RBC Capital Markets

Top 30 Global Ideas for 2022

Fourth-Quarter Update

EQUITY RESEARCH | October 3, 2022

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

Disseminated: Oct 3, 2022 04:00EDT; Produced: Oct 3, 2022 04:00EDT

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This report is priced as of market close on September 30, 2022 unless otherwise noted.

Introduction

Graeme Pearson – Global Head of Research

Mark Odendahl – Head of US Research

André-Philippe Hardy – Head of Canadian & APAC Research

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

In this note, we present our *Top 30 Global Ideas* for Q4 2022. This list remains one of high-conviction, long-term ideas, with quarterly updates that enable dynamic changes into names that we think offer higher-conviction upside potential.

Since publishing our Q3 update on July 5, 2022, the *Top 30* list has delivered a total return of -5.9% (in USD terms) above our benchmark, the MSCI World Index, at -7.0%. Year-to-date, the list has delivered a total return of -19.1%, above the benchmark at -25.6%, and since inception of our quarterly list at year-end 2019, the *Top 30* has delivered a total return of +13.7%, above the benchmark at +5.3%.

Recession risk, rising rates and inflation remain top of mind across sectors. As published in our latest US Equity Strategy **RBC Macroscope** update (Sep 13, 2022), our Strategy team anticipates choppy conditions in US equities into year-end, between deeply bearish sentiment (a contrarian/bullish signal) and ongoing concerns about further Fed tightening, its longer-term economic ramifications and downward earnings revisions. As of the latest **Sector Navigator** update (Aug 31, 2022), on a 6-12 month view, our US Strategy team maintained overweight positioning recommendations on the Energy, Financials, Health Care, and Technology sectors.

With the changes to the *Top 30* list this quarter, we switch into best ideas that we also view as offering more attractive positioning in the current environment. Relative to the MSCI World Index, on an equal-weighted basis the Top 30 remains notably overweight Energy and Industrials, driven by the inclusion of individual high-conviction names under coverage.

In **Consumer Discretionary**, we add **Ferrari (RACE IM)** and **Restaurant Brands International (QSR US)**. We see Ferrari as a recession-resistant luxury name (which performed well during the Global Financial Crisis), and expect significant production growth from 11K units in 2021 to 15K by 2025 and 20K by 2030, as well as healthy pricing growth. We believe natural gas/semis are not an issue, and think electrification capex fears are overdone. QSR is our top idea in the highly-franchised restaurant group, with our positive thesis underpinned by accelerating comp trends, potential for improving unit development, upside from the new Burger King strategy, and compelling valuation, in our view.

We remove **adidas (ADS GR)**. While we maintain an Outperform rating and view the stock's recovery potential favourably, we see negative FY23E consensus earnings revision risk, which may not be fully priced in, and we believe the ongoing search for a new CEO could limit investor interest until more clarity is provided.

In **Financials**, we add **Element Fleet Management (EFN CN)**, which we view as a rare Financials stock with EPS tailwinds in a recessionary, high-inflation and/or higher interest rate environment. We expect OEM production improvements to further boost strong EPS growth, see upside to 2022 guidance and 2023 consensus estimates, expect another dividend increase in November and EFN remaining active on share buybacks, and view valuation as very attractive. With the addition of EFN as our highest-conviction idea in Canadian Diversified Financials, we remove **Intact Financial (IFC CN)** and **Brookfield Asset Management (BAM US)** while reiterating our positive recommendations on both stocks.

Within the **Materials** sector, in Fertilizers we replace **Mosaic (MOS US)** with **Nutrien (NTR US)**, in conjunction with our downgrade of Mosaic to Sector Perform from Outperform, published today. We continue to see a very constructive outlook for ag and fertilizers, especially for nitrogen due to extremely high global natural gas costs persisting, and potash due to very constrained supply from Russia/Belarus. Nutrien is now our preferred fertilizer stock, as it offers exposure to nitrogen (Mosaic has no exposure) and potash, and we think Nutrien tends to provide better downside protection against volatility and potential macro headwinds.

In **Utilities**, we add **PG&E Corporation (PCG US)** and remove **The AES Corporation (AES US)** while maintaining an Outperform rating. We believe PCG's significant discount to peers is unwarranted given reduced wildfire risk and constructs to protect the company financially in the event of a catastrophic wildfire. We are also encouraged by the company's addition to the S&P 500 as of October 3.

This report contains further detail on our investment thesis for each name on the Q4/22 list beginning on page 7. We encourage you to reach out to our team to continue the dialogue regarding their investment ideas.

We also highlight our flagship research products: **RBC Fusion**™, **RBC Imagine**™, **RBC Elements**™, and **RBC ESG Stratify**™. RBC Fusion offers peer-reviewed, unique reports on our highest-conviction, most-differentiated calls. RBC Imagine is a series of fundamental research reports focused on disruptive forces that we believe will transform the world. Our RBC Elements work features proprietary insights generated in collaboration with our internal data science team. With RBC ESG Stratify, we separate the signal from the noise on ESG matters with precise, analytical research.

Top 30 Global Ideas for 2022 — Changes this Quarter

Additions: Element Fleet Management (EFN CN), Ferrari (RACE IM), Nutrien (NTR US), PG&E Corporation (PCG US), Restaurant Brands International (QSR US)

Deletions: adidas (ADS GR), The AES Corporation (AES US), Brookfield Asset Management (BAM US), Intact Financial (IFC CN), The Mosaic Company (MOS US)

Top 30 Global Ideas for 2022 — Pricing Data

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (09/30/2022)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Alexandria Real Estate Equities, Inc.	ARE US	Michael Carroll	Outperform	USD	140.19	22,641	220.00	3.5	60.4
Alimentation Couche-Tard Inc.	ATD CN	Irene Nattel	Outperform	CAD	55.61	56,837	79.00	0.8	42.9
AltaGas Ltd.[1]	ALA CN	Robert Kwan	Outperform	CAD	26.45	7,434	34.00	4.0	32.6
American International Group, Inc.	AIG US	Mark Dwelle	Outperform	USD	47.48	39,218	NA	2.7	NA
American Tower Corporation	AMT US	Jonathan Atkin	Outperform	USD	214.70	98,723	300.00	2.6	42.3
Anheuser-Busch InBev SA/NV	ABI BB	James Edwardes Jones	Outperform	EUR	46.74	92,649	64.00	1.6	38.5
Canadian Natural Resources Limited	CNQ CN	Greg Pardy	Outperform	CAD	64.30	72,941	90.00	4.7	44.6
Canadian Pacific Railway Limited	CP CN	Walter Spracklin	Outperform	CAD	92.21	85,995	115.00	0.8	25.5
ConocoPhillips	COP US	Scott Hanold	Outperform	USD	102.34	130,282	130.00	5.9	32.9
CrowdStrike Holdings, Inc.	CRWD US	Matthew Hedberg	Outperform	USD	164.81	39,950	236.00	0.0	43.2
DuPont de Nemours, Inc.	DD US	Arun Viswanathan	Outperform	USD	50.40	26,006	71.00	2.4	43.3
Element Fleet Management Corp.	EFN CN	Geoffrey Kwan	Outperform	CAD	16.30	6,478	22.00	2.0	36.9
Ferrari N V	RACE IM	Tom Narayan	Outperform	EUR	191.70	35,081	261.00	0.5	36.6
Lonza Group AG	LONN SW	Charles Weston	Outperform	CHF	486.30	36,078	670.00	0.7	38.5
M&T Bank Corporation	MTB US	Gerard Cassidy	Outperform	USD	176.32	31,032	190.00	2.8	10.5
Mastercard Incorporated	MA US	Daniel R. Perlin	Outperform	USD	284.34	276,947	417.00	0.7	47.3
Nutrien Ltd.	NTR US	Andrew Wong	Outperform	USD	83.38	45,997	135.00	2.3	64.2
Palo Alto Networks, Inc.	PANW US	Matthew Hedberg	Outperform	USD	163.79	61,405	233.00	0.0	42.3
PG&E Corporation	PCG US	Shelby Tucker	Outperform	USD	12.50	24,814	16.00	0.0	28.0
R1 RCM Inc.	RCM US	Sean Dodge	Outperform	USD	18.53	8,626	35.00	0.0	88.9
Restaurant Brands International Inc.	QSR US	Christopher Carril	Outperform	USD	53.18	25,213	70.00	3.4	35.0
S&P Global Inc.	SPGI US	Ashish Sabadra	Outperform	USD	305.35	107,271	434.00	1.0	43.1
Shell PLC	SHEL LN	Biraj Borkhataria	Outperform	GBp	2,246.50	169,633	3,200.00	4.9	47.4
Siemens Aktiengesellschaft	SIE GR	Mark Fielding	Outperform	EUR	100.32	81,861	140.00	3.5	43.1
Stericycle, Inc.	SRCL US	Sean Dodge	Outperform	USD	42.11	3,883	70.00	0.0	66.2
TELUS Corporation	T CN	Drew McReynolds	Outperform	CAD	27.43	37,524	36.00	4.8	36.0
TransDigm Group Incorporated	TDG US	Ken Herbert	Outperform	USD	524.82	29,652	750.00	0.0	42.9
UnitedHealth Group Incorporated	UNH US	Ben Hendrix	Outperform	USD	505.04	485,343	588.00	1.0	17.4
Veeva Systems Inc.	VEEV US	Rishi Jaluria	Outperform	USD	164.88	26,699	225.00	0.0	36.5
WESCO International, Inc.	WCC US	Deane Dray	Outperform	USD	119.38	6,005	178.00	0.0	49.1

Notes:

[1] ***AltaGas Ltd. (TSX: ALA) has agreed to sell its Alaskan Utilities to TriSummit Utilities Inc. announced on May 26, 2022. RBC Capital Markets served as financial advisor to AltaGas. The transaction is anticipated to close no later than the first quarter of 2023 and will be subject to customary closing conditions, including State regulatory approvals. This research report and the information herein is not intended to provide voting advice, serve as an endorsement of the transaction or result in procurement, withholding or revocation of a proxy or any other action by a security holder.***

NA = Not available at this time.

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 2022 — Changes This Quarter

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Additions this quarter:									
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Restaurant Brands International Inc.	QSR US	Christopher Carril	Outperform	USD	53.18	25,213	70.00	3.4	35.0
Deletions this quarter:									
adidas AG	ADS GR	Piral Dadhania	Outperform	EUR	118.22	23,072	160.00	2.3	37.7
The AES Corporation	AES US	Shelby Tucker	Outperform	USD	22.60	16,069	30.00	2.8	35.6
Brookfield Asset Management Inc.	BAM US	Geoffrey Kwan	Outperform	USD	40.89	63,866	66.00	1.4	62.8
Intact Financial Corporation	IFC CN	Geoffrey Kwan	Outperform	CAD	195.49	34,309	219.00	2.1	14.1
The Mosaic Company[1]	MOS US	Andrew Wong	Sector Perform	USD	48.33	17,549	65.00	1.2	35.7

Note:

[1] Subsequent to the September 30, 2022 pricing of the *Top 30 Global Ideas for 2022*, MOS's rating and price target was lowered to Sector Perform, PT $65.00 (from Outperform, PT $85.00) on October 3, 2022. See note here.

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 2022 (July 5, 2022 to September 30, 2022) and since inception (December 2019).

Ticker	Company	Total Return Q3/2022 (in local currency)	Total Return Q3/2022 (in USD)
COP US	ConocoPhillips	14.5%	14.5%
WCC US	WESCO International Inc.	12.8%	12.8%
MTB US	M&T Bank Corp.	11.1%	11.1%
ATD CN	Alimentation Couche-Tard Inc.	7.9%	0.7%
IFC CN	Intact Financial Corp	7.5%	0.4%
AES US	The AES Corporation	6.0%	6.0%
MOS US	The Mosaic Company	3.3%	3.3%
SHEL LN	Shell PLC	2.9%	-5.4%
SIE GR	Siemens AG	2.1%	-4.1%
CP CN	Canadian Pacific Railway Ltd.	0.5%	-6.2%
TDG US	TransDigm Group Inc.	-0.4%	-0.4%
ALA CN	AltaGas Ltd.	-1.0%	-7.6%
UNH US	UnitedHealth Group Inc.	-2.1%	-2.1%
T CN	TELUS Corp.	-2.9%	-9.3%
PANW US	Palo Alto Networks Inc.	-3.3%	-3.3%
ARE US	Alexandria Real Estate Equities	-4.6%	-4.6%
SRCL US	Stericycle Inc.	-5.1%	-5.1%
LONN SW	Lonza Group AG	-7.3%	-9.5%
DD US	DuPont de Nemours Inc.	-7.4%	-7.4%
CNQ CN	Canadian Natural Resources Ltd.	-7.7%	-13.8%
CRWD US	Crowdstrike Holdings Inc.	-8.1%	-8.1%
AIG US	American International Group Inc.	-8.2%	-8.2%
BAM US	Brookfield Asset Management Inc.	-8.9%	-8.9%
ABI BB	Anheuser-Busch InBev SA/NV	-9.3%	-14.8%
MA US	Mastercard Inc.	-10.5%	-10.5%
SPGI US	S&P Global Inc.	-10.9%	-10.9%
RCM US	R1 RCM Inc.	-15.7%	-15.7%
AMT US	American Tower Corp.	-16.9%	-16.9%
VEEV US	Veeva Systems Inc.	-19.2%	-19.2%
ADS GR	adidas AG	-29.9%	-34.2%
	Average total return for RBC CM Top 30 Global Ideas in Q3 2022	***-3.7%***	***-5.9%***

Indices		Total Return (in local currency) Q3/2022	2022 (Year-to-date)	Since Inception (Not annualized)
AS51 Index	**S&P/ASX 200 Index**	0.4%	-8.3%	11.3%
SPTSX Index	**S&P/TSX Composite Index**	-2.3%	-11.1%	17.5%
	RBC CM Top 30 Global Ideas	**-3.7%**	**-15.7%**	**17.7%**
SXXP Index	**STOXX Europe 600 Index**	-4.7%	-18.4%	1.6%
SPX Index	**S&P 500 Index**	-5.9%	-24.4%	16.0%
NDDUWI Index	**MSCI World Net Total Return US**	-7.0%	-25.6%	5.3%

Indices		Total Return (in USD) Q3/2022	2022 (Year-to-date)	Since Inception (Not annualized)
SPX Index	**S&P 500 Index**	-5.9%	-24.4%	16.0%
	RBC CM Top 30 Global Ideas	**-5.9%**	**-19.1%**	**13.7%**
AS51 Index	**S&P/ASX 200 Index**	-6.0%	-19.0%	1.8%
NDDUWI Index	**MSCI World Net Total Return US**	-7.0%	-25.6%	5.3%
SPTSX Index	**S&P/TSX Composite Index**	-8.8%	-18.4%	10.7%
SXXP Index	**STOXX Europe 600 Index**	-10.5%	-29.2%	-11.4%

Notes: Q3 2022 performance calculated from the time of publishing the *Top 30* Q3 2022 update before market open on July 5, 2022 to market close on September 30, 2022. Past performance is not necessarily indicative of future performance. Price performance does not take into account relevant costs, including commissions and interest charges or other applicable expenses that may be associated with transactions in these shares.

