RBC Capital Markets

Top 30 Global Ideas for 2023

Third-Quarter Update

EQUITY RESEARCH | July 5, 2023

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 37.

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Table of Contents

This report is priced as of market close on June 30, 2023, unless otherwise noted.

Introduction

Graeme Pearson – Global Head of Research

Mark Odendahl – Head of US Research

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Top 30 Global Ideas for 2023 — Changes this Quarter

Additions: Albemarle (ALB US), Associated British Foods (ABF LN), Illumina (ILMN US)

Deletions: CSL Ltd. (CSL AU), DuPont de Nemours (DD US), Inditex (ITX SM)

In this note, we present our *Top 30 Global Ideas* for Q3 2023. 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.

In Q2/23, the *Top 30* list delivered a total return of +8.3% (USD terms), above the MSCI World Index at +6.8%, with *Top 30* performance led by Meta Platforms (META US) at +35.4%, Palo Alto Networks (PANW US) at +27.9% and Ferrari (RACE IM) at +21.5%. Year-to-date, the list has delivered a total return of +21.1%, above the benchmark at +15.1%, and since inception of our quarterly list at YE2019, the *Top 30* has delivered a total return of +49.2%, above the benchmark at +33.0%.

Globally, we share our US Equity Strategy team's view that the market will likely be characterized by choppy conditions over the next few quarters, as overall, the backdrop for equities is filled with conflicting crosscurrents amidst uncertainty regarding a transition in Fed policy and the onset of a challenging economy, a bumpy moderation in inflation, and a recovery in earnings sentiment since the start of the year. While our latest S&P 500 2023 price target of 4,250 (published May 30, 2023) reflected a fairly neutral view on the direction of the US market through year-end, we see more upside risks than downside risks to that outlook. 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.

Within **Consumer Staples**, in General Retail we add **Associated British Foods (ABF LN)**, which we upgraded to Outperform in May. ABF's largest business, Primark, offers a space rollout story in Europe and the US, and remains the leading value player in the UK retail space. We think an improvement in Primark profitability, along with a recovery by AB Sugar, should drive double-digit earnings growth for ABF, which is not being captured by the current valuation. We expect a further healthy sales trend in the short term, given ongoing recovery trends for store-based retailing, with a strong margin improvement for Primark in FY24/25.

In favour of ABF, within **Consumer Discretionary**, we remove fashion retailer **Inditex (ITX SM)** following strong YTD performance, while noting that we maintain our Outperform rating and continue to believe ITX should exceed consensus expectations this year, driven by top-line momentum.

In **Health Care**, we add **Illumina (ILMN US)**, the market leader in genetic sequencing. We believe the company has built one of the deepest moats in the life science tools sector, and genetic sequencing will continue to be a key driver of all biopharma research for decades to come. In our view, a return to sustainable double-digit revenue growth in H2/23 should support multiple expansion more in line with historical levels, leading to price outperformance in the next 12-18 months. We remove **CSL Ltd. (CSL AU)** given our recent downgrade to Sector Perform following the release of weaker-than-expected FY24 guidance.

In **Materials**, we add **Albemarle (ALB US)** which is well-positioned to benefit from secular growth and demand of lithium batteries, as the largest producer of lithium globally. We believe ALB could see upward revisions to consensus FY23-24 estimates if the recent lithium price recovery persists. We also like ALB's robust pipeline of organic growth projects and expect strong double-digit volume growth through 2030. Lastly, we note the company's improved capital allocation and leverage target under 2x and annual dividend growth.

In favour of Albemarle, we switch out of **DuPont (DD US)** following weaker H1/23 volumes in Electronics & Industrial (E&I). However, we maintain our Outperform rating on DD as we expect a recovery in E&I in H2/23 and 2024, price/cost gains, and share buybacks.

This report contains further detail on our investment thesis for each *Top 30* name 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 focused on disruptive forces that we believe will transform the world. RBC Elements features proprietary insights generated with our internal data science team. RBC ESG Stratify separates the signal from the noise on ESG matters with precise, analytical research.

Top 30 Global Ideas for 2023 — Pricing Data

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (06/30/2023)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Albemarle Corporation	ALB US	Arun Viswanathan	Outperform	USD	223.09	26,291	255.00	0.7	15.0
Alimentation Couche-Tard Inc.	ATD CN	Irene Nattel	Outperform	CAD	67.93	66,662	87.00	0.8	28.9
Alnylam Pharmaceuticals, Inc.	ALNY US	Luca Issi	Outperform	USD	189.94	23,574	275.00	0.0	44.8
American International Group, Inc.	AIG US	Scott Heleniak	Outperform	USD	57.54	42,816	70.00	2.5	24.2
Anheuser-Busch InBev SA/NV	ABI BB	James Edwardes Jones	Outperform	EUR	51.83	104,334	69.00	1.9	35.1
Associated British Foods plc[1]	ABF LN	Richard Chamberlain	Outperform	GBp	1,991.00	15,717	2,350.00	2.2	20.2
Boston Scientific Corporation	BSX US	Shagun Singh	Outperform	USD	54.09	78,214	56.00	0.0	3.5
Canadian Natural Resources Limited	CNQ CN	Greg Pardy	Outperform	CAD	74.44	81,690	85.00	4.8	19.0
Canadian Pacific Kansas City Limited	CP CN	Walter Spracklin	Outperform	CAD	107.00	99,885	125.00	0.7	17.5
Constellation Software Inc.	CSU CN	Paul Treiber	Outperform	CAD	2,744.76	58,166	3,200.00	0.2	16.8
CrowdStrike Holdings, Inc.	CRWD US	Matthew Hedberg	Outperform	USD	146.87	36,306	182.00	0.0	23.9
Diamondback Energy, Inc.	FANG US	Scott Hanold	Outperform	USD	131.36	23,788	175.00	6.7	39.9
Element Fleet Management Corp.	EFN CN	Geoffrey Kwan	Outperform	CAD	20.18	7,902	28.00	2.0	40.7
Ferrari N V	RACE IM	Tom Narayan	Outperform	EUR	299.50	54,809	321.00	0.3	7.5
HEICO Corporation [2]	HEI US	Ken Herbert	Restricted	USD	176.94	24,410	R	0.0	NM
Illumina, Inc.	ILMN US	Conor McNamara	Outperform	USD	187.49	29,623	336.00	0.0	79.2
London Stock Exchange Group plc	LSEG LN	Ben Bathurst	Outperform	GBp	8,366.00	46,599	10,200.00	1.5	23.4
Lonza Group AG	LONN SW	Charles Weston	Outperform	CHF	533.40	39,722	760.00	0.7	43.1
M&T Bank Corporation	MTB US	Gerard Cassidy	Outperform	USD	123.76	20,544	183.00	4.2	52.1
Mastercard Incorporated	MA US	Daniel R. Perlin	Outperform	USD	393.30	375,995	404.00	0.5	3.2
Meta Platforms, Inc.	META US	Brad Erickson	Outperform	USD	286.98	745,000	330.00	0.0	15.0
Palo Alto Networks, Inc.[3]	PANW US	Matthew Hedberg	Outperform	USD	255.51	94,999	277.00	0.0	8.4
PG&E Corporation	PCG US	Shelby Tucker	Outperform	USD	17.28	34,487	21.00	0.0	21.5
Restaurant Brands International Inc.	QSR US	Christopher Carril	Outperform	USD	77.52	36,752	84.00	2.3	10.7
S&P Global Inc.	SPGI US	Ashish Sabadra	Outperform	USD	400.89	130,369	434.00	0.9	9.2
Siemens Aktiengesellschaft	SIE GR	Mark Fielding	Outperform	EUR	152.60	120,798	185.00	2.9	24.1
TELUS Corporation	T CN	Drew McReynolds	Outperform	CAD	25.78	37,123	32.00	5.6	29.7
Veeva Systems Inc.	VEEV US	Rishi Jaluria	Outperform	USD	197.73	32,135	225.00	0.0	13.8
Ventas, Inc.	VTR US	Michael Carroll	Outperform	USD	47.27	19,092	54.00	3.8	18.1
WESCO International, Inc.	WCC US	Deane Dray	Outperform	USD	179.06	9,401	177.00	0.8	-0.3

Note:

[1] Subsequent to the June 30, 2023, pricing of the *Top 30 Global Ideas for 2023 – Third-Quarter Update*, ABF's price target was raised to GBp 2,350.00 (from GBp 2,300.00) on July 3, 2023. See note here.

[2]This security is restricted pursuant to RBC Capital Markets policy and, as a result, its continued inclusion in the Top 30 Global Ideas for 2023 has not been reviewed or confirmed as of the date hereof. R = Restricted.

[3] Subsequent to the June 30, 2023, pricing of the *Top 30 Global Ideas for 2023 – Third-Quarter Update*, PANW's price target was raised to USD 277.00 (from USD 232.00) on July 4, 2023. 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 estimates

Top 30 Global Ideas for 2023 — Changes This Quarter

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (06/30/2023)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Additions this quarter:									
Associated British Foods plc[1]	ABF LN	Richard Chamberlain	Outperform	GBp	1,991.00	15,717	2,350.00	2.2	20.2
Albemarle Corporation	ALB US	Arun Viswanathan	Outperform	USD	223.09	26,291	255.00	0.7	15.0
Illumina, Inc.	ILMN US	Conor McNamara	Outperform	USD	187.49	29,623	336.00	0.0	79.2
Deletions this quarter:									
CSL Limited	CSL AU	Craig Wong-Pan	Sector Perfor	AUD	277.01	133,437	306.00	1.3	11.8
DuPont de Nemours, Inc.	DD US	Arun Viswanathan	Outperform	USD	71.44	32,475	81.00	2.0	15.4
Industria de Diseno Textil SA	ITX SM	Richard Chamberlain	Outperform	EUR	35.46	110,408	37.00	3.7	8.0

Notes:

[1]Subsequent to the June 30, 2023, pricing of the *Top 30 Global Ideas for 2023 – Third-Quarter Update*, ABF's price target was raised to GBp 2,350.00 (from GBp 2,300.00) on July 3, 2023. 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 estimates

Top 30 Global Ideas — Performance Summary

Although the *Top 30* is not intended to be a relative product, having been created to capture RBC Capital Markets' best ideas on an absolute basis, we compare the performance of the *Top 30* to the MSCI Developed World Index and regional indices to provide context for its returns. See the performance tables below for Q2 2023, year-to-date, and since inception (December 2019).

Ticker	Company	Total Return Q2/2023 (in local currency)	Total Return Q2/2023 (in USD)
META US	Meta Platforms Inc.	35.4%	35.4%
PANW US	Palo Alto Networks Inc.	27.9%	27.9%
RACE IM	Ferrari NV	21.0%	21.5%
ITX SM	Industria de Diseno Textil SA	17.0%	17.5%
EFN CN	Element Fleet Management Corp.	14.3%	16.8%
SPGI US	S&P Global Inc.	16.6%	16.6%
QSR US	Restaurant Brands International Inc.	16.3%	16.3%
WCC US	WESCO International Inc.	16.1%	16.1%
AIG US	American International Group, Inc.	15.0%	15.0%
CSU CN	Constellation Software Inc.	8.1%	10.5%
LSEG LN	London Stock Exchange Group PL	7.3%	10.5%
VTR US	Ventas Inc.	10.1%	10.1%
MA US	Mastercard Inc.	8.4%	8.4%
BSX US	Boston Scientific Corp.	8.1%	8.1%
VEEV US	Veeva Systems Inc.	7.6%	7.6%
CRWD US	Crowdstrike Holdings Inc.	7.0%	7.0%
PCG US	PG&E Corp.	6.9%	6.9%
CP CN	Canadian Pacific Kansas City Ltd.	3.0%	5.3%
MTB US	M&T Bank Corp.	4.6%	4.6%
HEI US	HEICO Corp.	3.5%	3.5%
CNQ CN	Canadian Natural Resources Ltd.	0.7%	3.0%
SIE GR	Siemens AG	2.5%	3.0%
ATD CN	Alimentation Couche-Tard Inc.	-0.1%	2.1%
LONN SW	Lonza Group AG	-2.0%	0.1%
DD US	DuPont de Nemours Inc.	0.1%	0.1%
T CN	TELUS Corp.	-2.5%	-0.4%
FANG US	Diamondback Energy Inc.	-2.2%	-2.2%
CSL AU	CSL Ltd.	-3.8%	-4.2%
ALNY US	Alnylam Pharmaceuticals Inc.	-5.2%	-5.2%
ABI BB	Anheuser-Busch InBev SA/NV	-14.4%	-14.0%
	Average total return for RBC CM Top 30 Global Ideas in Q2 2023	***7.6%***	***8.3%***

Indices		Total Return (in local currency)		
		Q2/2023	2023 (YTD)	Since Inception (Not annualized)
SPX Index	**S&P 500 Index**	8.7%	16.9%	45.8%
	RBC CM Top 30 Global Ideas	7.6%	20.1%	50.3%
NDDUWI Index	**MSCI World Net Total Return US**	6.8%	15.1%	33.0%
SXXP Index	**STOXX Europe 600 Index**	2.7%	11.5%	24.6%
AS51 Index	**S&P/ASX 200 Index**	1.2%	5.3%	28.3%
SPTSX Index	**S&P/TSX Composite Index**	1.1%	5.8%	31.7%

Indices		Total Return (in USD)		
		Q2/2023	2023 (YTD)	Since Inception (Not annualized)
SPX Index	**S&P 500 Index**	8.7%	16.9%	45.8%
	RBC CM Top 30 Global Ideas	8.3%	21.1%	49.2%
NDDUWI Index	**MSCI World Net Total Return US**	6.8%	15.1%	33.0%
SPTSX Index	**S&P/TSX Composite Index**	3.4%	8.2%	29.2%
SXXP Index	**STOXX Europe 600 Index**	3.2%	13.7%	21.2%
AS51 Index	**S&P/ASX 200 Index**	0.7%	2.9%	21.9%

Notes: Since inception performance calculated from YE2019. Past performance is not necessarily indicative of future performance. Price performance does not take into account relevant costs, including commissions and interest charges or other applicable expenses that may be associated with transactions in these shares.

