ currently expects in the fourth-quarter of this year—half of its free cash flow will be allocated to share repurchases, with the other half allocated to net debt reduction. Our outlook includes share repurchases of $1.2 billion in 2021 and $4.5 billion in 2022.

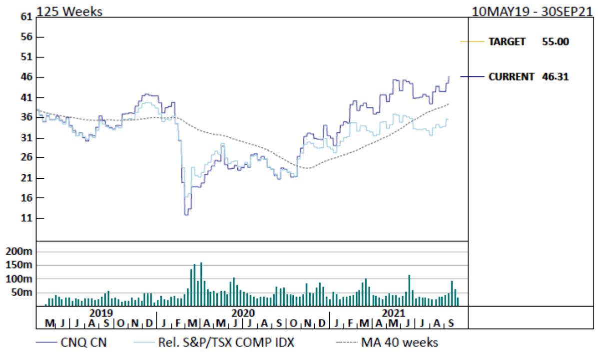
Valuation

Our price target of $55 per share reflects an equal weighting toward a multiple of 1.0x our NAV and an implied 2022E debt-adjusted cash flow multiple of 7.5x 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

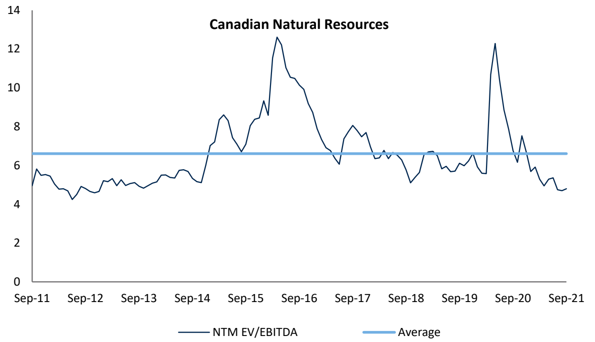
The most significant risk to our price target and rating is unexpected changes in crude oil and natural gas prices. Specifically, to the extent that the COVID-19 pandemic and associated social distancing measures continue to negatively impact global oil demand, it may result in CNQ realizing lower-than-anticipated 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 Target

Exhibit 18 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

Canadian Pacific Railway Limited (TSX: CP; NYSE: CP)

RBC Dominion Securities Inc.
Walter Spracklin, CFA (Analyst) (416) 842-7877, walter.spracklin@rbccm.com

Rating: Outperform	Closing Price: CAD 82.71
Price Target: CAD 116.00	Implied All-in Return (%): 41.2

Investment summary

Our positive view on CP centers on a best-in-class railroad on the cusp of a transformative acquisition that, if approved, should set the stage for significant growth and a material upward valuation re-rate. Key points:

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

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

US$1B in synergies. Of particular note is the revenue synergy opportunity (US$820MM of the total) with expected share gains in Grain, Fertilizer, Intermodal, Auto, and Crude.

Valuation

Our $116 price target is based on applying a P/E multiple of 20x to our 2025 EPS estimate of $6.76. Our 2025 EPS forecast reflects CP achieving full synergy run-rate on the KCS acquisition. The target multiple is a premium to peers, in our view warranted by CP's operations-focused management team as well as the increased network reach following the KCS acquisition. Our price target supports our Outperform rating.

Risks to rating and price target

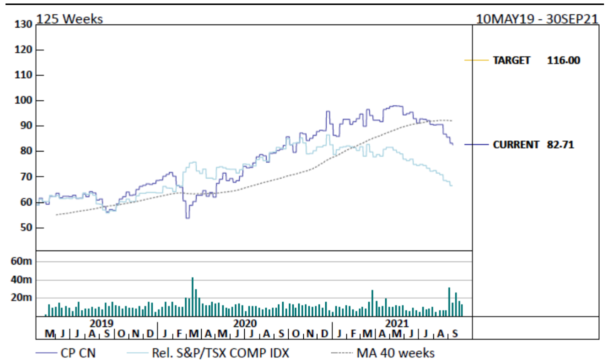
Key risks to our positive thesis relate to the acquisition of KCS. See below for further detail:

Risk that it does not get approved – we view as low. Given the absence of any network overlap and the meaningfully higher weight in the revenue component of the forecast synergies, we see limited concern from a competition standpoint and a compelling case for a pro-competition argument. Nevertheless, the deal not being approved is a potential risk.

Mexico concession risk. The two major rails in Mexico do not own their real estate and instead operate on concession from the Mexican government. The current concession expires in 2047; however, it is subject to an exclusivity review in 2027. Management teams at both entities are of the view that if CPKC provides a high-value service offering at a competitive price, there will be no need to make major changes to the concession arrangement.

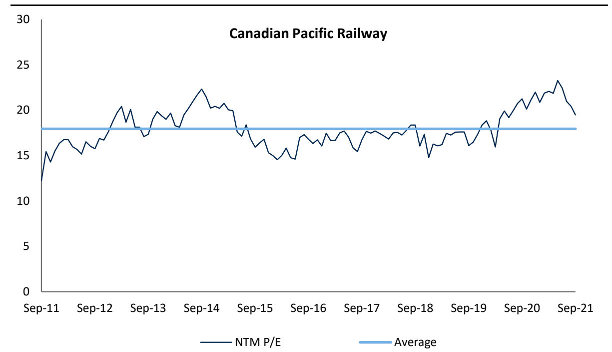
Integration risk minimized by strong mgmt. We consider CP mgmt to be one of the top teams in North America and have strong confidence in the ability of this team to execute on the integration of this deal and achieve (or exceed) the targets announced. Moreover, we were encouraged by the concurrent announcement that CP's Board and CEO Keith Creel have agreed to contract amendments that would see Mr. Creel lead the company out at least to 2026 (regardless of the deal's going ahead or not). However, we should still be mindful of execution and integration risks involved in any deal.

Exhibit 19 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 20 - Forward consensus P/E history



Source: Factset

Most recent company note: link

ConocoPhillips (NYSE: COP)

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

Rating: Outperform | **Closing Price: USD 67.77**
Price Target: USD 75.00 | **Implied All-in Return (%): 13.4**

Investment summary

We believe COP shares should outperform large-cap E&P peers. COP offers a returns-focused value proposition, a strong balance sheet, and peer-leading distributions. The company appears well positioned to maintain competitive FCF generation through various commodity price cycles with 20 Bboe of resource potential at a <$30/bbl WTI average cost of supply. The scaled Permian position enhances the outlook with greater FCF generation, asset diversity, and development flexibility.

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

A global and diverse asset base across the commodity spectrum mitigates unsystematic risk. This also allows the company to pivot spending to projects that can deliver industry-leading returns through the commodity price and economic cycles. COP has a low Break-Even Point where it can fund its production maintenance capital and dividends at below $40/bbl (WTI).

Tangible synergies from acquisitions. The Shell Permian acquisition provides more optionality to core up Permian acreage through swaps and sales and provides a value upside opportunity for the commercial team to optimize the acreage.

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

Valuation

Our $75/share price target is derived from a combination of evaluating forward EBITDA multiples, relative FCF levels, and our Net Asset Value (NAV) and supports our Outperform rating. Our target reflects: 1) a 6x multiple on our 2021 EBITDA estimate, consistent with the 6x large cap peer average; 2) a sustainable 8+% FCF yield; and 3) a 20% premium to our $62/share NAV, in line with the large cap 10% premium peer average due to solid FCF growth rates, strong balance sheet, and asset diversity. Our NAV is a risked assessment of 3P reserves using the long-term RBC commodity price outlook of $55/bbl (WTI), $60/ bbl (Brent), and $2.65/Mcf (HH).

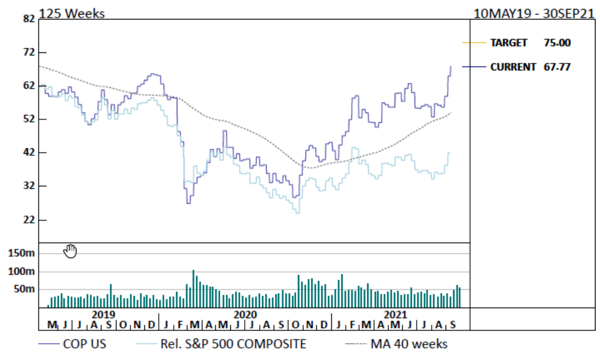
Risks to rating and price target

ConocoPhillips's returns-focused strategy and value proposition are dependent on strong margins, cost control, and execution. Accelerated levels of industry inflation or unforeseen cost overruns could limit the company's ability to deliver significant returns to shareholders and negatively impact the share price.

