Top 30 Global Ideas for 2024

Second-Quarter Update

EQUITY RESEARCH | April 8, 2024

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

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This report is priced as of market close on April 5, 2024, unless otherwise noted.

Introduction

Graeme Pearson – Co-Head of Global Research
Mark Odendahl – Co-Head of Global Research

Top 30 Global Ideas for 2024 — Changes This Quarter

Additions: American Homes 4 Rent (AMH US), GFL Environmental (GFL US), Marks & Spencer (MKS LN), PayPal (PYPL US), Xylem (XYL US)

Deletions: Americold Realty Trust (COLD US), Associated British Foods (ABF LN), Meta Platforms (META US), Union Pacific (UNP US), WESCO (WCC US)

In this note, we present our *Top 30 Global Ideas* for Q2 2024. This list remains one of high-conviction, long-term ideas, with quarterly updates that enable dynamic changes into names where we see higher-conviction upside potential. The *Top 30* list is built around bottom-up best ideas that we also view as offering attractive positioning in the current environment.

Globally, we share our US Equity Strategy team's view that we continue to see some conflicting cross currents for stocks. Our S&P 500 YE2024 price target is 5,300 and on balance, we see more upside than downside risks through year-end. Among the five models that we use, our economic, valuation, and cross-asset work are sending the most constructive signals, while our sentiment and politics work are less enthusiastic. The story we see in the data is that the strong move observed in the S&P 500 year-to-date has been deserved, and a rational case can be made for additional upside, but some of our work suggests that gains may be tougher to come by from here.

Year-to-date, the *Top 30* list has delivered a total return of +5.6% (USD terms) versus the MSCI World Index at +7.8%, with the best-performing *Top 30* stock selections being Meta (META US) at +49.1%, Diamondback Energy (FANG US) at 34.0%, Canadian Natural Resources (CNQ CN) at 25.4%, and Ferrari (RACE IM) at +24.3%. Since inception of our quarterly list at YE2019, the *Top 30* has delivered a total return of +69.1%, above the benchmark at +54.2%.

This quarter, in **Industrials** we add **GFL Environmental (GFL US)**, the 4th largest player in the attractive North American Waste industry, with a long runway for growth via M&A, in our view. We see potential for a material upward re-rating in the shares as GFL delivers on its organic/inorganic initiatives and reduces its leverage over the near- to medium-term. We also add **Xylem (XYL US)**, the largest global pure-play water technology solutions provider with a first-mover advantage in smart water systems. We expect value creation and significant synergy upside from the recent acquisition of Evoqua, see Xylem well-positioned in PFAS remediation, and expect portfolio optimization orchestrated by the new CEO and CFO to lead to margin upside over the next several years. Xylem's shares also have scarcity value in the water sector and ESG appeal, in our view. We switch out of **Union Pacific (UNP US)** while maintaining our positive investment thesis as the stock has delivered a strong return and valuation re-rating since it was added to the *Top 30* in October 2023, and we remove **WESCO (WCC US)** following our recent downgrade to Sector Perform.

Within **Financials**, in Fintech we add **PayPal (PYPL US)**. We believe that PayPal's pivot to narrow its investment and innovation focus on Branded checkout, Braintree (unbranded), and Venmo monetization could enable the company to re-establish itself as a leader in eCom and mobile payments. While early in the transition, we think the shares of PYPL look compelling at current levels with meaningful upside potential to RBC and consensus estimates for FY24 and FY25, and as proof-points to the success of its strategy emerge, we believe the stock could begin to re-rate higher.

In **Consumer**, we add **Marks & Spencer (MKS LN)**, which we recently upgraded to Outperform. The share price has pulled back by ~12% from recent highs amidst investor repositioning and concerns over the UK consumer and cost outlook. However, the strong fundamental outlook for M&S has not changed, in our view. At 11x CY24E P/E, the shares appear to be pricing no EPS growth, but we believe that M&S can deliver growth alongside a progressive cash returns policy, broadening its appeal to long-term investors. In favor of M&S, we remove **Associated British Foods (ABF LN)** following strong performance since its addition to the *Top 30* in mid-2023, while maintaining an Outperform rating.

In **Real Estate**, we add **American Homes 4 Rent (AMH US)**. We have a favorable view of the US single-family rental (SFR) sector given a lack of for-sale housing affordability, demographic tailwinds, and a significant opportunity for greater scale, and see AMH as the only way to play the SFR development, which is likely to generate outsized yields versus acquisition at only a modestly increased risk profile. We also like AMH's strong balance sheet. We remove **Americold Realty Trust (COLD US)**; while we continue to see an attractive setup and remain optimistic the portfolio will continue to recover from the pandemic/inflation pressures, the pace of the re-acceleration will likely be more elongated, in our view.

In **Communication Services**, we remove **Meta (META US)** while maintaining an Outperform rating, following a return of +339% since it was added to the *Top 30* in January 2023. While we still like the stock, the risk/reward has become less asymmetric given the significant outperformance both recently as well as over the past 18 months.

This report contains detail on our investment thesis for each *Top 30* name beginning on page 7, and we encourage you to reach out to our team to continue the dialogue regarding their investment ideas.

We also highlight our flagship research products: RBC Elements™, RBC Imagine™, RBC Fusion™, and RBC ESG Stratify™. RBC Elements features proprietary insights generated with our data science team. RBC Imagine is a suite of future-focused research looking beyond the near-term forecastable horizon. RBC Fusion offers peer-reviewed, unique reports on our highest-conviction, most-differentiated calls. RBC ESG Stratify separates the signal from the noise on ESG matters with precise, analytical research.

Top 30 Global Ideas for 2024 – Analyst Coverage and Pricing Data

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (04/05/2024)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Alimentation Couche-Tard Inc.	ATD CN	Irene Nattel	Outperform	CAD	75.45	72,568	94.00	0.9	25.5
Alnylam Pharmaceuticals, Inc.	ALNY US	Luca Issi	Outperform	USD	153.56	19,289	235.00	0.0	53.0
Amazon.com, Inc.	AMZN US	Brad Erickson	Outperform	USD	185.07	1,963,593	215.00	0.0	16.2
American Homes 4 Rent	AMH US	Brad Heffern	Outperform	USD	35.99	14,943	39.00	2.9	11.3
Anheuser-Busch InBev SA/NV	ABI BB	James Edwardes Jones	Outperform	EUR	55.36	111,440	73.00	1.8	33.6
Bank of America Corporation	BAC US	Gerard Cassidy	Outperform	USD	37.11	293,021	39.00	2.6	7.7
Biogen Inc.	BIIB US	Brian Abrahams	Outperform	USD	203.87	29,683	326.00	0.0	59.9
Boston Scientific Corporation	BSX US	Shagun Singh	Outperform	USD	68.56	101,256	70.00	0.0	2.1
Canadian Natural Resources Limited	CNQ CN	Greg Pardy	Outperform	CAD	110.19	118,168	100.00	3.8	-5.4
Chubb Limited	CB US	Scott Heleniak	Outperform	USD	252.90	103,866	295.00	1.4	18.0
Constellation Software Inc.	CSU CN	Paul Treiber	Outperform	CAD	3,641.45	77,168	4,300.00	0.2	18.2
CrowdStrike Holdings, Inc.	CRWD US	Matthew Hedberg	Outperform	USD	315.50	80,074	420.00	0.0	33.1
Diamondback Energy, Inc.	FANG US	Scott Hanold	Outperform	USD	204.32	36,460	195.00	4.7	0.1
Element Fleet Management Corp.	EFN CN	Geoffrey Kwan	Outperform	CAD	21.88	8,516	31.00	2.2	43.9
Ferrari N V	RACE IM	Tom Narayan	Outperform	EUR	387.50	70,913	463.00	0.2	19.7
GFL Environmental Inc.[1]	GFL US	Sabahat Khan	Outperform	USD	34.35	12,734	46.00	0.2	34.1
HEICO Corporation	HEI US	Ken Herbert	Outperform	USD	189.13	26,092	225.00	0.0	19.0
HubSpot, Inc.	HUBS US	Rishi Jaluria	Outperform	USD	670.00	35,256	700.00	0.0	4.5
Illumina, Inc.[2]	ILMN US	Conor McNamara	Outperform	USD	127.75	20,185	253.00	0.0	98.0
London Stock Exchange Group plc	LSEG LN	Ben Bathurst	Outperform	GBp	9,378.00	52,234	10,800.00	1.2	16.4
Marks and Spencer Group P.L.C.	MKS LN	Richard Chamberlain	Outperform	GBp	261.20	5,305	300.00	1.2	16.0
Mastercard Incorporated	MA US	Daniel R. Perlin	Outperform	USD	477.15	448,044	499.00	0.4	5.0
PayPal Holdings, Inc.	PYPL US	Daniel R. Perlin	Outperform	USD	65.15	70,623	74.00	0.0	13.6
PG&E Corporation	PCG US	Shelby Tucker	Outperform	USD	16.81	35,940	21.00	0.2	25.2
Restaurant Brands International Inc.	QSR US	Logan Reich	Outperform	USD	74.55	35,344	90.00	2.4	23.1
S&P Global Inc.	SPGI US	Ashish Sabadra	Outperform	USD	431.59	137,246	500.00	0.8	16.7
Siemens Aktiengesellschaft	SIE GR	Mark Fielding	Outperform	EUR	172.68	138,299	195.00	2.8	15.7
TELUS Corporation	T CN	Drew McReynolds	Outperform	CAD	21.77	31,958	29.00	6.7	39.9
Veeva Systems Inc.	VEEV US	Rishi Jaluria	Outperform	USD	214.73	35,231	250.00	0.0	16.4
Xylem Inc.	XYL US	Deane Dray	Outperform	USD	128.27	23,204	153.00	1.0	20.2

Note:

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

[1] Subsequent to the April 5, 2024 pricing of the Top 30 Global Ideas for 2024, GFL's price target was raised to USD 46.00 (from USD 43.00) on April 8, 2024. See note here.

[2] Subsequent to the April 5, 2024 pricing of the Top 30 Global Ideas for 2024, ILMN's price target was lowered to USD 253.00 (from USD 258.00) on April 7, 2024. See note here.

Source: Bloomberg and RBC Capital Markets estimates

Top 30 Global Ideas for 2024 – Changes This Quarter

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (04/05/2024)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Additions this quarter:									
American Homes 4 Rent	AMH US	Brad Heffern	Outperform	USD	35.99	14,943	39.00	2.9	11.3
GFL Environmental Inc.[1]	GFL US	Sabahat Khan	Outperform	USD	34.35	12,734	46.00	0.2	34.1
Marks and Spencer Group P.L.C.	MKS LN	Richard Chamberlain	Outperform	GBp	261.20	5,305	300.00	1.2	16.0
PayPal Holdings, Inc.	PYPL US	Daniel R. Perlin	Outperform	USD	65.15	70,623	74.00	0.0	13.6
Xylem Inc.	XYL US	Deane Dray	Outperform	USD	128.27	23,204	153.00	1.0	20.2
Deletions this quarter:									
Americold Realty Trust, Inc.	COLD US	Michael Carroll	Outperform	USD	23.67	6,727	32.00	3.7	38.9
Associated British Foods plc	ABF LN	Richard Chamberlain	Outperform	GBp	2,414.00	19,056	2,650.00	1.8	11.6
Meta Platforms, Inc.	META US	Brad Erickson	Outperform	USD	527.34	1,386,904	600.00	0.0	13.8
Union Pacific Corporation	UNP US	Walter Spracklin	Outperform	USD	242.01	147,602	281.00	2.3	18.4
WESCO International, Inc.	WCC US	Deane Dray	Sector Perform	USD	171.79	8,967	192.00	0.9	12.6

Notes:

[1] Subsequent to the April 5, 2024 pricing of the Top 30 Global Ideas for 2024, GFL's price target was raised to USD 46.00 (from USD 43.00) on April 8, 2024. 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 year-to-date and since inception (December 2019).