Source: Bloomberg and RBC Capital Markets

Investment Thesis

Albemarle Corporation (NYSE: ALB)

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

Rating: Outperform | **Closing Price: 223.09**
Price Target: USD 255.00 | **Implied All-in Return (%): 15.0**

Investment summary

ALB is the No. 1 global producer of lithium and provides meaningful exposure to potential structural growth in energy storage. ALB accounts for ~30-35% of global output, and we believe that high barriers to entry, the difficulty of adding supply, and robust demand growth expectations will likely support balanced-to-tight markets, lithium prices, and ALB's ~35% Lithium EBITDA margins and earnings power.

Positives: ALB's market leadership, No. 1 resource position, and supply addition challenges. Only a few vertically integrated players currently control almost all of the battery-grade lithium market. To add brine or spodumene new supply requires resource development (mining expertise), concentration and conversion infrastructure (technology/know-how), and can take 10+ years. ALB is a low-cost producer of lithium given vertical integration (ability to reach more derivative markets than peers), asset location (strategically located conversion facilities near mines/brine pools to match demand), and scale.

Demand appears to be improving as more auto OEMs announce EV models. As more automakers offer EV models, we believe EV demand is showing firmer signs of demand recovery, partially helped by the pent-up auto demand. ALB now estimates that 2025 global lithium demand could reach ~1,140kT LCE at a 19% EV adoption rate, implying a significant EV adoption ramp in 2023-25.

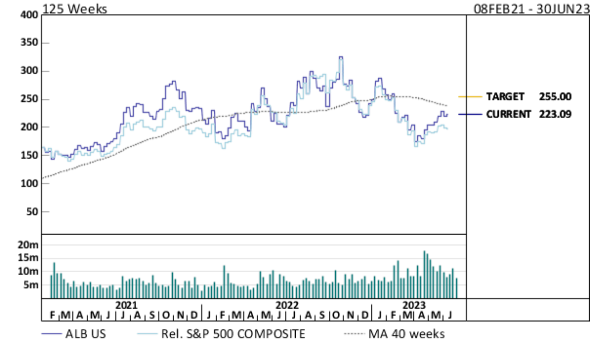
Valuation

In our base case scenario, we apply a 9x EV/EBITDA multiple to our 2023E EBITDA of $3,585M to generate a price target of $255. Our 9x valuation multiple represents lower lithium pricing in FY23 than FY22 and is within ALB's historical range of 7-30x. Our price target supports our Outperform rating.

Risks to rating and price target

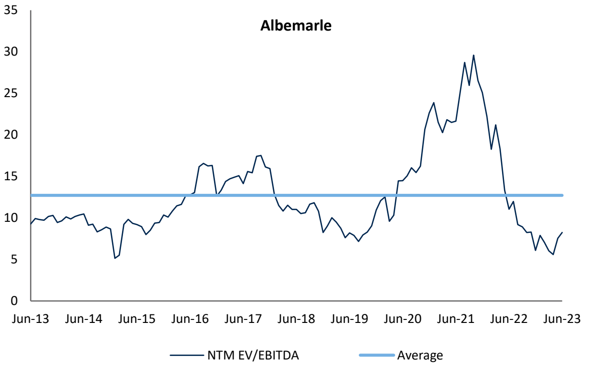
Risks to rating and price target include: (1) New supply announcements; (2) Delayed EV production; (3) Lower lithium prices; (4) Lower oil prices; and (5) Government drops EV subsidies.

Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 1 - Forward consensus EV/EBITDA 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: 67.93**
Price Target: CAD 87.00 | **Implied All-in Return (%): 28.9**

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.

F23 EBITDA objective of $5.1B excluding merger and acquisition exceeded by ~$700 MM, new strat plan/financial targets to be disclosed at October 11 Investor Event. Solid underlying operating performance aided by focused execution of strategies outlined at mid-2021 investor event enabled ATD to deliver well above its "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.

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

Strong B/S + FCF profile with forecast annual FCF well in excess of $2.5B to fund activity on NCIB (F24 renewed at 5% of shares outstanding), dividend growth, and acquisitions. Adjusted net debt/EBITDA ~1.8x pro forma known acquisitions (TotalEnergies, MAPCO) despite activity on NCIB, well below the post-SFR peak of 3.6x, with normalized estimated balance sheet capacity up to ~$15B depending on multiple paid.

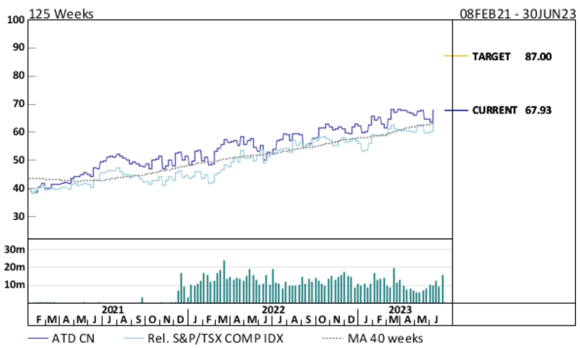
Valuation

Taking the midpoint of 18.5x TTM Q4/F25E (April C25E TTM) EPS and 11.5x EBITDA drives our price target of C$87, 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

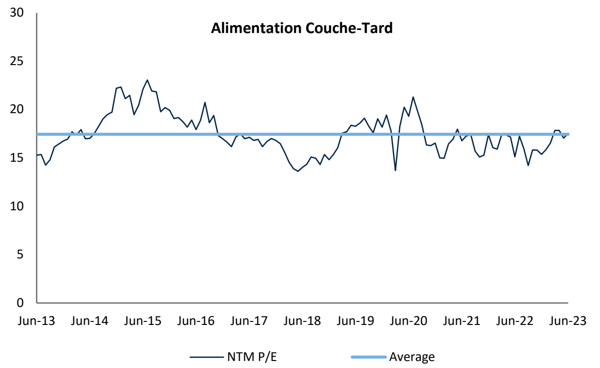
Normalization of gas margins without volume improvement would result in earnings below expectations. Substantial dislocation in inside store volumes could reduce inside-store contribution. Although c-stores typically are relatively recession-resistant, ~50% of US c-store customers have incomes ≤$60k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

Exhibit 2 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 3 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Alnylam Pharmaceuticals, Inc. (NASDAQ: ALNY)

RBC Capital Markets, LLC
Luca Issi, Ph.D. (Analyst) (212) 266-4089, luca.issi@rbccm.com

Rating: Outperform | **Closing Price: 189.94**
Price Target: USD 275.00 | **Implied All-in Return (%): 44.8**

Investment summary

Despite Upcoming Adcom, We Think Patisiran Gets Approved For TTR-CM - Overall, while we do expect a heated debate at the AdCom given the relatively modest 6MWT benefit, we believe the drug ultimately gets approved as the 6MWT benefit can be substantiated by statistically significant benefit for patient reported outcomes (KCCQ), the majority of secondary endpoints including biomarkers (proBNP, troponin I), imaging (PYP scintigraphy/echocardiographic parameters) and early look at mortality all trending in the right direction. In the context of a drug that is safe and has been on the market for close to half a decade now, we believe approval is likely.

Rich Calendar Ahead with Many Potential Catalysts - We see key upcoming catalysts (Adcom TBD, potential approval for patisiran in TTR-CM PDUFA Oct.8.23) and a pipeline that is full steam ahead (HBV Phase II combo results early-23, KARDIA-1 Phase II readout mid'23, results from Phase I IKARIA - platform with potential for annual dosing - late'23, Top-line Phase I T2D results in late'23). On hypertension, we continue to like AGT given clinical POC already in hand (>20mmHG reduction at six months), ability to potentially get approved just on reduction in systolic blood pressure and a market that is 300x bigger vs TTR-CM (250k vs 77m with hypertension and high CV risk).

M&A Optionality Nice to Have, but Our Call Is Fundamental - Since there are few biotech companies with a commercially validated platform technology like ALNY (~$1b in revenue, 5 siRNA drugs approved in less than 4 years), M&A potential is a frequent topic of debate, especially given prior transactions in the space (DRNA and Sirna). However, we view M&A optionality as a nice to have (and we think boosted by a departing CEO that had never struck us as a seller, and who will no longer be on the Board), but we are making a fundamental call on the stock. With the recent pullback, we see an attractive entry point ahead of key potential catalysts that could unlock value short term and a pipeline poised to deliver long-term upside.

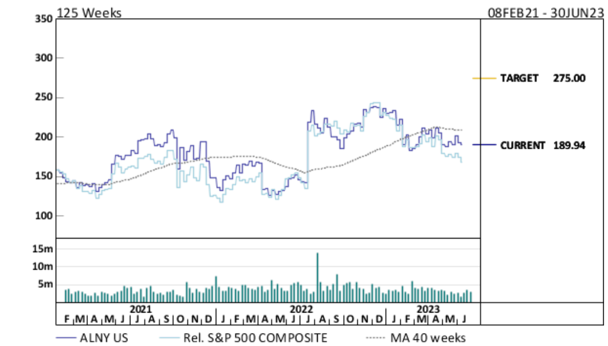
Valuation

Our base case assumes 100% PoS for lumasiran, 85% for inclisiran, 90% for TTR, 45% for zilebesiran, 15% for Alzheimer's disease, 15% for T2D and 65% for fitusiran. Our $275 price target is based on a DCF that assumes a 10% WACC (same for all stocks in our coverage) and a 1% terminal growth rate (with a 0–2% range applied to our coverage depending on the relative maturity of the platforms). Our $275 target price supports our Outperform rating.

Risks to rating and price target

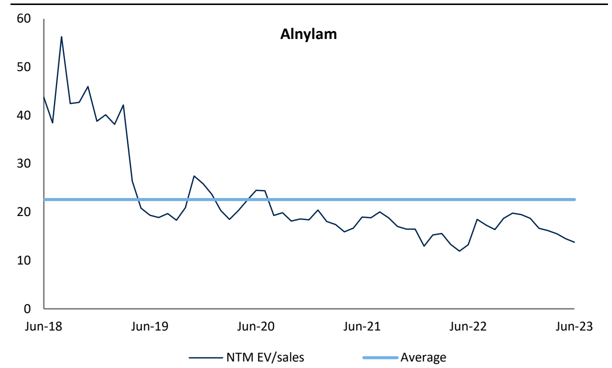
Risks to our thesis include: (1) Onpattro fails to gain approval for TTR-CM; (2) current epidemiology for AHP and PH substantially underestimates opportunity; and (3) emergence of a safety signal in an ongoing clinical trial.