A slowdown or contraction of the global economy could reduce the demand for energy, which might lower the sales prices for crude oil and natural gas, potentially reducing the company's profitability.

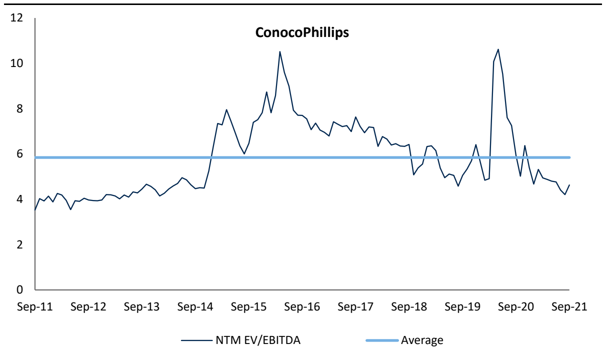
Regulatory changes including limits on federal land could adversely impact the company's development opportunities and economics. COP has federal acreage on certain core assets in both the Permian Basin and Alaska that could be impacted by regulatory changes.

Exhibit 21 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 22 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

CrowdStrike Holdings, Inc. (NASDAQ: CRWD)

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

Rating: Outperform | **Closing Price: USD 245.78**
Price Target: USD 315.00 | **Implied All-in Return (%): 28.2**

Investment summary

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

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

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

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

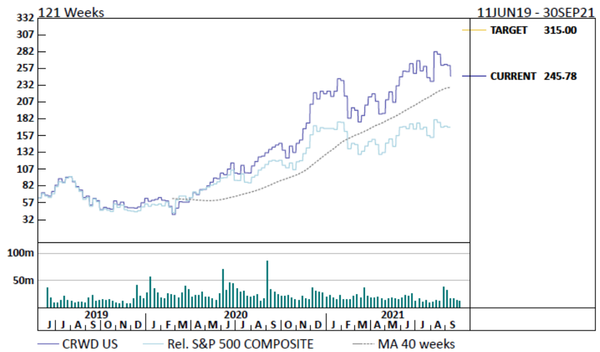
Valuation

To derive our $315 price target, we apply a 29.9x EV/S multiple to CY/23E revenue of $2,526M, 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

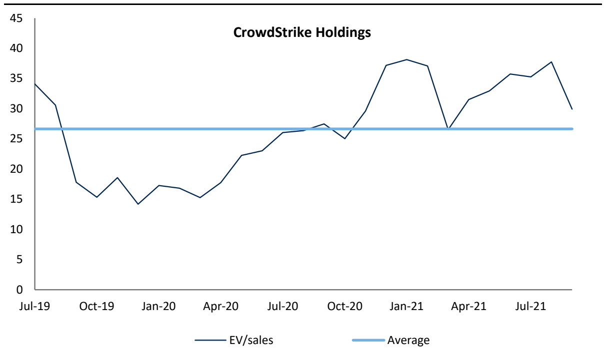
Risks to rating and price target include: 1) CrowdStrike operates in a market with competition from larger legacy competitors, like Symantec, as well as newer entrants; 2) potential pricing pressure given the crowded nature of the market; 3) CrowdStrike operates a land-and-expand model; failure to retain existing customers could be a detriment; 4) CrowdStrike has experienced rapid growth; failure to manage growth/expectations could cause operational challenges; and, 5) COVID-19 could impact company operations or customer demand.

Exhibit 23 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 24 - Forward consensus EV/sales history



Source: Factset

Most recent company 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 67.99**
Price Target: USD 94.00	**Implied All-in Return (%): 40.0**

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.

Further divestment plans post COVID-19. 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.

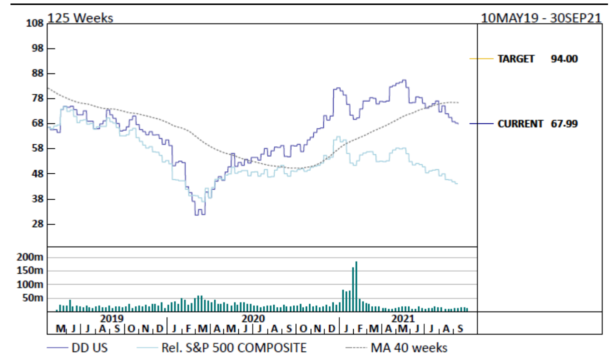
Valuation

We value DuPont on a forward EV/EBITDA basis using 2022E. We apply a 13x multiple to our 2022E EBITDA of $4.6B to arrive at a price target of $94/share. Given the raw materials pricing headwind, we believe DD should trade at mid-to-high end of its historical 9-15x multiple range. Our price target supports our Outperform rating.

Risks to rating and price target

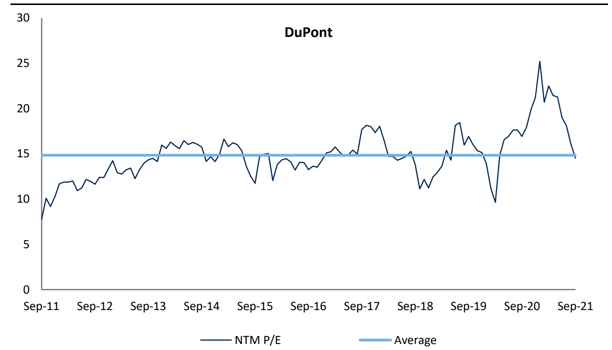
Risks to rating and price target include: 1) slower than expected cycle recovery in China and North America; 2) synergy/integration challenges; 3) further delays or failure to optimize spin strategy; and 4) further demand deterioration from COVID-19 impact.

Exhibit 25 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 26 - Forward consensus P/E history



Source: Factset

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 12.78**
Price Target: CAD 19.00	**Implied All-in Return (%): 50.7**

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 could grow at a mid-teens 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.

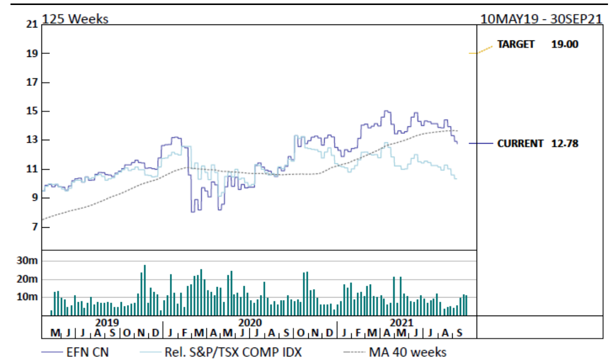
Valuation

Our 12-month price target is $19/share. Our 12-month price target is based on 17x our blended 2022/2023 fully diluted operating EPS forecast, which is slightly higher than 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

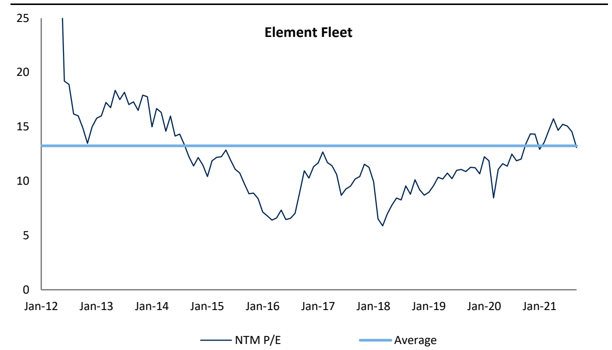
Potential risks include: (1) a severe and prolonged economic recession due to COVID-19; (2) increasing credit losses or customer bankruptcies; (3) key personnel departures; or (4) key customer losses.

Exhibit 27 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 28 - Forward consensus P/E history



Source: Factset

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 103.03**
Price Target: USD 123.00 | **Implied All-in Return (%): 19.4**

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. We believe 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 underowned.

Bear case fading. With the urgency of battlefield triage, we believe 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.