Source: Bloomberg and RBC Capital Markets

Investment Thesis

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 140.19**
Price Target: USD 220.00	**Implied All-in Return (%): 60.4**

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

Drug approval trends appear healthy. FDA drug approvals has trended consistently higher with the trailing three-year average (2019-2021) of 50 NME noticeably exceeding the prior three-year average (2016-2018) of 42.

Life science funding could quickly rebound. We believe tenants are being more thoughtful expanding their businesses given the volatile capital markets. We believe tenants would again be more aggressive if the funding environment improved.

Developments/redevelopments should drive growth. ARE has made solid progress advancing the development pipeline and has also identified more than ~37.2 million SF of near-term, intermediate-term, and future development projects that should add significant value.

Valuation

Our $220/sh price target represents a slight premium to our 2Q23 NAV estimate of $216.34/sh. We believe this is warranted by the life science tailwinds and ARE's proven operating platform, solid tenant base, and strong balance sheet. Our target reflects ~26.0x our 2024 AFFO estimate (below the trailing 8-quarter average of 29.0x) and an ~$800/SF valuation. Our price target supports our Outperform rating.

Net asset value: Our in-place NAV estimate is $192.21/sh assuming a 4.4% cap rate. We expect ARE to create value over time and therefore our NAV estimate of $203.90/sh at YE22 (2023 est.) increases to $225.91/sh at YE23 (2024 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.

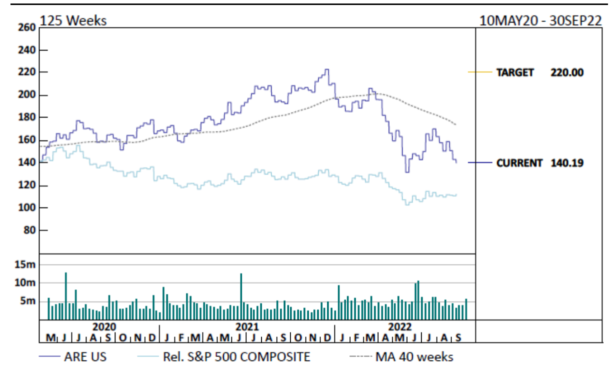
Other company-specific risks

Biotechnology sector could be binary. 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%.

High development interest could create supply concerns. Given challenges in traditional office, there has been significant interest to develop or renovate existing buildings to life science use. If this interest persist, supply issues could become a bigger problem.

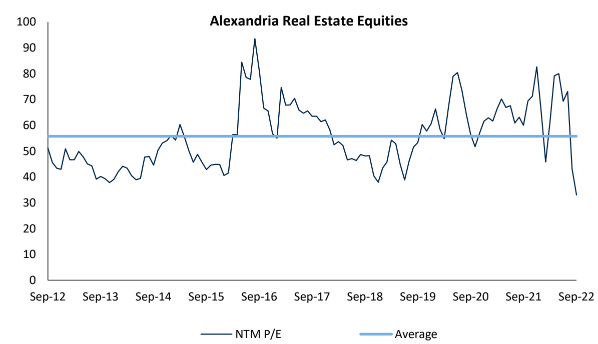
Supply chain disruptions could slow ARE's development. The pandemic has led to widespread supply chain disruption and management noted that some items used in their developments are delayed. However, the team has been proactive mitigating any supply chain related issues.

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)

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

Rating: Outperform | **Closing Price: CAD 55.61**
Price Target: CAD 79.00 | **Implied All-in Return (%): 42.9**

Investment summary

Despite challenging macro backdrop, multiple avenues for growth, underpinned by: i) top-line momentum from a more-focused, data-driven approach to merchandising/promotional strategies; ii) well-defined initiatives and strategies to optimize procurement; iii) focus on localized merchandise pricing, promotions, and assortments; iv) innovative fuel initiatives, including rollout of Circle-K gas; v) cost optimization; vi) network development; and vii) opportunistic acquisitions.

On track to exceed F23 EBITDA objective of $5.1B excluding merger and acquisition. Solid underlying operating performance aided by focused execution of strategies outlined at mid-2021 investor event to deliver "double again" objective.

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

Attractive geographic diversification with >85% of GP$ generated outside Canada.

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

Strong B/S + FCF profile with forecast FCF well in excess of $2B to fund activity on NCIB (F23 program up to 10% of float), dividend growth, debt repayment, and acquisitions. Adjusted net debt/EBITDAR sustained below 1.5x despite activity on NCIB, well below the post-SFR peak of 3.6x, with normalized estimated balance sheet capacity in excess of US$15B.

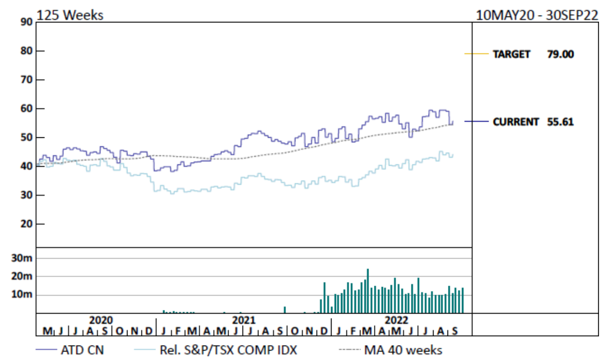
Valuation

Taking the midpoint of 19x TTM Q1/F25E TTM (Mid-C24E) TTM EPS and 11.5x EBITDA drives our price target of $79, 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 merger and acquisition. We believe the multiples are also appropriate relative to our c-store coverage universe based on relative investment attributes.

Risks to rating and price target

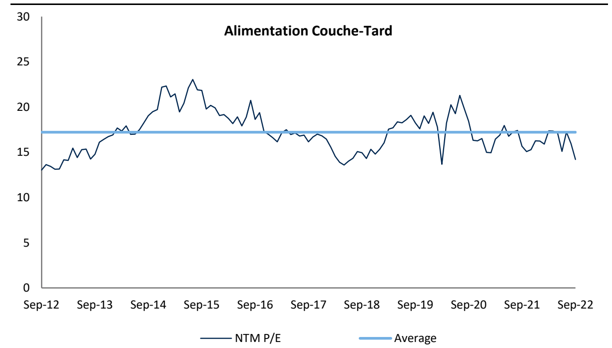
Normalization of gas margins without volume improvement would result in earnings below expectations. Substantial dislocation in inside store volumes could reduce inside-store contribution. Although c-stores typically are relatively recession-resistant, ~50% of US c-store customers have incomes ≤$60k and could be hard-hit by a recession as inflation reaches 40-year highs and interest rates rise. With ATD's diversified geographic footprint, the risk profile of forecasts includes multiple geographies and currencies, and economic and operating environments, each of which is being impacted at differing levels by current dislocation in Europe and surging energy prices. Potential merger and acquisition not included in our forecasts could result in earnings/share price that differs from forecasts.

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

AltaGas Ltd. (TSX: ALA)

RBC Dominion Securities Inc.
Robert Kwan, CFA (Analyst) (604) 257-7611, robert.kwan@rbccm.com

Rating: Outperform | **Closing Price: CAD 26.45**
Price Target: CAD 34.00 | **Implied All-in Return (%): 32.6**

Investment summary

We expect the shares of AltaGas to outperform its peers for the following reasons:

Is AltaGas a utility or a midstreamer? The market seems to be saying "neither." AltaGas's guidance is for 55% of 2022E EBITDA to come from the US regulated gas distribution utilities (Maryland, Virginia, Michigan, Alaska, and Washington, D.C.) and the remainder from midstream assets (net of corporate costs). With relative balance, we find that utility investors, particularly those looking to play defence, are not enamoured with the higher-risk midstream business, while we find that WCSB-focused midstream investors have historically looked to pure-play stocks levered to industry trends.

Additional asset monetizations could continue to drive material upside in the stock. With the market's positive response to the sale of the Alaskan utilities, we see continued upside if the company looks to monetize additional assets. While MVP was an obvious asset sale candidate given it was a non-operated minority interest that also benefitted from an ability to greatly reduce debt/EBITDA (given AltaGas would only book equity earnings), we still believe that the company has options to monetize an asset, or assets, that could reduce leverage and eliminate various risks for MVP (e.g., whether it happens at all, timing of a sale and/or asset sale valuations changing).

Potential catalysts: the sale of the Mountain Valley Pipeline; sale of utility assets; new long-term take-or-pay contracted infrastructure projects with strong counterparties; additional tolling contracts for West Coast LPG exports; and higher-than-expected frac spreads and/or LPG export margins.

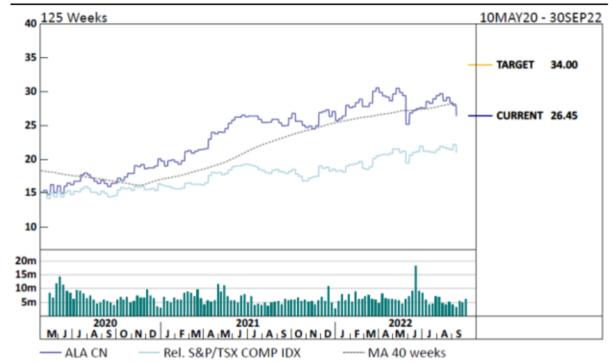
Valuation

Our $34.00/share price target is based on our sum-of-the-parts analysis that results in values of $32–37/share. Our valuation includes an 18–20x 2023E P/E valuation for the former WGL utilities, which is close to the average for highly regulated names, with a slight adjustment higher for M&A valuations in the space with a 27–29x P/E M&A-type valuation for SEMCO, particularly following the announced sale of the Alaskan utilities at a similar valuation. For Midstream, we use an 11–12x EV/EBITDA multiple, which is consistent with valuations for the Canadian midstream peers with similar assets and business mix. We believe that the risk-adjusted expected total return to our price target supports our Outperform rating on the shares.

Risks to rating and price target

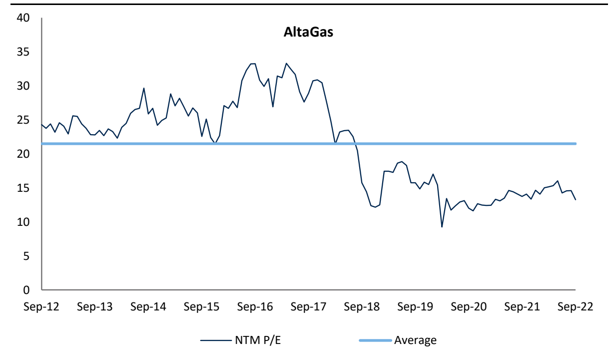
Risks to our price target and rating include negative regulatory decisions, the inability to complete and/or successfully monetize its stake in the Mountain Valley Pipeline, NGL spreads or gas volumes that meaningfully differ from our forecast, projects/acquisitions that fail to gain the confidence of investors, dilutive actions to maintain the BBB-credit rating, and natural gas prices and drilling trends in the WCSB.

Exhibit 5 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 6 - Forward consensus P/E history



Source: Factset

Most recent company note: link

American International Group, Inc. (NYSE: AIG)

Rating: Outperform	**Closing Price: USD 47.48**
Price Target: NA	**Implied All-in Return (%): NA**

RBC Capital Markets, LLC
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Note: Our estimates and price target for American International Group, Inc. are currently suspended.

American Tower Corporation (NYSE: AMT)

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

Rating: Outperform	**Closing Price: USD 214.70**
Price Target: USD 300.00	**Implied All-in Return (%): 42.3**

Investment summary

Our Outperform rating on AMT is based on the following factors:

Highly predictable revenues due to long-term escalators and master-lease agreements, coupled with high revenue-to-cashflow conversion rates.

Continued expectation that US gross new business activity should accelerate through the year and into 2023. Upside to activity levels and revenues in 2022 should be driven by Verizon C-band, DISH, and AT&T.