Exhibit 4 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 5 - Forward consensus EV/sales history



Source: FactSet

Most recent company note: link

American International Group, Inc. (NYSE: AIG)

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

Rating: Outperform | **Closing Price: 57.54**
Price Target: USD 70.00 | **Implied All-in Return (%): 24.2**

Investment summary

We remain constructive on AIG and view the company as an attractive value idea in the insurance space at the current valuation. AIG's main focus is improving P&C insurance margins and repositioning the entire business for better ROEs with less earnings volatility and a more transparent business model. The company has made progress on improving core loss ratios, and we expect the trends to continue, along with profitable premium growth. In addition, the AIG 200 program is also expected to translate into further expense reduction opportunities. The initial phase of the separation of AIG's Life & Retirement segment has started (via the Corebridge IPO) and we expect additional progress on this front in 2023. Our Outperform rating reflects the following points:

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

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

Capital management & balance sheet strength: We expect AIG to remain active with share buybacks that could be fueled by further stake sales in its remaining ownership interest in Corebridge. We expect further progress toward a double-digit ROE as well as efforts to improve the strength of its balance sheet (debt reduction, investment portfolio credit quality, and reserves).

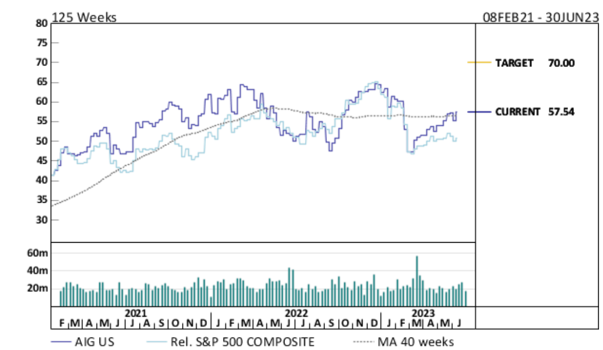
Valuation

Our $70 price target is based on 0.9x our ending 2023 book adjusted value per share estimate. We utilize adjusted book value for valuation purposes (which is similar to tangible book value), as this has been management's focus in setting its ROE targets. AIG shares trade at a discount to P&C peers owing to the hybrid nature of its Life and P&C business. As the company exits this segment, we anticipate some of the discount will be reduced. We expect management to continue making progress in repositioning underwriting, rightsizing expenses and investment infrastructure as well as further buybacks. As progress is made, we anticipate additional multiple expansion. In our view, our price target is consistent with our Outperform rating.

Risks to rating and price target

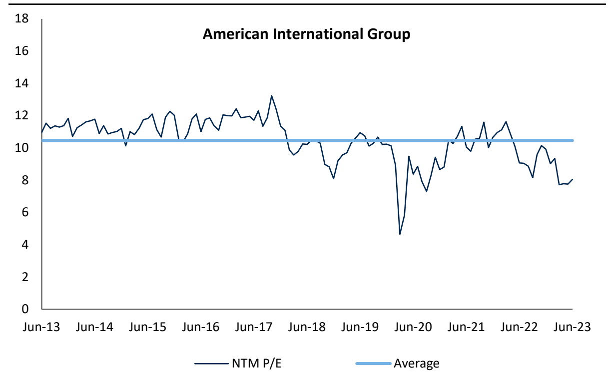
AIG is subject to many inherent risks including market risk (interest rate risk or equity risk) that could pressure investment spreads or put pressure on investment portfolio values. There is also inherent reserving and underwriting risk mainly through whether more recent accident years prove redundant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

Exhibit 6 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 7 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

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

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

Rating: Outperform | **Closing Price: 51.83**
Price Target: EUR 69.00 | **Implied All-in Return (%): 35.1**

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

Lastly there are additional long-term prospects of AB InBev's digital platform: 'Bees'. We think there is (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.

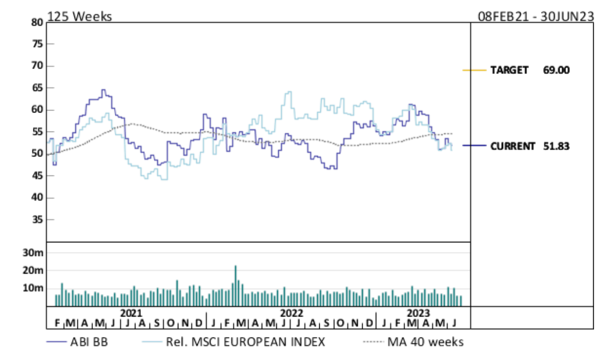
Valuation

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 (2.9%). We assume a terminal growth rate of 2.5% per annum from 2035. Under these assumptions, we derive a fair value of €65 per share. Discounting the APV forward by a year at the cost of equity and adding in our dividend forecast for 2023 yields a 12-month price target of €69. Our price target and the implied return support our Outperform rating.

Risks to rating and price target

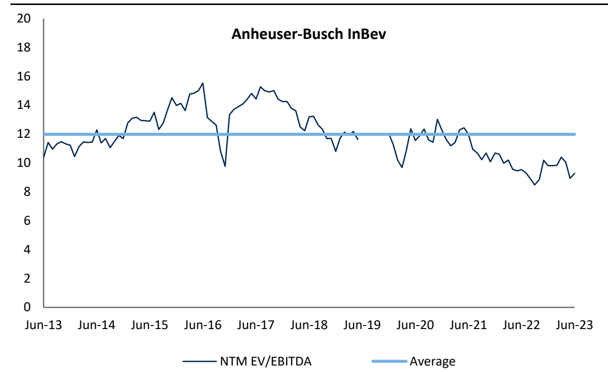
If the Bud Light controversy in the US continues to attract airtime with consequent impact on the volumes of ABI's largest brand, or negative repercussions spill over into other brands and/or geographies, it would have adverse implications for the group's reputation and profitability. Almost all of ABI's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

Exhibit 8 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 9 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Associated British Foods plc (LSE: ABF)

RBC Europe Limited
Richard Chamberlain (Analyst) +44 0 20 7429 8092; richard.chamberlain@rbccm.com

Rating: Outperform	Closing Price: 2,018.00
Price Target: GBp 2,350.00*	Implied All-in Return (%): 18.6

* Subsequent to the June 30, 2023, pricing of the *Top 30 Global Ideas for 2023 – Third-Quarter Update*, ABF's price target was raised to GBp 2,350.00 (from GBp 2,300.00) on July 3, 2023. See note here.

Investment summary

ABF's largest business, Primark, offers a space rollout story in Europe and the US, and remains the leading value player in the UK retail space. We expect a further strong recovery in sales in the short term given ongoing recovery trends for store-based retailing, with a strong margin improvement in FY24. On the Food side of the business, we expect Grocery to pass through more cost inflation in H2, while Ingredients is seeing what looks to be strong structural growth. Sugar profitability is being affected short term by lower British Sugar production volumes and increased costs, but profits should improve next year helped by firmer pricing and an improved performance by Vivergo.

ABF currently trades at c.12.5x CY24E P/E and offers a c.2% dividend yield.

Potential catalysts include: ABF will report a pre-close IMS on September 12th. We expect Primark margins to improve over the next year, given a strong freight tailwind (we estimate this could be c.£100mn). Although the USD will be a headwind into H1, we believe this should become a tailwind now in H2 FY24. We think Primark will still see some pricing benefits in H1 (given AW23 is the last season with price increases) but that pricing should be more stable in H2, in common with the likes of NEXT. Grocery should benefit as more price increases get passed on and Ingredients continues to show strength, supported by better market pricing and a better supply/demand dynamic in the more commoditised areas (e.g., yeast). Sugar profits are subdued this year owing to lower UK production this year but should improve in FY24 due to increased UK sugar production and a recovery by Vivergo, ABF's bioethanol business.

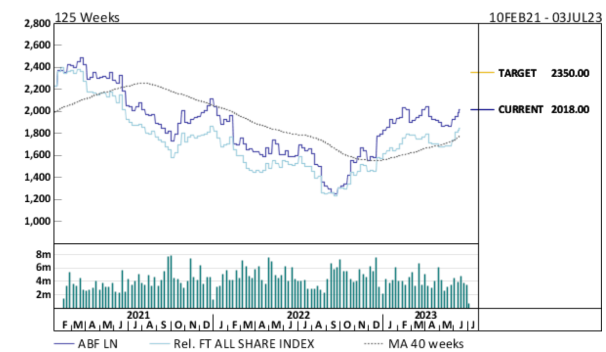
Valuation

We use the lower of a DCF and a sum-of-the-parts analysis to arrive at our price target of 2,350p for ABF. For our DCF, we model a 10-year sales CAGR of 5%, EBIT CAGR of 7% and FCF CAGR of 16%. We use a WACC of 8% and a terminal growth rate of 2.0% due to ABF's global reach with some international growth potential. Our DCF suggests an implied share price of c.£23. In our sum-of-the-parts for ABF, we use a FY23E P/E multiple of c.18x for Primark, below Inditex and H&M (c.21-25x) and TJX (c.24x) to reflect its lack of a developed omnichannel offer. For Grocery (c.14x), we value Twinings Ovaltine at a 20% discount to Nestle and Unilever P/E multiples, and place the rest on a 50% discount. We value Sugar at 10x P/E, above Suedzucker (c.9x). Finally, we value Ingredients at 15x, ahead of Glanbia (c.13x) and below Kerry Group (c.20x) and value Agriculture at 8x, above Origin Enterprises (7x). This suggests an implied share price of c.£24. Our price target supports an Outperform rating.

Risks to rating and price target

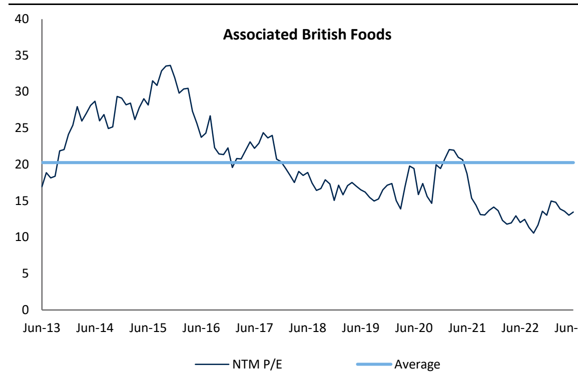
The biggest rating and price target risks for ABF, in our view, are if: (1) Footfall to Primark stores weakens materially. (2) Primark's margin outlook weakens due to higher purchasing costs or more/less discounting than we expect. (3) Grocery sales growth is below expectations or input cost pressures are higher than we forecast. (4) Sugar profits are materially weaker than expectations owing to lower production or a weaker pricing environment.

Exhibit 10 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 11 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Boston Scientific Corporation (NYSE: BSX)

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

Rating: Outperform	Closing Price: 54.09
Price Target: USD 56.00	Implied All-in Return (%): 3.5

Investment summary

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

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

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

Upcoming potential catalysts. In AFib trials, FROzEN-AF (POLARx; 2023E study completion), ADVENT (FARAPULSE; 2023E), NEwTON-AF (StablePoint; 2023E); in heart valve, PROTECTED TAVR (SENTINEL), ACURATE Neo2 (US launch 2024E); WOLF commercial launch and PE trial; EMPOWER (leadless pacemaker) U.S. IDE; TheraSphere geographic expansion.

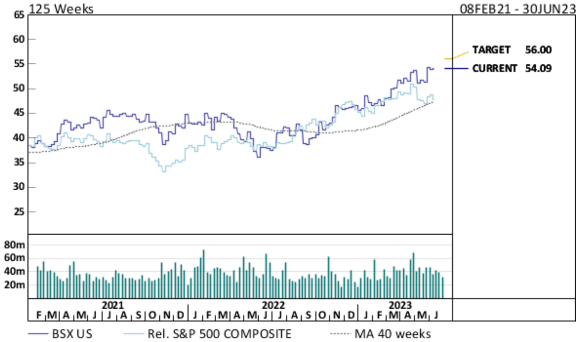
Valuation

Our $56 price target is an equal blend of: (1) DCF yields a value of $58 per share and reflects our forecast through 2032 with a 2% terminal value growth rate and a WACC of ~8.0%; (2) EV-to-Sales analysis uses a 2024E sales multiple of ~5.8x, which yields a value of $55; (3) EV-to-EBITDA analysis uses a 19.5x multiple on 2024E EBITDA, which yields a value of $56; (4) P/E multiple of 24.5x on 2024E EPS, which yields a value of $54. Our price target of $56 supports our Outperform rating.