Valuation

We are basing our GE valuation on a sum-of-the-parts model using the company's publicly traded comps across its various business platforms, which supports a weighted-average 2022E EV/EBITDA multiple of 16.0x. We then make deductions for GE's net debt, pension deficit, operating leases, long-term care insurance liability, corporate expense, and various cash outflows/inflows from pending portfolio moves. Combined with our 2022 EBITDA estimate, this underpins our $123 price target, supporting our Outperform rating.

Risks to rating and price target

Coronavirus: The COVID-19 pandemic has wreaked havoc on the aviation industry and triggered a broader global economic recession.

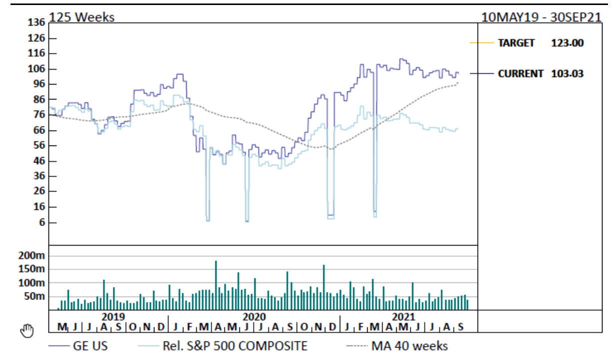
Economic conditions: A slower-than-expected economic recovery or protracted recession would negatively impact GE's financial results. GE's results could also be impacted by a change in inflation or deflation, commodity prices, credit availability, currency, product costs, and price realization.

End-market pressures: GE could see a slowdown in power markets due to secular disruptions from renewable energy sources. Conversely, more resilient demand in this market could cause GE's stock price to exceed our price target.

Profitability: GE targets a significant reduction in SG&A over the next several years. A shortfall vs. these targets could make our estimates prove to be too optimistic.

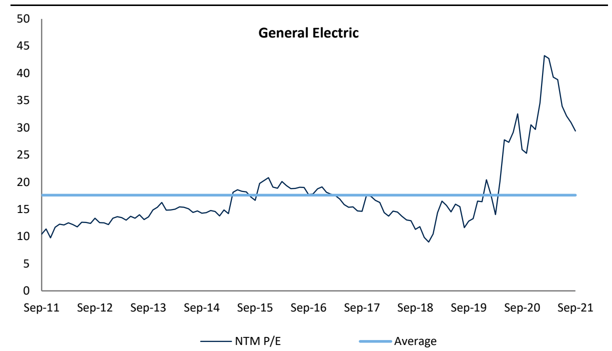
Emerging market exposure: GE generates substantial sales from emerging markets including China, Brazil, Russia, India, and the Middle East.

Exhibit 29 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 30 - Forward consensus P/E history



Source: Factset

Most recent company note: link

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 43.70**
Price Target: USD 56.00	**Implied All-in Return (%): 28.2**

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) expansion cohort data in solid tumors in 2021; and (ii) Epcoritamab development expansion with potential updated data in 2021.

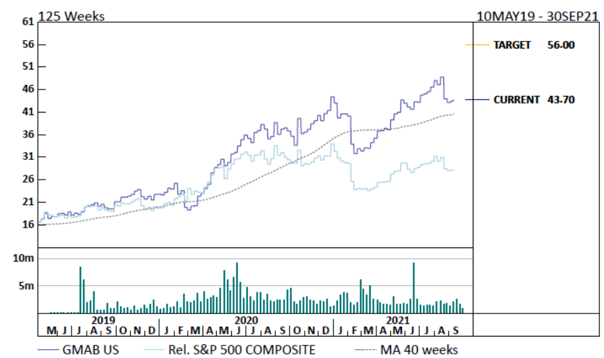
Valuation

Our DKK 3,550/sh (ADS US$56/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 60–70%/100% (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

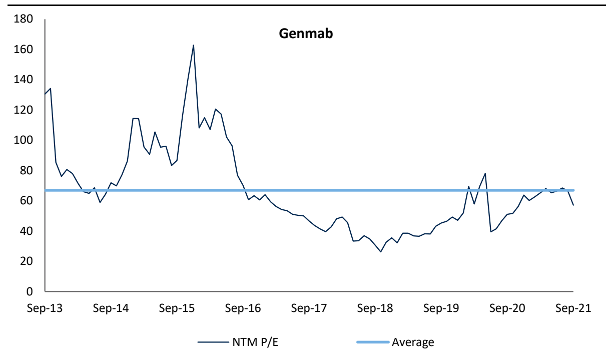
We expected limited impacts due to COVID-19 circumstances on GMAB's business operations, as the company's current commercial products target severe oncology or other disease patients who need active treatments. However, we see risks in clinical program development of some of the company's early-stage 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 31 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 32 - Forward consensus P/E history



Source: Factset

Most recent company note: link

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 69.85**
Price Target: USD 84.00	**Implied All-in Return (%): 24.3**

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 ~$14B in cash flows over the next decade. We also see Trodelvy, magrolimab, and anti-TIGIT as 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) Magrolimab data readouts in MDS and DLBCL (2H21); (2) Trodelvy ph.III data in HR+/HER2- BC (end-'21); (3) opt-in decision for RCUS partnered anti-TIGIT antibody (end-'21).

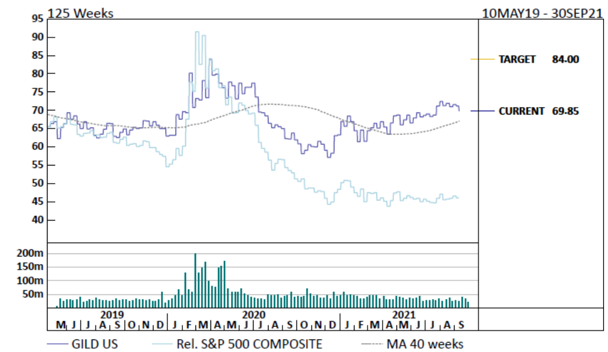
Valuation

Our $84 price target is derived via a DCF analysis, with a 9% discount rate and a 2.5% terminal growth rate off 2030E (post-TAF generic). Our price target supports our Outperform rating.

Risks to rating and price target

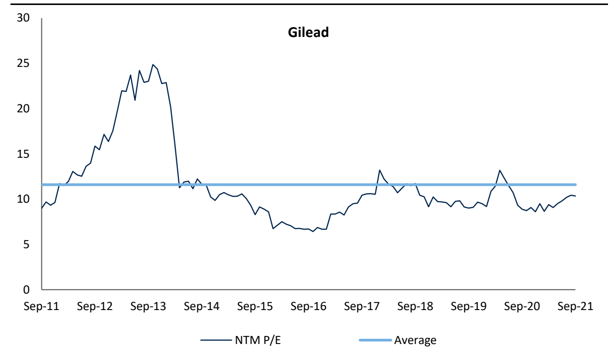
Risks inherent to Gilead's business include generic HIV entrants, competition in HCV, pricing pressure, commercial and scientific complexities of cellular CAR-T therapies, and the potential for clinical trials to miss on efficacy or uncover safety concerns for pipeline products such as Trodelvy and magrolimab. 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 33 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 34 - Forward consensus P/E history



Source: Factset

Most recent company note: link

H & M Hennes & Mauritz AB (STO: HM B)

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

Rating: Outperform | **Closing Price: SEK 178.36**
Price Target: SEK 250.00 | **Implied All-in Return (%): 43.8**

Investment summary

We have an Outperform rating on H&M as we think it has been gradually improving its offer, which has led to an improved underlying (ex COVID-19) performance, which should in time be accompanied by an improved free cashflow trend. We see strong margin recovery potential as full price sales recover and as we anticipate further tight cost control. Valuation is mid range historically on a P/E basis, but earnings should recover strongly, and valuation looks undemanding using EV metrics.

Potential catalysts

These should include further evidence of sales recovery in major markets, eg Germany, stronger margin recovery than the market expects, due to lower markdowns and labour costs. Given its strong cashflow H&M should be able to make higher dividend payments going forward. It will report Q4 sales on December 15 and its full year results on January 28.