Ticker	Company	Total Return 2024 YTD (in local currency)	Total Return 2024 YTD (in USD)
META US	Meta Platforms, Inc.	49.1%	49.1%
FANG US	Diamondback Energy, Inc.	34.0%	34.0%
CNQ CN	Canadian Natural Resources Limited	29.0%	25.4%
RACE IM	Ferrari N V	27.0%	24.3%
CRWD US	Crowdstrike Holdings, Inc.	23.6%	23.6%
AMZN US	Amazon.com, Inc.	21.8%	21.8%
BSX US	Boston Scientific Corporation	18.6%	18.6%
HUBS US	HubSpot, Inc.	15.4%	15.4%
CB US	Chubb Limited	12.3%	12.3%
MA US	Mastercard Incorporated	12.0%	12.0%
VEEV US	Veeva Systems Inc.	11.5%	11.5%
BAC US	Bank of America Corporation	11.0%	11.0%
CSU CN	Constellation Software Inc.	10.9%	7.8%
HEI US	HEICO Corporation	5.8%	5.8%
SIE GR	Siemens AG	4.2%	2.1%
ABF LN	Associated British Foods plc	2.0%	1.0%
LSEG LN	London Stock Exchange Group plc	1.1%	0.1%
EFN CN	Element Fleet Management Corp.	2.0%	-0.8%
WCC US	WESCO International, Inc.	-0.9%	-0.9%
UNP US	Union Pacific Corporation	-1.0%	-1.0%
SPGI US	S&P Global Inc.	-1.8%	-1.8%
QSR US	Restaurant Brands International Inc.	-3.9%	-3.9%
ATD CN	Alimentation Couche-Tard Inc.	-3.1%	-5.8%
PCG US	PG&E Corporation	-6.7%	-6.7%
ABI BB	Anheuser-Busch InBev SA/NV	-5.2%	-7.2%
ILMN US	Illumina, Inc.	-8.3%	-8.3%
T CN	TELUS Corporation	-6.2%	-8.8%
ALNY US	Alnylam Pharmaceuticals, Inc.	-19.8%	-19.8%
COLD US	Americold Realty Trust, Inc.	-21.1%	-21.1%
BIIB US	Biogen Inc.	-21.2%	-21.2%
	Average total return for RBC CM Top 30 Global Ideas YTD	***6.4%***	***5.6%***

Indices		Total Return (in local currency) 2024 YTD	Since Inception (Not annualized)
SPX Index	S&P 500 Index	9.5%	72.5%
NDDUWI Index	MSCI World Net Total Return US	7.8%	54.2%
SPTSX Index	S&P/TSX Composite Index	7.1%	49.2%
SXXP Index	STOXX Europe 600 Price Index	6.6%	38.9%
	RBC CM Top 30 Global Ideas	**6.4%**	**71.1%**
AS51 Index	S&P/ASX 200	4.1%	44.7%

Indices		Total Return (in USD) 2024 YTD	Since Inception (Not annualized)
SPX Index	S&P 500 Index	9.5%	72.5%
NDDUWI Index	MSCI World Net Total Return US	7.8%	54.2%
	RBC CM Top 30 Global Ideas	**5.6%**	**69.1%**
SXXP Index	STOXX Europe 600 Price Index	4.4%	34.1%
SPTSX Index	S&P/TSX Composite Index	4.2%	42.6%
AS51 Index	S&P/ASX 200	0.3%	35.6%

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

Source: Bloomberg and RBC Capital Markets

Investment Thesis

Alimentation Couche-Tard Inc. (TSX: ATD)

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

Rating: Outperform | **Closing Price: CAD 75.45**
Price Target: CAD 94.00 | **Implied All-in Return (%): 25.5**

Investment summary

Despite challenging macro backdrop, multiple avenues for growth, underpinned by: (1) top-line momentum from more-focused, cross-regional initiatives to drive incremental sales and consumer value; (2) well-defined initiatives and strategies to optimize procurement; (3) focus on localized merchandise pricing, promotions, and assortments; (4) innovative fuel initiatives, including ongoing rollout of Circle-K gas; (5) cost optimization; (6) network development; and (7) opportunistic acquisitions.

F28 EBITDA objective of $10 B, $8.9 B excluding new M&A, exceeds published forecasts, opportunity for ongoing upward revision to forecasts. Successful execution of well-defined strategies to drive higher sales and earnings from existing operations including the articulation of a sustainable fuel margin in the low 40's CPG should drive upward revision to forecasted earnings. While nature and timing of M&A are impossible to predict, the current macro backdrop and interest rate environment and ATD's attractive cost of capital could very well give rise to an accelerated pace of M&A after a relative drought over the F18–F23 period.

Industry performance in North America through COVID and during prior downturns reinforces defensive sector attributes. 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 ~1.9x 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 of ~$10 B, which using ATD historical and recent transaction multiples is sufficient to fund the targeted $1.1B of incremental EBITDA from M&A.

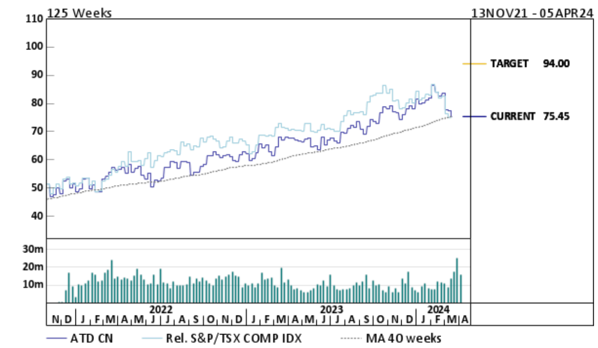
Valuation

Taking the midpoint of 19.5x TTM Q3/F26E (February 2026E TTM) EPS and 11.5x EBITDA drives our price target of C$94, 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

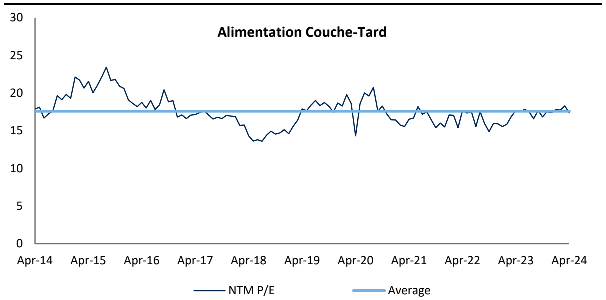
Normalization of gas margins without volume improvement would result in earnings below expectations. Substantial dislocation in inside-store volumes could reduce inside-store contribution. Although c-stores typically are relatively recession-resistant, ~50% of US c-store customers have incomes ≤$60k 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 M&A not included in our forecasts could result in earnings/share price that differs from forecasts.

Exhibit 1 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 2 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

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: USD 153.56**
Price Target: USD 235.00	**Implied All-in Return (%): 53.0**

Investment summary

Onpattro CRL Difficult To Swallow, But Not Thesis Changing – The CRL for patisiran's sNDA package for TTR-CM is disappointing and difficult to rationalize given: (1) 2019 FDA guidance supports approval on function and symptoms, (2) APOLLO-B hit on both function (6MWT) and symptoms (KCCQ), (3) drug is safe (been on the market for 1/2 decade), (4) AdCom voted 9-3 for approval, and (5) patients have only one therapeutic option today (that can come with high co-pay for some patients). Despite this, the financial impact is relatively modest and we remain confident that the drug will ultimately show an impact for TTR-CM.

We Remain Confident In HELIOS-B – On HELIOS-B, we remain confident given: (1) trial is 2x larger vs APOLLO-B (n=655 vs n=360), (2) trial is 3x longer vs APOLLO-B (30+ months vs 12 months – we think this is critical as both BBIO and PFE have shown curves take time to separate), (3) trial uses hard endpoints that are less subject to interpretation, (4) recent BBIO data has favorable read-through given patients in a post-tafa era can still show a benefit, and (5) 24-month OLE data from APOLLO-B shows evidence of disease stabilization (unlike BBIO and tafa which has shown disease progression despite treatment).

Rich Calendar Ahead With Many Potential Catalysts – Key upcoming catalysts including: HELIOS-B topline readout in late June/early July, and sNDA to follow in mid-24, initiation of a Phase III study with next-gen IKARIA by YE-24 for TTR-CM, Phase 2 hypertension-combo (KARDIA-2) topline results, and initiation of KARDIA-3 in early 2024, and Phase I MAD AD results in late '24. On hypertension, we continue to like AGT given clinical POC already in hand (>15mmHg, stat.sig, placebo-adjusted reduction at 3 months from KARDIA-1), Roche deal struck on favorable economics ($310m upfront/$2.5b bio-bucks) and a market that is 300x bigger than TTR-CM (250k vs. 77m with hypertension and high CV risk).

We Think Stock Offers M&A Optionality – Few biotech companies have a commercially validated platform technology like ALNY (~$1b in revenue, five 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). We view M&A optionality as a "nice to have", but we are making a fundamental call on the stock and we see an attractive entry point ahead of key catalysts.

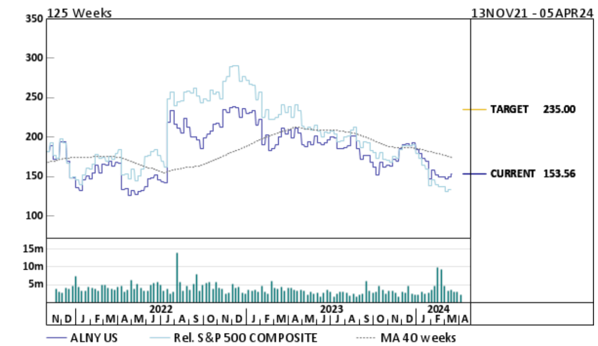
Valuation

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 $235 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 price target supports our Outperform rating.

Risks to rating and price target

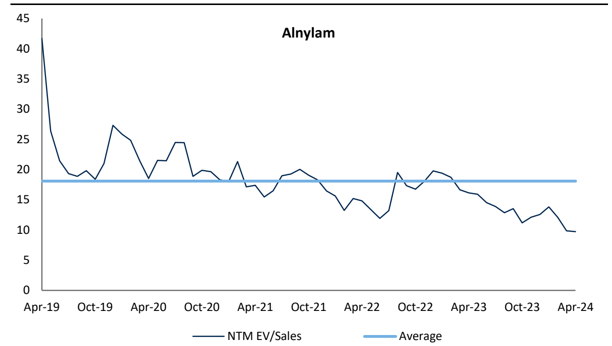
Risks to rating and price target include: (1) silencers do not work in TTR-CM; (2) increased competition caps revenue growth; and (3) path to profitability takes longer.

Exhibit 3 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 4 - Forward consensus EV/sales history



Source: FactSet

Most recent company note: link

Amazon.com, Inc. (NASDAQ: AMZN)

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

Rating: Outperform	Closing Price: USD 185.07
Price Target: USD 215.00	Implied All-in Return (%): 16.2

Investment summary

AMZN is one of the internet's largest true alpha dogs, in our view. The company's unmatched scale and advantage in verticalized e-commerce combined with its industry-leading cloud business gives it many shots on goal for future growth opportunities in new verticals. Our channel checks indicate that the burgeoning advertising business in particular has a massive opportunity to drive accretive growth. Regulatory scrutiny is inevitable but carries relatively low risk to long-term equity value, in our view.

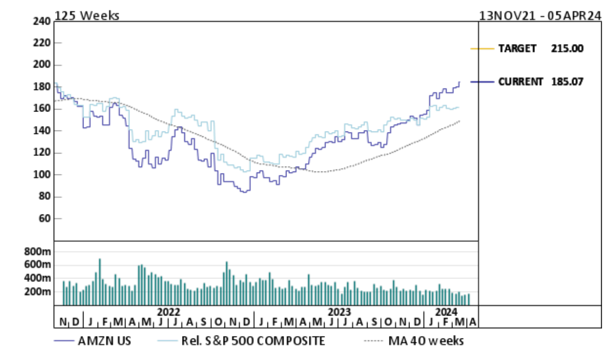
Valuation

The stock trades at 10x EV/'25E EBITDA, which is a slight discount to the group. Reasons for the discount are valid in some ways given the law of large numbers limiting growth rates and the multiple ascribed to the low-margin 1P retail business. That said, we believe an in-line multiple is fair given the e-commerce moat that AMZN has developed, combined with rising exposure to highly cash-generative segments such as advertising and cloud. Our Outperform rating is supported by our $215 price target, which is based on 13x EV/our '25E EBITDA.

Risks to rating and price target

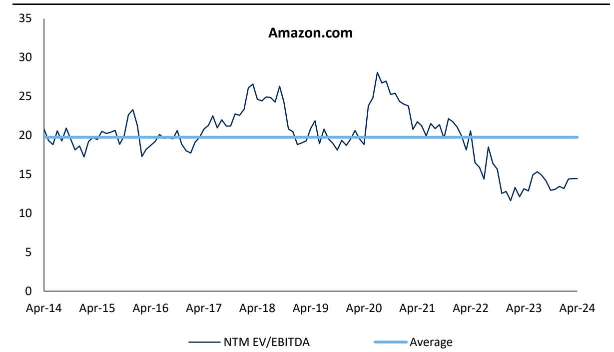
Risks to rating and price target include: (1) challenging integration of ongoing capacity expansion; (2) less sticky or reversionary e-commerce trends post-pandemic; (3) less successful Prime membership adoption in international markets leading to slowing growth and less margin expansion than expected; (4) inability to secure rights to meaningful sports & entertainment content, particularly in Europe; (5) a lack of improvement to the advertising platform's targeting algorithms and conversion leading to slowing growth; (6) intensifying competition in cloud; and (7) global macroeconomic slowdown.