Risks to rating and price target

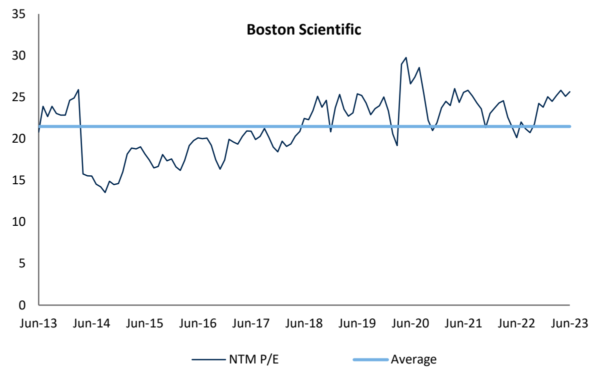
Risks to rating and price target include, but are not limited to: (1) competition that can disrupt and take share; (2) R&D efforts or clinical trials that do not materialize; (3) supply chain or manufacturing disruptions; (4) geopolitical risk; and (5) FX headwinds.

Exhibit 12 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 13 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

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

Rating: Outperform | **Closing Price: 74.44**
Price Target: CAD 85.00 | **Implied All-in Return (%): 19.0**

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 21 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. Alongside fourth-quarter 2022 results, CNQ modified its shareholder returns policy which now revolves around a net debt floor of $10 billion (up from $8 billion previously). The company is currently allocating 50% of its free cash flow (after dividends and base capital) towards share repurchases, with the balance (less strategic growth capital/acquisitions) earmarked for debt reduction. Under its new policy, once CNQ's net debt falls to $10 billion, the company will allocate 100% of its free cash flow as incremental returns to shareholders. Free cash flow will be defined as adjusted FFO less dividends and total capital expenditures (excluding A&D) in the year. To the extent that the company's net debt rises above $10 billion, it would revert to its prevailing 50/50 policy. CNQ's net debt sat at approximately $11.9 billion as of March 31.

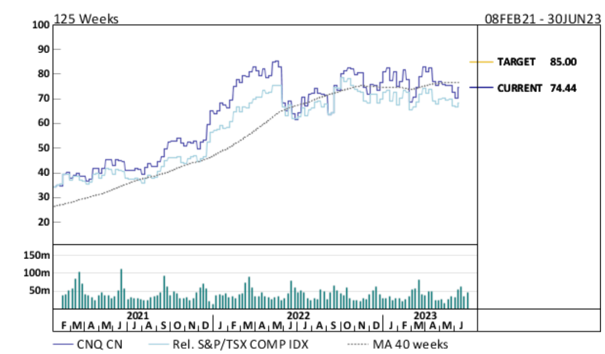
Valuation

Our price target of C$85 per share reflects an equal weighting toward a multiple of 1.0x our NAV and an implied 2023E debt-adjusted cash flow multiple of 8.2x 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

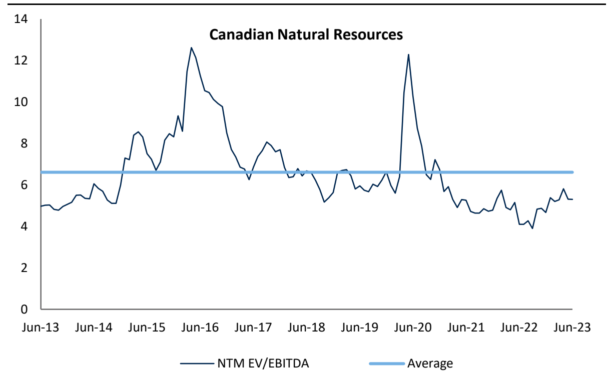
The most significant risk to our price target and rating is unexpected changes in crude oil and natural gas prices. Specifically, to the extent that the COVID-19 pandemic and associated social distancing measures continue to negatively impact global oil demand, it may result in CNQ realizing lower-than-anticipated 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 14 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 15 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

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

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

Rating: Outperform	**Closing Price: 107.00**
Price Target: CAD 125.00	**Implied All-in Return (%): 17.5**

Investment summary

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

CP's purchase of 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.

Valuation

Our C$125 price target is based on applying a P/E multiple of 21x to our 2026 EPS estimate of $6.95 discounted back 2 years at 8%. Our 2026 EPS forecast reflects CP achieving a full synergy run-rate on the KSU acquisition in line with guidance provided when the deal was announced. The target multiple is a premium to peers, in our view, warranted by CP's operations-focused management team as well as the increased network reach following the KSU acquisition. Our price target supports our Outperform rating.

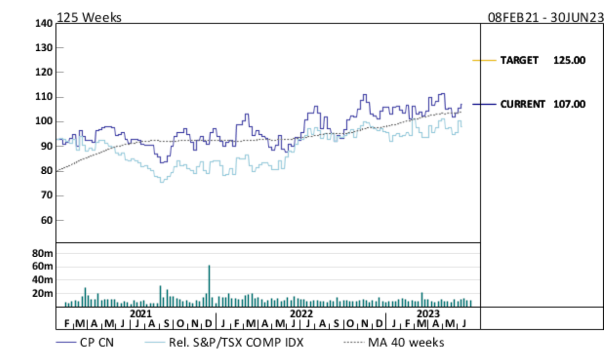
Risks to rating and price target

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

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

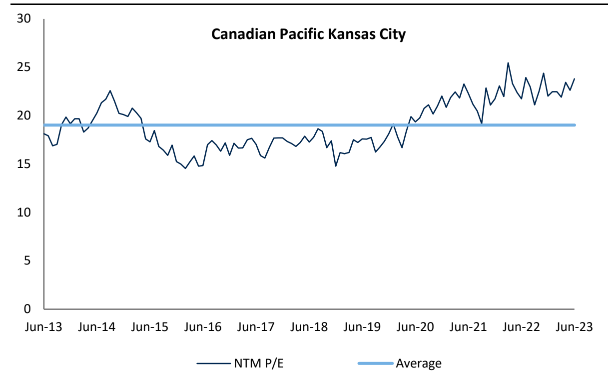
Integration risk. We consider CP mgmt to be one of the top teams in North America and have strong confidence in the ability of this team to execute on the integration of this deal and achieve (or exceed) the targets announced. Moreover, CEO Keith Creel has agreed to contract amendments that would see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

Exhibit 16 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 17 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Constellation Software Inc. (TSX: CSU)

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

Rating: Outperform | **Closing Price: 2,744.76**
Price Target: CAD 3,200.00 | **Implied All-in Return (%): 16.8**

Investment summary

We believe that Constellation Software is likely to generate one of the highest returns for shareholders over the long term in our coverage universe. Our Outperform thesis reflects: 1) Constellation's ability to rapidly compound capital through acquisitions; 2) Constellation is well positioned to benefit in an uncertain macro environment; and 3) Constellation's valuation appears attractive.

Constellation's ability to rapidly compound capital through acquisitions. We believe that Constellation Software is likely to generate one of the highest returns for shareholders over the long term in our coverage universe. Our outlook reflects the compounding of Constellation's high hurdle rates, along with the scalable nature of Constellation's decentralized business model. Constellation has made changes to its business model to provide for the redeployment of capital at high rates of return. Additionally, the acquisition targets in Constellation's database continue to grow (now at 40k, up from 1.2k in 2006). The 40k acquisition targets imply a large $200B+ addressable market. Moreover, Constellation is pushing decisions for allocating capital further down into the organization. Constellation deployed a record $1,694MM capital on acquisitions in FY22, compared to $1,362MM in FY21 and just $531MM in FY20.

Well positioned to benefit in an uncertain macroeconomic environment. The high frequency of acquisitions and capital deployed YTD in 2023 validate that Constellation's model is countercyclical. In periods of economic and financial duress, we believe that Constellation is more likely to deploy larger amounts of capital at high rates. Moreover, Constellation's software is mission-critical and required for day-to-day operations. Recurring maintenance revenue accounts for 71% of FY22 revenue. Our outlook calls for Constellation's constant currency organic growth to remain stable at 4.0% FY23E and 2.0% FY24E, from 2.8% FY22.

Constellation's valuation appears attractive. Constellation is trading at 20x FTM EV/EBITDA, above Canadian software consolidators. We believe Constellation's valuation appears attractive given the company's proven ability to compound FCF/share over the long term.

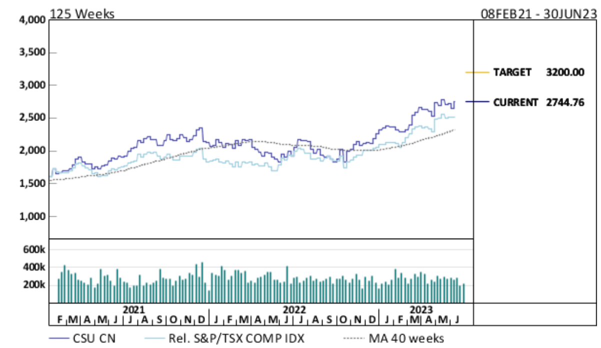
Valuation

Our C$3,200 price target equates to 21x CY24E EV/EBITDA, justified above Canadian software consolidator peers in our view, given Constellation's faster ability to compound capital in the long term. Constellation has converted 84% of adj. EBITDA into FCF over the last five years. Our price target supports our Outperform rating.

Risks to rating and price target

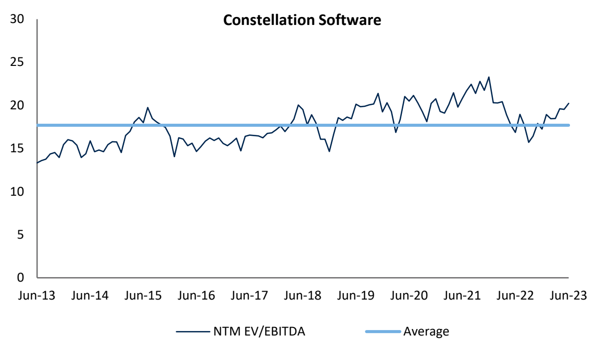
Risks to our rating and price target include: (1) quarterly lumpiness; (2) lack of accretive acquisition candidates; (3) unexpected organic growth headwinds; (4) an inability to sustain further margins; (5) loss of key employees; and (6) a decline in tech market valuations.

Exhibit 18 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 19 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

CrowdStrike Holdings, Inc. (NASDAQ: CRWD)

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

Rating: Outperform | **Closing Price: 146.87**
Price Target: USD 182.00 | **Implied All-in Return (%): 23.9**

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. (5) Faster-than-expected progression toward profitability driven by top-line success.

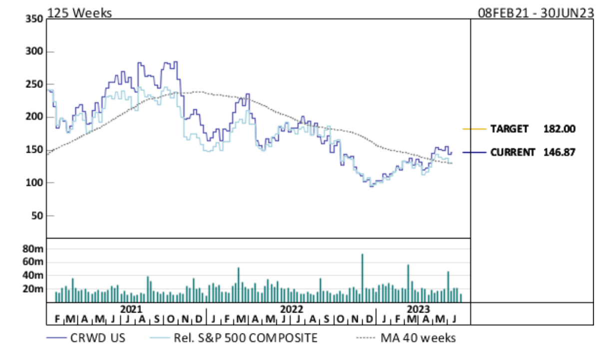
Valuation

We calculate our $182 price target by applying an 11.2x EV/S multiple to CY/24E revenue which remains a premium to leading growth security peers but reasonable given our LT view of growth and profitability. Our price target supports an Outperform rating.