Minimal balance sheet risks with steady path toward de-levering toward the 3–5x range following the integration of recent acquisitions.

An increasing dividend yield, following the full depreciation of older assets (e.g., acquired Alltel towers) and utilization of NOLs, could gradually broaden the company's base of potential investors.

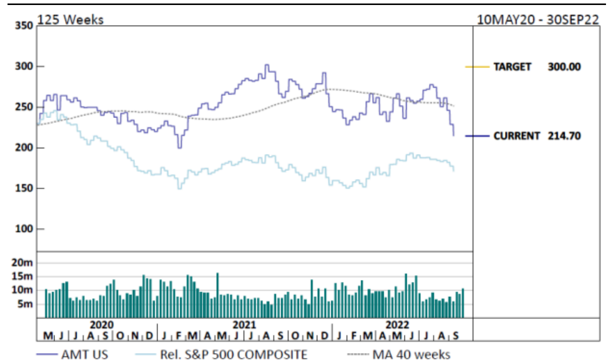
Valuation

Our price target of $300 is based on a blended ~27x forward P/AFFO multiple applying a ~29x multiple to US cash flows and a ~25x multiple to international cash flows. We believe our valuation parameters are appropriate given datacenter REIT multiples well into the 20x+ range, and the tower model's significantly lower capital intensity and greater operating leverage vs. datacenters. Additionally, tower operators have, on average, more stable cash flow and lower churn. In light of the implied upside vs. our price target, coupled with potential favorable acceleration catalysts around new spectrum deployment that could increase tenancies, we maintain our Outperform rating.

Risks to rating and price target

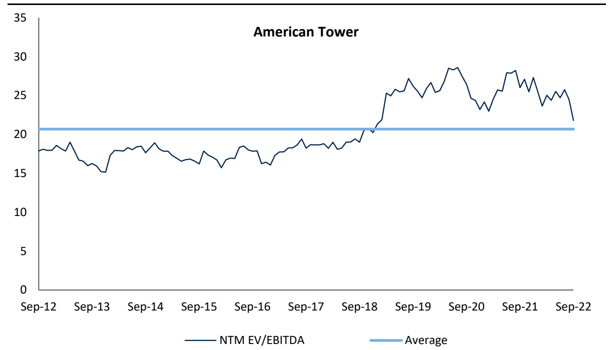
Wireless network consolidation or widespread use of network sharing, femtocells, or other factors leading to lower-than-expected demand for tower sites represent the most significant potential risks to our price target and rating. Elevated India carrier consolidation churn for a longer period of time is a potential risk. We also see potential margin pressure from changes to ground and tenant lease-renewal terms and tax adjustments, although such factors are already largely incorporated into our existing projection horizon.

Exhibit 7 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 8 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

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

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

Rating: Outperform | **Closing Price: EUR 46.74**
Price Target: EUR 64.00 | **Implied All-in Return (%): 38.5**

Investment summary

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

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

Adding to the long-term investment case are the potentially fruitful long-term prospects of AB InBev's digital platform: 'Bees' could drive further upside in our view. We think that there is (rightly) nothing in the share price to reflect this at the moment, but it's an interesting piece of optionality. We hold an Outperform rating for AB InBev.

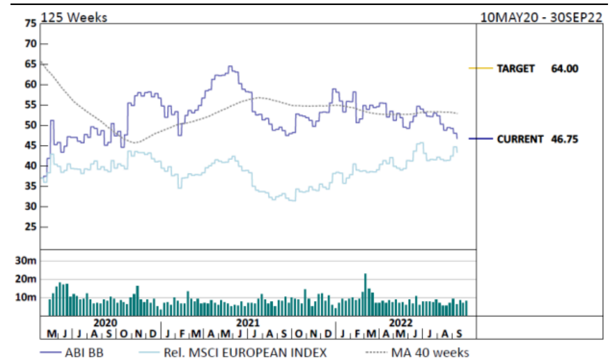
Valuation

We believe that consumer staples stocks lend themselves to a DCF valuation methodology owing to the relative strength and predictability of their cash flows together with, in some instances, a significant mismatch between capital expenditure and depreciation charged through the profit and loss account, meaning that P&L-based valuation metrics (PE ratio, EV/ EBITDA ratio) can be misleading. We use a derivative of a traditional DCF calculation called adjusted present value (APV) whereby the business's operating cash flows are discounted at its cost of equity (8% in this instance) and tax shield at the cost of debt (3.0%). We assume a terminal growth rate of 2.5% per annum from 2035. Under these assumptions, we derive a fair value of €60 per share. Discounting the APV forward by a year at the cost of equity and adding in our dividend forecast for 2021 yields a 12-month price target of €64. Our price target and the implied return support our Outperform rating.

Risks to rating and price target

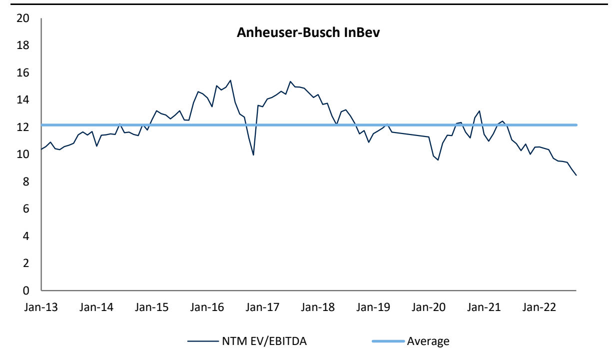
Further inflation and a significant deterioration in consumer confidence and employment following Russia's invasion of Ukraine would be detrimental to sales and margins. A resurgence of COVID-19 and revival of on-trade closures and lockdown in response to the outbreak of COVID-19 poses a significant threat to AB InBev. On-trade closures would affect its ability to brand-build and manage working capital. Almost all of ABI's debt is in developed market currencies (principally US$ and €s). Any delay in paying down debt (for example, as a result of emerging market currency weakness) would be unhelpful for ABI's share price. The US is ABI's largest market and its largest mainstream brands have consistently lost market share; an acceleration in this market share loss, or slowdown in the US market overall, would not be good. ABI is heavily exposed to emerging markets, notably, Brazil, China, Colombia, Mexico and South Africa. A significant deterioration in consumption or market share in these markets would be a downside risk.

Exhibit 9 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 10 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

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

Rating: Outperform | **Closing Price: CAD 64.30**
Price Target: CAD 90.00 | **Implied All-in Return (%): 44.6**

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

Investment summary

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

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

Management Committee Structure. CNQ does not have a CEO. Instead, the company is stewarded by a management committee consisting of 18 people. This group meets weekly and oversees all matters spanning 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.

Impressive Shareholder Returns. CNQ recently signaled that once its net debt falls to its $8.0 billion floor, it is committed to incremental shareholder returns. CNQ's share buyback remains ring-fenced from acquisitions and strategic growth capital under a formulaic approach. More specifically, when net debt levels are below $15 billion, the company will allocate 50% of its free cash flow after dividends and sustaining capital to share repurchases, with the balance (less strategic growth capital/acquisitions) earmarked for debt reduction. We peg CNQ's share repurchases at approximately $6.1 billion.

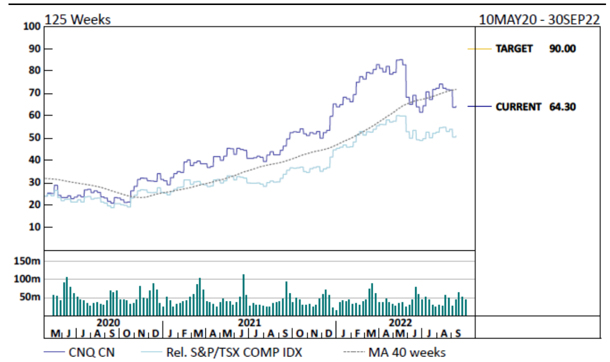
Valuation

Our price target of $90 per share reflects an equal weighting toward a multiple of 1.0x our NAV and an implied 2022E debt-adjusted cash flow multiple of 8.7x 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

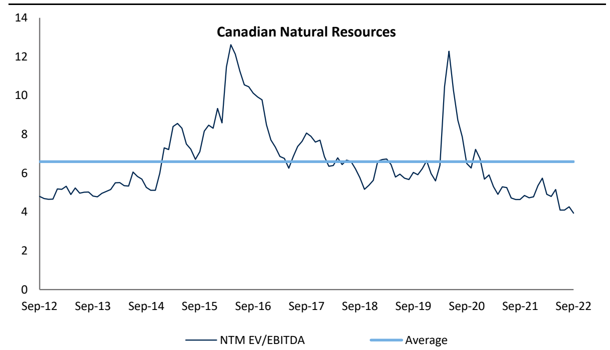
The most significant risk to our price target and rating is unexpected changes in crude oil and natural gas prices. Specifically, to the extent that the COVID-19 pandemic and associated social distancing measures continue to negatively impact global oil demand, it may result in CNQ realizing lower-than-anticipated 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 11 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 12 - 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 92.21
Price Target: CAD 115.00	Implied All-in Return (%): 25.5

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 KSC 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 potential 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 $115 price target is based on applying a P/E multiple of 18.5x to our 2025 EPS estimate of $6.73. Our 2025 EPS forecast reflects CP achieving full synergy run-rate on the KSU acquisition in line with guidance provided when the deal was announced. The target multiple is a premium to peers, in our view warranted by CP's operations-focused management team as well as the increased network reach following the KSU acquisition. Our price target supports our Outperform rating.

Risks to rating and price target

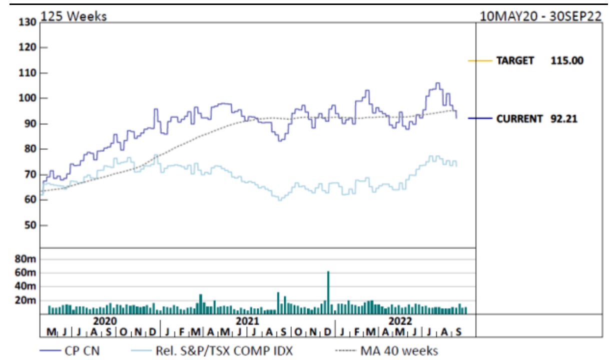
Key risks to our positive thesis relate to the acquisition of KSU. See below for further detail:

Risk that merger 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 merger not getting 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 and was subject for review in 2027, but KCSM recently reached an agreement with the SICT that extended exclusivity rights granted to KCSM (in Mexico) for an additional period of 10 years to 2037. Management 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.

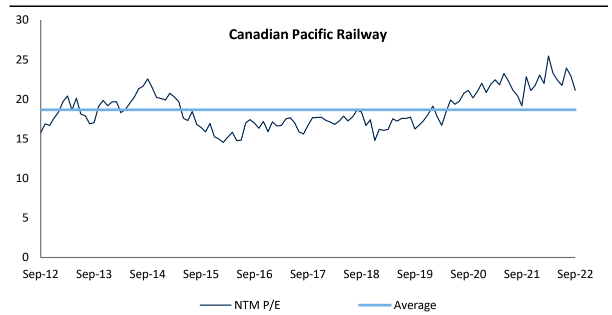
Integration risk. We consider CP mgmt to be one of the top teams in North America and have strong confidence in the ability of this team to execute on the integration of this deal and achieve (or exceed) the targets announced. Moreover, we were encouraged by the concurrent announcement that CP's Board 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 going ahead or not). However, it is still possible that CP encounters unforeseen headwinds that could potentially impact forecasted synergies.

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

ConocoPhillips (NYSE: COP)

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

Rating: Outperform	**Closing Price: USD 102.34**
Price Target: USD 130.00	**Implied All-in Return (%): 32.9**

Investment summary

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

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

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

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

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

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

Valuation

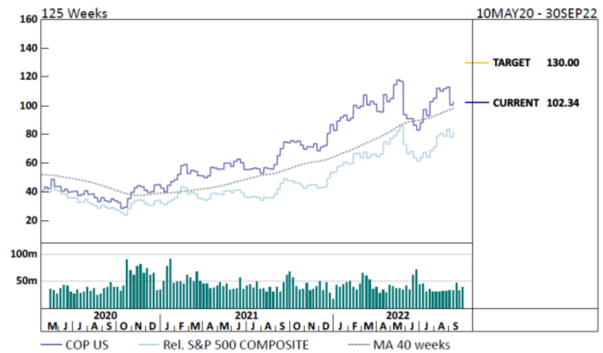
Our $130/share price target is derived from a combination of evaluating forward EBITDA multiples, and our Net Asset Value (NAV) and supports our Outperform rating. Our target reflects: 1) a 4.0-4.5x multiple on our 2022 EBITDA estimate, inline with peer averages; and 2) a 30-35% premium to our $97/share Net Asset Value (NAV), above the large cap 10% premium peer average due to peer-leading shareholder return commitment, solid FCF growth rates, a strong balance sheet, and asset diversity. Our NAV is a risked assessment of 3P reserves using the long-term RBC commodity price outlook of $65/bbl (WTI), $70/ bbl (Brent), and $3.75/Mcf (HH).

Risks to rating and price target

ConocoPhillips's returns-focused strategy is dependent on strong margins, cost control, and execution. Industry inflation or unforeseen cost overruns could limit the company's ability to deliver significant returns to shareholders and negatively impact the share price.