Exhibit 5 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 6 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

American Homes 4 Rent (NYSE: AMH)

RBC Capital Markets, LLC
Brad Heffern, CFA (Analyst) (512) 708-6311, brad.heffern@rbccm.com

Rating: Outperform | **Closing Price: USD 35.99**
Price Target: USD 39.00 | **Implied All-in Return (%): 11.3**

Investment summary

We have a favorable view of the single-family rental sector given a lack of for-sale housing affordability, demographic tailwinds and a significant opportunity for greater scale. We see AMH as the only current way to play the development side of the business, which is likely to generate outsized yields versus acquisition at only a modestly increased risk profile. We also like AMH's strong balance sheet. This supports our Outperform rating.

Valuation

We estimate a forward 12-month NAV of $42/sh based on a 5.3% cap rate and our projections for NOI, JV income, and construction in progress.

Our DCF methodology indicates a value of $36/sh based on the NPV of cash flows provided by our model through 2027, a terminal growth rate of 3.75%, and a WACC of 7.1%.

We assign a 21.0x FFO multiple to our 2024 estimate to arrive at an FFO methodology value of $37/sh; the 21.0x multiple is a premium to the broader SF/MF group given AMH's development platform.

We include a 5% premium to our NAV to capture the value of the AMH platform, and the average of the three methodologies results in our $39/sh price target. The implied return to our price target supports our Outperform rating.

Risks to rating and price target

Economic trends: The largest risks to all single/multi-family home companies relate to general economic trends, including employment/wage growth, household formation, and relative housing affordability.

Convergence with multifamily: AMH trades at an elevated multiple versus multifamily peers, which we think is largely due to elevated rent spreads; if these converge, AMH could lose some of its premium.

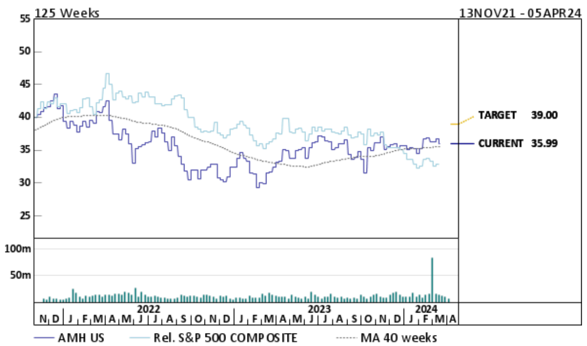
Expenses: Operating expenses, particularly property taxes, have been at significantly elevated levels of late, which represents a risk if they do not return to traditional levels.

Excess capital: Private operators and institutions continue to increase allocations to the single-family space, which could potentially push down returns.

Development risk: AMH is a significant developer, which brings execution risks along with higher potential returns.

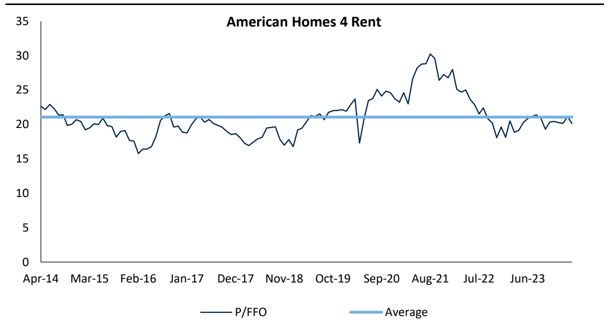
Regulatory: We expect that the influx of capital into the single-family rental space could eventually garner more regulatory oversight.

Exhibit 7 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 8 - Forward consensus P/FFO history



Source: Factset

Most recent company note: [link]()

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

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

Rating: Outperform | **Closing Price: EUR 55.36**
Price Target: EUR 73.00 | **Implied All-in Return (%): 33.6**

Investment summary

AB InBev has underperformed the consumer staples 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.

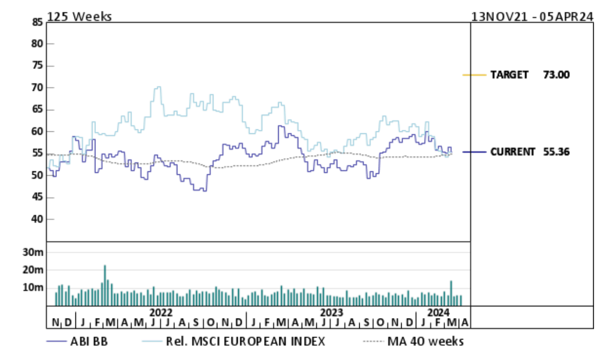
Valuation

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 €69 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 €73. Our price target and the implied return support our Outperform rating.

Risks to rating and price target

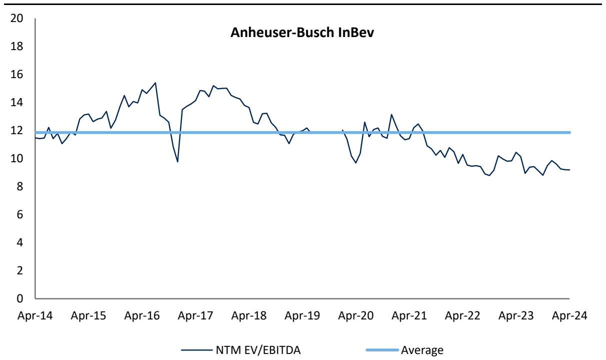
If the Bud Light controversy in the US continues to attract airtime with consequent impact on the volumes of ABI's largest brand, or negative repercussions spill over into other brands and/or geographies, it would have adverse implications for the group's reputation and profitability. Almost all of ABI's 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 9 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 10 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Bank of America Corporation (NYSE: BAC)

RBC Capital Markets, LLC
Gerard Cassidy (Co-Head of Global Financials Research) (207) 780-1554,
gerard.cassidy@rbccm.com

Rating: Outperform	**Closing Price: USD 37.11**
Price Target: USD 39.00	**Implied All-in Return (%): 7.7**

Investment summary

Our Outperform rating on Bank of America shares is primarily driven by the following key fundamental factors:

Driving the franchise to new highs: Under the leadership of Chairman and CEO Brian Moynihan, BAC has steadily delivered increased profitability through thoughtful growth combined with a focus on expenses and strong credit underwriting principles. We do not expect any shift in this strategy as the company looks to grow its business through deepening its relationships with existing clients and organically expanding into new geographies and markets.

Strong balance sheet: With a common equity tier 1 ***(CET1) ratio of 11.8% and SLR of 6.1%,*** as of December 31, 2023, BAC proved it was able to withstand the "hit" it took in 2020 from the severe decline in the US economy resulting from the containment strategies for COVID-19. Also, due to its strong capital position and PPNR (pre-tax, pre-provision revenue), it should be capable of paying and increasing its dividend throughout a downturn.

Return of capital: BAC announced that its Board of Directors has authorized the repurchase of up to $25 billion of its common stock over time. ***BAC repurchased $0.8 billion in common shares during the fourth quarter***.

Global capital markets: As one of the leaders in global capital markets, BAC has relationships with ~74% of the Global Fortune 500. Additionally, its investment in digital technology is driving a scale business to higher highs.

Impressive franchise: BAC has successfully grown its deposit market share – ***it had $1.92 trillion in total deposits and $982 billion in total consumer banking deposits as of 4Q23,*** providing evidence that the company is starting to go on the offensive after years of cleaning up the problems from the Financial Crisis. Additionally, we believe the company's mobile offerings are among the best in the industry, and as usage increases, we expect BAC to see an increase in its profitability and earnings growth.

Attractive valuation: Relative to its peers, we see the shares as an attractive longer-term risk-reward play, particularly given the current discounted multiples.

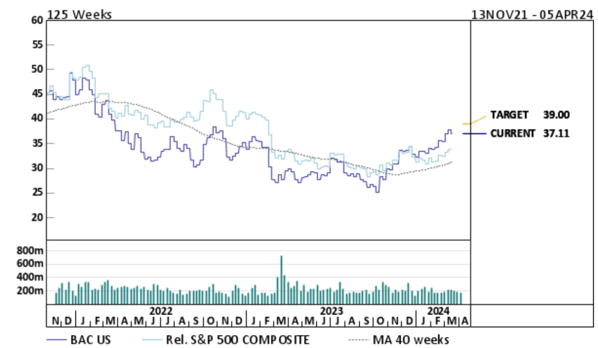
Valuation

Our price target of $39 is 11.8x our 2024 EPS estimate, 1.07x 1Q25E book value, and 1.43x 1Q25E tangible book value. These multiples are consistent with similar-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

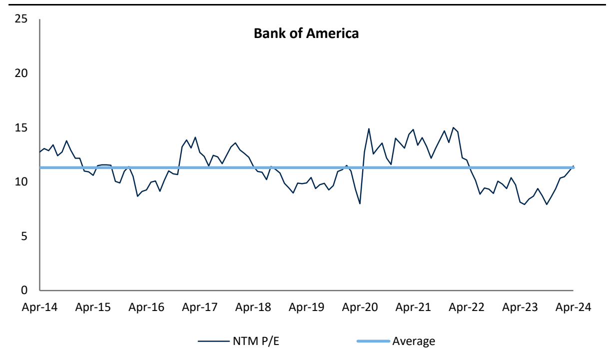
We believe excessive monetary tightening by the Federal Reserve, which results in driving the US economy into a recession in 2024, is the key risk for the company and our rating and price target. A recession would bring on elevated levels of credit losses, which would depress earnings.

Exhibit 11 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 12 - Forward consensus P/E history



Source: FactSet

Most recent industry note: link

Biogen Inc. (NASDAQ: BIIB)

RBC Capital Markets, LLC
Brian Abrahams, M.D. (Head of Global Healthcare Research) (212) 858-7066,
brian.abrahams@rbc.com

Rating: Outperform	**Closing Price: USD 203.87**
Price Target: USD 326.00	**Implied All-in Return (%): 59.9**

Investment summary

We believe BIIB shares may be settling closer to a bottom due to multiple recent setbacks on Aduhelm ex-US approvals, US access, and generic entries competing against the company's MS business; we see limited additional downside from here, and given poor buy-side sentiment on the name, we believe this creates an attractive entry point for shares. With lecanemab's ph.III having read out positively, in our view, there seem to be more upside opportunities than downside risks going forward. We see potentially significant upside on success of the Alzheimer's franchise that may capitalize on meaningful physician appetite for the anti-amyloid class; we see downside being capped by the potential for additional cost cutting and strategic BD. We believe revenues from Biogen's core MS franchise and Spinraza will be flat to down over the long term but still meaningful, and we are also conservative on pipeline programs such as its stroke program, ALS antisense agents, lupus drugs, and SAGE-partnered zuranolone. Overall, though challenges remain, we see a favorable setup at these levels.

Key positives include: (1) potential for significant market opportunity for lecanemab in Alzheimer's; (2) MS franchise should continue to generate meaningful future cash flows; (3) little credit given to pipeline, and management's recent strategic initiatives could be well received; and (4) reasonable long-term cash flows from anti-CD20 royalties and growing biosimilars business.

Potential catalysts include: (1) continued Leqembi & Skyclarys launch trends (2024+); and (2) ph.III topline data for dapirolizumab pegol in SLE.

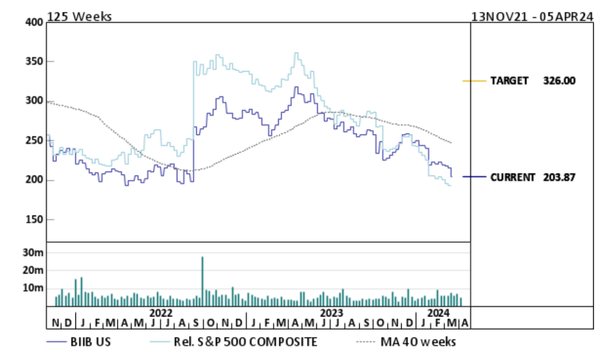
Valuation

Our $326 price target is derived from a DCF, which uses a 9.5% discount rate and a 3% terminal growth rate. Our price target supports our Outperform rating.