Risks to rating and price target

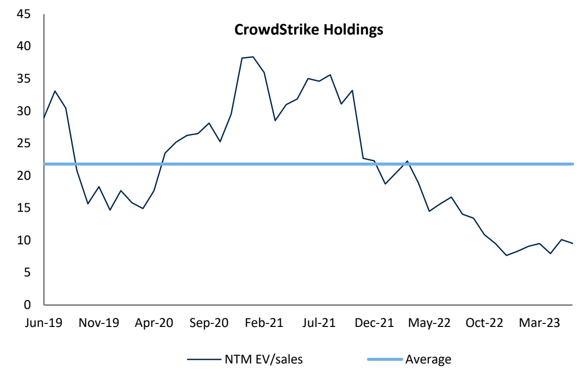
Risks to rating and price target include: (1) CrowdStrike operates in a market with competition from larger legacy competitors, like Symantec, as well as newer entrants. Potential pricing pressure given the crowded nature of the market. (2) CrowdStrike operates a land-and-expand model; failure to retain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

Exhibit 20 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 21 - Forward consensus EV/sales history



Source: FactSet

Most recent company note: link

Diamondback Energy Inc. (NASDAQ: FANG)

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

Rating: Outperform | **Closing Price: 131.36**
Price Target: USD 175.00 | **Implied All-in Return (%): 39.9**

Investment summary

We believe FANG shares should outperform its peer group over the next 12 months. Management has built a solid Permian Basin position with a deep inventory of liquids-rich development opportunities. The company is one of a few that have amassed a combination of quality assets, strong economic growth, minerals ownership, and a water business, which collectively help to provide a competitive advantage. We believe FANG has one of the lowest cost structures in the basin and a corporate cash flow break-even (including dividend) that is among the best in the industry.

A shareholder-friendly return proposition that includes at least 75% of FCF in the form of a fixed dividend, variable dividend, and stock buybacks. Management plans to be opportunistic on buybacks when FANG shares trades at or below the implied mid-cycle valuation ($60-65/bbl based).

The company has a runway of tier-1 inventory projects that extend more than a decade.

FANG has a track record of achieving its growth targets while spending within cash. It has a willingness and demonstrated ability to adjust activity levels quickly in response to challenging market conditions.

ESG is expected to play a continued focus in FANG's corporate strategy.

Valuation

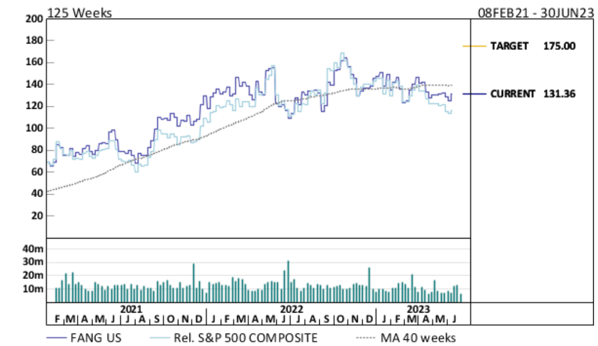
(1) Our $175/share price target reflects a 6% premium to our $166/share Net Asset Value (NAV) and a 6.1x multiple on our 2023 EBITDA estimate. (2) Our NAV is a risked assessment of 3P reserves using the long-term RBC commodity price outlook of $65/bbl (WTI), $70/bbl (Brent), and $3.75/Mcf (HH). (3) We expect FANG to trade at a premium to our NAV related to a lower commodity price environment that is reflected in our long-term price forecast. We expect the company to trade in line with peer EBITDA multiples.

Our price target along with the NAV upside opportunity supports our Outperform rating.

Risks to rating and price target

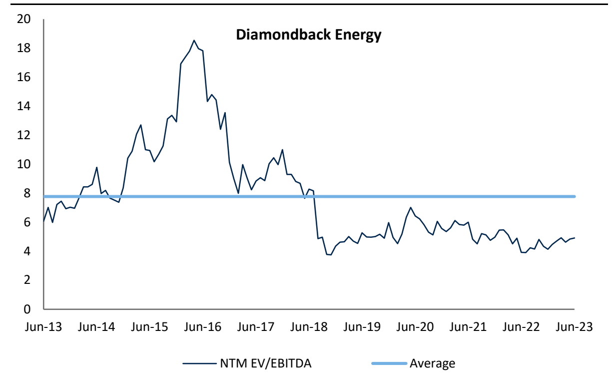
Risks to rating and price target include: (1) Much of the potential in FANG shares relies on executing its development strategy on its unconventional acreage positions. Results below expectations in this area would have an adverse effect on the stock. (2) Weaker-than-expected commodity prices could cause the stock to perform below our expectations and impede achievement of our price target objective.

Exhibit 22 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 23 - Forward consensus EV/EBITDA 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: 20.18**
Price Target: CAD 28.00	**Implied All-in Return (%): 40.7**

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 (~99%); 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) stronger origination volumes; (2) new customer wins and cross-selling existing customers new fleet services; and (3) increased returns of capital (e.g., further dividend increases, share buybacks, etc.).

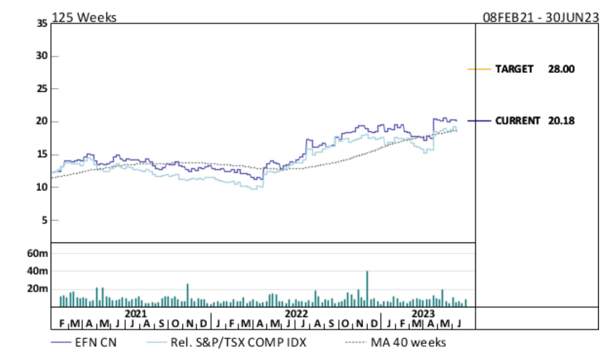
Valuation

Our 12-month price target of C$28/share is based on applying an 18x multiple to our blended 2024E/2025E fully diluted operating EPS forecast of $1.57, 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. Our target multiple reflects an attractive mix of strong positive fundamentals, attractive growth potential even in a recession scenario, potential catalysts (e.g., earnings upside) and defensive attributes. We believe our 12-month price target and the implied total return support our Outperform rating.

Risks to rating and price target

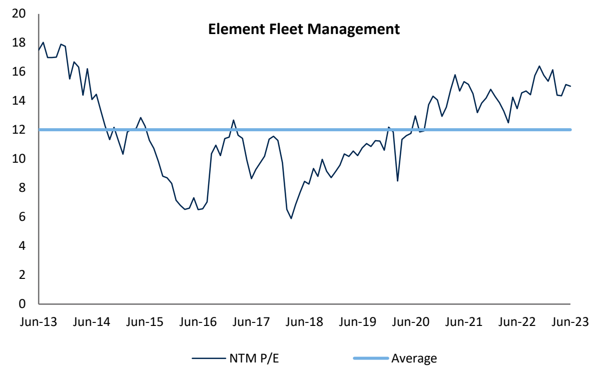
Potential risks include: (1) evidence of further delays to the time of normalizing originations/OEM production past mid-2023 (EFN's current guidance); (2) key customer losses; and (3) key personnel departures.

Exhibit 24 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 25 - 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: 299.50**
Price Target: EUR 321.00 | **Implied All-in Return (%): 7.5**

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 13,000.

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

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

Potential catalysts include: (1) Purosangue launch; (2) Growth of UHNW and millionaire demographic; (3) Take rate of EV products.

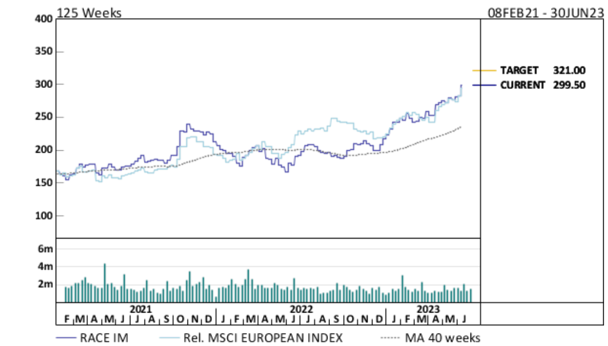
Valuation

Our €321 price target is derived by applying a 27x multiple to our 2024E EBITDA. We then add Industrial net cash, subtract underfunded pension liabilities, and discount back @7% to arrive at our equity value. Our price target supports our Outperform rating.

Risks to rating and price target

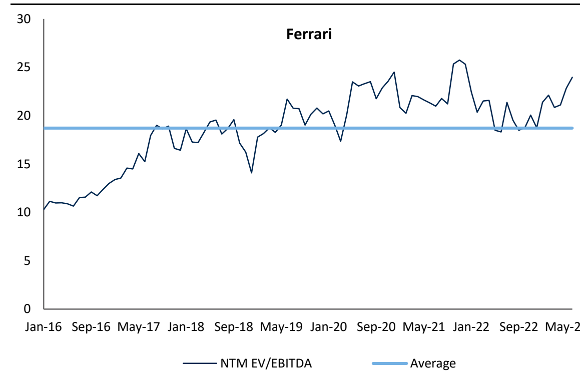
Risks to rating and price target include: (1) Challenges to penetrating China; (2) Electrification is not in Ferrari's DNA; (3) Premium SUV market is already hyper-competitive.

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

Illumina, Inc. (NASDAQ: ILMN)

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

Rating: Outperform	**Closing Price: 187.49**
Price Target: USD 336.00	**Implied All-in Return (%): 79.2**

Investment summary

We have an Outperform rating on Illumina with a $336 price target. We believe Illumina's current stock price overdiscounts the likelihood of share erosion from smaller competitors, and does not factor in years of R&D spend and product innovation that Illumina has invested in the next-gen sequencing (NGS) market, which represents a company-projected $120B TAM. We believe a return to sustainable DD revenue growth will lead to multiple expansion more in line with historical levels, leading to price appreciation.

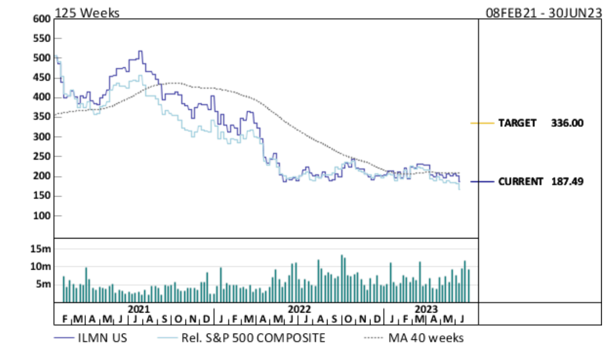
Valuation

Our 12-month $336 price target is based on 9.4x CY'24 RBC core ILMN sales estimates. We use 9.4x because that is a 2.5x-turn expansion from Q4'22 levels; which was the multiple expansion we saw from Q4'16 to Q4'17, when ILMN launched the NovaSeq 6000. We assume the launch trajectory is similar for the NovaSeq X launch; leading to a similar revenue acceleration and multiple expansion. We also assume ILMN gets $2B (net of taxes and penalties) in the divestiture of Grail. All together that gets us to our price target of $336, which justifies an Outperform rating.

Risks to rating and price target

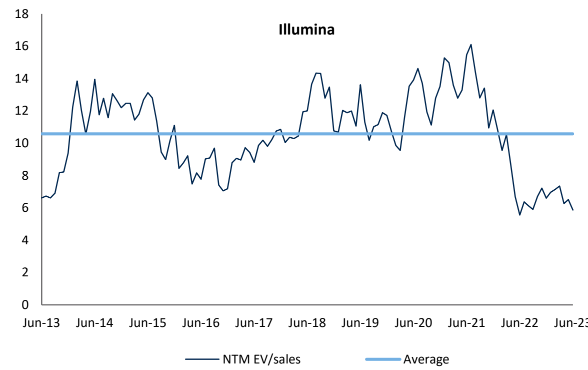
Risks to rating and price target include, (1) Illumina divestment in Grail and subsequent appeals could result in earnings drag and distraction to management may continue for several years; (2) Our assumption that Illumina may cut R&D spend to reflect trends more in line with slower-growing peers may not happen, and as such our EPS used in the P/E calculation may be wrong; (3) Competition may adversely impact Illumina's operations and financial performance; (4) Alternatives to NGS – including long-read sequencing – could damage ILMN's market position.

Exhibit 27 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 28 - Forward consensus EV/sales history



Source: FactSet

Most recent company note: link

London Stock Exchange Group plc (LSE: LSEG)

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

Rating: Outperform	**Closing Price: 8,366.00**
Price Target: GBp 10,200.00	**Implied All-in Return (%): 23.4**

Investment summary

We have an Outperform rating and £102 price target. Following the completion of the Refinitiv deal, LSEG has transformed into an enlarged group with higher-quality revenue streams and enhanced exposure to secular growth themes.

We expect the diverse, mostly recurring, revenue streams of the enlarged group to convert to strong cash generation over all time horizons, and we expect leverage to reduce to 1.6x by Dec-23.

Surplus cash generation may be used to buy back shares from Thomson Reuters & Blackstone (as announced with the intended £750m directed buyback), reduce debt further, increase shareholder returns, and, as would be our preference, to invest in the range of strategic initiatives that the group has outlined, presenting a source of upside potential to our EBITDA estimates for outer years.