Valuation

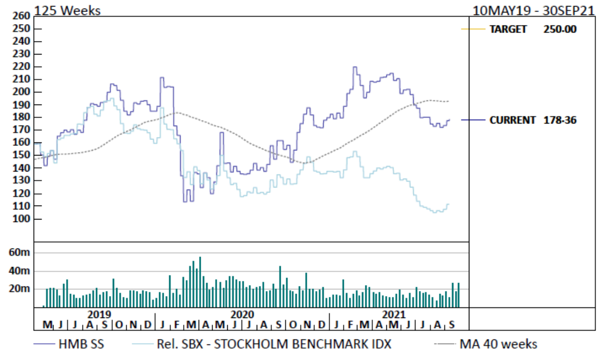
We use a DCF analysis to arrive at our price target for H&M of SEK250, which supports our Outperform rating on the shares. Our model assumes a 10-year CAGR in sales of c.4.5%, and an EBIT CAGR of c.10%. We use a terminal growth rate of 2.0% owing to the relative maturity of the H&M brand in Europe, and a WACC of 7.8%, to account for H&M's strong global footprint, but fairly strong balance sheet.

At our price target, H&M would trade at c.11x cal. 2022E lease-adj.EV/EBITDAR, slightly above the middle of its historical range. This reflects short-term impact from Covid but also longer-term potential to improve its currently depressed margins.

Risks to rating and price target

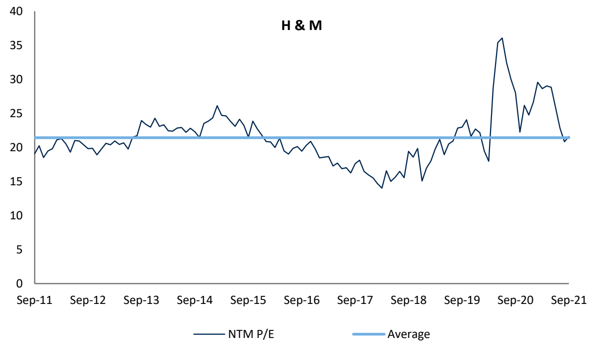
H&M faces risk to sales if more stores are restricted or closed again due to COVID-19, or footfall takes longer to recover. It may also see higher than expected supply chain disruption and product shortages which would impact sales. H&M could see softer sales due to it easing off investing so much in its offer, or higher-than-expected discounting due to inventory build and pressures on store profitability. Finally, H&M may see even higher-than-expected sales pressure in China, due to a political backlash against its ethical stance on sourcing.

Exhibit 35 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 36 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Louisiana-Pacific Corporation (NYSE: LPX)

RBC Dominion Securities Inc.
Paul C. Quinn (Analyst) (604) 257-7048, paul.c.quinn@rbccm.com

Rating: Outperform	**Closing Price: USD 61.37**
Price Target: USD 100.00	**Implied All-in Return (%): 64.1**

Investment summary

Louisiana-Pacific Corporation ("Louisiana-Pacific" or "LP") is a leading provider of high-performance building solutions that meet the demands of builders, remodelers, and homeowners worldwide. The company operates leading Siding, Oriented Strand Board ("OSB"), and Engineered Wood Product ("EWP") businesses in North America, as well as a growing OSB business in South America. LP also owns a controlling interest in Entekra Holdings, LLC. We expect LP to benefit from its growing Siding and South American businesses as well as exposure to the growing US housing market through the OSB and EWP segments.

We expect LP to outperform based on the company's continued growth in the US Siding market by adding new capacity, the rollout of its pre-finishing strategy, and the eventual re-rating to a multiple more reflective of the growth and earnings power of the Siding business.

Over the next few years, we expect LP's OSB and EWP businesses to benefit from continued growth in the US housing market, providing incremental free cash flow that can be used to return capital to shareholders. The company's South America and Entekra business units provide additional growth opportunities.

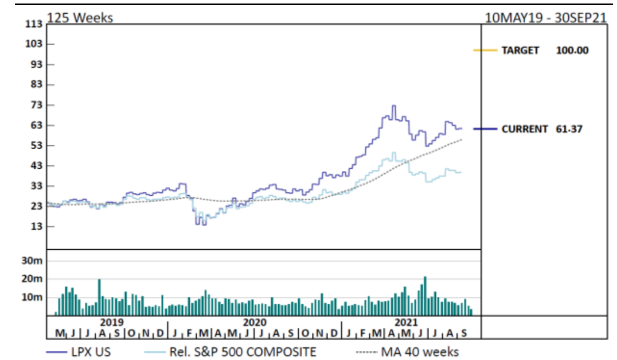
Valuation

Our $100 price target supports our Outperform rating and is based on a blended 12.0x EV/EBITDA multiple of our trend EBITDA estimate of $700 million (85%) and our 2022 EBITDA estimate of $1,308 million (15%). We believe Louisiana-Pacific should trade above the high end of the typical US Paper & Forest Products trading range (6.0x to 8.0x), reflecting the premium valuation of the Siding business, in addition to the company's strong balance sheet and accelerating return of cash to shareholders.

Risks to rating and price target

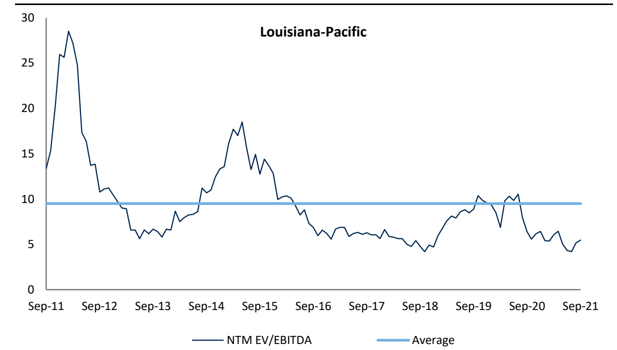
Risks to rating and price target include: 1) downward changes in the level of North American new home construction and repair activity could adversely affect results; 2) weaker economic conditions could have a negative impact on demand for Louisiana-Pacific's products; 3) economic cyclicality, changes in consumer preferences, or imbalances in supply and demand could negatively affect realized pricing; 4) the shortage or increase in pricing of wood fiber or resin would increase the cost of goods sold by LP, negatively impacting results; 5) given that the company offers product warranties, realized claims could be above management expectations, resulting in additional charges; and, 6) increased competition in the North American siding market.

Exhibit 37 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 38 - Forward consensus EV/EBITDA history



Source: Factset

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 1,649.60**
Price Target: GBp 2,200.00 | **Implied All-in Return (%): 37.4**

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 the return to a buyback from mid-2021 should help drive a re-rating versus peers, while continued de-leveraging sets up Shell to become a more stable business through the cycle.

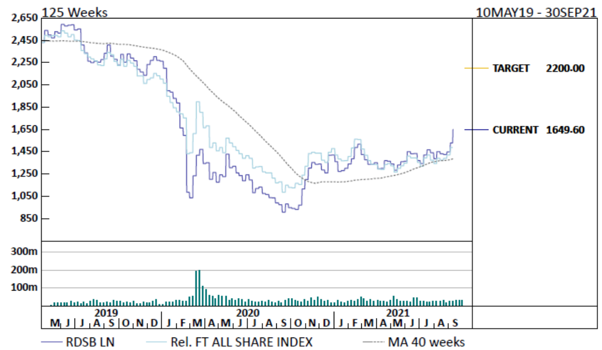
Valuation

Our one-year price target for Shell of 2,200p 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 2,200p is calculated on the same basis. On this basis, we see greater risk-adjusted upside potential versus peers, and rate the shares Outperform.

Risks to rating and price target

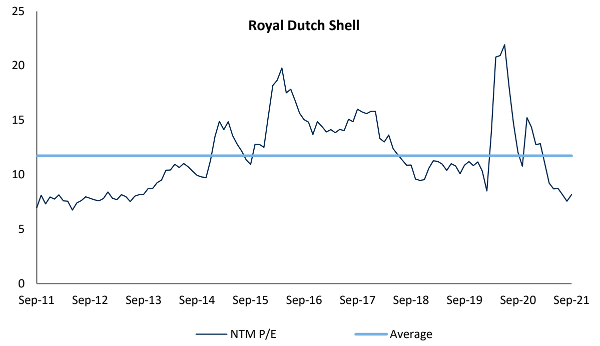
Risks to our price target and rating include: overcapacity in LNG as Shell is involved in multiple growth projects whilst also being the largest supplier of LNG globally; sustained weakness in US gas prices constraining profitability of gas drilling in the US; security risk in key areas in the Middle 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 39 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 40 - Forward consensus P/E history



Source: Factset

Most recent company note: link

S&P Global Inc. (NYSE: SPGI)

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

Rating: Outperform	**Closing Price: USD 424.89**
Price Target: USD 495.00	**Implied All-in Return (%): 17.2**

Investment summary

Strategic INFO acquisition, expected to close in 4Q21, should accelerate normalized revenue growth profile and deliver double-digit earnings growth driven by upside to revenue and cost synergies as well as accelerated share repurchase post-close. Cloud and AI/ML should enable the generation of insights from disparate data assets and distribution at scale. The transformative acquisition should propel SPGI's ESG offerings and private company offerings. We see near-term catalysts of updated synergy guidance, the resumption of buybacks and deal updates, and potential divestiture of OPIS.