Risks to rating and price target

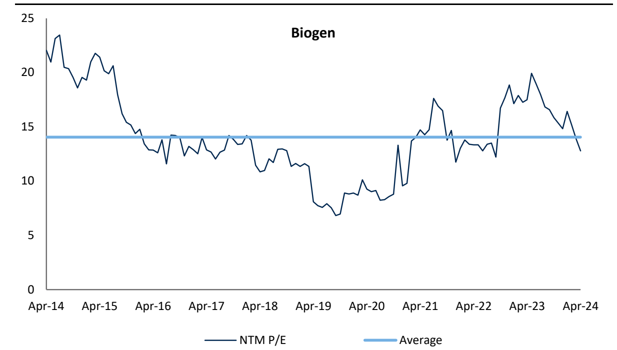
Risks to our rating and price target include: competition, generics, and pricing pressure in MS; competition in SMA; clinical failure or reimbursement limitations on Alzheimer's antibodies, and headwinds from the ongoing COVID-19 pandemic.

Exhibit 13 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 14 - Forward consensus P/E history



Source: FactSet

Most recent company note: [link]()

Boston Scientific Corporation (NYSE: BSX)

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

Rating: Outperform	Closing Price: USD 68.56
Price Target: USD 70.00	Implied All-in Return (%): 2.1

Investment summary

BSX is increasing its WAMGR by shifting into faster growing MedTech end-markets. BSX's shift into higher adjacent growth markets via tuck-in M&A is poised to drive its WAMGR from -1% in 2011–12 to above 6% by 2024. 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.

Key catalysts are as follows: (1) FDA approval for Farapulse PFA in Q1'24E (achieved) followed by full market release; (2) launch of Acurate Neo2 (TAVI system) in the US; (3) launch of AGENT coronary drug-coated balloon in the US in 2H'24E; (4) next-gen Watchman FLX Pro launch in Q1'24E; and (5) acquisitive on the M&A front given BSX's history of accretive M&A to expand its portfolio offerings.

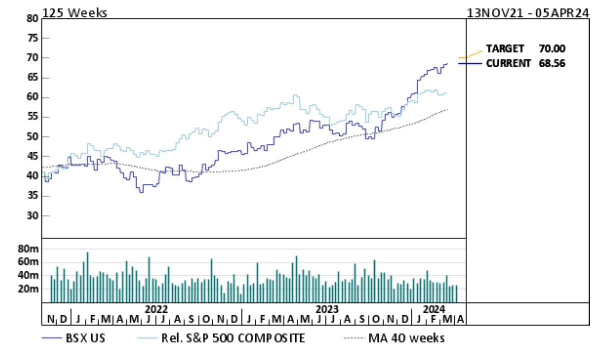
Valuation

Our $70 price target is an equal blend of: (1) DCF yields a value of $74 per share and reflects our forecast through 2033 with a 1.5% terminal value growth rate and a WACC of ~7.0%; (2) EV-to-Sales analysis uses a multiple of ~6.5x on 2025E sales, which yields a value of $69; (3) EV-to-EBITDA analysis uses a ~18.5x multiple on 2025E EBITDA, which yields a value of $68; and (4) P/E analysis uses a ~26.5x multiple on 2025E EPS, above its 10- year historical NTM P/E multiple of 22.0x, which yields a value of $67. The return implied by our price target supports an Outperform rating.

Risks to rating and price target

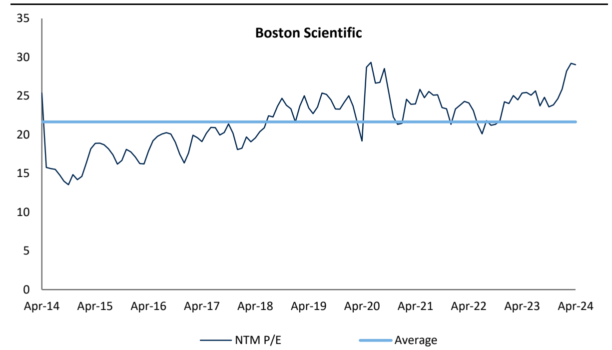
Risks to rating and price target include, but are not limited to: (1) competition that can disrupt and take share; (2) R&D efforts or clinical trials that do not materialize; (3) supply chain or manufacturing disruptions; (4) geopolitical risk; (5) FX headwinds; and (6) BSX/AXNX merger does not get regulatory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

Exhibit 15 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 16 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

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

Rating: Outperform	Closing Price: CAD 110.19
Price Target: CAD 100.00	Implied All-in Return (%): -5.4

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 22 people. This group meets weekly and oversees all matters spanning marketing, finance, ESG, operations, and technology, amongst others. Murray Edwards, Executive Chairman, Scott Stauth, President, and Mark Stainthorpe, CFO, are all key members of the committee.

100% Allocation to Shareholder Returns. Given the achievement of its net debt floor of $10 billion in the fourth-quarter of 2023, the company is now targeting to return 100% of free cash flow to shareholders through dividends and share repurchases in 2024. Moving forward, the company will manage this allocation of free cash flow on a go forward annual basis, while managing working capital and cash management as required. Free cash flow will be defined as adjusted FFO less dividends and total capital expenditures (excluding A&D) in the year.

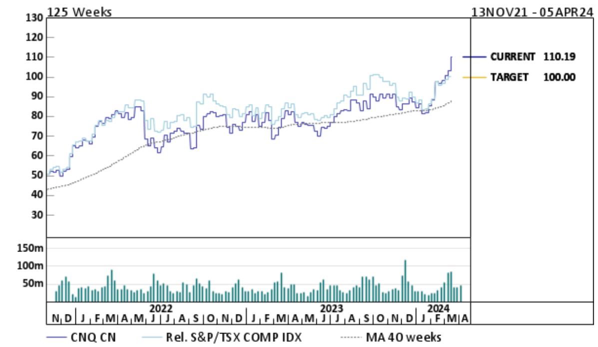
Valuation

Our price target of $100 per share reflects an equal weighting toward a multiple of 1.3x our NAV and an implied 2024E debt-adjusted cash flow multiple of 9.0x 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

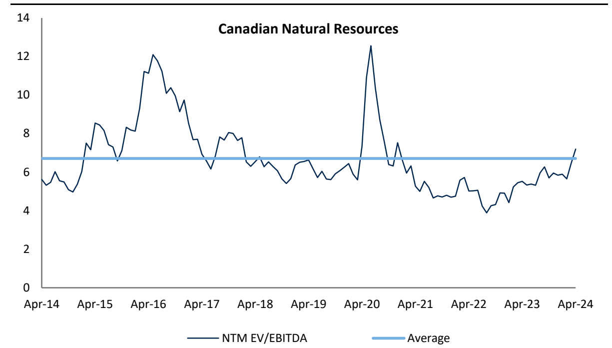
The most significant risk to our price target and rating is unexpected changes in crude oil and natural gas prices. Other risks include the impact of foreign exchange and government legislation as it relates to royalties, income taxes, and environmental policy.

Exhibit 17 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 18 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Chubb Limited (NYSE: CB)

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

Rating: Outperform	**Closing Price: USD 252.90**
Price Target: USD 295.00	**Implied All-in Return (%): 18.0**

Investment summary

The investment case for Chubb is really as simple as it can be – we believe the company is the best underwriter in the sector and one of the few that has been able to consistently deliver profitable long-term growth. The balance sheet remains solid with consistently redundant reserves and ample capital to pursue capital return, organic growth and targeted acquisitions. We believe current market conditions are conducive to both price driven and organic growth both domestically and internationally taking advantage of market dislocations. We expect recent acquisitions to perform well. Our investment thesis and Outperform rating are driven by the following key characteristics:

A dominant global franchise. Chubb has a broad product offering and the ability to deliver it through a variety of distribution channels and is backed by strong capitalization and a superior financial strength rating. About half of Chubb's business comes from outside the US, and it pursues growth via both acquisition and start-up.

Strong underwriting capabilities. Chubb's ability to write as a primary provider and as an excess provider positions it to participate in a range of insurance structures. Only a handful of companies can match this capability; fewer still can do so on a global basis, in our view.

Not just a pricing story. The company competes in a variety of businesses such as crop insurance and accident & health insurance, which are not typically correlated with the P&C insurance pricing cycle.

Potential upsides and risks to our thesis

Low frequency, high severity risks: The global nature of the company's business also means that it is exposed to a variety of risks that are inherently difficult to foresee. Exposures such as credit insurance, political risk, or agriculture insurance are examples of product lines exposed to such severity risk.

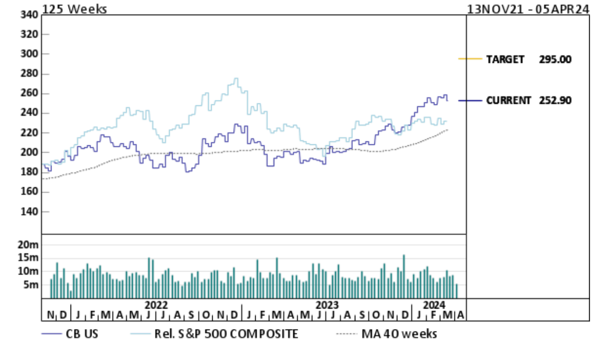
Valuation

Our $295 price target is based on an approximately 1.8x price- to-book multiple applied to our ending-2024 book value per share estimate. Our multiple reflects a strong balance sheet, best-in-class underwriting capability and ample capital to pursue growth opportunities. We see ROEs migrating towards the low-teens under normalized economic conditions, which could be augmented by additional capital management activities or incremental growth should pricing improvement accelerate. Our price target supports our Outperform rating.

Risks to rating and price target

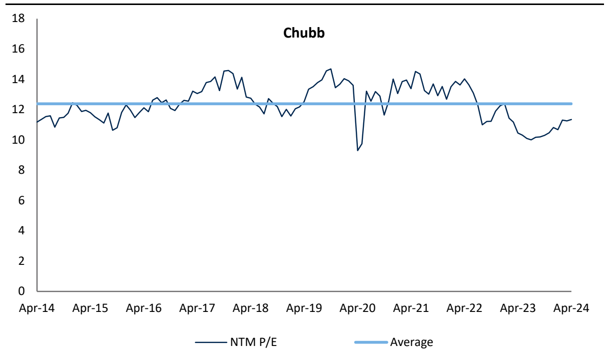
The company outlines a variety of risks in its annual 10-K, the most impactful of which, in our view, are as follows: exposure to man-made and natural catastrophe losses, exposure to unforeseen litigation, regulatory impacts in a variety of jurisdictions, the risk of fluctuations in inflation and interest rates on long-term assets and liabilities and movements in foreign exchange rates.

Exhibit 19 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 20 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Constellation Software Inc. (TSX: CSU)

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

Rating: Outperform	**Closing Price: CAD 3,641.45**
Price Target: CAD 4,300.00	**Implied All-in Return (%): 18.2**

Investment summary

We believe that Constellation Software is likely to generate one of the highest returns for shareholders over the long term in our coverage universe. Our Outperform thesis reflects: (1) Constellation's ability to rapidly compound capital through acquisitions; (2) solid underlying fundamentals as a result of an attractive market structure and ROIC-based performance incentives; and (3) Constellation's valuation appears attractive.

Constellation's ability to rapidly compound capital through acquisitions. 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 $2.46B capital on acquisitions in FY23, compared to $1.69B in FY22 and just $1.36B in FY21.

Solid underlying fundamentals. Constellation focuses on mission-critical vertical market software (VMS), which offers an attractive market structure. As a result, Constellation benefits from stable organic growth, high margins, and solid FCF conversion. Moreover, the company's ROIC-performance incentives ensure that managers improve performance over time. As a result, Constellation has experienced 440 bps of margin expansion over the last 10 years. Our outlook calls for adj. EBITDA margins to expand from 26.3% FY23 to 27.0% FY24e.

Constellation's valuation appears attractive. Constellation is trading at 24x NTM 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.

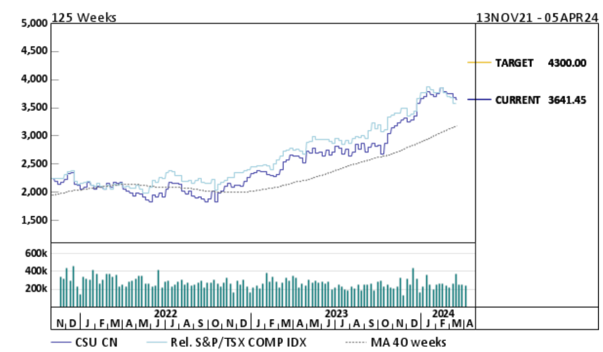
Valuation

Our C$4,300 price target is based on 24x CY25e EV/EBITDA, justified above Canadian software consolidator peers in our view, given Constellation's faster ability to compound capital in the long term. Constellation has converted 82% of adj. EBITDA into FCF over the last five years. Our price target supports our Outperform rating.