We argue that the transaction changes the most relevant peer group to information service providers. Compared to this peer group, LSEG stands out as trading at a discount to sub-sector averages in P/E and EV/EBITDA terms, despite having stronger-than-average expected earnings growth.

Improving cyclical factors and re-deployment of surplus cash from 2023 onwards are both sources of potential upside to our estimates.

Valuation

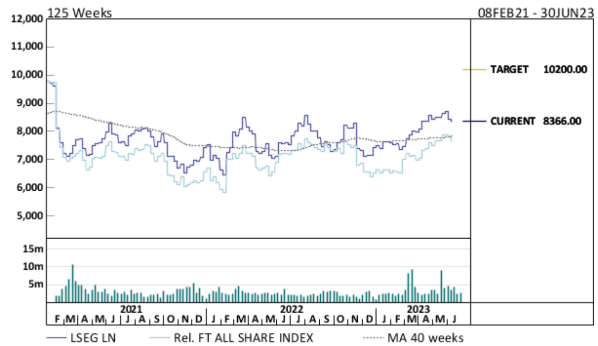
Our 10,200p price target for London Stock Exchange Group (LSEG) is derived from a discounted cash flow model. We use a three-stage model, whereby we apply a Risk Discount Rate of 8% (reflecting our view of the relative risk of LSEG's business model) and a terminal value growth assumption of 3%. We model our DCF on a reported basis, incorporating FX adjustments to our earnings. We also deduct FY22 net debt of £6.226bn to reach our Equity Value.

Our price target implies a FY 2023E P/E of 30x, which we see as justified given LSEG's strong FCF generation and exposure to structural growth markets. Our price target of 10,200p supports an Outperform rating.

Risks to rating and price target

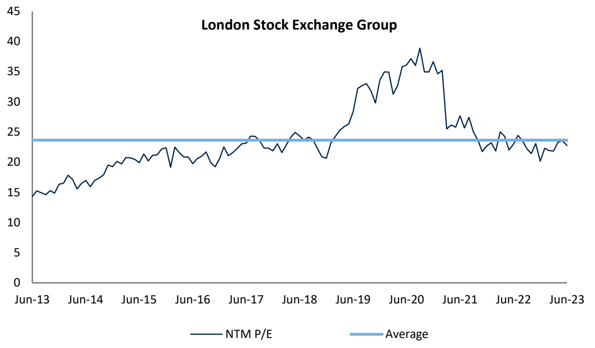
Risks to rating and price target include: (1) Failure to integrate with Refinitiv efficiently could produce lower revenue synergies than expected at a higher cost; (2) Competition in each of its 3 business areas could lead to a decrease in LSEG's market share in the respective areas; (3) Brexit uncertainty remains for Post Trade businesses as only temporary CCP equivalence has been granted to the UK clearing houses until 2025. Although we believe it is unlikely that the European Commission will completely remove all exposure to UK CCPs, this extreme outcome could impact approximately 6% of SwapClear notional.

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

Lonza Group AG (SWX: LONN)

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

Rating: Outperform	**Closing Price: 533.40**
Price Target: CHF 760.00	**Implied All-in Return (%): 43.1**

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.

Lonza is positioned at the premium end of the market. Lonza is the largest and one of the most profitable CDMOs globally, deriving over 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 beyond 2023, 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 CHF0.2bn of net cash (end-'22), providing for ample strategic flexibility to invest. With an undergeared balance sheet and CHF10bn of pre-capex FCF 2023E-28E, the company is initiating a CHF2bn buyback at levels lower than our fair value.

High ROIC implies upside to consensus. Our proprietary capex project model indicates almost 20% upside to consensus revenue and EBITDA for 2026 — this is the key reason we are ahead of consensus forecasts.

Financials. We project that Lonza will average 14% revenue growth 2024-2027 with a 16% EBITDA CAGR as margins are less diluted from growth projects.

Valuation

The median 'EEG' of CDMO peers is 1.5x (i.e., EV/EBITDA divided by EBITDA growth) — we apply this to our forecast 15% underlying estimate of EBITDA growth, implying 22.5x EV/EBITDA, which leads to our 12-month price target of CHF760. This is roughly equivalent to our DCF calculation at a cost of equity of 8.5% and terminal growth of 3.0%. This price target supports our Outperform rating.

Risks to rating and price target

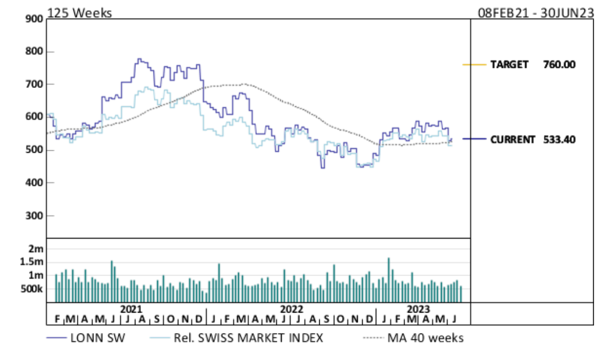
Overcapacity. Many organisations are investing into biologic production, which could lead to price competition. Our analysis suggests that this is unlikely to be an issue in the foreseeable future, but it remains a perceived risk.

Delays to ramp-up. Should the company be unable to drive volumes through its new capacity, revenue and margin will both be at risk.

Funding constraints by customers. There are already signs of a thaw in the biotech IPO market, but if the reality of perception of a tougher funding environment drives deferrals of R&D by biotechs, the pipeline of products for CDMOs may slow.

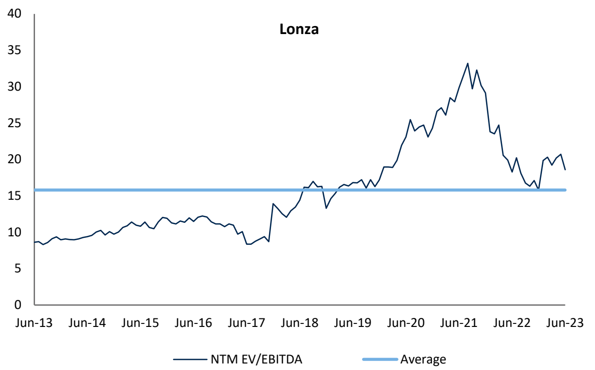
Alzheimer's outsourcing. Lonza is not a manufacturer for the new Alzheimer's drug, aducanumab, as far as we understand, but should Biogen/Eisai need to scale capacity, or another drug for this large unmet medical need come to market, this could be a substantial driver of additional demand, leading to upside risk to forecasts.

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

M&T Bank Corporation (NYSE: MTB)

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

Rating: Outperform | **Closing Price: 123.76**
Price Target: USD 183.00 | **Implied All-in Return (%): 52.1**

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 had modest tangible book value dilution which was completely recovered by 1Q23.

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 10.2% in 1Q23 versus 10.4% in 4Q22. In July 2022, M&T announced a $3.0 billion stock repurchase program. In 1Q23 MTB repurchased $600 million in common stock. Over the near term, the buyback program is expected to moderate due to conditions in the financial markets.

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 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.

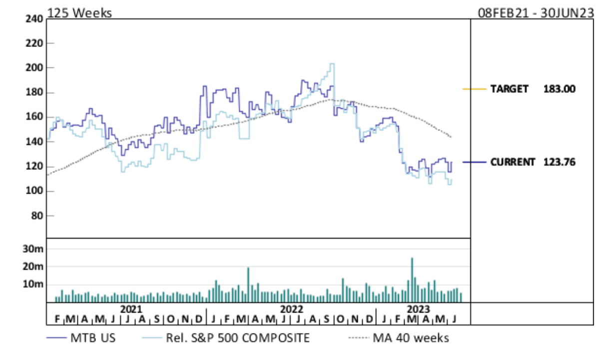
Valuation

Our price target of $183 is 11.3x our 2023 EPS estimate, 1.21x 2Q24E book value, and 1.92x 2Q24E 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

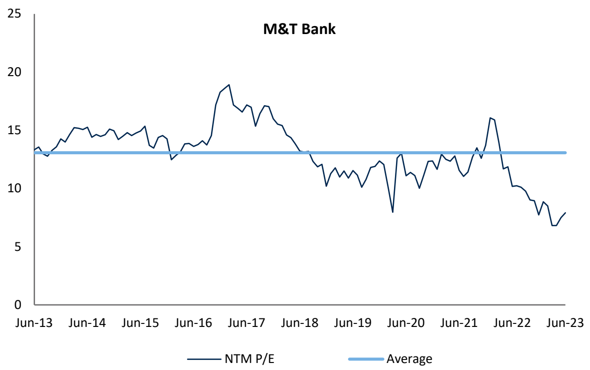
We believe excessive monetary tightening by the Federal Reserve, which results in driving the U.S. economy into a deep recession in 2023, is the key risk for the company, our rating and price target. A deep recession would bring on elevated levels of credit losses which would depress earnings.

Exhibit 33 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 34 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Mastercard Inc. (NYSE: MA)

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

Rating: Outperform	Closing Price: 393.30
Price Target: USD 404.00	Implied All-in Return (%): 3.2

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.

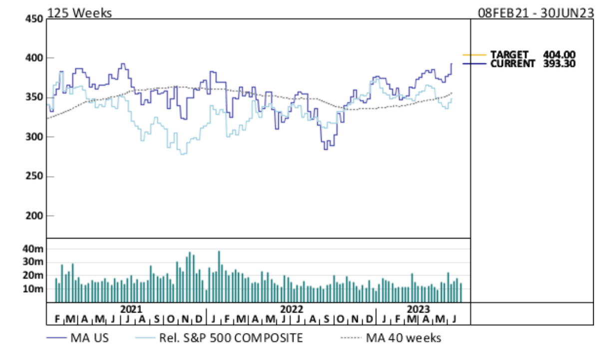
Valuation

Our price target of $404 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

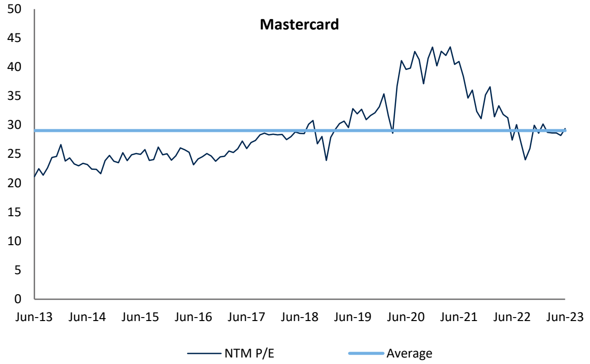
A slowdown in payment volumes and cross-border travel (from such things as the current pandemic), increased regulatory scrutiny or a pushback from large financial institutions on pricing could impede our price target and rating.

Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 35 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Meta Platforms, Inc. (NASDAQ: META)

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

Rating: Outperform	**Closing Price: 286.98**
Price Target: USD 330.00	**Implied All-in Return (%): 15.0**

Investment summary

In possessing both the largest user base as well as the deepest amount of knowledge (data) of that user base, we believe META can compound 15–20%+ earnings growth once it gets through its currently elevated investment cycle around AI which is aimed to both drive engagement share gains while also restoring it to being the dominant player in social media with structural advantages around ad targeting.

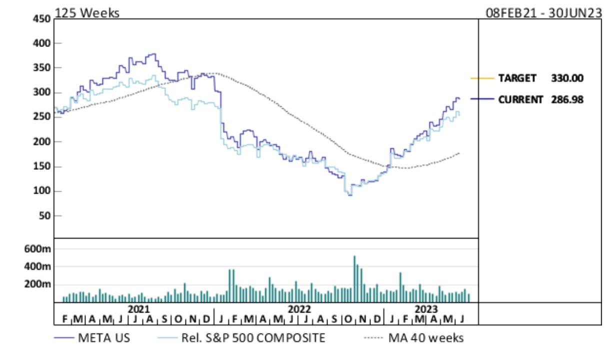
Valuation

Meta trades at a discount to the broader internet group, which is largely a function of views around core market maturity and laws of large numbers. This discount is likely to persist given the undeniable size of the core business, but we think the gap should persist or narrow depending on META's ability to demonstrate stability in its ad business relative to the Apple-related disruption around signal loss. Our $330 price target supports our Outperform rating and is based on 11x EV/'24E EBITDA and 21x P/'24E EPS. Our target multiples are below the peer group due to high market penetration and sheer size but in our view reasonable for the long-term secular growth and compounding earnings power of the core business.