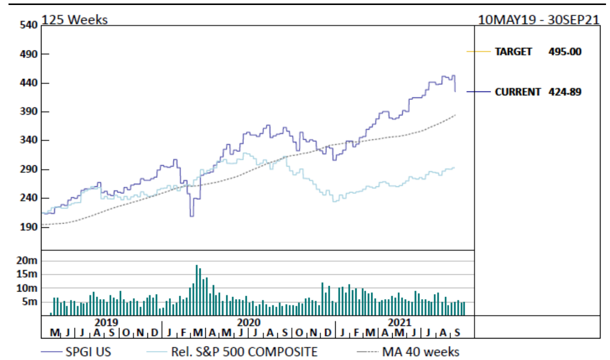
Valuation

Our price target of $495, which supports our Outperform rating, is based on ~30x FY23E P/E, a premium to the 2-year average of 28x given the acceleration in revenue and earnings growth as well improved strategic positioning from the INFO acquisition.

Risks to rating and price target

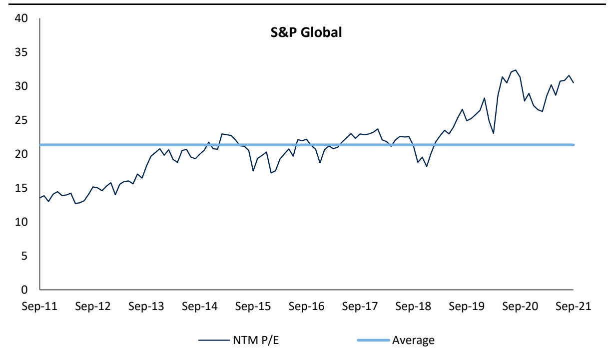
Risks to rating and price target include 1) a significant decline in credit issuance, 2) increased competition for private company data, 3) slowdown in demand for KYC offerings, 4) challenges in integrating acquisitions, and 5) slowdown in demand for ERS software.

Exhibit 41 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 42 - Forward consensus P/E history



Source: Factset

Most recent industry 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 1,571.00**
Price Target: GBp 1,800.00 | **Implied All-in Return (%): 19.9**

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 continue to believe SSE has a premier position in the UK, but reserve judgment on potential international expansion. SSE targets 9.5GW of renewable capacity in 2030 vs ~4GW today, and we give credit for 9.2GW of this. We value SSE Renewables at ~£17bn (~50% of EV), at an implied ~18x EV/EBITDA multiple. This is a premium to the closest peers reflecting the superior 5yr EBITDA CAGR of ~12.5%, and visible pipeline based on the already secured 5.5GW of seabed rights in the UK and Ireland.

In **Networks** SSE is also positively exposed to the energy transition and inflation. We see upside risk to returns from a potential appeal to the CMA, and outturn totex (particularly in electricity transmission) could be significantly above baseline allowances on an accelerated energy transition.

We see the balance sheet as largely improved, and forecast Net Debt within SSE's 4.5-5.0x for FY22E at ~4.65x. Following successful disposals of ~£1.5bn, and a sale of the SGN stake likely to occur in the summer, we see little concern for the balance sheet, giving us confidence in the deliverability of growth capex and the continuation of the RPI linked dividend (~5.5% yield).

We reiterate our Outperform recommendation.

Valuation

Our base case valuation of 1800p/sh and Outperform rating are based upon a sum-of-the-parts model.

Within the SOP, for regulated assets we use the FY22E RAV and apply a premium (blended ~30%, up from 27%) to capture regulatory outperformance, growth and inflation.

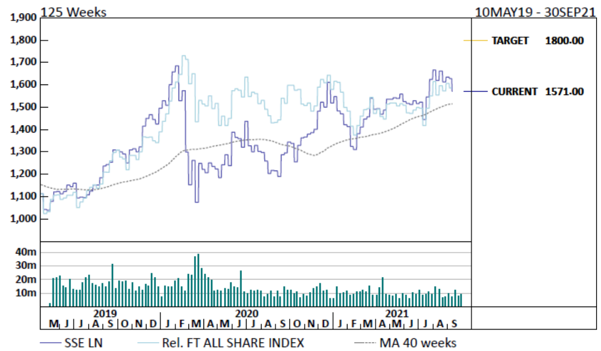
On generation, we use a DCF per generation type which implies ~£100/kW for thermal, ~£2,300/kW for hydro, ~£2,500/kW for onshore wind, and ~£10,800/kW for offshore wind (will reduce as assets come online). For renewables we use a WACC of 4.75%.

For customer operations we use DCFs with ~7-8% WACCs, no terminal growth, and long-term EBIT margins of ~3.0%.

Risks to rating and price target

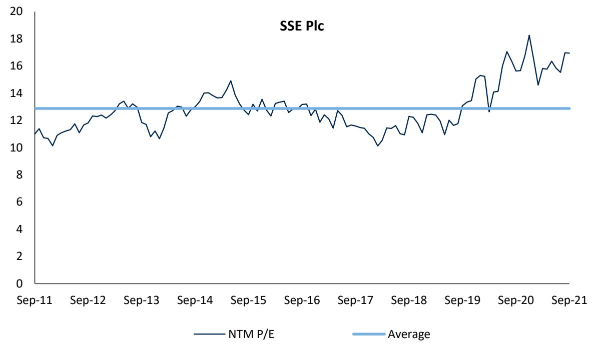
Power and commodity prices remained volatile and elevated into 2021 and could give up recent gains should commodity prices return rapidly to historical levels. Furthermore, large capital growth projects in offshore wind are not without risk and there is competition that could threaten returns on future projects. Finally, in networks the CMA appeal could lead to extended uncertainty on returns and threaten regulatory relationships with Ofgem ahead of the RIIO-ED2 process.

Exhibit 43 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 44 - Forward consensus P/E history



Source: Factset

Most recent company note: link

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 126.81**
Price Target: USD 260.00 | **Implied All-in Return (%): 105.0**

Investment summary

The pandemic helped accelerate telehealth to its tipping point. We believe awareness and comfort with the technology is increasing dramatically as the number of individuals climbing over the first-time user hump continues to grow. On the payer side, we are also seeing more evidence that virtual-first plan design and virtual primary care offerings are beginning to proliferate. We believe TDOC is in the best position to capitalize on both of these trends via its superior consumer engagement platform, breadth of offerings/clinical capabilities, and global reach. 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. TDOC remains our favorite idea and is the best way, we believe, to play the exciting convergence of technology and healthcare.

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 41% YoY in 2020. Opportunities this large are few and far between, but we think 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.

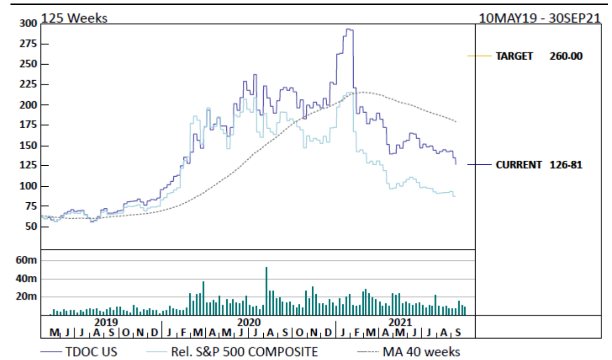
Valuation

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 price target is 15.5x our 2022E revenue, which is in line with the SaaS/tech peer average, but a premium to the 7x average of other HCIT companies. Our price target supports our Outperform rating.