Risks to rating and price target

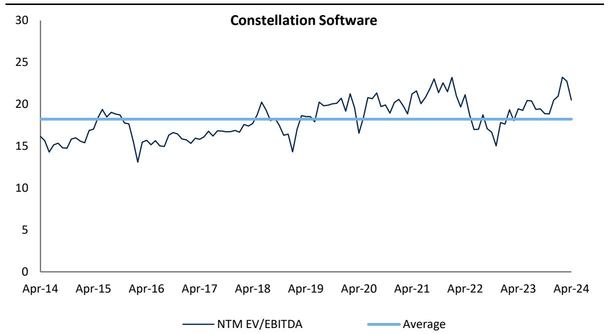
Risks to our rating and price target include: (1) quarterly lumpiness; (2) lack of accretive acquisition candidates; (3) unexpected organic growth headwinds; (4) an inability to sustain further margin expansion; (5) loss of key employees; and (6) a decline in tech market valuations.

Exhibit 21 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 22 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

CrowdStrike Holdings, Inc. (NASDAQ: CRWD)

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

Rating: Outperform | **Closing Price: USD 315.50**
Price Target: USD 420.00 | **Implied All-in Return (%): 33.1**

Investment summary

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

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

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

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

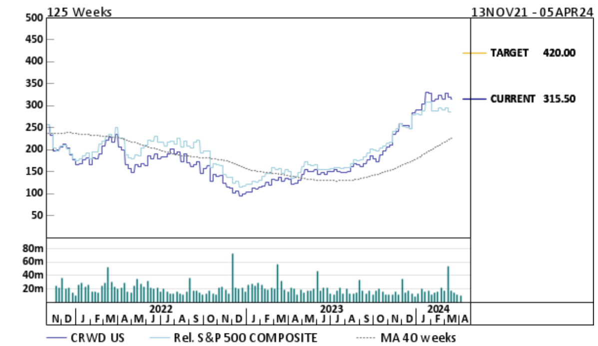
Valuation

We calculate our $420 price target based on 21x CY/25E EV/S which is a premium to leading growth security peers and appears reasonable given our LT view of growth and profitability. Additionally, our target equates to 63.5x CY/25E FCF. Our price target supports an Outperform rating.

Risks to rating and price target

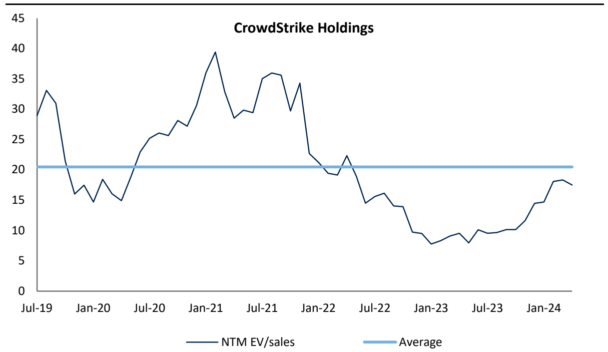
Risks to rating and price target include: (1) CrowdStrike operates in a market with competition from larger legacy competitors, like Symantec, as well as newer entrants; (2) potential pricing pressure given the crowded nature of the market; (3) CrowdStrike operates a land-and-expand model; failure to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

Exhibit 23 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 24 - Forward consensus EV/sales history



Source: FactSet

Most recent company note: link

Diamondback Energy, Inc. (NASDAQ: FANG)

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

Rating: Outperform	**Closing Price: USD 204.32**
Price Target: USD 195.00	**Implied All-in Return (%): 0.1**

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 trade at or below the implied mid-cycle valuation ($60/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.

FANG's corporate strategy is expected to maintain its ESG focus.

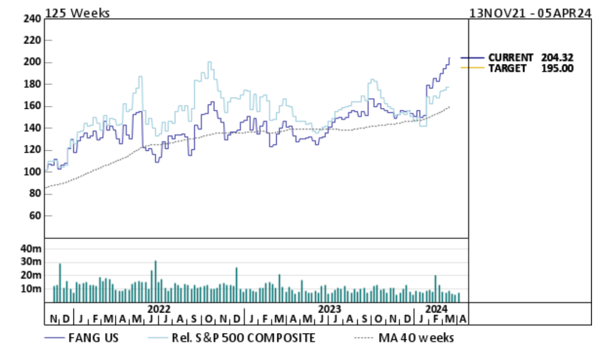
Valuation

Our $195/share price target reflects a premium to our $165/share Net Asset Value (NAV) and a 5.7x multiple on our 2024 EBITDA estimate. 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). 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

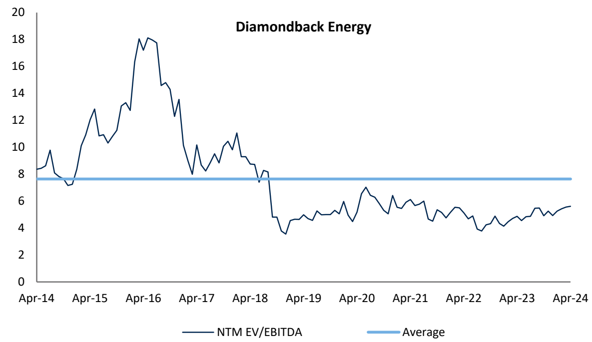
Much of the potential in FANG shares relies on executing its development strategy on its unconventional acreage positions. Results below expectations in this area would have an adverse effect on the stock. Weaker-than-expected commodity prices could cause the stock to perform below our expectations and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

Exhibit 25 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 26 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Element Fleet Management Corp. (TSX: EFN)

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

Rating: Outperform | **Closing Price: CAD 21.88**
Price Target: CAD 31.00 | **Implied All-in Return (%): 43.9**

Investment summary

Why we rate EFN shares Outperform: Four key themes drive our positive view of EFN: **(1) attractive growth –** We forecast that EFN's EPS could grow at a mid-teens CAGR over the next five years, driven by new client wins, organic growth within existing customers, and significant returns of capital; **(2) multiple potential catalysts** (see below); **(3) strong defensive attributes** – EFN faces minimal credit/residual risks and tends to have long-term contracts (3–5 years) with high retention rates (~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 include: (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.).

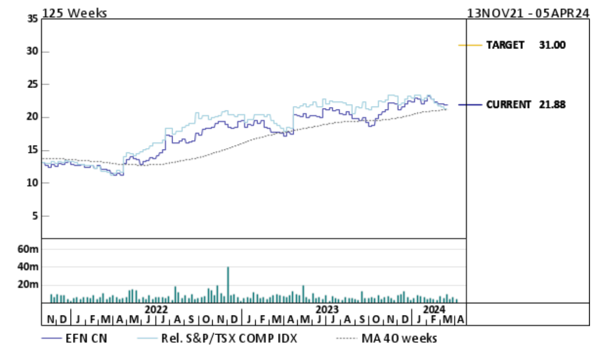
Valuation

Our 12-month price target is $31/share. Our 12-month price target is based on applying an 18x multiple to our 2025E fully diluted operating EPS forecast of $1.72, 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

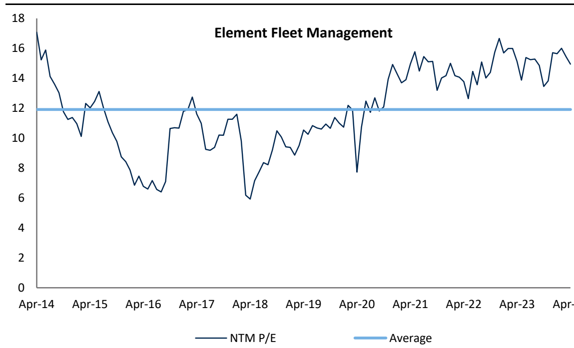
Potential risks to rating and price target include: (1) evidence of further delays to the time of normalizing originations/OEM production past mid-2023 (EFN's current guidance); (2) key customer losses; and (3) key personnel departures.

Exhibit 27 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 28 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Ferrari N V (MILAN: RACE)

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

Rating: Outperform | **Closing Price: EUR 387.50**

Price Target: EUR 463.00 | **Implied All-in Return (%): 19.7**

Investment summary

Production increase on the horizon. The success of new launches of vehicles like the Roma and the Purosangue should enable Ferrari to penetrate new demographics and the substantial Chinese luxury auto market. Finally, Ferrari is likely, in our view, to dramatically expand its production. It has the capacity to make 15,000 vehicles but currently makes only 13,000.

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

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

Potential catalysts include: (1) successful launches; (2) growth of UHNW and millionaire demographic; and (3) take rate of EV products.

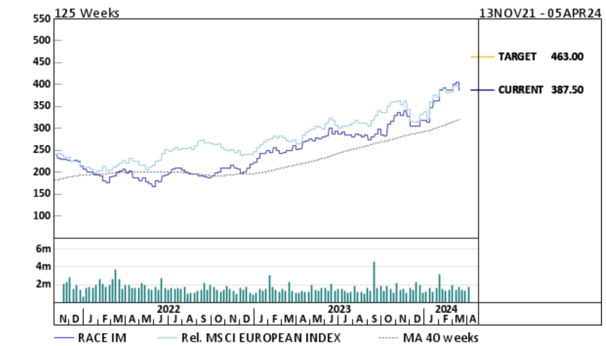
Valuation

Our €463 price target is derived by applying a 34x multiple to our 2024E EBITDA. We then add Industrial net cash and subtract underfunded pension liabilities to arrive at our equity value. Our price target supports our Outperform rating.

Risks to rating and price target

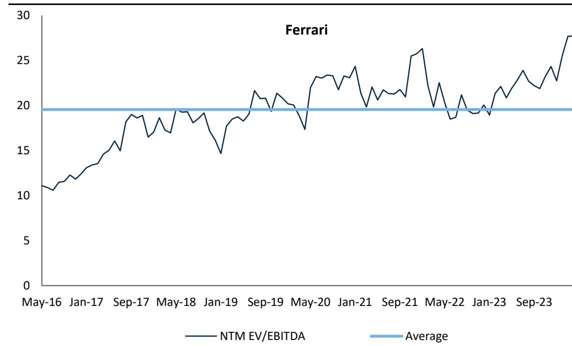
Risks to rating and price target include: (1) challenges to penetrating China; (2) electrification is not in Ferrari's DNA; and (3) premium SUV market is already hyper-competitive.

Exhibit 29 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 30 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

GFL Environmental Inc. (NYSE: GFL; TSX: GFL)

RBC Dominion Securities Inc.
Sabahat Khan (Analyst) (416) 842-7880, sabahat.khan@rbccm.com

Rating: Outperform | **Closing Price: USD 34.35**
Price Target*: USD46.00 | **Implied All-in Return (%): 34.1**

* Subsequent to the April 5, 2024 pricing of the Top 30 Global Ideas for 2024, GFL's price target was raised to USD 46.00 (from USD 43.00) on April 8, 2024. See note here.

Investment summary

The 4th largest player in a very attractive industry – At a high level, the Solid Waste business is characterized by: **(1)** defensiveness due to being an essential service; **(2)** long-term contracts that drive high revenue visibility; **(3)** price-driven organic growth that closely follows CPI (volume growth tied to population/GDP growth); **(4)** barriers to entry (e.g., regulations, etc.); and, **(5)** regional oligopolies across many markets (in part due to the consolidation that has occurred over recent decades). As a result of these characteristics, profitability is very strong across the industry, which in turn drives consistent FCF generation.

Long M&A runway – Although GFL has acquired +260 companies since inception and has grown into the 4th largest company in the Solid Waste industry, GFL is still meaningfully smaller (~5% market share) than the other Majors (~45% share). We estimate that there are still several thousands of companies operating in the industry, with the industry still being fragmented beyond the Waste Majors (~33% share between private companies and other public companies). As the smallest of the Majors, we believe GFL has the longest runway of needle-moving acquisitions.

Environmental Services is a differentiating factor – Among the 4 Waste Majors, GFL has the highest exposure to Environmental Services at 19% of 2023 revenue. We estimate the North American Infrastructure & Soil Remediation and Liquid Waste Management market was ~US$100B as of 2023, having grown at a ~3%-3.5% CAGR since 2012. Amidst this backdrop, we estimate that GFL only has a +1% market share, which means that the company has ample room to continue growing in this market going forward. There are attractive cross-selling opportunities between Environmental Services and Solid Waste, and we believe that GFL could drive margins in its Environmental Services segment higher over time.