Risks to rating and price target

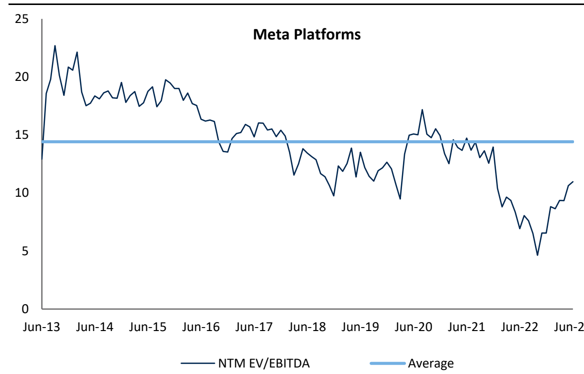
These include regulation, user privacy mandates implemented by either governmental agencies or competing ecosystem providers, competition from existing social platforms or potentially other large technology players, public perception that could lead to a decline in usage, and a macroeconomic downturn.

Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 36 - 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: 255.51**

Price Target: USD 277.00* | **Implied All-in Return (%): 8.4**

*Subsequent to the June 30, 2023, pricing of the *Top 30 Global Ideas for 2023 – Third-Quarter Update*, PANW's price target was raised to USD 277.00 (from USD 232.00) on July 4, 2023. See note here.

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; (6) Benefits from the increased focus on data security due to ongoing breaches and increased regulation.

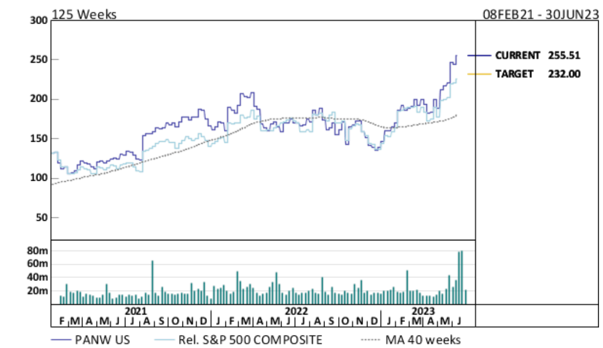
Valuation

Our $277 price target assumes that shares trade at an EV/FCF multiple of 30x our CY/24 estimate, a slight premium to 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 11x our CY/24 estimate. The implied return to our price target supports our Outperform rating.

Risks to rating and price target

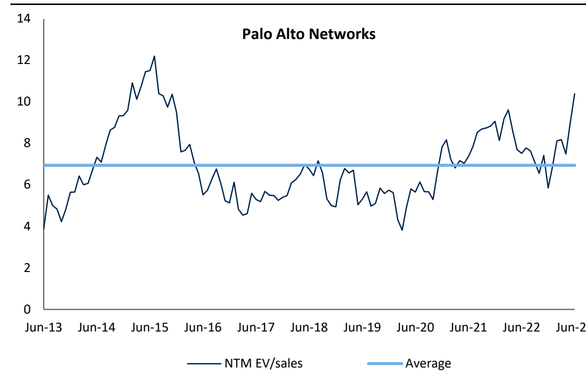
Risks to rating and price target include: (1) Improvements around the product line and impact from sales incentives to drive product growth are taking longer than expected; (2) The macro environment remains uncertain; although the security market remains robust, a slowdown in global activity could hinder 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; (5) The company could encounter operational difficulties as it attempts to continue to rapidly increase in scale.

Exhibit 37 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 38 - 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: 17.28**
Price Target: USD 21.00 | **Implied All-in Return (%): 21.5**

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 include: (1) Execution of plan under new management. Execution of the company's Lean Operating System (LOS) and wildfire plans will be essential in terms of improving the company's perceived risk profile, which could lead to greater confidence from investors and rating agencies; (2) 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; (3) CA regulatory environment. Constructive outcomes for rate cases as well as approval of additional capital investments may accelerate growth at the utility; (4) 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; (5) Reintroduction of a dividend. We expect PCG to start paying a dividend after 3Q23. This should prompt income investors to add PCG to their portfolios.

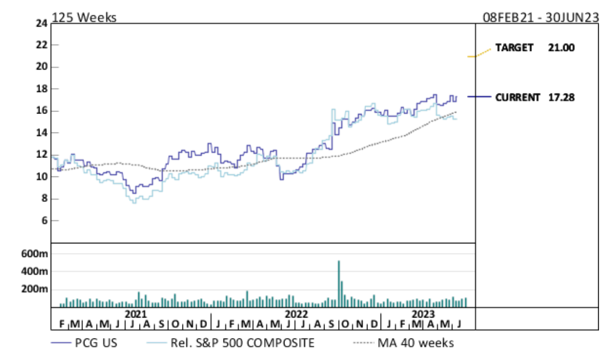
Valuation

We arrive at our $21 price target by applying a 15.5x P/E to our 2024 EPS estimate. Our target multiple is a material discount to our base electric target P/E multiple of 19.4x, 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

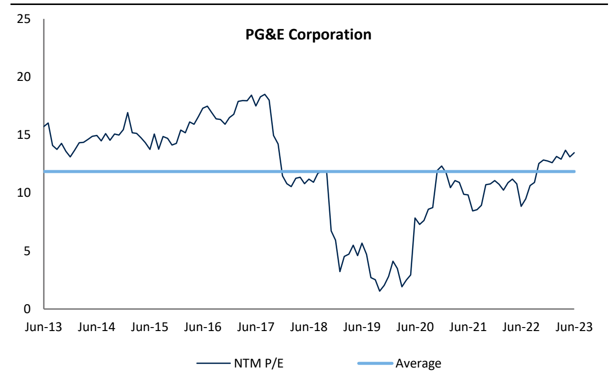
Risks to rating and price target include: (1) Negative change in California regulatory environment; (2) Additional fines or penalties that are unexpected related to safety matters; (3) Utility causes large-scale wildfire; (4) Unplanned reduction in the capital spending program; (5) CA electrification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

Exhibit 39 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 40 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Restaurant Brands International Inc. (NYSE: QSR)

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

Rating: Outperform	Closing Price: 77.52
Price Target: USD 84.00	Implied All-in Return (%): 10.7

Investment summary

We continue to view QSR as our top pick among the global franchised fast food group. We see potentially improving Burger King US trends, accelerating development and shifts in capital allocation (toward growth investments and reduction in leverage) driving stock performance. Relative valuation for QSR remains compelling (18x 2024E EBITDA, versus global peer average of 18.2x), particularly as we are taking a more cautious stance on the overall group.

Potential catalysts include: (1) An acceleration in same-store sales growth, with particular focus on stability at Burger King US; (2) Improvement in TH contribution to overall EBITDA growth; (3) A significant brand acquisition; (4) Accelerating new unit development.

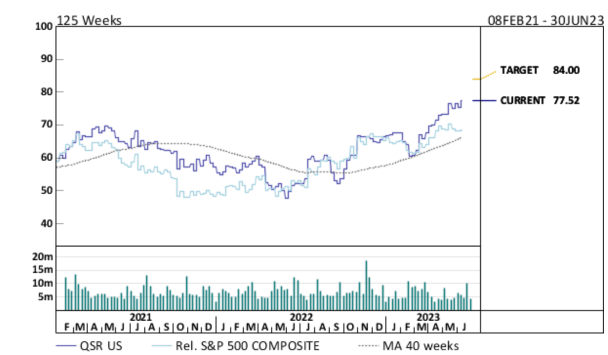
Valuation

Our price target of $84 is based on an 18x multiple, which is in line with QSR's peer group (e.g., MCD, YUM, DPZ) average, applied to 2024E EBITDA of ~$2.8B. Our price target equates to ~24x 2024E EPS and a 5.2% FCF yield. We believe QSR deserves a multiple closer to in line with the peer group average given its continued momentum at Tim Hortons Canada, stable trends at Burger King, solid unit growth (historically >5%) and M&A optionality. Its among best-in-class dividend yield also supports our valuation. Our price target supports our Outperform rating.

Risks to rating and price target

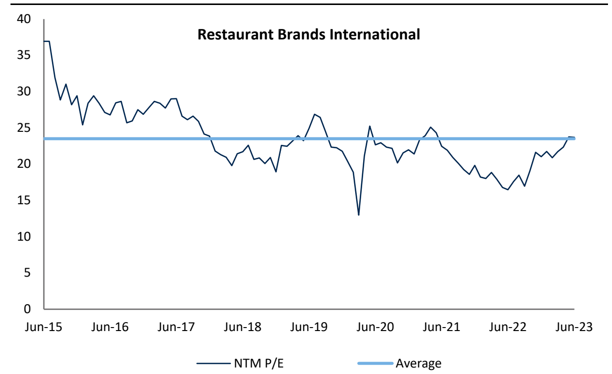
Risks to rating and price target include: (1) COVID-19-related risks may continue to impact top-line, margins, and cash flow longer than expected; (2) As with most restaurant company stocks, worse-than-expected same-store sales can negatively impact valuation. Risk factors for same-store sales include: 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; (5) For global restaurant companies, foreign currency exchange risk can have a meaningful impact on revenue and earnings.

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

S&P Global Inc. (NYSE: SPGI)

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

Rating: Outperform	**Closing Price: 400.89**
Price Target: USD 434.00	**Implied All-in Return (%): 9.2**

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, we expect SPGI to repurchase ~$3.5B worth of shares in FY23, along with near-term cost-takeout initiatives that could drive upside to FY23E EPS.

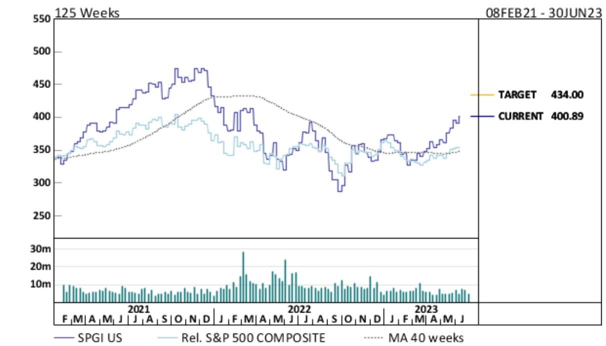
Valuation

Our price target of $434, which supports our Outperform rating, is based on ~33x 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

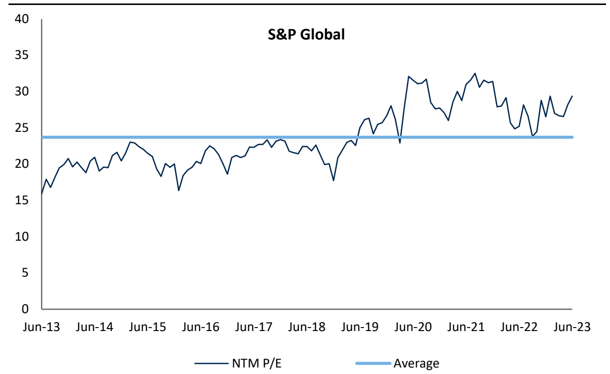
Risks to rating and price target include: 1) a significant decline in credit issuance; 2) increased competition for market data; 3) slowdown in demand for Platts; 4) challenges in integrating acquisitions; and 5) decline in AUM linked to SPGI indices.

Exhibit 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: 152.60**
Price Target: EUR 185.00 | **Implied All-in Return (%): 24.1**

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

Valuation

We value Siemens on a target P/E of 18x 23E, which is broadly in line with our sector average, supported by our analysis which shows Siemens continuing business as a through-cycle outperformer versus the sector from an operational standpoint. It gives a valuation of €185 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.

Risks to rating and price target

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

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

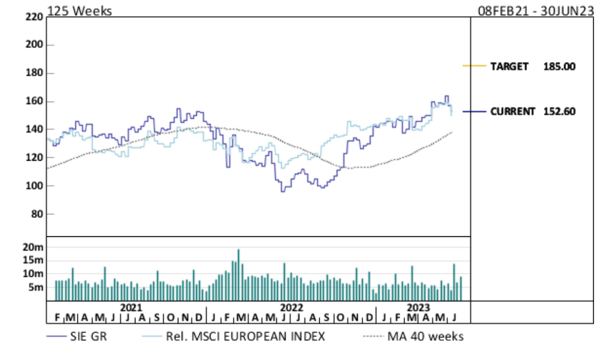
Supply chain: There continue to be supply chain constraints. Siemens' outlook assumes some continued normalisation, which if it did come through would be negative.