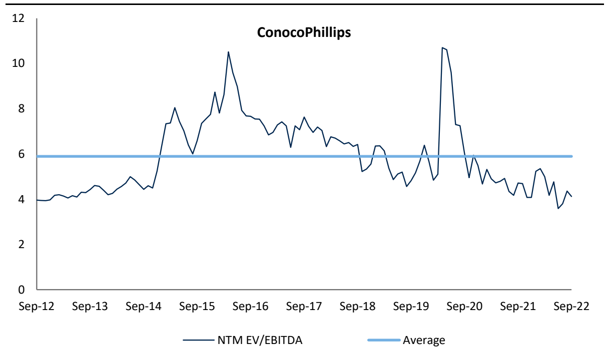
Regulatory changes could adversely impact the company's development opportunities and economics. COP has federal acreage on certain core assets in both the Permian Basin and Alaska that could be impacted by regulatory changes.

Exhibit 15 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 16 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

CrowdStrike Holdings, Inc. (NASDAQ: CRWD)

Rating: Outperform	Closing Price: USD 164.81
Price Target: USD 236.00	Implied All-in Return (%): 43.2

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

Investment summary

High-level thesis on CrowdStrike

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

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

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

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

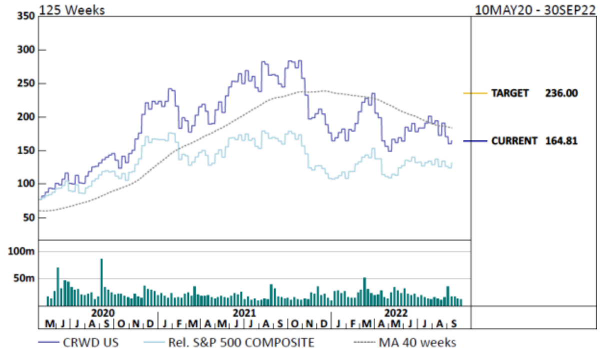
Valuation

To derive our $236 price target, we apply an 18.5x EV/S multiple to CY/23E revenue of $3,031 million, which is a premium to 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

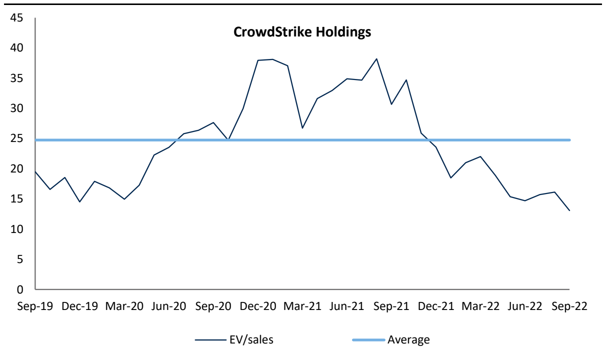
Risks to rating and price target include: 1) CrowdStrike operates in a market with competition from larger legacy competitors, like Symantec, as well as newer entrants; 2) potential pricing pressure given the crowded nature of the market; 3) CrowdStrike operates a land-and-expand model; failure to retain 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 17 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 18 - 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 50.40**
Price Target: USD 71.00 | **Implied All-in Return (%): 43.3**

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.

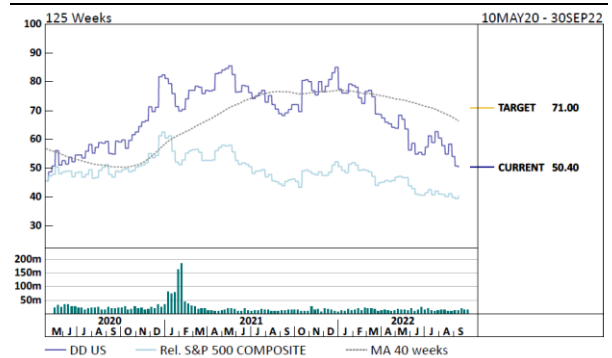
Valuation

We value DuPont on a forward EV/EBITDA basis using 2023E. We apply a 13x multiple to our 2023E EBITDA of $3.5B (which includes recent M&A and divestitures) to arrive at a price target of $71/share. Our multiple is despite the cost inflation headwinds, and we believe the pending portfolio actions and buybacks should allow DD to trade at the mid-to-high end of its historical 9-15x multiple range. Our price target supports our Outperform rating.

Risks to rating and price target

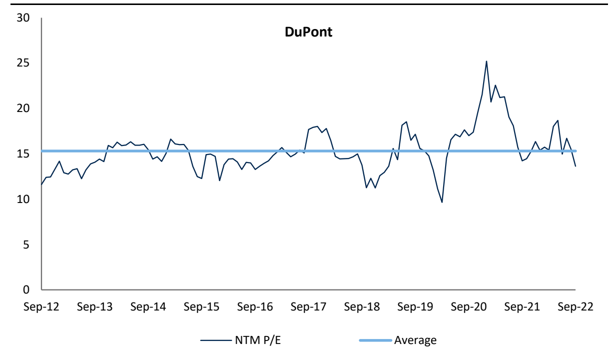
Risks to rating and price target include: 1) slower than expected cycle recovery in China and North America; 2) synergy/integration challenges; 3) further delays or failure to optimize spin strategy; and 4) further demand deterioration from COVID-19 impact.

Exhibit 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

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 16.30**
Price Target: CAD 22.00 **Implied All-in Return (%): 36.9**

Investment summary

Why we rate EFN shares Outperform: Four key themes drive our positive view of EFN: **1) attractive growth –** We forecast that EFN's EPS could grow at a mid-teens CAGR over the next five 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** – we see high EPS growth as a key driver of valuation and potential valuation multiple expansion.

Why we like the fleet management industry: In our view, the fleet management industry has several attractive attributes, which we think, given that 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) OEM production delays subside; 2) accelerated wins of government/self-managed and/or mega-fleet customers; 3) increased returns of capital (e.g., further dividend increases, share buybacks, etc.); and 4) continued progress successfully reopening economies, which would benefit new order activity and fleet services.

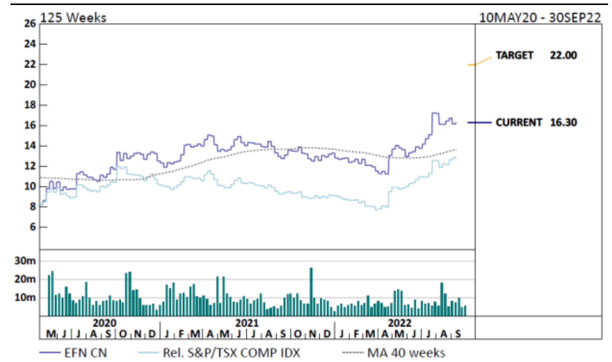
Valuation

Our 12-month price target is $22/share. Our 12-month price target is based on applying a 16x multiple to our blended 2023E/2024E fully diluted operating EPS forecast, which is 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

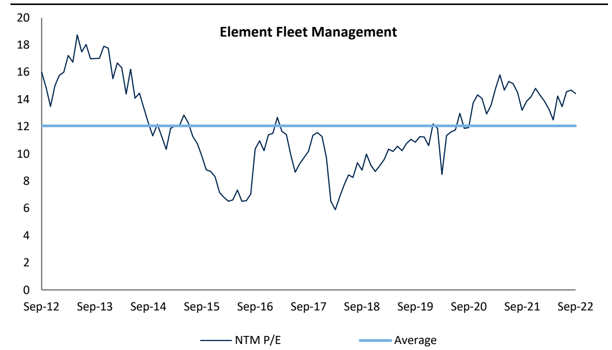
Risks to rating and price target include: 1) persisting OEM production delays; 2) a severe and prolonged economic recession; 3) increasing credit losses or customer bankruptcies; 4) key personnel departures; and 5) key customer losses.

Exhibit 21 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 22 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Ferrari N V (MILAN: RACE)

RBC Europe Limited
Tom Narayan (Analyst) +44 20 7429 8594, tom.narayan@rbccm.com

Rating: Outperform	**Closing Price: EUR 191.70**
Price Target: EUR 261.00	**Implied All-in Return (%): 36.6**

Investment summary

Production increase on the horizon. The launch of new vehicles like the Roma and the Purosangue should enable Ferrari to penetrate new demographics and the substantial Chinese luxury auto market. Finally, Ferrari is likely, in our view, to dramatically expand its production. It has the capacity to make 15,000 vehicles but currently makes only 10,000.

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

Ferrari has an electrification strategy. We don't envision a scenario where Ferrari sells 10,000 units in Europe (threshold where it begins to pay fines). Moreover, Ferrari is already using electric technology to enhance performance and expects EV mix to reach 80% of vehicle sales by 2030. Longer term, we believe Ferrari can fully electrify its fleet.

Potential catalysts include: 1) Purosangue launch; 2) growth of UHNW and millionaire demographic; and 3) electrification trends in Europe.

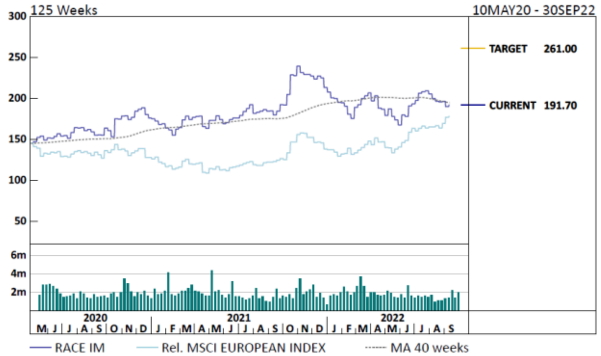
Valuation

Our €261 price target is derived by applying a 24x multiple to our 2024E EBITDA. This multiple is derived using DCF value. We then add Industrial net cash, subtract underfunded pension liabilities, and discount back at 7% to arrive at our equity value. Our price target supports our Outperform rating.

Risks to rating and price target

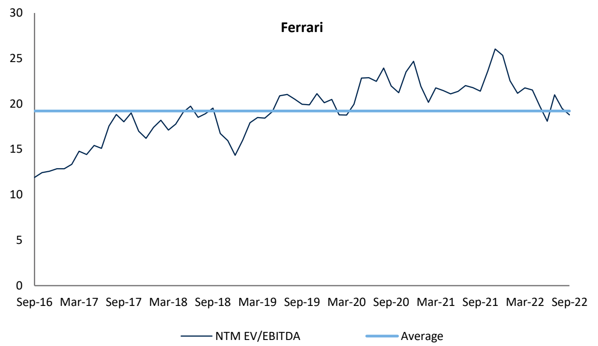
Risks to rating and price target include: 1) challenges to penetrating China; 2) electrification is not in Ferrari's DNA; and 3) premium SUV market is already hyper-competitive.

Exhibit 23 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 24 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

Lonza Group AG (SWX: LONN)

RBC Europe Limited
Charles Weston, CFA (Analyst) +44 20 7429 8425, charles.weston@rbccm.com

Rating: Outperform	Closing Price: CHF 486.30
Price Target: CHF 670.00	Implied All-in Return (%): 38.5

Investment summary

Market trends to remain robust. The pharma market is growing at 6-7% pa and ongoing trends towards manufacturing outsourcing and onshoring will drive the CDMO market growth into the high single digits, in our view, with COVID vaccines adding incremental growth in 2021/22.

Lonza is positioned at the premium end of the market. Lonza is the largest and one of the most profitable CDMOs globally, deriving almost half of its revenues from biologics, which we expect to grow faster than the overall market, and 10% from cell and gene therapy, which could grow in the high teens pa, in our view.

Enhanced focus and transparency complemented by a strong balance sheet. Having divested its Water Care business in 2019 and its Specialty Ingredients division in 2021, Lonza is focused on pharma manufacturing, and the divestments have left the balance sheet with CHF1.6bn of net cash (end-'21), providing for ample strategic flexibility to invest. The company is transitioning to a new divisional reporting structure and has provided granular long-term guidance.

Financials. We forecast that Lonza will average 10-11% revenue growth pa, with 1-3ppts of additional growth in 2022 from the Moderna COVID vaccine. We think an improvement in group margin of c.80bps pa is achievable from divisional improvements, particularly in the CGT division, and we see operating cash conversion as remaining very strong (90%-plus) (before substantial capex investments at c.3x depreciation).

Valuation

The median 'EEG' of the larger Western CDMO peers is 1.6x (i.e., EV/EBITDA divided by EBITDA growth), implying 22.4x 2023E EV/EBITDA, which leads to our 12-18-month price target of CHF670. This is roughly equivalent to our DCF calculation at a cost of equity of 6% and terminal growth of 3.0%. This price target supports our Outperform rating.

Risks to rating and price target

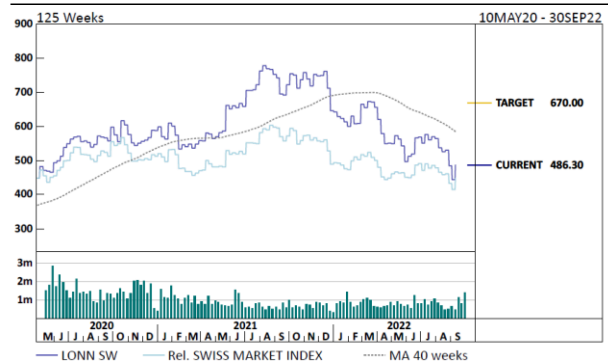
Overcapacity. Pharma, CDMO, CRO and VC organisations are investing heavily into biologic production, which could lead to price competition. Our analysis suggests that this is unlikely to be an issue in the foreseeable future, but it remains a perceived risk.