Risks to rating and price target

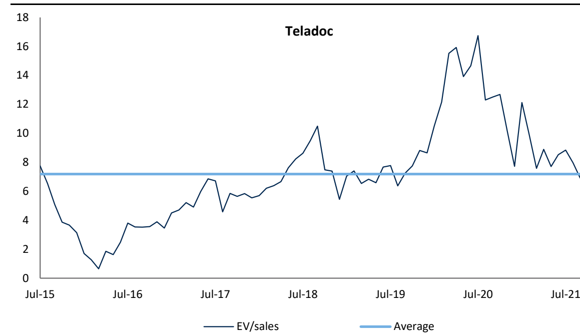
Risks include multiple ongoing M&A integrations, growing international exposure, uncertain and dynamic regulatory environment, exposure to potential medical malpractice, data breaches, and elevated expectations concerning future organic revenue growth.

Exhibit 45 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 46 - Forward consensus EV/sales history



Source: Factset

Most recent company note: link

TELUS Corporation (TSX: T; NYSE: TU)

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

Rating: Outperform | **Closing Price: CAD 27.84**
Price Target: CAD 31.00 | **Implied All-in Return (%): 15.8**

Investment summary

We believe the key strategic benefit of the $1.5B of accelerated investment in 2021 and 2022 is an even stronger competitive positive, specifically: (i) broader FTTH coverage, increasing from ~80% of the long-standing targeted FTTN footprint currently to ~90% by the end of 2022E; (ii) the substantial completion of FTTH migration by the end of 2023E; and (iii) enhanced capex flexibility beginning in 2023E given completion of the FTTH build, which should enable TELUS to capitalize on new 5G growth opportunities without meaningful capital constraints, opportunity costs, or FCF impairment. Relative to our current forecast, we see multiple sources of potential NAV upside including: (i) incremental cost-savings associated with FTTH migration and copper de-commissioning; (ii) additional wireline margin expansion driven by Internet flow-through, cloud-migration and/or improved B2B/TELUS Agriculture profitability; and (iii) the crystallization of TELUS Health and TELUS Agriculture.

Potential catalysts for the stock: (i) greater-than-expected wireline subscriber traction driven by FTTH expansion; (ii) better-than-expected efficiencies and operating leverage resulting in higher margins; (iii) an easing of Alberta headwinds resulting in improved business market performance; (iv) stronger-than-expected improvement in wireless ARPU growth; and (v) greater-than-expected step-down in consolidated capex intensity over the medium-term.

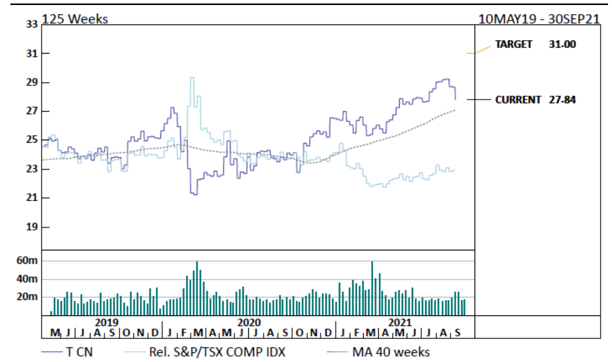
Valuation

The implied total return to our $31 price target supports our Outperform rating. To derive our target, we take the average of three approaches: (i) applying a 22.0x multiple to our blended two-year forward adjusted EPS estimates; (ii) applying a target EV/EBITDA multiple of 8.5x to our blended two-year forward EBITDA estimates for TELUS Technology Solutions and factoring in our one-year target for TELUS International; and (iii) discounted FCF through 2025E factoring in a WACC of 8.0% and a terminal growth rate of 1.75%. We believe our target multiples are consistent with the company's growth and risk profile relative to Canadian peers, and a low interest rate environment.

Risks to rating and price target

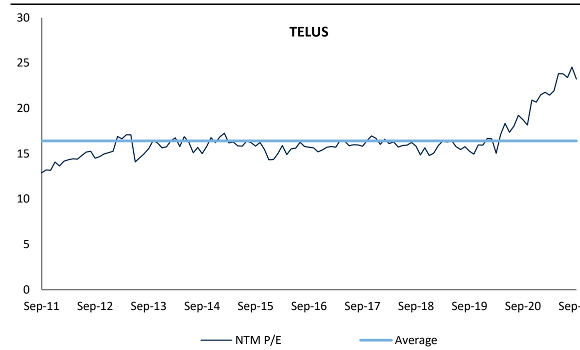
Risks to the shares reaching our one-year price target and Outperform rating are: (i) unforeseen direct and indirect COVID-19 impacts; (ii) a sustained increase in wireless competition and/or unexpected change in regulation resulting in higher churn and/or accelerated declines in postpaid ARPU; (iii) inability to realize additional cost savings to improve wireline margins; (iv) higher than forecast spectrum outlays; (v) emergence of irrational pricing in residential telephony, television, and/or Internet; and/or (vi) higher interest rates and/or a reversal in fund flows out of the sector.

Exhibit 47 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 48 - Forward consensus P/E history



Source: Factset

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 35.72**
Price Target: USD 50.00 | **Implied All-in Return (%): 40.5**

Investment summary

Mosaic is a leading producer of potash and phosphate fertilizers and also has a production and distribution business in Brazil. The company has embarked on several transformation initiatives in the past several years that have resulted in improved operational efficiency, lower costs, and rising cash flow.

Potential catalysts

The company expects to realize significant cost savings through 2023 with several company initiatives including the ramp-up of Esterhazy K3 mine, introduction of new advanced mining technologies (remote mining, automation), transformation initiatives at the Brazil Fertilizantes business, and growing value-add premium products.

Mosaic is ramping up the previously idled Colonsay potash mine which should add more production and offset the early closure of the Esterhazy K1/K2 shaft. Ramp-up is expected to start in Q3/21.

Mosaic acquired Vale's Brazil-based phosphate and potash assets in 2018 and realized run-rate synergies of >$300M 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 project. The project should alleviate production risk around brine inflow issues at K1 and K2 and reduce costs. We expect the project to ramp through 2021 and brine inflow costs to be completely mitigated by end-2021.

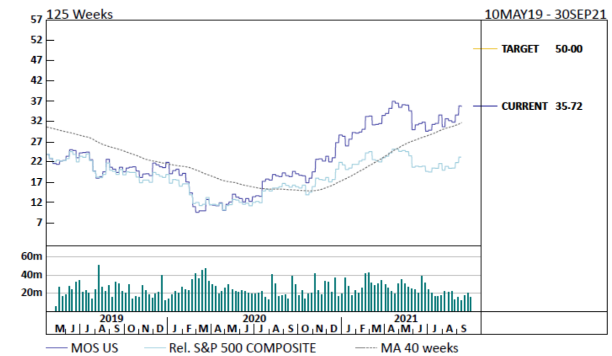
Valuation

We arrive at our $50 price target by attributing an equal weighting to our SOTP EV/EBITDA and DCF valuation. Our SOTP EV/EBITDA analysis applies an 8.0x multiple to 2023 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

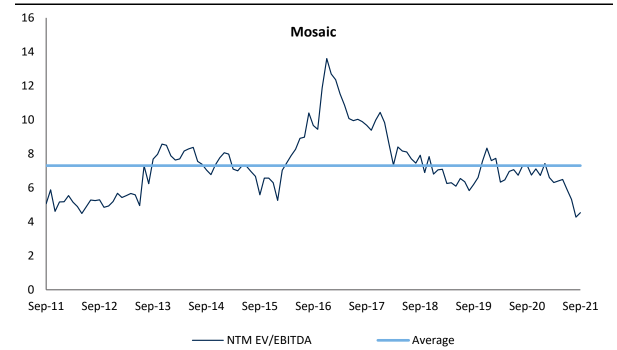
Risks to our price target and rating include: 1) unpredictable weather events in North America or international markets can have an adverse impact on demand for agricultural inputs; 2) Mosaic has operations in the US, Canada, and other foreign countries, so currency fluctuations can have an impact on 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 49 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 50 - Forward consensus EV/EBITDA history



Source: Bloomberg, RBC Capital Markets

Most recent company note: link

Twilio Inc. (NYSE: TWLO)

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

Rating: Outperform	**Closing Price: USD 319.05**
Price Target: USD 450.00	**Implied All-in Return (%): 41.0**

Investment summary

Twilio is a leading provider of CPaaS (communications platform as a service) solutions, including text, voice, video, and email. We like Twilio for four primary reasons:

Communications are at the center of digital experiences. With the pandemic accelerating digital transformation, companies are increasingly realizing technology their tablestakes, serving as a strong tailwind to Twilio. We believe Twilio plays a crucial role in allowing companies to communicate with customers across all channels.