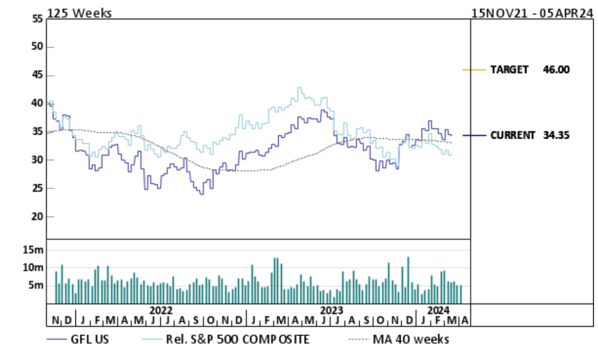
Valuation

In our base case scenario, we apply a ~13.0x EV/EBITDA multiple on our 2025 EBITDA estimate of ~$2.5B. We believe our multiple (a slight discount vs. what we use for the company's Waste Major peers) appropriately reflects the combination of the company's industry-leading growth profile, a more meaningful M&A opportunity (relative to the current scale of the base business), and relatively higher leverage vs. peers. This drives our US$46 price target, which supports our Outperform rating.

Risks to rating and price target

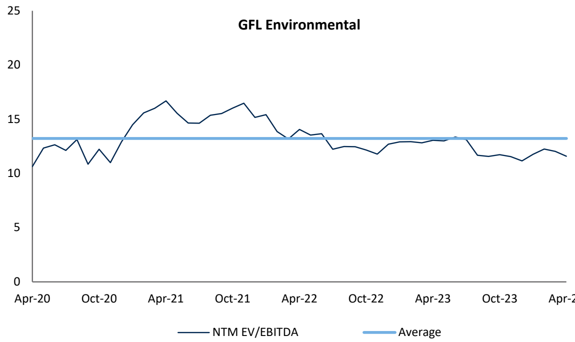
Key risks to our rating and price target include: (1) competition; (2) dependence on third-party landfills and disposal facilities; (3) acquisition risks (i.e., if GFL is unable to successfully acquire and integrate target companies); (4) sensitivity to macro factors; and, (5) regulatory and environmental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

Exhibit 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

HEICO Corporation (NYSE: HEI)

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

Rating: Outperform | **Closing Price: USD 189.13**
Price Target: USD 225.00 | **Implied All-in Return (%): 19.0**

Investment summary

HEICO is a high-quality A&D supplier. The company generates above-industry margins and its FCF conversion ranks consistently as some of the highest in the industry. Moreover, HEI has delivered ~20% top-line growth for several years, making it a long-time A&D favorite for growth investors. We believe the company identified an inefficiency in the commercial aerospace AM (PMA parts) and has built a strong commercial AM and defense electronics set of capabilities.

As the industry recovers, we believe there is a long runway for HEI's commercial business. For example, as fleets age in emerging markets and China, we believe the demand for alternative aircraft parts will increase. The pace may not be the same as it has been in established markets in North America, Europe, and North Asia, but we believe the fundamentals will support the gradual adoption of PMA parts globally. HEI does face competition from OEMs, but it remains disciplined on its PMA and DER selection process. Moreover, the company is well positioned for continued share gains in its commercial aerospace offering as the aviation industry continues to recover.

Key catalysts for HEI include potential M&A transactions, Wencor integration, de-leveraging and quarterly upside surprises relative to conservative estimates. We also believe that investors will be focused on the quarterly cadence of aerospace sales.

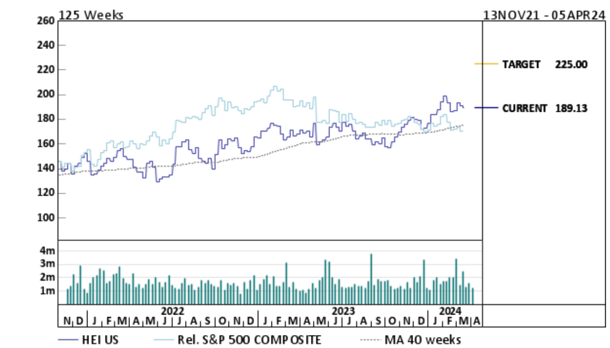
Valuation

Our $225 price target is based on a blend of 51.5x our 2025E P/E and 30.5x our 2025E EV/EBITDA. We believe these multiples are in line with historical ranges and are appropriate considering that we are in the mid-stages of the anticipated aerospace recovery, and the company should see incremental upside from acquisitions. Our price target supports our Outperform rating.

Risks to rating and price target

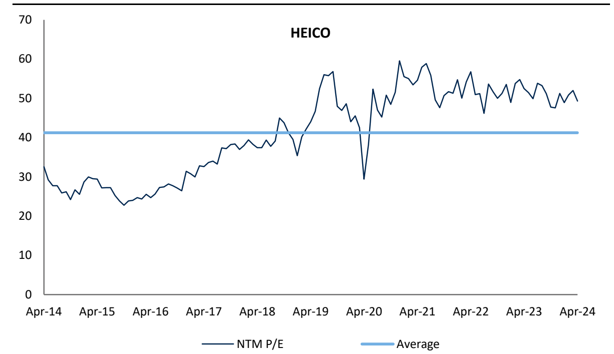
Risks to rating and price target include: (1) pace of the air travel recovery and impact of COVID-19 variants on business and leisure air travel; (2) supply chain disruptions and material lead times; (3) ability to hire the necessary human capital to support growth objectives and opportunities; (4) airline maintenance spending plans and overall airline financial health; (5) airline and aircraft part distributor inventory levels; (6) airline deferred maintenance plans and availability and pricing of new and used space parts and material; (7) total defense spending levels for both modernization efforts and legacy defense systems; (8) timing and opportunity for foreign military sales; (9) risk to FY24 defense budget passage and timing of contract awards; (10) pace of new company product and service introductions; (11) pace and successful integration of future M&A activity; (12) cost management and free cash flow generation; and (13) interest rates and the ability to access capital to support acquisition and other growth initiatives.

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

HubSpot, Inc. (NYSE: HUBS)

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

Rating: Outperform	**Closing Price: USD 670.00**
Price Target: USD 700.00	**Implied All-in Return (%): 4.5**

Investment summary

HubSpot is an innovative software player that is transforming from a marketing automation vendor to a fully fledged customer relationship management platform with a primary focus in SMB.

Potential catalysts

Faster-than-expected adoption of newer hubs: We see potential for upside in the model from further acceleration in the adoption and revenue growth of the newer hubs (Service, Payments, CMS, and Operations). Sales Hub represents a larger market opportunity than Marketing; therefore, adoption could also accelerate and drive upside.

We could see improving retention rates: We think success with the CRM Suite, multi-hub adoption, and drift upmarket are likely to continue to lift unit retention rates. Negative dollar churn is very meaningful for unit economics of the business over time.

FCF generation: We think HubSpot has reached sustainable FCF generation as product/operational levers kick in. As HubSpot continues to mature its operating model, this should not only provide near-term valuation support but also drive a shift in the valuation focus long-term.

Valuation

We calculate our base-case price target of $700 by applying a 14x EV/revenue multiple to our 2024 estimate of $2,555M. Our target multiple is a premium to the 40-60 Rule of 40 peer group, warranted in our view by HubSpot's large market opportunity, strong execution track record, and attractive long-term financial profile. Our price target supports our Outperform rating.

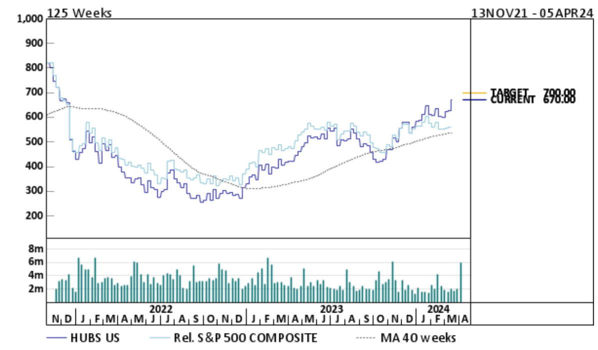
Risks to rating and price target

SMB attrition: The company's annual unit retention rate is in the high 80s. While a meaningful improvement relative to two years ago, it remains higher than most enterprise SaaS providers.

Competition: A very competitive market with risk from new innovation and disruption in the SMB space. However, today, we think HubSpot's competitive position is strong and improving.

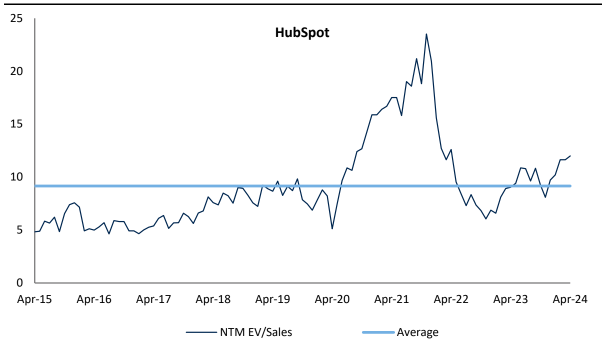
Long-term profitability: Margins have improved and are solid for HUBS growth, but the company's long-term margin structure remains uncertain. We believe the company has a strong enough cash position to achieve positive FCF generation without raising funds.

Exhibit 35 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 36 - Forward consensus EV/sales history



Source: Factset

Most recent company note: link

Illumina, Inc. (NASDAQ: ILMN)

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

Rating: Outperform	**Closing Price: USD 127.75**
Price Target*: USD 253.00	**Implied All-in Return (%): 98.0**

* Subsequent to the April 5, 2024 pricing of the Top 30 Global Ideas for 2024, ILMN's price target was lowered to USD 253.00 (from USD 258.00) on April 7, 2024. See note here.

Investment summary

We have an Outperform rating on Illumina with a $253 price target. We believe Illumina's current stock price over-discounts the likelihood of share erosion from smaller competitors, and does not factor in years of R&D spend and product innovation that Illumina has invested in the next gen sequencing (NGS) market, 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.

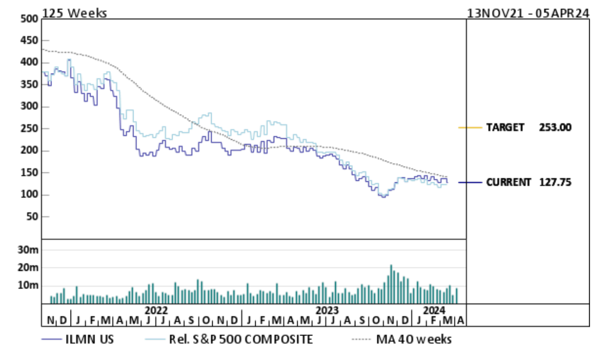
Valuation

Our 12-month price target of $253 applies the 1-year recent P/E multiple of high-growth 'innovator' HC companies (TECH, ISRG, IDXX) of 44.5x and applies it to our 'Core ILMN' EPS of $5.69. This is the EPS we calculate for ILMN if we exclude Grail operations and a tax rate of 17%, in line with the company's historical tax rate. Our current FY'25 EPS estimate is lower than $5.69 but includes Grail operations and a tax rate that is higher than historical levels due to Grail operations and the capitalization of certain R&D expenses, both of which we believe should reverse over time. Our methodology and multiple are based on our assumption that the company can return to historical growth rates above traditional life science tools companies. Our price target supports an Outperform rating.

Risks to rating and price target

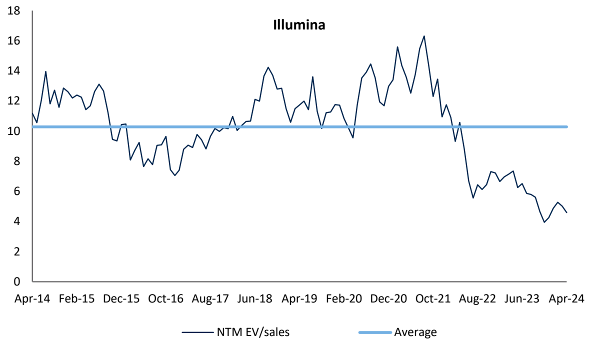
Risks to rating and price target include: (1) Illumina divestment in Grail and subsequent appeals could result in fines, funding of Grail as a standalone entity, earnings drag and distraction to management may continue for several years; (2) our assumption that Illumina may cut R&D spend to reflect trends 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; and (4) alternatives to NGS – including long-read sequencing – could damage ILMN's market position.