IT hack. Malicious actors have targeted the healthcare supply chain, including hacking Lonza's peer Siegfried. Lonza could also become a target, which would potentially result in the shutdown of manufacturing sites.

COVID vaccine revenues fall away. Having guided to CHF110m revenue in 2021 from the Moderna vaccine, it then doubled capacity at some of its plants for the product. We model CHF220 revenue for 2022, and assume half is lost in 2023, although confidence around this assumption is low.

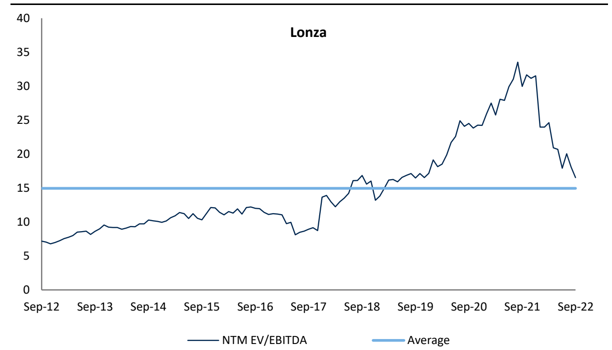
Additional large partnerships. Should Lonza sign new manufacturing agreements for large products, there could be upside to forecasts and to stock sentiment.

Exhibit 25 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 26 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

M&T Bank Corporation (NYSE: MTB)

Rating: Outperform	Closing Price: USD 176.32
Price Target: USD 190.00	Implied All-in Return (%): 10.5

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

Investment summary

We rate MTB shares Outperform for the following key reasons:

Best-in-class management team: M&T Bank Corporation's management team has led the company through more than 15 years of consecutive quarters of profitability.

People's United Financial, Inc. (PBCT) acquisition: M&T's acquisition of PBCT will have modest tangible book value dilution but combined with long-term solid earnings accretion, it should drive long-term shareholder value.

Allocation of capital: We continue to believe the company is one of the best managers of capital among the top 20 banks. M&T's estimated Common Equity Tier 1 (CET1) ratio was 10.9% in 2Q22 versus 11.7% in 1Q22. M&T announced in January an $800 million stock repurchase program. In 2Q22 MTB repurchased $600 million in common stock. In addition, MTB disclosed a target CET1 ratio of 10.5% by 2022 year-end which will largely be achieved through the stock buyback, in our view.

Strong balance sheet: M&T proved during the last recession and financial crisis that it has a very strong balance sheet. M&T was one of only two of the top 20 banks that did not cut or eliminate its dividends over the last 15 years.

Superior underwriting standards: The company's credit metrics, nonperforming asset (NPA), and net charge-off (NCO) ratios have consistently been below its peer group for the past 10 years.

Low-cost provider of bank products: M&T recognizes that it operates in a commodity business and therefore strives to be the low-cost provider of bank products in its markets. Its efficiency ratio (total operating expenses divided by total revenues) has consistently been the lowest among the top 20 banks.

Long-term investors rewarded: MTB's stock price has outperformed the S&P 500 and the S&P 500 bank indices in each of the last 10- and 20-year time periods. The outperformance can be attributed to the company's focus on growing tangible book value and dividends per share.

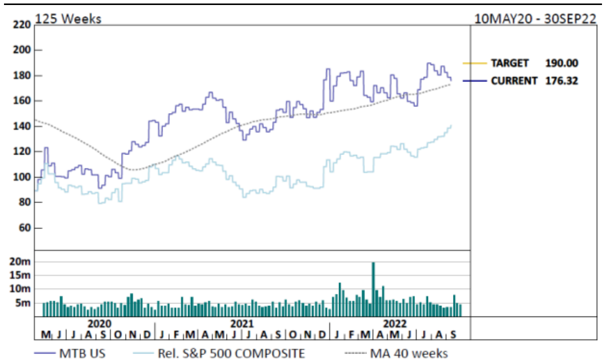
Valuation

Our price target of $190 is 9.6x our 2023 EPS estimate, 1.28x 3Q23E book value, and 2.04x 3Q23E tangible book value. These multiples are consistent with the highest quality banks in the peer group. Our price target primarily reflects our profitability and risk assessment of the company relative to a peer group of similar companies, as well as current market concerns regarding an economic slowdown. Our price target and implied return support our Outperform rating.

Risks to rating and price target

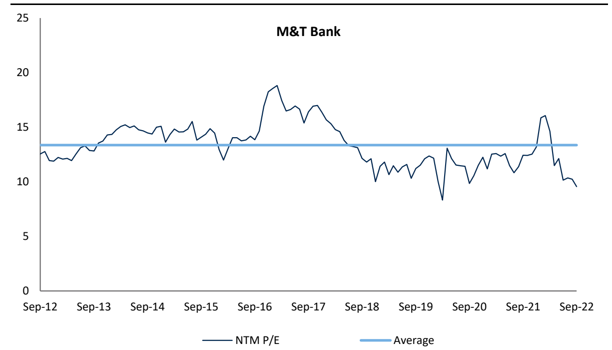
We believe aggressive monetary tightening by the Federal Reserve which results in driving the US economy into a recession in 2022 is the key risk for the company, our rating and price target. A recession would bring on elevated levels of credit losses which would depress earnings.

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

Mastercard Inc. (NYSE: MA)

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

Rating: Outperform	**Closing Price: USD 284.34**
Price Target: USD 417.00	**Implied All-in Return (%): 47.3**

Investment summary

We believe MA is a core long-term holding and an "indexed" way to play payments and benefit from three global secular mega-trends including 1) global consumption, 2) global digitization of payments, and 3) global innovation, which is creating new payment flows.

We note that ~67% of its TAM is from new payment flows, beyond the classic cash to card conversion, while we forecast service revenues to grow 2x the carded-market and are heavily focused on cyber-intelligence/security and data analytics/services, both long-term secular themes.

Assuming a more normalized macro spending environment, which includes a resumption of travel spending, we estimate ~$1B of incremental revenues are embedded in the model.

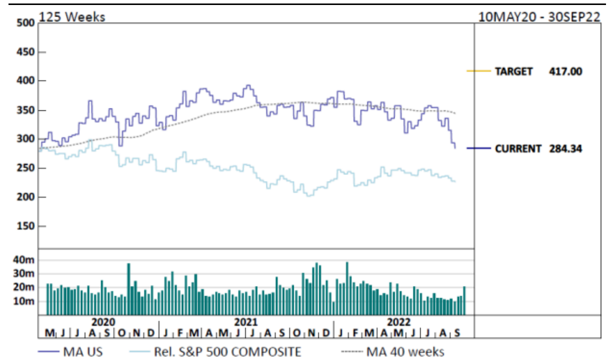
Valuation

Our price target of $417 is 33x our CY23 EPS estimate, generally in line with its historical average. Underlying our estimates are expectations for: 1) near-term pressure before a rebound to double-digit growth in purchase volumes, with modest pricing and secular growth; 2) double-digit increases in transaction revenues; 3) near-term pressure on cross-border revenue growth; and 4) relatively flat client incentives as a percentage of gross revenues. Our price target supports our Outperform rating.

Risks to rating and price target

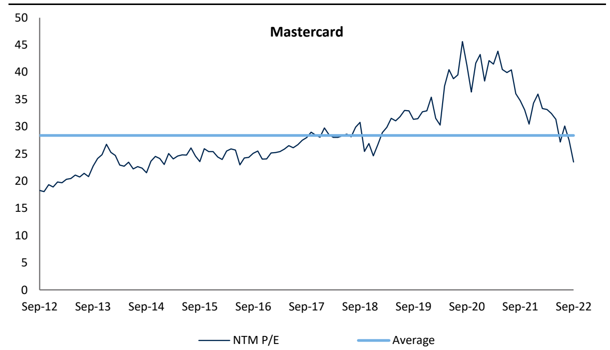
A slowdown in payment volumes and cross-border travel (from such things as the current pandemic), increased regulatory scrutiny or a pushback from large financial institutions on pricing could impede our price target and rating.

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

Nutrien Ltd. (NYSE: NTR)

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

Rating: Outperform	**Closing Price: USD 83.38**
Price Target: USD 135.00	**Implied All-in Return (%): 64.2**

Investment summary

Nutrien is the world's largest fertilizer producer and ag input retailer, formed through the merger of Agrium and PotashCorp in January 2018. We believe the company has built the most diverse, vertically integrated agricultural input business with an attractive earnings profile, growing free cash flows, and solid balance sheet.

Potential catalysts

We expect Nutrien to generate more than $18B in excess cash (after dividends) through 2025, which should be deployed through a combination of share buybacks, dividend increases, and accretive Retail M&A. We expect the company to continue regular share buybacks and dividend increases.

Nutrien plans to re-start idled potash capacity, raising production potential to 18Mt by 2025, up from 15Mt in 2022. The additional capacity can be brought online for relatively low capex (~$200/tonne) and incrementally at ~1Mt per year, with flexibility to respond to changing market conditions.

In nitrogen, the company has several moderate debottleneck and brownfield projects to add ~1Mt product capacity through 2025, raising potential production to ~12Mt, from 11Mt. Additionally, Nutrien is considering building a greenfield clean ammonia facility in Geismar, Louisiana, utilizing carbon capture technology to produce ammonia with ~90% less carbon than with traditional technology.

Nutrien expects to grow the Retail distribution segment through acquisitions in North America and Brazil, spending ~$300-500M annually. We believe the company will continue the roll-up strategy in North America, while in Brazil there could be a combination of greenfield and accretive acquisitions.

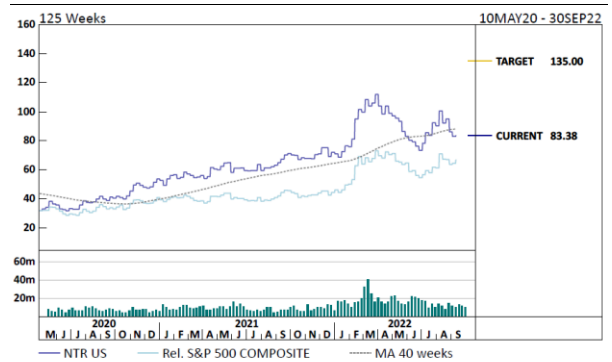
Valuation

We arrive at our $135 price target by attributing an equal weighting to our SOTP EV/EBITDA and DCF valuation. Our SOTP EV/EBITDA analysis applies a multiple based on a sum-of-the-parts analysis of our 2025E EBITDA and equity earnings. We apply a 7.0x multiple to the Nitrogen, Phosphate, and Potash segments to reflect peak low valuations, and a 9.0x multiple to Retail. These multiples are in line with peers. Our DCF valuation uses a 9% and 8% real discount rate for Wholesale and Retail segments, respectively. The implied return to our price target supports our Outperform rating.

Risks to rating and price target

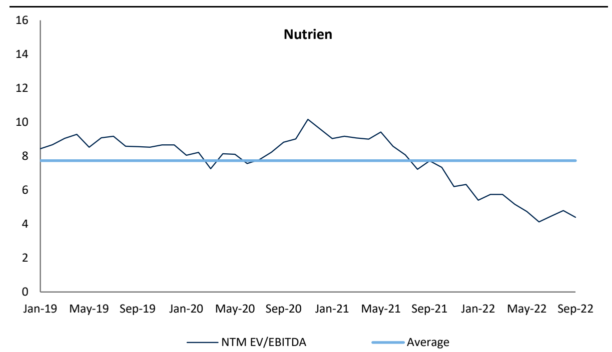
Risks to our price target and rating include: 1) unpredictable weather events in North America or international markets can have an adverse impact on demand for agricultural inputs; 2) currency fluctuations can have a significant impact on earnings, as Nutrien has operations in the US, Canada, and other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

Exhibit 31 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 32 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

Palo Alto Networks, Inc. (NYSE: PANW)

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

Rating: Outperform | **Closing Price: USD 163.79**
Price Target: USD 233.00 | **Implied All-in Return (%): 42.3**

Investment summary

Palo Alto Networks is a provider of next-generation network and endpoint security. The company should be able to grow into a growing network and endpoint security market by expanding within its customer base while increasing its reach to new customers through a larger portfolio, geographical expansion, and share shift. We view Palo Alto as well positioned to benefit from an increasingly complex security and threat landscape and as an industry leader in security.

Growth drivers include: 1) above-market growth opportunity by taking share from legacy security vendors; 2) land, expand, and retain strategy for maximizing value from existing install base; 3) potential market gains from a disruptive subscription business; 4) international growth opportunities; 5) opportunity for margin expansion through economies of scale; and 6) benefits from the increased focus on data security due to ongoing breaches and increased regulation.

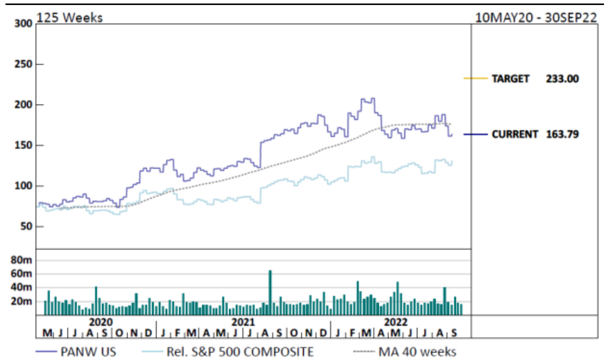
Valuation

Our $233 price target assumes that shares trade at an EV/FCF multiple of 35x our CY/23 estimate, a slight premium to contracted LC peers. Our price target and multiple reflect our confidence in the momentum of next-gen billings and durability of network security given improved consistency as well as new visibility provided for the strategic outlook. On an EV/recurring revenue basis, our price target reflects 14x our CY/23 estimate, in line with similarly growing peers. The implied return to our price target supports our Outperform rating.