Unique developer focus. We continue to subscribe to the adage that “software is eating the world”, but increasingly, APIs are eating software. Twilio’s developer focus has enabled it to grow rather efficiently and created multiple growth vectors. Our due diligence suggests Twilio’s solutions are not only viewed positively by developers, but also are increasingly ubiquitous at technology-forward companies.

Attractive expansion opportunities, particularly “up the stack.” Much as AWS has grown into a massive software company by expanding beyond core storage and compute and moving “up the stack” into areas like database and data warehousing, Twilio continues to expand beyond core text and voice, including video, CCaaS, and marketing. We are also rather positive on Twilio’s recent acquisition of Segment, supported by our due diligence, as it meaningfully expands Twilio’s market opportunity while building on the core developer adoption that has served Twilio since its founding.

Rapid growth at scale. Twilio remains one of the fastest-growing companies in software, with ~50% organic growth, driven by best-in-class net expansion rates, cross-sell, and new use cases. Perhaps more impressively, this growth is happening at impressive scale with Twilio growing ~50% at ~$2.4B in ARR.

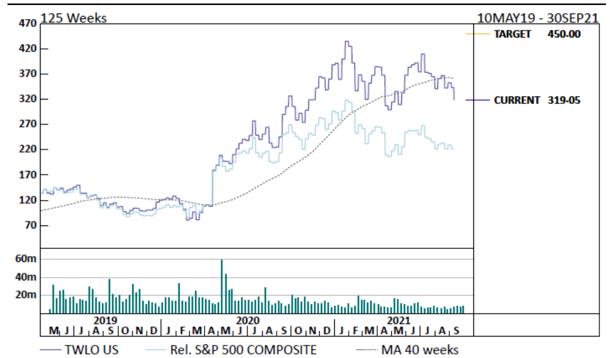
Valuation

Our $450 price target is based on a 20x multiple on our CY22 EV/revenue estimate, a small premium to the peer group; we believe this is justified by the company's better-than-average growth profile. Our price target supports an Outperform rating.

Risks to rating and price target

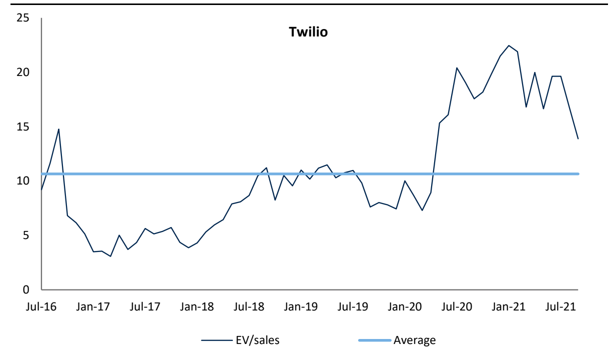
Risks to rating and price target include: 1) Twilio operates in a competitive environment, with pricing pressure; 2) a dual class share structure, with Class B shares controlling a majority of voting power; 3) Twilio has become increasingly acquisitive, which could distract from the core business; 4) Twilio is dependent on local carriers; 5) customer concentration, with the top ten customers accounting for 12% of revenue; and 6) international risk, with non-US representing ~30% of total revenue.

Exhibit 51 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 52 - Forward consensus EV/sales history



Source: Factset

Most recent company note: link

UnitedHealth Group Inc. (NYSE: UNH)

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

Rating: Outperform	**Closing Price: USD 390.74**
Price Target: USD 473.00	**Implied All-in Return (%): 22.3**

Investment summary

With the impressive scale of its enterprise and breadth of integrated service offerings, UnitedHealth Group touches virtually every segment of the U.S. healthcare continuum. And yet despite its scale, we believe the company offers investors a strong growth profile and excellent visibility, with EPS increasing at a targeted 13-16% clip annually and significant room to run over the long term.

UNH has evolved in recent years such that Optum continues to grow in terms of importance and impact on the enterprise, now expected to generate just over half of earnings, and representing a significant growth engine for the company as it executes on its integrated product offering – even as it just scratches the surface of its addressable market both domestically and globally.

In the legacy UnitedHealthcare medical benefits segment, the company is already the industry leader in nearly every business segment, but continues to exceed market growth rates in Medicare and Medicaid, leveraging its significant scalability while remaining disciplined in pricing.

In addition, UNH continues to generate very strong cash flow, which along with the solid balance sheet, should provide significant flexibility to invest in growth opportunities and shareholder-friendly returns.

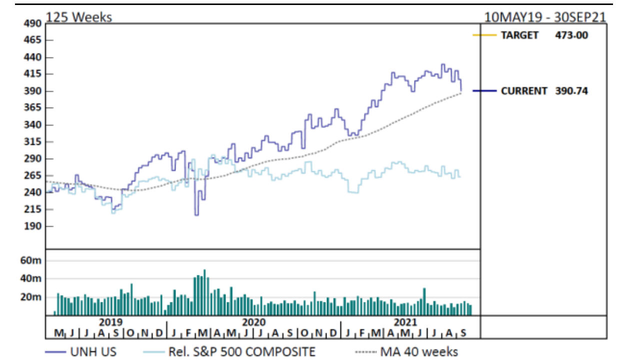
Valuation

Our price target of $473 is based on a P/E multiple of 22x our FY22E adjusted EPS. We believe UNH deserves a premium valuation relative to the group given its diversified platform with the higher-growth Optum segment and the company's proven ability to execute operationally, leading to earnings estimate beat and raises. Note, however, that for some conservatism, our target multiple represents a discount to UNH's historical peak valuation of ~24x. Our price target supports our Outperform rating.

Risks to rating and price target

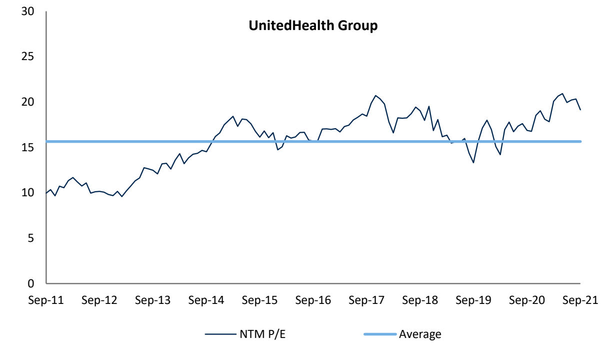
Risks to rating and price target include: 1) execution risk in predicting and managing medical cost trends; 2) execution risk in network contracting; 3) regulatory risk; 4) reimbursement risk in the government business; and 5) protracted economic downturn as a result of the COVID-19 outbreak could impact the earnings growth trajectory.

Exhibit 53 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 54 - Forward consensus P/E history



Source: Factset

Most recent company 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 222.75
Price Target: USD 297.00	Implied All-in Return (%): 33.8

Investment summary

Visa's business model is such that, while we expect near-term results to be impacted by the macro environment, we believe it should be among the first companies to benefit from a reacceleration in retail spending. Social distancing and a broad reduction in travel have presented unique challenges to Visa's business, but we believe this does not detract from it 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.