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

London Stock Exchange Group plc (LSE: LSEG)

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

Rating: Outperform	Closing Price: GBp 9,378.00
Price Target: GBp 10,800.00	Implied All-in Return (%): 16.4

Investment summary

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. Having successfully integrated Refinitiv with over-delivery on growth and synergies, we believe the group is now well positioned to increase pricing power and drive further sales.

We expect the diverse, mostly recurring, revenue streams of the enlarged group to convert into strong cash generation over all time horizons, and we expect leverage to reduce to 1.8x by Dec-24.

Surplus cash generation may be used to buy back further shares from Thomson Reuters and Blackstone (with two directed buybacks completed since September 2023), or to increase shareholder returns, or for more bolt-on M&A. Further investment in the range of strategic initiatives that the group has outlined would offer a source of upside potential to our EBITDA estimates for outer years. Strong top-line growth means sustained investment should be possible alongside LSEG's ambition to lower its capital intensity.

We argue that the transaction changes the most relevant peer group from market infrastructure 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 2024 onwards are both sources of potential upside to our estimates.

Valuation

Our price target for London Stock Exchange Group (LSEG) is derived from a discounted cash flow model. We use a three-stage model, whereby we apply a Risk Discount Rate of 7.9% (reflecting our view of the relative risk of LSEG's business model) and a terminal value growth assumption of 3%. We model our DCF on a reported basis, incorporating FX adjustments to our earnings. We also deduct current net debt of £7.6bn to reach our equity value.

Our price target implies a FY 2024E P/E of 30x, which we see as justified given LSEG's strong FCF generation and exposure to structural growth markets. Our price target of 10,800p supports an Outperform rating.

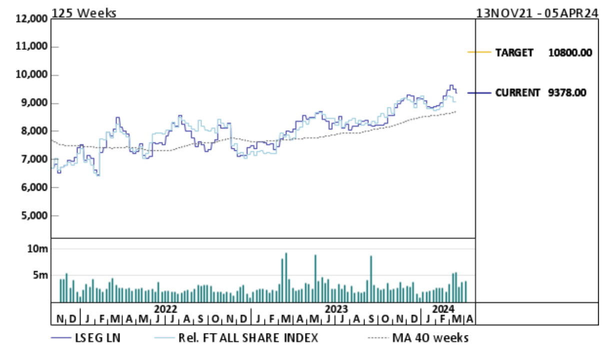
Risks to rating and price target

Execution issues from the Microsoft partnership — such as delays to product releases or weaker-than-expected revenue benefits — could impact the rating of the group, given strong investor sentiment around the partnership.

Competition in each of LSEG's five business areas could lead to a decrease in LSEG's market share in the respective areas.

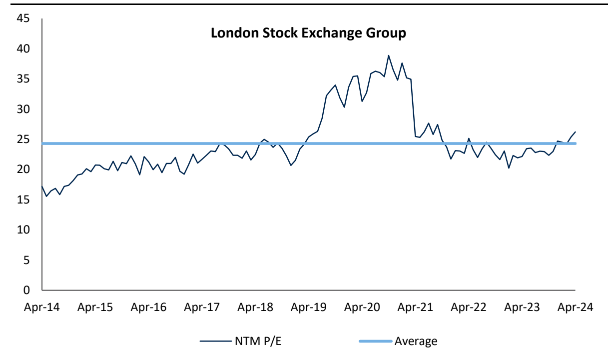
Brexit uncertainty remains for Post Trade businesses, as only temporary CCP equivalence has been granted to the UK clearing houses until 2025. Although we believe it is unlikely that the European Commission will completely remove all exposure to UK CCPs, this extreme outcome could impact approximately 6% of SwapClear notional.

Exhibit 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

Marks and Spencer Group P.L.C. (LSE: MKS)

RBC Europe Limited
Richard Chamberlain (Co-Head of Global Consumer & Retail Research) +44 0 20 7429 8092,
richard.chamberlain@rbccm.com

Rating: Outperform | **Closing Price: GBp 261.20**
Price Target: GBp 300.00 | **Implied All-in Return (%): 16.0**

Investment summary

We think M&S has been making good progress with its Food business, helped by an improved value for money perception, while its Clothing offer has benefitted from a stronger digital offer, third-party brands and a better bought range, with improvements in style, quality and value perception. Valuation at c.10x CY24E P/E looks undemanding given M&S' recent improved execution and performance, and is slightly below the middle of its historical range.

Potential catalysts

M&S will report its FY results on May 22nd. We note that UK LFL sales performance (both Clothing & Home and Food) outperformed expectations in Q3, albeit space growth was lower than we forecast and International was weaker than we expected. We see further upside risk to consensus PBT forecasts for FY24, due to continued strong Food sales momentum, strong full price sales in Clothing and operating leverage. This should provide more confidence for FY25, as input costs have risen and M&S will face tougher comps. We expect M&S to manage its balance sheet in line with investment grade credit metrics, and we expect a progressive improvement in dividend going forward.

Valuation

We use the average of a DCF and sum-of-the-parts analyses to arrive at our target price of 300p for M&S, which supports our Outperform rating. M&S has historically been a UK consumer proxy as it has higher than average exposure to the UK consumer, however, recently it has benefitted from self-help enabling its food and clothing businesses to outperform their markets.

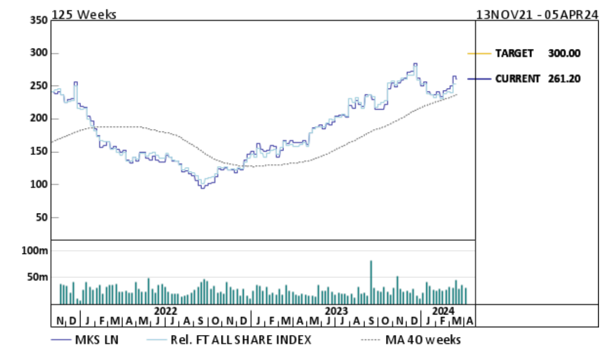
For our DCF, we model a 10-year CAGR in sales of c.2% and an EBIT margin of c.6.5% in the terminal year. This sort of sales CAGR should prove conservative if M&S continues to execute well on its strategy. M&S is aiming for a margin of at least 4% in Food and at least 10% in Clothing in the medium term. We use a WACC of 8.5% and a terminal growth rate of 0.5% to account for M&S' relative maturity in the UK, with some longer-term growth potential as a result of its 50:50 JV with Ocado in online food.

Our sum-of-the-parts analysis values M&S Food at c.5.2x EV/EBITDA for FY24E, at a c.10% discount to the wider UK food retail sector given M&S' lack of an online food offering (ex Ocado). We ascribe an in-line multiple to M&S Clothing and Home at c.5x, given that this is a mature business but with improving profitability and 4x for International, given its lack of scale. We value M&S' share of Ocado Retail at £500mn, at a discount to the £750mn that M&S paid for it in 2019, due to its depressed profitability.

Risks to rating and price target

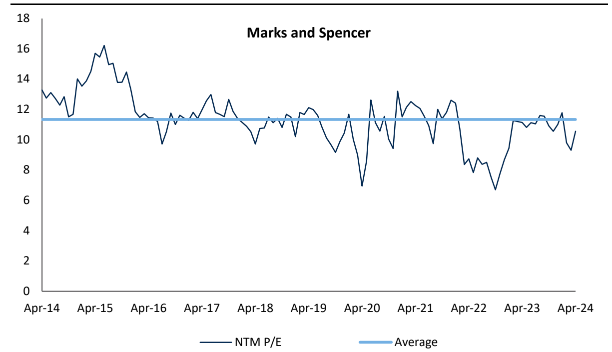
Risks to rating and price target include: (1) M&S is leveraged to changes in the UK consumer outlook and political environment, given its c.90% UK exposure and relatively high fixed-cost base; (2) M&S may fail to execute well on its strategy, and space rationalisation may be slower than expected, albeit a strong performance by recent store openings means M&S is likely to try to accelerate this if possible; (3) internationally M&S' profits may be impacted by sub-optimal fashion ranges, currency and disruption in key markets; and (4) alternatively, Ocado Retail may perform worse than we expect due to range proliferation and not enough retail curation, or due to higher-than-expected cost pressures.

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

Mastercard Inc. (NYSE: MA)

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

Rating: Outperform	**Closing Price: USD 477.15**
Price Target: USD 499.00	**Implied All-in Return (%): 5.0**

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.

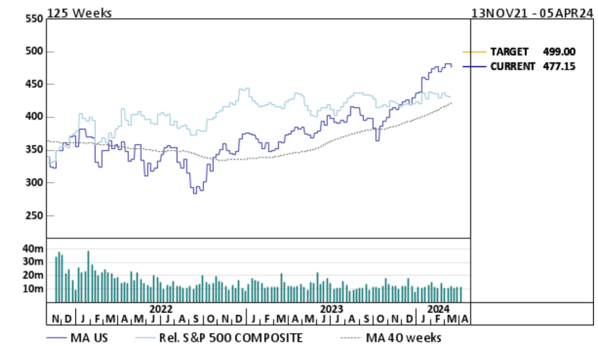
Valuation

Our price target of $499 is 30x our CY25 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

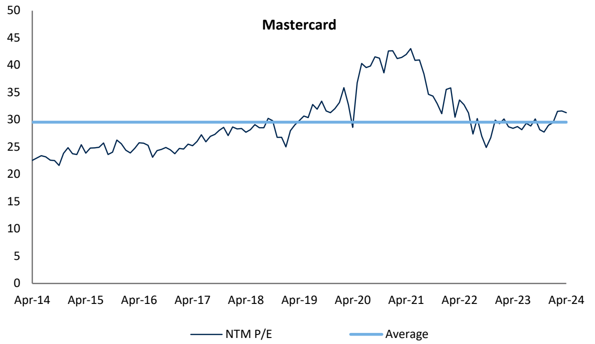
A slowdown in payment volumes and cross-border travel (from such things as a global recession), increased regulatory scrutiny or a pushback from large financial institutions on pricing could impede our price target and rating.

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

PayPal Holdings, Inc. (NASDAQ: PYPL)

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

Rating: Outperform	**Closing Price: USD 65.15**
Price Target: USD 74.00	**Implied All-in Return (%): 13.6**

Investment summary

We believe PYPL's pivot to narrow its investment and innovation focus on Branded checkout, Braintree (unbranded), and Venmo monetization could enable the company to re-establish itself as a leader in eCom and mobile payments. In the near-term, PYPL needs to demonstrate its ability to drive better margins in unbranded transactions via moving to smaller merchants and expanding international. As proof-points to the success of this strategy emerge, we believe the stock could begin to re-rate higher.

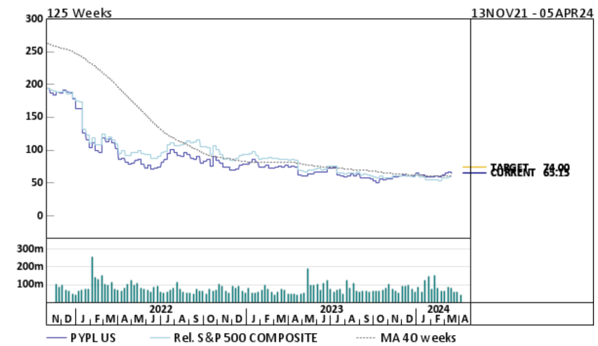
Valuation

Our price target of $74 is 13x our FY25 adj. EPS estimate and supports our Outperform rating. Our 13x multiple reflects current peer group multiples, which have come under pressure as a result of the rapid increase in interest rates. As PYPL continues to increasingly focus on driving consumer engagement, which should result in higher monetization rates, we believe its growth rates can begin to accelerate and thus support higher valuation.

Risks to rating and price target

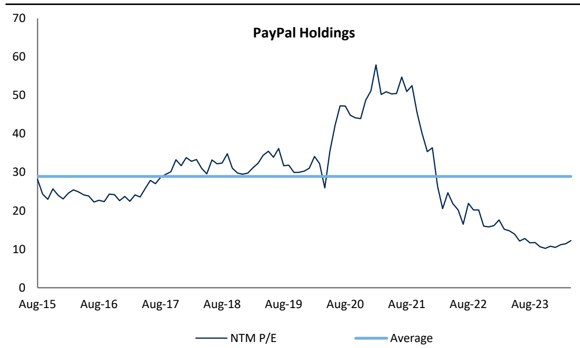
We believe there are four broad impediments to achieving our rating and price target: (1) accelerated decline in the company's take rate beyond what has been contemplated; (2) increasing competition in the global payments landscape pressuring PayPal's leadership position; (3) unexpected regulation, especially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

Exhibit 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

PG&E Corporation (NYSE: PCG)

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

Rating: Outperform	Closing Price: USD 16.81
Price Target: USD 21.00	Implied All-in Return (%): 25.2

Investment summary

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

Potential catalysts

Execution of plan under new management. Execution of the company's Lean Operating System (LOS) and wildfire plans will be essential in terms of improving the company's perceived risk profile, which could lead to greater confidence from investors and rating agencies.