Risks to rating and price target

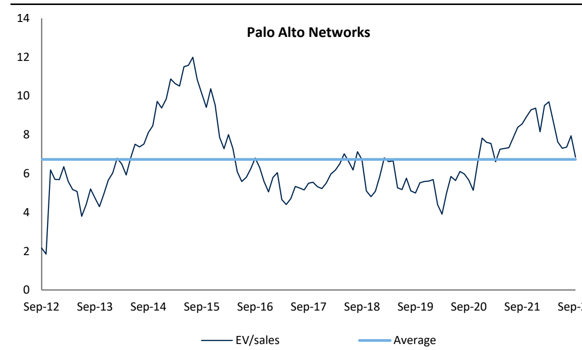
Risks to rating and price target include: 1) improvements around the product line and impact from sales incentives to drive product growth are taking longer than expected; 2) the macro environment remains uncertain; although the security market remains robust, a slowdown in global activity could hinder results; 3) dependency on channel partners is significant and concentrated among several large global distributors; 4) Palo Alto could face increased competition as it continues to take share either from legacy providers or new entrants to the security market; and 5) the company could encounter operational difficulties as it attempts to continue to rapidly increase in scale.

Exhibit 33 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 34 - Forward consensus EV/sales history



Source: Factset

Most recent company note: link

PG&E Corporation (NYSE: PCG)

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

Rating: Outperform	Closing Price: USD 12.50
Price Target: USD 16.00	Implied All-in Return (%): 28.0

Investment summary

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

Potential catalysts

Execution of plan under new management. With all but three board members being refreshed and a new CEO, all eyes will be on management. Execution of the company's Lean Operating System (LOS) and wildfire plans will be essential in terms of improving the company's perceived risk profile, which could lead to greater confidence from investors and rating agencies.

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

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

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

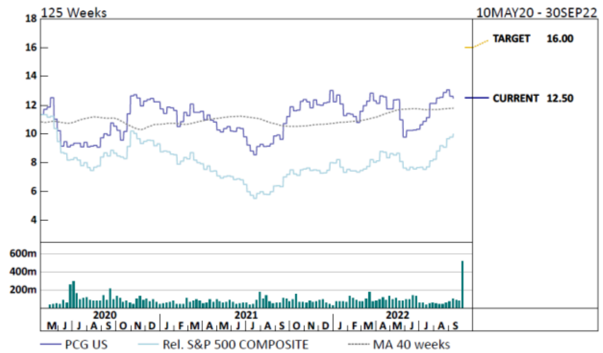
Valuation

We arrive at our $16 price target by applying a 13.1x P/E to our 2023 EPS estimate. Our target multiple is a material discount to our base electric P/E multiple of 20.1x, which we believe is warranted due to an untested AB 1054 and the potential selloff of Wildfire Fund shares. Our price target supports our Outperform rating.

Risks to rating and price target

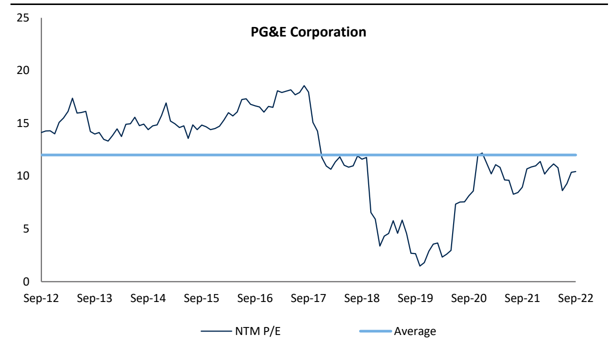
Risks to rating and price target include: 1) negative change in California regulatory environment; 2) additional fines or penalties that are unexpected related to safety matters; 3) utility causes large-scale wildfire; 4) unplanned reduction in the capital spending program; and 5) CA electrification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

Exhibit 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

R1 RCM Inc. (NASDAQ: RCM)

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

Rating: Outperform	**Closing Price: USD 18.53**
Price Target: USD 35.00	**Implied All-in Return (%): 88.9**

Investment summary

R1 RCM, Inc. helps both acute-care and ambulatory providers better manage their revenue cycles—its offerings range from software modules that clients can install and run themselves to full outsourcing. RCM outsourcers, like R1, leverage their own operational expertise and shared resources to drive efficiencies and economies of scale. Healthcare providers benefit by offloading these increasingly expensive, non-core functions, freeing up time to focus on delivering higher-quality patient care. Increasingly complex regulations and rising costs are driving increased demand for these services. Notably, findings from our recent survey of hospital executives show 32% of respondents said they are planning to outsource more of their RCM processes over the next 3 years.

Currently, the majority of R1's revenue comes from its largest customer, Ascension. The company has spent the last few years optimizing Ascension's RCM operations, and in the process, has enhanced its product offering and operational expertise—both helping pave the way for future expansion. Over the last four years, R1 has signed ~$25B of non-Ascension NPR, more than doubling its base and increasingly demonstrating its ability to commercialize its offerings outside of its core client footprint.

Potential catalysts

More contract/NPR Wins. As R1 continues to add new clients and contracts, it both helps further diversify its base and provides additional proof-points it is able to commercialize its offerings beyond its core customers. Management did recently announce it is expanding its annual new NPR deployment capacity to $9B, from $5B previously, signaling its increasing confidence in both the LT demand environment as well as its relative competitiveness.

Improving EBITDA margin via tech investments. Management generated approximately $20M of EBITDA in 2020 from implementing robotic process automation to automate redundant tasks. The company continues to invest in RPA and other technologies and expects them to contribute another incremental $25M+ in 2022. Further demonstrating these solutions are working and generating savings could provide a lift to both margins and share price.

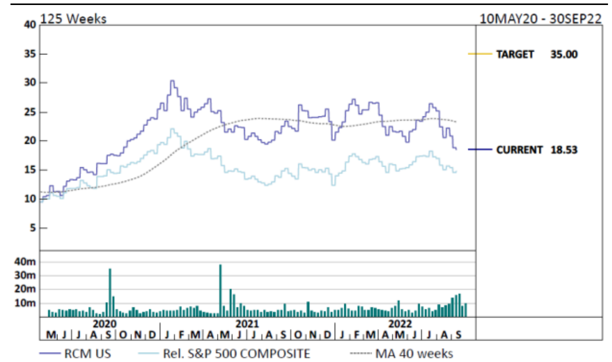
Valuation

Compared to its HCIT and outsourced services peers, RCM: 1) features a more stable, defensive revenue and earnings stream; 2) should grow EBITDA/EPS at a rate nearly 2x the group average over the next 3 years; and 3) given the contracts/NPR it has recently signed, has better forward visibility on growth. For these reasons, we believe RCM should trade at a premium to the group average. Our $35 price target is based on RCM trading at 26x our 2023 EBITDA estimate. Our valuation work and price target support our Outperform rating.

Risks to rating and price target

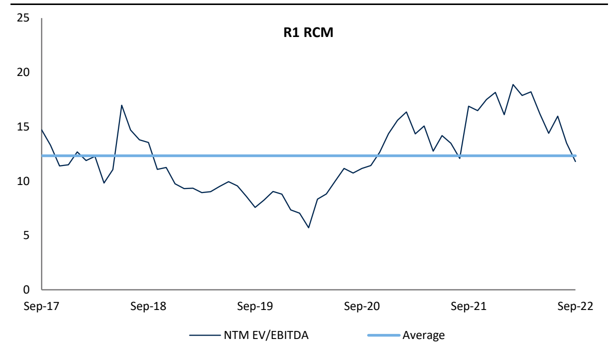
Risks to our Outperform rating and price target include significant customer concentration, prolonged impact from the COVID-19 pandemic, competition, product concentration, and a lingering negative reputation from prior lawsuits.

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

Restaurant Brands International Inc. (NYSE: QSR)

RBC Capital Markets, LLC
Christopher Carril (Analyst) (617) 725-2109, christopher.carril@rbccm.com

Rating: Outperform	Closing Price: USD 53.18
Price Target: USD 70.00	Implied All-in Return (%): 35.0

Investment summary

Despite above-average global system sales growth and accelerating comp growth at Burger King and Popeyes, QSR's valuation remains in line with the global "all-franchised" restaurant peer group average, driven in large part by continued weakness at Tim Hortons (responsible for ~50% of total op. profit). While we believe that TH sales improvement remains the primary catalyst for QSR shares, we see the combination of BK-driven, near-best-in-class unit growth (normalized 5%+), current momentum at PLK, significant scale, and potential to add brands in the future as key positives for a stock that in our view remains attractively valued.

Potential catalysts include: 1) acceleration in Tim Hortons same-store sales; 2) improvement in TH contribution to overall EBITDA growth; 3) a significant brand acquisition; and 4) material acceleration in PLK unit development.

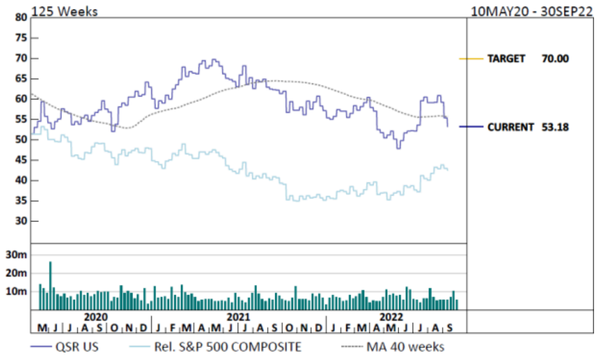
Valuation

Our price target of $70 is based on a 17x multiple, which is below higher growth "all-franchised" peers, applied to 2023E EBITDA of ~$2.5B. Our price target equates to ~21x 2023E EPS and a 5.0% FCF yield. We believe QSR deserves a higher multiple than the peer group average given its relatively stronger unit, system sales, and revenue growth. Its best-in-class dividend yield also supports our valuation. Our price target supports our Outperform rating.

Risks to rating and price target

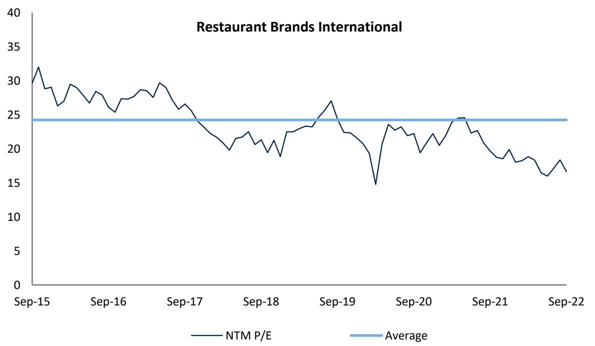
Risks to rating and price target include: 1) COVID-19-related risks may continue to impact top-line, margins, and cash flow longer than expected; 2) as with most restaurant company stocks, worse-than-expected same store sales can negatively impact valuation. Risk factors for same store sales include: macro/consumer headwinds; increased competition; declining consumer demand for the brand. In the case of QSR, we see particular attention in the near term paid to SSS of the Tim Hortons brand; 3) unit growth—a key long-term top-line driver for the company—could be impacted by increasing competition for real estate, changes in development costs or from shifts in overall demand for the brand; 4) interest rates can also affect valuation for highly/all-franchised restaurant models, particularly those with higher levels of leverage; and 5) for global restaurant companies, foreign currency exchange risk can have a meaningful impact on revenue and earnings.

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 industry 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 305.35**
Price Target: USD 434.00 | **Implied All-in Return (%): 43.1**

Investment summary

We believe that the strategic INFO acquisition should accelerate the normalized revenue growth profile and deliver double-digit earnings growth driven by upside to revenue and cost synergies. Complementary data assets powered by Cloud and AI/ML should enable predictive actionable insights from disparate data assets and distribution at scale. Importantly, the transformative acquisition should propel SPGI's ESG offerings and private company offerings. Separately, SPGI guided to $12bn+ of share repurchases in FY22, along with near-term cost takeout initiatives that could drive upside to FY23 EPS.

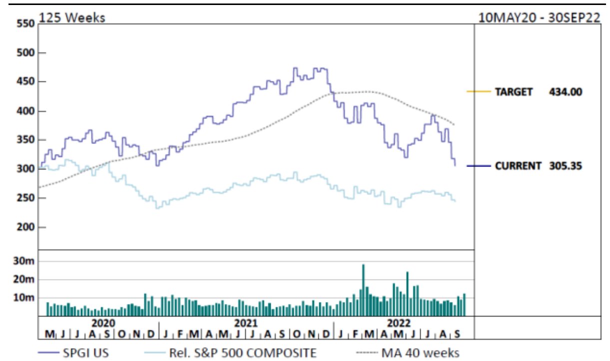
Valuation

Our price target of $434, which supports our Outperform rating, is based on ~30x our FY23E EPS, in line with the 2-year average, as the diversified business model, accelerated cost takeout, and large share repurchase help to limit downside risk to earnings posed by recent weakness in credit issuance.