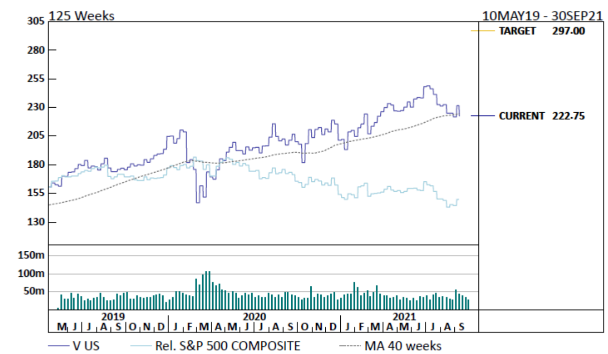
Valuation

Our price target of $297 is based on 38x our CY22 EPS estimate of $7.78, 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

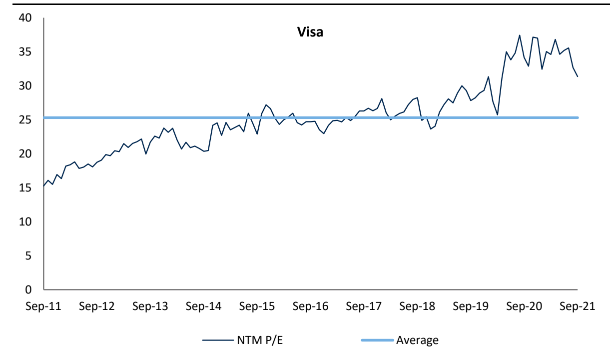
A persistent slowdown in payment volumes and cross-border travel as result of macro conditions, or pushback from large financial institutions on pricing could impede our price target objective and/or rating. Increased regulatory scrutiny, inability to maintain pricing structure, and a prolonged global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

Exhibit 55 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 56 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Zillow Group, Inc. (NASDAQ: ZG)

RBC Capital Markets, LLC
Brad Erickson (Analyst) (503) 830-9488, brad.erickson@rbccm.com

Rating: Outperform | **Closing Price: USD 88.58**
Price Target: USD 155.00 | **Implied All-in Return (%): 75.0**

Investment summary

ZG is the dominant digital player in the real estate vertical that's historically been a tough nut for internet companies to crack. In particular, we like the company's category dominance, exposure to underappreciated secular tailwinds, a down-funnel strategy that's easily misunderstood and platform improvements that could elevate the company's presence in the sector even more than investors currently realize. Recent channel checks are the foundation of our views where a rising 10 year & inflation concerns have given investors another look at ZG, in our view.

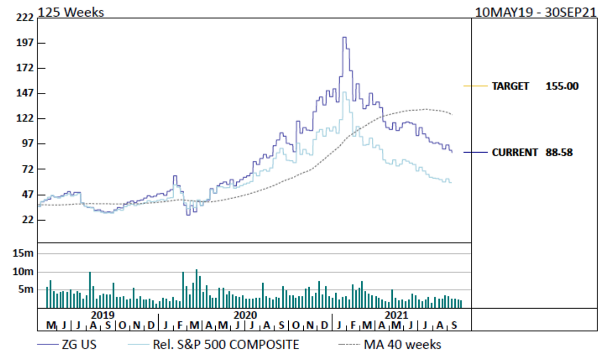
Valuation

We believe valuation is only rich to the untrained eye at ~25x EV/'22E IMT EBITDA + Homes/Mortgage. Our price target is based on 38x EV/ our '22 EBITDA estimate plus ~$13/share for Homes & Mortgage, which we think is a warranted premium for a category leader with minimal mega-tech risk and a roadmap to unlock value in the future. Primary downside risks are PA hits another utility ceiling (like end of '18) and/or housing transactions meaningfully decelerate or decline. Our $155 price target supports our Outperform rating.

Risks to rating and price target

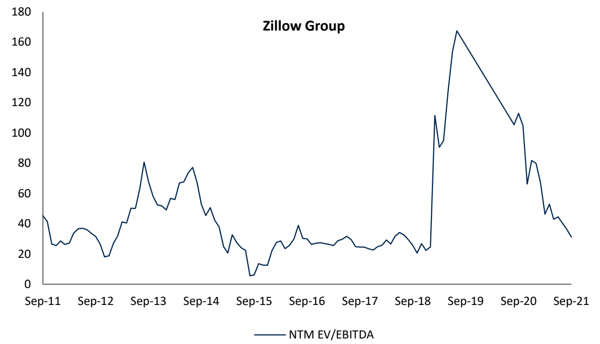
Rising interest rates or inflation drive slower growth or declining transaction volumes that lead to realtors lowering their ad budgets. Home prices meaningfully fluctuate driving lower profitability and cash burn. Flex does not show evidence of contributing to growth in 2021 or 2022. The company announces incremental seismic investments which meaningfully lower near- and medium-term EBITDA estimates.

Exhibit 57 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 58 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

Zoom Video Communications, Inc. (NASDAQ: ZM)

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

Rating: Outperform	**Closing Price: USD 261.50**
Price Target: USD 450.00	**Implied All-in Return (%): 72.1**

Investment summary

Zoom will remain important and relevant in a post-pandemic world. We expect that the future of work will likely be hybrid and believe Zoom will be a critical component to enabling that hybrid future. In fact, we would argue that hybrid and distributed work is a tougher problem to solve than all employees working remote, as meetings will happen across devices (e.g. laptops, mobile phones, hardware meeting rooms). While we buy the argument that Zoom's "prosumer" business (10 or fewer employees) will likely remain flat or even shrink this year with reopenings, the "enterprise" segment should continue seeing rapid growth, especially given how underpenetrated Zoom is in the Global 2000 today, and a potential replacement cycle from office reopenings.

Differentiated technology. While we hesitate to be dismissive of competition, especially from giants like Microsoft and Google, the fact is Zoom's video conferencing is meaningfully differentiated, in our view. Having used all major solutions extensively (and supported by our due diligence), Zoom is differentiated on its reliability, scalability, and ease-of-use. We believe this differentiation and the critical nature of video conferencing will be enough to hold off "good enough" competition, particularly from Microsoft Teams.

The coming platform expansion. Zoom has already shown its ability to expand beyond video conferencing, with strong traction for Zoom Phone (the company's UCaaS offering). We expect Zoom to grow into a broader enterprise communication and collaboration platform, with potential expansions into real-time messaging and email, as well as expanding out the platform and marketplace functionality, allowing other software companies to leverage Zoom's best-in-class video technology for their own applications. In July 2021, Zoom announced that it is acquiring cloud-based contact center software provider Five9.

Attractive long-term financial profile. Putting aside Zoom's otherworldly FY21 numbers, we see a long runway of 20%+ growth and potential for sustainable 40%+ FCF margins (a feat very few SaaS companies have achieved), given the strong sales efficiencies and high gross margins.

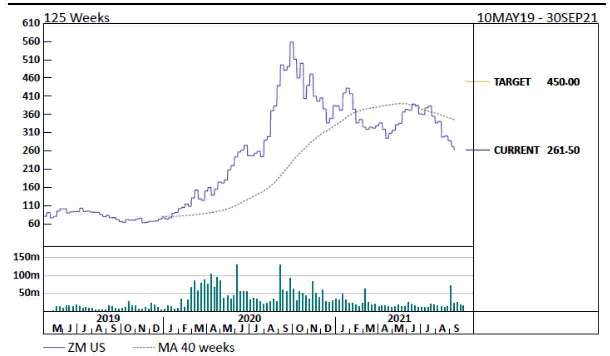
Valuation

Our $450 price target is based on the stock trading at 27x CY22E EV/Revenue. This is a premium to the peer group, which we believe is warranted based on Zoom's financial profile and market opportunity. Our price target supports our Outperform rating.

Risks to rating and price target

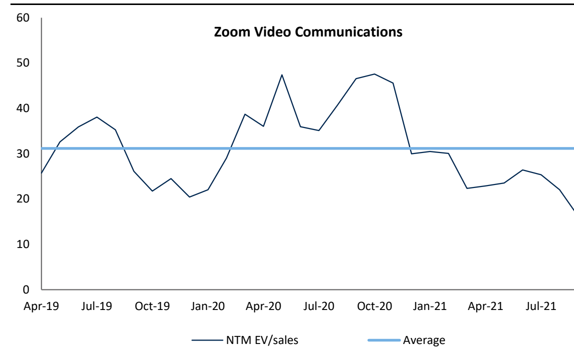
Risks to rating and price target include: 1) competition, especially from Microsoft, Google, and Cisco; 2) COVID-19 tailwinds may not be sustainable and could be temporary; 3) dual-class share structure, with publicly traded Class A shares only holding ~29% voting power; 4) international risk, with non-Americas revenue representing 31% of total revenue in FY21; and, 5) a significant portion of Zoom's R&D is in China, which may expose Zoom to political risk.

Exhibit 59 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 60 - Forward consensus EV/sales history



Source: Factset

Most recent company note: link

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As of 30-Jun-2021

			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [Outperform]	787	55.70	318	40.41
HOLD [Sector Perform]	575	40.69	173	30.09
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