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

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

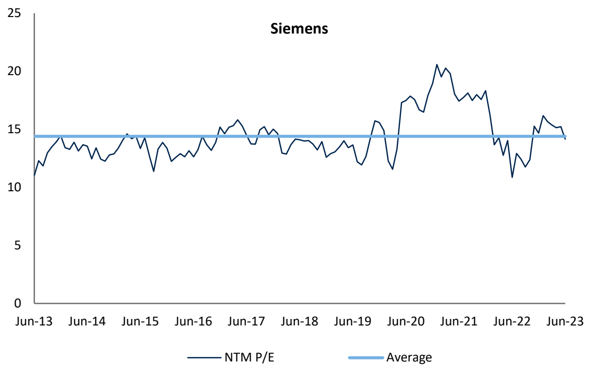
Covid-19 impact: The business is now largely recovered, but any renewed lockdowns (e.g., in China) could still be a further negative. Short-cycle businesses (DI and SI) have seen challenges, most notably in China, Germany and Italy.

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

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: 25.78**
Price Target: CAD 32.00 | **Implied All-in Return (%): 29.7**

Investment summary

We view 2023 as a pivotal turning point for TELUS as the company enters a new post-FTTH build/5G phase. The reiteration of 2023 guidance re-affirms that the company has emerged with a distinctively different financial and operating profile relative to most global telecom peers. With FTTH coverage reaching ~85% of the targeted broadband footprint, enhanced capex flexibility should enable TELUS to capitalize on 5G without meaningful capital constraints, opportunity costs or FCF impairment. Longer term, under certain competitive and regulatory conditions, we continue to 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 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; (6) The crystallization of TELUS Health and/or TELUS Agriculture & Consumer Goods.

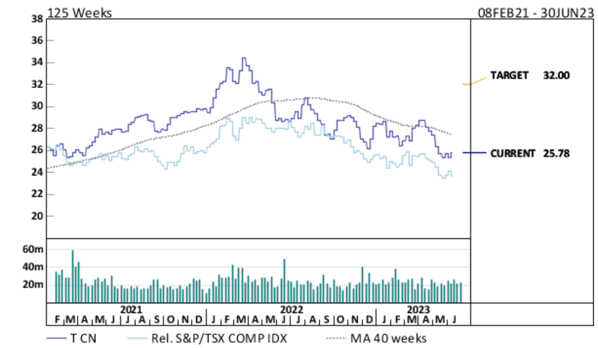
Valuation

The implied total return to our C$32 price target supports our Outperform rating. To derive our price target, we take the average of three approaches: (i) applying a 22.5x multiple to our blended two-year forward adjusted EPS estimates; (ii) applying a target EV/EBITDA multiple of 8.5x to our blended two-year forward EBITDA estimates for TELUS Technology Solutions and factoring in our one-year target for TELUS International; and (iii) discounted FCF through 2030E factoring in a WACC of 8.5% 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 higher interest rate environment.

Risks to rating and price target

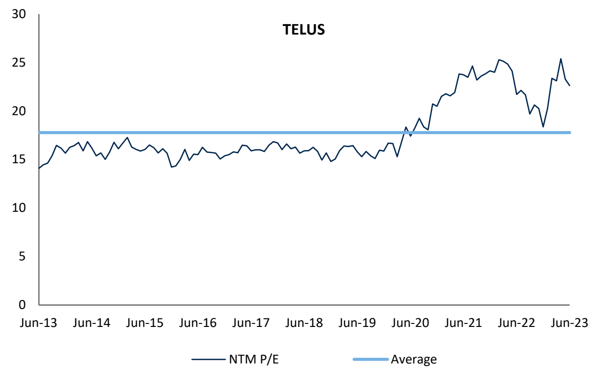
Risks to our price target and rating include: (i) a prolonged and/or significant economic downturn; (ii) a sustained increase in wireless competition and/or unexpected change in regulation resulting in higher churn and/or accelerated declines in postpaid ARPU; (iii) inability to realize additional cost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

Exhibit 47 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 48 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Veeva Systems Inc. (NYSE: VEEV)

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

Rating: Outperform | **Closing Price: 197.73**
Price Target: USD 225.00 | **Implied All-in Return (%): 13.8**

Investment summary

We like shares of Veeva for four primary reasons:

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

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

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

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

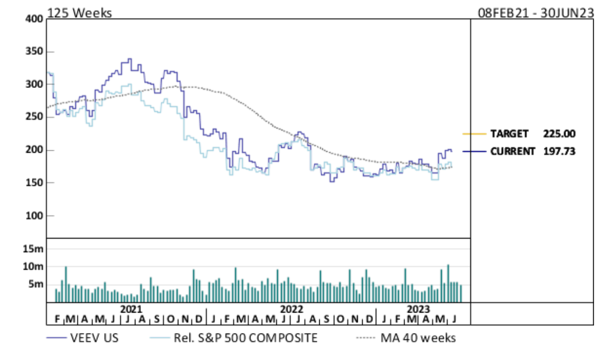
Valuation

Our $225 price target is based on 37x 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

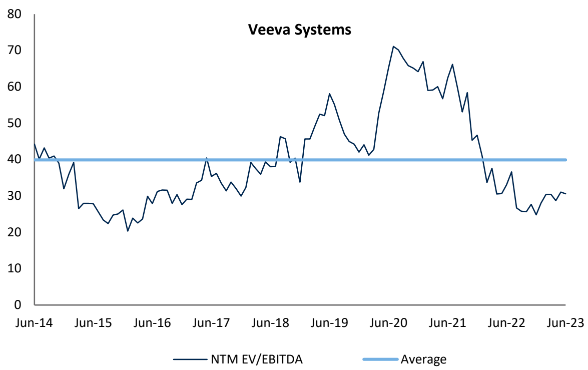
Risks to rating and price target include: (1) Customer concentration, with the top 10 customers representing 36% of revenue; (2) international risk, with non-US revenue representing ~40% of total revenue; (3) CRM remains a significant part of the business at ~45% of total revenue (according to our estimates);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

Exhibit 49 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 50 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Ventas, Inc. (NYSE: VTR)

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

Rating: Outperform | **Closing Price: 47.27**
Price Target: USD 54.00 | **Implied All-in Return (%): 18.1**

Investment summary

Ventas, Inc. (VTR) is among the largest healthcare REITs and maintains a diverse portfolio consisting of nearly every healthcare property type. Seniors housing is the largest segment of the portfolio, generating ~36% of annualized adjusted NOI, and this space has started to recover from the impact of COVID-19.

Potential catalysts include: (1) COVID spread subsides more quickly than anticipated. The largest risk to the healthcare REITs is the impact that the virus could have on results. If COVID-19 subsides and no new variants disrupt operations or the recovery is stronger than anticipated, results could benefit; (2) Access to multiple sources of capital could magnify investment trends. Management has been active sourcing several different types of capital including the launch of an open-end fund in 2020 and the GIC joint venture. Access to these different sources of capital could drive earnings growth higher if it allows management to be more aggressive in pursuing investments; (3) ESG focus could attract a new class of investors. VTR has been deemed a leader in ESG by multiple industry publications, and this focus could attract new investors.

Valuation

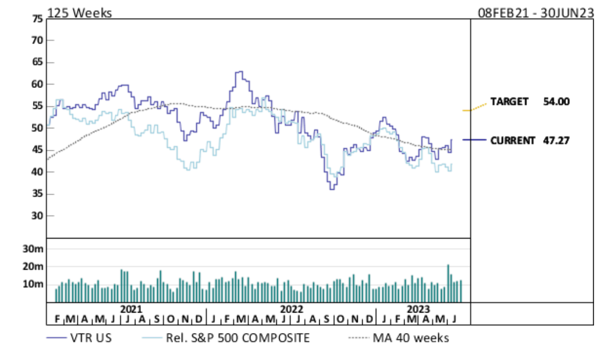
Price target justification: Our 12-month price target for shares of VTR is $54/share, which reflects a ~18.5x multiple based on our $2.91/share 2Q24-1Q25 AFFO estimate. Our target multiple reflects a slight premium to the stock's pre-COVID average. We believe this is warranted given the superior SHOP growth outlook offset by the higher interest rate environment. Our target reflects a ~10% premium to our 1Q24E NAV of $48.98/share. Our price target supports an Outperform rating.

NAV: We estimate the in-place NAV at $49.34/share assuming $39.25/share for current results and $10.09/share with the SHOP stabilizing at 88% occupancy and 30% margins.

Risks to rating and price target

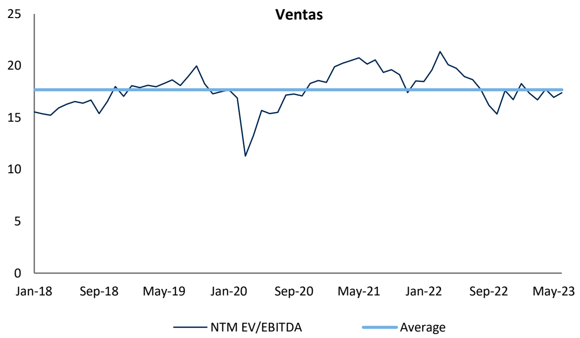
The greatest risks to our estimates, recommendation, and price target center around general market conditions, consumer preferences and regulatory trends including, but not limited to, availability/cost of capital, seniors desire/willingness to move into a seniors housing facility, and changes to the healthcare delivery system including potential cuts to government-funded programs. We highlight a few company-specific risks below, and investors can find a more inclusive risk section in the company's filings with the Securities and Exchange Commission.

Exhibit 51 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 52 - 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: 179.06**
Price Target: USD 177.00 | **Implied All-in Return (%): -0.3**

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 $177 price target assumes WCC trades to an undemanding 50% discount to our 18.0x SMID-cap 2024 target group P/E multiple, or 9.0x. This is below the low end of WCC's historical (40%)-(10%) relative P/E range to discount the elevated leverage, integration risk following the Anixter deal, and risk that the macro meaningfully turns over. We balance this with 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.

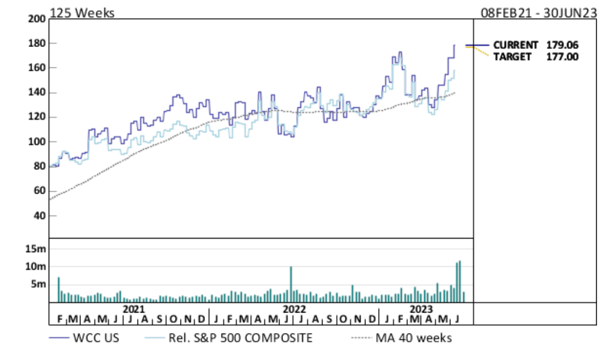
Competition and pricing. WESCO operates in the highly fragmented and competitive electrical products' distribution market. With limited access to credit, smaller competitors may potentially cut prices and pressure WESCO's disciplined business model. There is also a growing risk from online distributors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

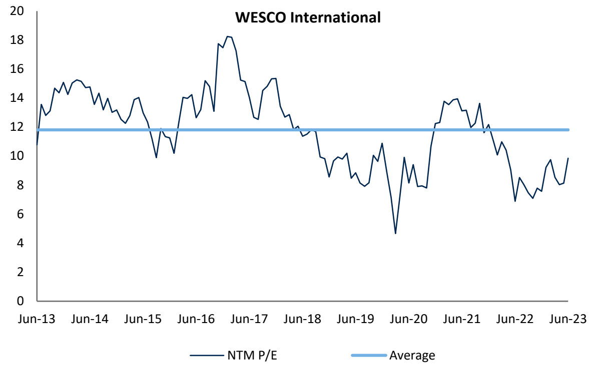
Nonresidential end market. A slower-than-expected recovery in the nonresidential construction end market could cause our estimates to be too optimistic.

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

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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.

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Distribution of ratings
RBC Capital Markets, Equity
Research As of 30-Jun-2023

			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [Outperform]	832	57.22	250	30.05
HOLD [Sector Perform]	573	39.41	138	24.08
SELL [Underperform]	49	3.37	3	6.12

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