Risks to rating and price target

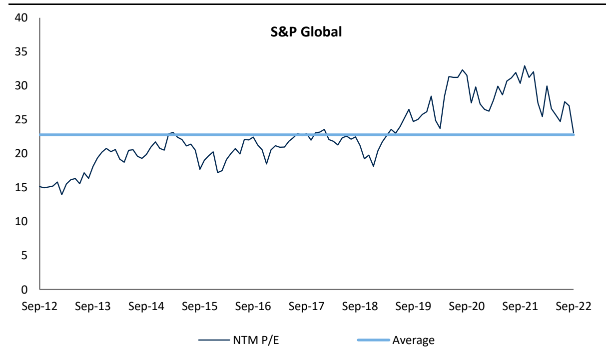
Risks to rating and price target include: 1) a significant decline in credit issuance; 2) increased competition for market data; 3) slowdown in demand for Platts; 4) challenges in integrating acquisitions; and 5) decline in AUM linked to SPGI indices.

Exhibit 41 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 42 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Shell PLC (LSE: SHEL; NYSE: SHEL)

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

Rating: Outperform	Closing Price: GBp 2,246.50
Price Target: GBp 3,200.00	Implied All-in Return (%): 47.4

Investment summary

Shell is our preferred Integrated Energy Major in 2022. Key reasons for our positive stance:

Cash flow machine. On our bullish commodity forecast, Shell generates significant amounts of cash, supported by its oil leverage and #1 presence in an extremely strong LNG market.

Re-rating warranted? Shell generates a superior FCF yield on average relative to the sector over 2022-25E but trades at a discount on a DACF multiple basis. We think increasing shareholder returns this year should help drive a re-rating, while continued de-leveraging sets Shell up to become a more stable business through the cycle.

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

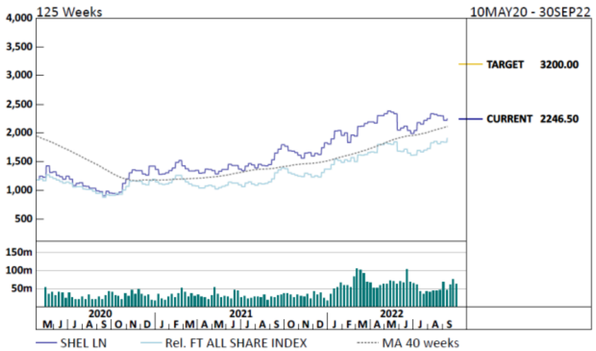
Valuation

We value SHEL based on a 2023E EV/DACF multiple of 6.5x – a slight discount to its historical multiple given industry-wide challenges pertaining to the energy transition – for its core business along with a build-up of its low carbon portfolio, adjusted for debt. This leads to a price target of 3,200p, which supports our Outperform rating.

Risks to rating and price target

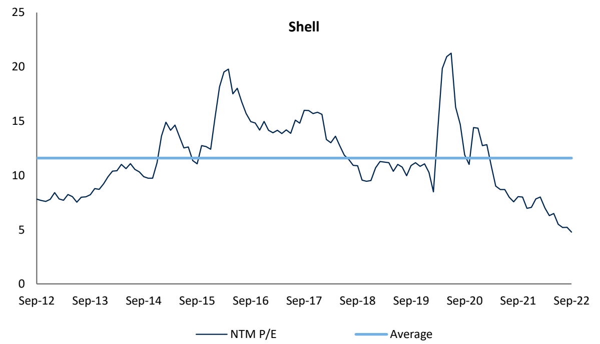
Risks to our price target and rating include: overcapacity in LNG as Shell is involved in multiple growth projects whilst also being the largest supplier of LNG globally; sustained weakness in US gas prices constraining profitability of gas drilling in the US; security risk in key areas in the Middle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

Siemens AG (XETRA: SIE)

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

Rating: Outperform | **Closing Price: EUR 100.32**
Price Target: EUR 140.00 | **Implied All-in Return (%): 43.1**

Investment summary

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

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

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

Valuation

We value Siemens on a target P/E of 16x 23E, which is slightly above our sector average given our analysis shows Siemens continuing business as a through cycle outperformer versus the sector from an operational standpoint. It gives a valuation of €140 per share. P/E is a fair multiple to use in our view given the complicated nature of the group and its underlying net debt / EBITDA being at ~1x in line with the sector average. Our price target supports our Outperform rating on the stock.

Risks to rating and price target

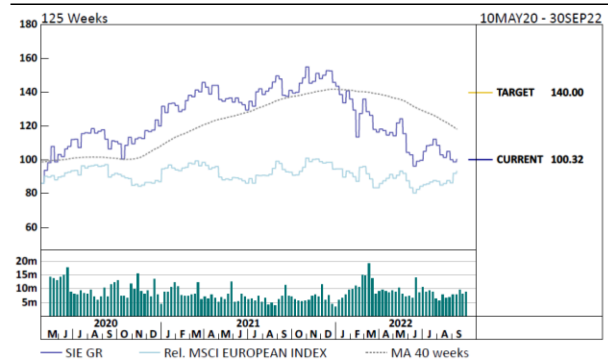
Covid-19 impact: The business is now recovering, but any renewed waves could be a further negative. Short-cycle businesses (DI and SI) have seen challenges, most notably in China, Germany and Italy, in the automotive and machine-building sectors. Near-term site access at Mobility continues to be impacted.

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

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

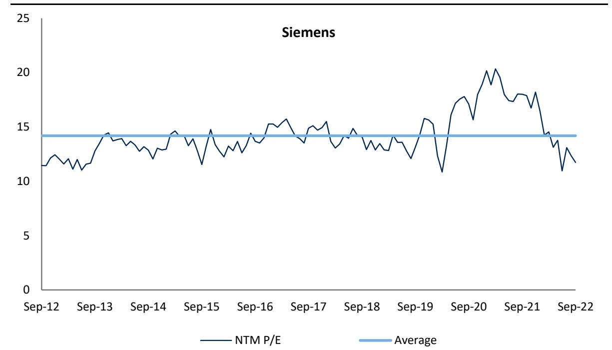
Siemens could suffer indiscriminate buying/selling pressure: Siemens is a highly liquid proxy for industrial Europe and could be bought or sold by portfolio managers wanting to increase or reduce European industrial or European cyclical exposure. The share is also a major component of Germany's DAX Index.

Exhibit 45 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 46 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Stericycle, Inc. (NASDAQ: SRCL)

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

Rating: Outperform	**Closing Price: USD 42.11**
Price Target: USD 70.00	**Implied All-in Return (%): 66.2**

Investment summary

The last 4–5 years have been rough for what once was a very consistent growing company and high-flying stock. Beginning in 3Q15, SRCL was hit by a confluence of challenging headwinds, and as some abated, others piled on. The impact on the stock has been significant—from its 5-year high to low, shares were off more than 75%. We believe things are changing, though, and we see more evidence that SRCL's turnaround is gaining traction. An entirely new management team (led by ex-UPS exec Cindy Miller) has made quick progress re-simplifying the business (i.e., divesting non-core assets) and overhauling operations, and the implementation of a global ERP system is now under way. Shares are up from recent lows, but valuation still looks attractive to us, relative to both peers and its longer-term historical trading range. We believe investors want to see: 1) continued execution on new operational/efficiency initiatives; 2) evidence that SRCL can adjust its pricing to offset the growing inflationary pressures; and 3) a successful implementation of its new ERP system. As organic revenue growth resumes, margins lift, and the balance sheet continues to de-lever, we believe the benefits of SRCL's anti-cyclical model should shine through and its multiple should grind higher.

Potential catalysts

Continued Execution on Operational Efficiency and Cost-Reduction Initiatives. CEO Cindy Miller has very quickly put her operations background/expertise to use, working to enhance the quality of SRCL's revenue base, improving its commercialization efforts, and streamlining its operations. We believe the recent return of positive organic growth and improving margins reflect this. There is still a long way to go, however. Continued execution on both fronts should continue pushing the stock higher.

Restarting Tuck-In M&A. After completing 10 divestitures, which eliminated a majority of the more volatile non-core parts of SRCL's portfolio, the company recently completed its first acquisition in three years, of a Midwest-based medwaste company. With management also now having successfully stabilized the company, we view tuck-in M&A as a very effective and accretive way to grow revenue and profitability, and we see the resumption of its M&A efforts as an encouraging sign that SRCL is (re)entering the next phase of growth.

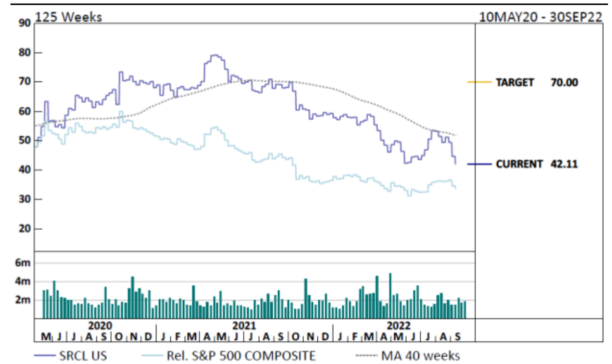
Valuation

Our $70 price target reflects our confidence that the company can offset the majority of the inflationary pressures and any near-term hiccups related to the ERP implementation will be short-lived. Our valuation is based on a 27x multiple of our 2023 EPS estimate, which is in line with the peer average. Our price target supports an Outperform rating.

Risks to rating and price target

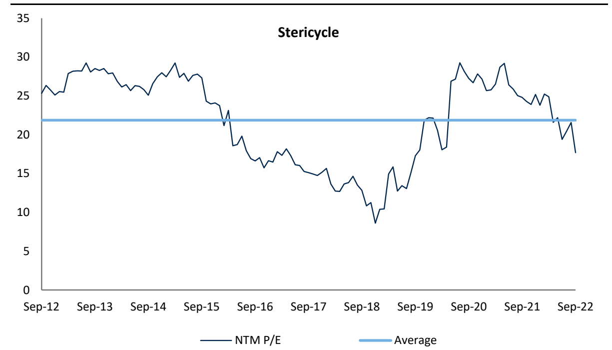
Risks include increasing competition and pricing pressures across its core markets, disruptions and/or elevated costs stemming from the COVID-19 pandemic, significant international exposure, an upcoming ERP implementation, a levered balance sheet, and fluctuating paper prices.

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

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 27.43**
Price Target: CAD 36.00	**Implied All-in Return (%): 36.0**

Investment summary

We view 2022 as a pivotal turning point for TELUS as the company transitions into a new post-FTTH build / 5G phase. We expect the company to emerge in 2023 with a distinctively different financial and operational profile relative to most global telecom peers. As FTTH coverage reaches ~85%-90% of the targeted broadband footprint by the end of 2022, enhanced capex flexibility should enable TELUS to capitalize on 5G without meaningful capital constraints, opportunity costs or FCF impairment. Longer term, under certain operational and regulatory conditions, we see strong strategic and financial rationale for TELUS to explore a transformational re-organization that can fully unlock the value of core infrastructure assets and core technology assets.

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

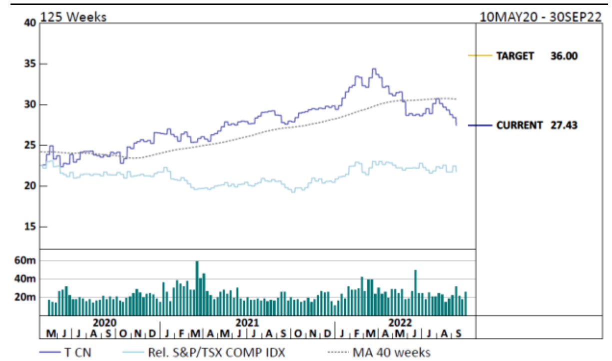
Valuation

The implied total return to our $36 price target supports our Outperform rating. To derive our target, we take the average of three approaches: 1) applying a 22.5x multiple to our blended two-year forward adjusted EPS estimates; 2) applying a target EV/EBITDA multiple of 8.75x to our blended two-year forward EBITDA estimates for TELUS Technology Solutions and factoring in our one-year target for TELUS International; and 3) discounted FCF through 2030E factoring in a WACC of 8.25% 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

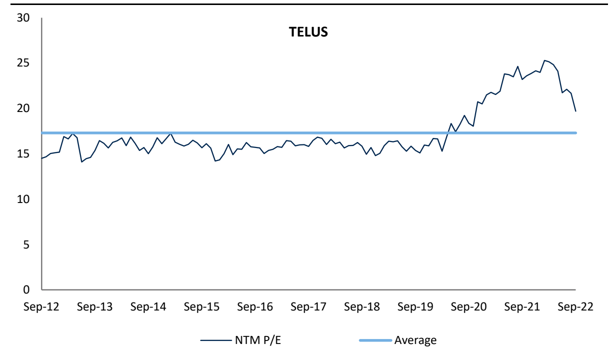
Risks to rating and price target include: 1) a prolonged economic downturn; 2) a sustained increase in wireless competition and/or unexpected change in regulation resulting in higher churn and/or accelerated declines in postpaid ARPU; 3) inability to realize additional cost savings to improve wireline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

Exhibit 49 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 50 - Forward consensus P/E history



Source: Factset

Most recent company note: link

TransDigm Group Inc. (NYSE: TDG)

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

Rating: Outperform	Closing Price: USD 524.82
Price Target: USD 750.00	Implied All-in Return (%): 42.9

TDG is primarily a play on the commercial AM recovery, with optionality from capital allocation (M&A upside and capital return to shareholders). The company is known for its ability to successfully integrate acquisitions, so investors are generally supportive of M&A activity, even for larger transactions. For example, the acceleration on the EBITDA after the Esterline Technologies acquisition was faster than expected. The company has recently announced an $18.50 special dividend.

We believe that if TDG were to complete a larger acquisition, it would be a positive catalyst for the stock. There could be incremental acquisition opportunities if more diversified industrial companies look to break up, similar to GE's strategy. However, TDG is also focused on smaller transactions as it looks to build its EBITDA base.

Through fiscal 3Q22, the commercial AM has been better than expected, running up 46%. The company is outperforming peers based on its exposure and better pricing opportunity. Continued strength in the commercial AM is the most important factor for continued EBITDA upside for TDG, and we like TDG for its AM exposure and leverage. The aviation fundamentals remain sound as airlines look to add capacity into 2023. TDG also benefits from its exposure to business jets and helicopters (~15% of the commercial AM revenues) and cargo aircraft.

TDG has also created value through its aggressive use of leverage. The company has benefited from low interest rates, and it is comfortable with a balance sheet that typically ranges between 5x and 7x leveraged on a TTM EBITDA basis. The fear of rising rates can be a headwind for sentiment on the stock, but the company currently has ~85% of debt exposure fixed for the next few years.

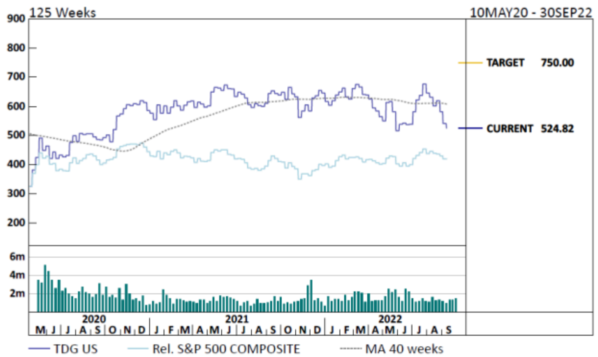
Valuation

Our $750 price target is based on 30x P/E and 20x EV/EBITDA on our 2023E. We believe multiples above the historical range are appropriate considering the expected acceleration in commercial AM growth in 2022 and the capital allocation optionality. We believe the stock provides investors exposure to the commercial AM recovery, with upside potential from capital allocation and margin expansion. In our view, our $750 price target justifies an Outperform rating.

Risks to rating and price target

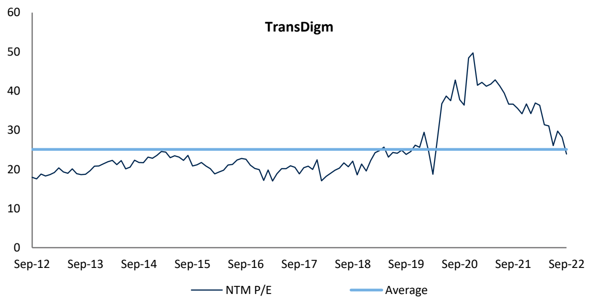
The key risks to our investment thesis and price target objective include the following: 1) airline and lessor financial health and their ability to take delivery of new aircraft; 2) airline spending trends on the maintenance, repair, and overhaul of aircraft; 3) the pace of the air travel recovery and the impact of COVID-19 variants on business and leisure air travel; 4) airline deferred maintenance plans and the availability and pricing of new and used space parts and material; 5) the pace of aircraft retirements and the changes in the age of the active aircraft fleet; 6) continued demand for dedicated cargo aircraft and the pace of passenger-to-freighter conversions; 7) production schedules and successful rate breaks for key commercial transport programs; 8) the management of COVID-related risks to end-market demand and the potential for further supply chain and logistics disruptions; 9) the ability to hire and train the necessary human capital to achieve growth objectives; 10) raw material costs and availability; 11) the M&A pipeline and the company's ability to successfully execute and integrate subsequent acquisitions; 12) the company's ability to access capital and financial liquidity to support its growth objectives; 13) cost management and free cash flow generation; 14) interest rates and the ability to access capital and to service current debt obligations; and 15) the top-line level of defense spending and funding for specific company programs.

Exhibit 51 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 52 - Forward consensus P/E history



Source: Factset

Most recent company note: link

UnitedHealth Group Inc. (NYSE: UNH)

RBC Capital Markets, LLC
Ben Hendrix (Analyst) (615) 372-1323, ben.hendrix@rbccm.com

Rating: Outperform	Closing Price: USD 505.04
Price Target: USD 588.00	Implied All-in Return (%): 17.4

Investment summary

With the impressive scale of its enterprise and breadth of integrated service offerings, UnitedHealth Group touches virtually every segment of the US 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 it 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 provides significant flexibility to invest in growth opportunities and shareholder-friendly returns.

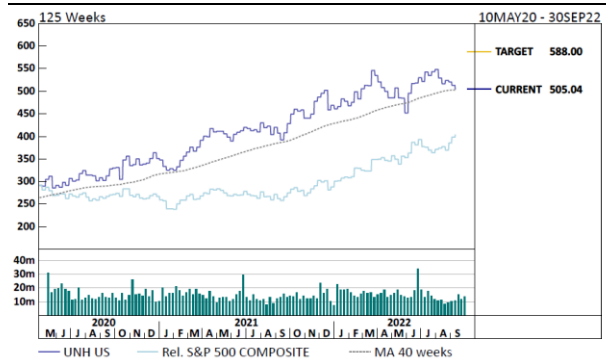
Valuation

Our price target of $588 is based on a P/E multiple of ~26x our FY22E adjusted EPS estimate, plus ~$0.90 to normalize for expected residual COVID headwinds. We continue to 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 beats and raises. Our target multiple continues to represent expansion beyond UNH's historical peak valuations to account for the significant growth opportunity we see in the Optum platform through enhanced integration with UNH and advancement of value-based care models. Our price target supports our Outperform rating.

Risks to rating and price target

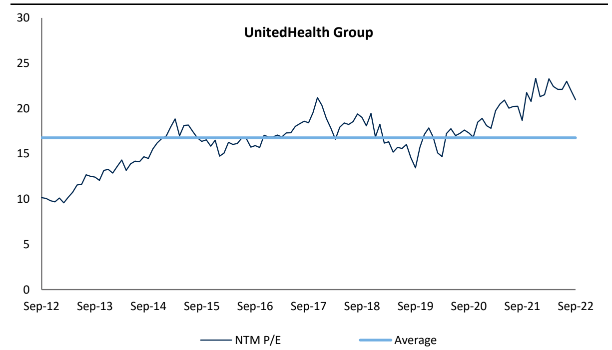
Risks to rating and price target include: 1) execution risk in predicting and managing medical cost trends; 2) execution risk in network contracting; 3) regulatory risk; 4) reimbursement risk in the government business; and 5) protracted economic downturn as a result of the COVID-19 outbreak could impact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

Veeva Systems Inc. (NYSE: VEEV)

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

Rating: Outperform	Closing Price: USD 164.88
Price Target: USD 225.00	Implied All-in Return (%): 36.5

Investment summary

We like shares of Veeva for four primary reasons:

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

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

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

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

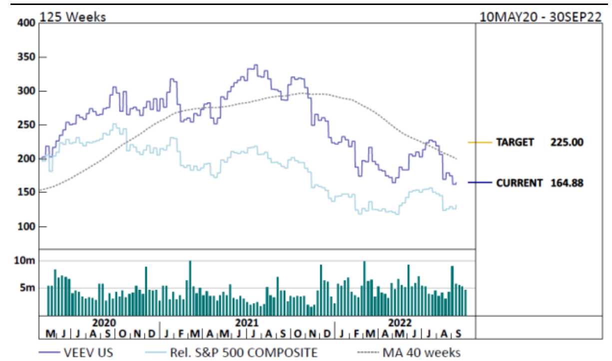
Valuation

Our $225 price target is based on 36x EV/CY23E FCF, a premium to the peer group, which we believe is warranted considering Veeva's leading blend of growth and margins, runway for future growth, and competitive positioning. Our price target supports our Outperform rating.

Risks to rating and price target

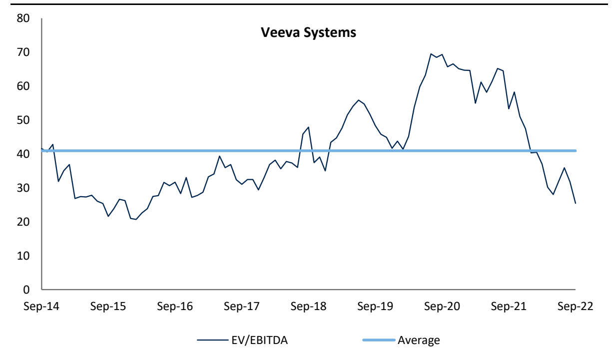
Risks to rating and price target include: 1) Customer concentration, with the top 10 customers representing 36% of revenue; 2) international risk, with non-US revenue representing ~40% of total revenue; 3) CRM remains a significant part of the business at ~45% of total revenue (according to our estimates); 4) competition, including from vertical and horizontal software vendors; and 5) Veeva has a dual-class share structure; Class B shares hold ~52% voting power, which limits investors's ability to effect change at Veeva.

Exhibit 55 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 56 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

WESCO International, Inc. (NYSE: WCC)

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

Rating: Outperform	**Closing Price: USD 119.38**
Price Target: USD 178.00	**Implied All-in Return (%): 49.1**

Investment summary

WESCO is the leading North America-based electrical distributor in the +$100 billion highly fragmented North American electrical products distribution market with an estimated 7% market share, and 13% post-Anixter deal. We admire the scrappy, no-frills attitude that runs throughout the organization, as well as the strong historical free cash flow and debt pay-down history. After it emerged victorious from the Anixter bidding war, we estimate compelling upside based on pro-forma EPS and historically low multiples. We also like the fundamental scale benefits that come with the deal, including greater bargaining power with customers and suppliers that should help the company battle the ongoing tough price/cost backdrop.

Valuation

Our $178 price target assumes WCC trades to an undemanding 35% discount to our 16.0x SMID-cap 2023E target group P/E multiple, or 10.4x. This is below the midpoint of WCC's historical (40%)-(10%) relative P/E range to discount the elevated leverage and integration risk following the Anixter deal balanced by powerful secular drivers of electrification, grid hardening, automation, data centers, and infrastructure spending. Our price target supports our Outperform rating.

Risks to rating and price target

Integration risk with Anixter.

Economic conditions. WESCO operates in cyclical industrial end markets and a slowdown in global activity could adversely impact sales and operating margins. Macro trends including inflation/deflation, commodity costs, credit availability, currency fluctuations, and supply chain could all materially impact results.

Competition and pricing. WESCO operates in the highly fragmented and competitive electrical products distribution market. With limited access to credit, smaller competitors may potentially cut prices and pressure WESCO's disciplined business model. There is also a growing risk from online distributors such as Amazon Business.

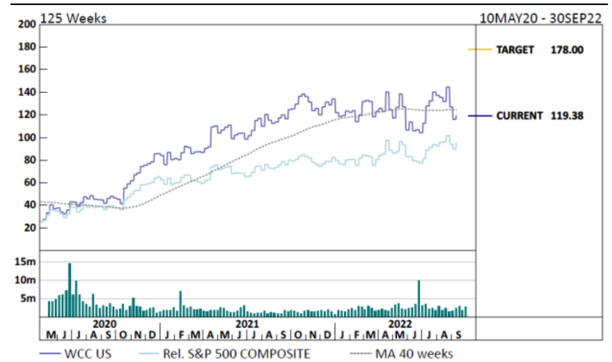
Acquisitions. WESCO has been active on the M&A front in this consolidating market and is exposed to overpaying for targets and integration headwinds. We remain confident in management's discipline on this front but acknowledge that large deals such as EECOL require considerable management attention and carry inherent integration risk.

Financial risks. Tightening credit standards and any disruption to credit markets could cause our estimates to be too optimistic.

Nonresidential end market. A slower-than-expected recovery in the nonresidential construction end-market could cause our estimates to be too optimistic.

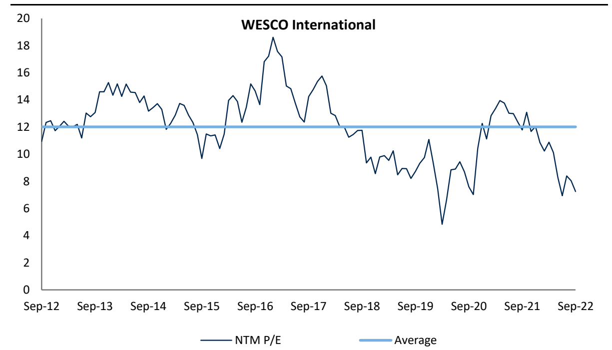
COVID-19 impacts. WESCO's operations have exposure to the COVID-19 pandemic.

Exhibit 57 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 58 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Required disclosures

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An analyst's "sector" is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings
Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Restricted (R): RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances.

Not Rated (NR): The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

As of March 31, 2020, RBC Capital Markets discontinued its Top Pick rating. Top Pick rated securities represented an analyst's best idea in the sector; expected to provide significant absolute returns over 12 months with a favorable risk-reward ratio. Top Pick rated securities have been reassigned to our Outperform rated securities category, which are securities expected to materially outperform sector average over 12 months.

Risk Rating: The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.

Distribution of ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

Distribution of ratings
RBC Capital Markets, Equity Research
As of 30-Sep-2022

			Investment Banking Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [Outperform]	**844**	**57.18**	**260**	**30.81**
HOLD [Sector Perform]	**580**	**39.30**	**161**	**27.76**
SELL [Underperform]	**52**	**3.52**	**5**	**9.62**

Conflicts policy

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