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

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

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

Outsized dividend growth. We expect PCG's low dividend payout ratio to increase over time. This should prompt income investors to add PCG to their portfolios.

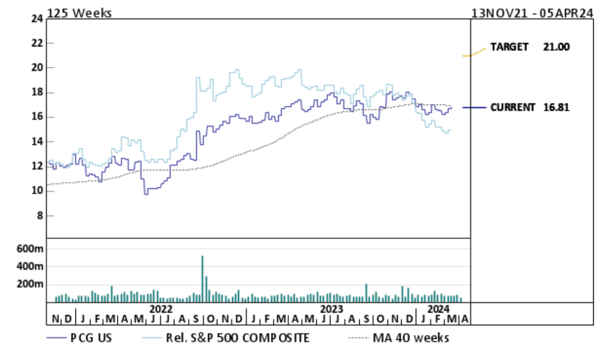
Valuation

We arrive at our $21 price target by applying a 14.4x P/E to our 2025 EPS estimate. Our target multiple is a material discount to our base electric target P/E multiple of 16.9x, which we believe is warranted due to an untested AB 1054 and headline risks. Our price target supports our Outperform rating.

Risks to rating and price target

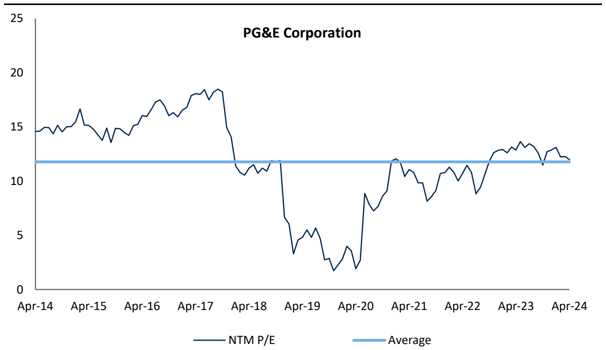
Risks to rating and price target include: (1) negative change in California regulatory environment; (2) additional fines or penalties that are unexpected related to safety matters; (3) utility causes large-scale wildfire; (4) unplanned reduction in the capital spending program; and (5) CA electrification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

Exhibit 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

Restaurant Brands International Inc. (NYSE: QSR)

RBC Capital Markets, LLC
Logan Reich, CFA (Analyst) (646) 618-6870, logan.reich@rbccm.com

Rating: Outperform	**Closing Price: USD 74.55**
Price Target: USD 90.00	**Implied All-in Return (%): 23.1**

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 (~15x 2025E EBITDA, versus global peer average of ~17x), in our view, 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; and (4) accelerating new unit development.

Valuation

Our price target of $90 is based on applying a multiple of 17x, which is in line with QSR's peer group (i.e., MCD, YUM, DPZ) average, to 2025E EBITDA of ~$3.09B. Our price target equates to 23.5x 2025E EPS and a 5% FCF yield. We believe QSR deserves a 17x multiple 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

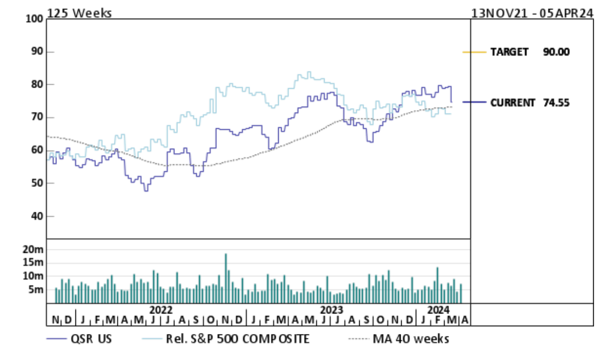
As with most restaurant company stocks, worse-than-expected same store sales can negatively impact valuation. Risk factors for same store sales include: macro/consumer headwinds; increased competition; declining consumer demand for the brand. In the case of QSR, we see particular attention in the near term paid to SSS of the Tim Hortons brand.

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.

Interest rates can also affect valuation for highly/all-franchised restaurant models, particularly those with higher levels of leverage.

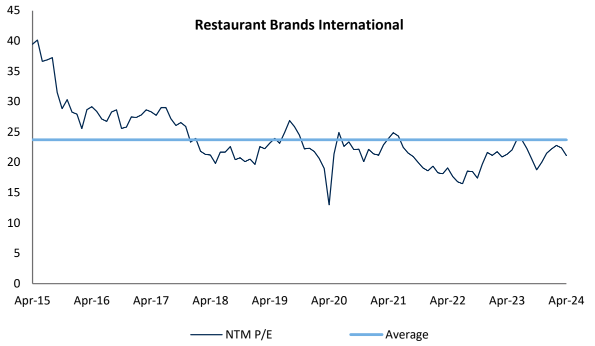
For global restaurant companies, foreign currency exchange risk can have a meaningful impact on revenue and earnings.

Exhibit 49 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 50 - Forward consensus P/E history



Source: FactSet

S&P Global Inc. (NYSE: SPGI)

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

Rating: Outperform	**Closing Price: USD 431.59**
Price Target: USD 500.00	**Implied All-in Return (%): 16.7**

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 ~$2.4B worth of shares in FY24, along with near-term cost takeout initiatives that could drive upside to FY24E EPS.

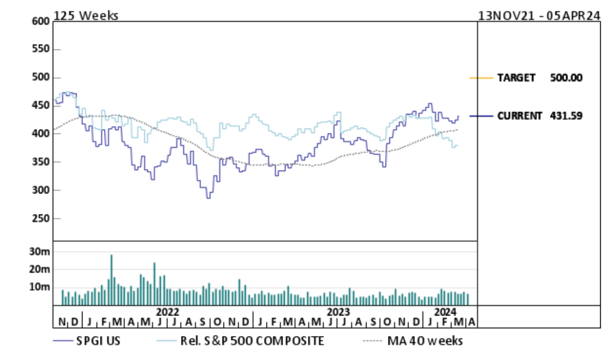
Valuation

Our price target of $500, which supports our Outperform rating, is based on ~30x our FY25E EPS, largely in line with the historical average while SPGI benefits from the diversified business model, accelerated cost takeout, large share repurchases and a recovery in credit issuance.

Risks to rating and price target

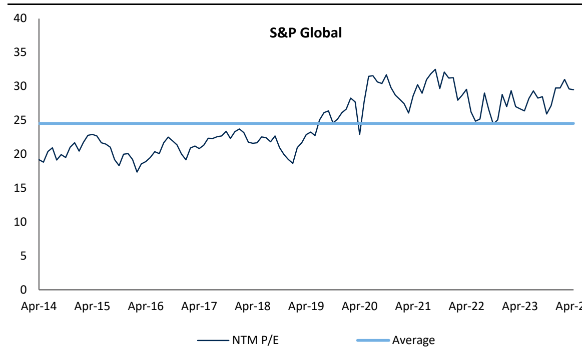
Risks to rating and price target include: (1) a significant decline in credit issuance; (2) increased competition for market data; (3) slowdown in demand for Platts; (4) challenges in integrating acquisitions; and (5) decline in AUM linked to SPGI indices.

Exhibit 51 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 52 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Siemens AG (XETRA: SIE)

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

Rating: Outperform	**Closing Price: EUR 172.68**
Price Target: EUR 195.00	**Implied All-in Return (%): 15.7**

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 18.5x 24E, 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 €195 per share. P/E is a fair multiple to use in our view given the complicated nature of the group and its underlying net debt/EBITDA being at ~1x in line with the sector average. Our price target supports our Outperform rating on the stock.

Risks to rating and price target

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

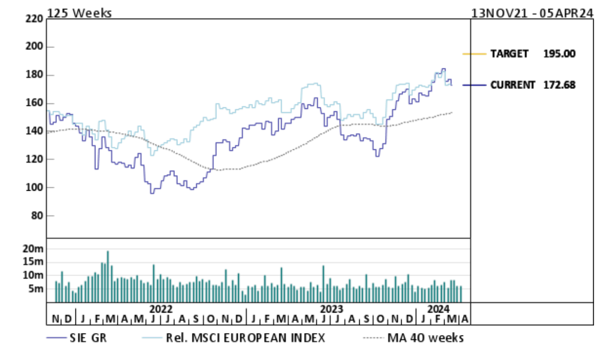
Cost flexibility: Siemens' size, complexity and board-level representation from labour unions mean that it has historically not been very agile with its cost basis. Siemens has been changing this, but it remains a factor.

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

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

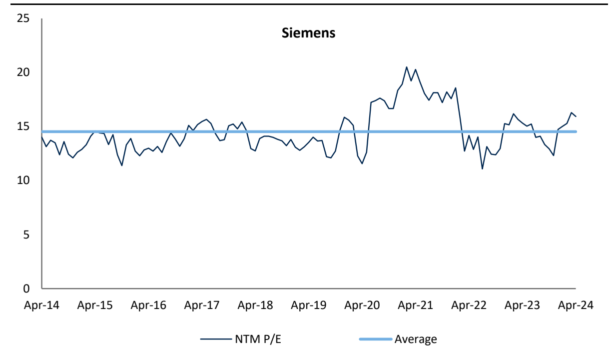
Siemens could suffer indiscriminate buying/selling pressure: Siemens is a highly liquid proxy for industrial Europe and could be bought or sold by portfolio managers wanting to increase or reduce European industrial or European cyclical exposure. The share is also a major component of Germany's DAX Index.

Exhibit 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

TELUS Corporation (TSX: T; NYSE: TU)

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

Rating: Outperform | **Closing Price: CAD 21.77**
Price Target: CAD 29.00 | **Implied All-in Return (%): 39.9**

Investment summary

TELUS has not been immune to cyclical impacts on TELUS International and TELUS Agriculture & Consumer Goods, inflation impacts on TTech, and incremental competitive impacts in the wake of the Rogers-Shaw and Quebecor-Freedom Mobile transactions. Despite the more challenging operating environment, we see an attractive and improving growth and risk profile reflecting: (1) a 2024E-2027E NAV CAGR of +9.5% underpinned by mid single-digit organic EBITDA growth, declining low double-digit capex intensity and double-digit FCF growth; and (2) better visibility around (and confidence in) the company's ability to sustain industry-leading underlying EBITDA and FCF growth almost irrespective of most industry growth, competition and regulatory outcomes.

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

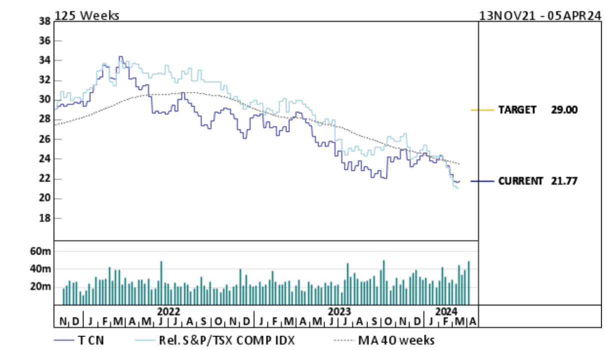
Valuation

The implied total return to our $29 price target supports our Outperform rating. To derive our price target, we take the average of three approaches: (1) applying a 21.5x multiple to our blended two-year forward adjusted EPS estimates; (2) 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 (3) discounted FCF through 2030E factoring in a WACC of 9.0% and a terminal growth rate of 1.75%. We believe our target multiples are consistent with the company's growth and risk profile relative to Canadian peers, and a higher interest rate environment.

Risks to rating and price target

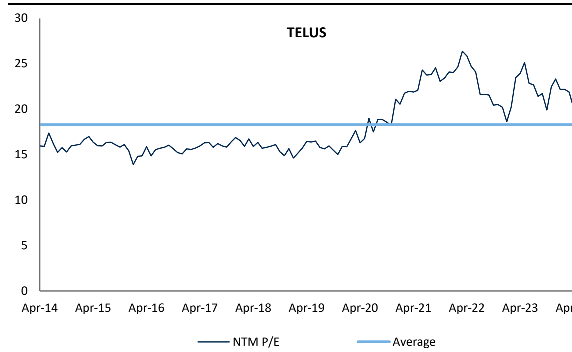
Risks to our rating and price target include: (1) a prolonged and/or significant economic downturn; (2) a sustained increase in wireless and/or wireline competition and/or unexpected change in regulation resulting in higher churn and/or accelerated declines in ARPU; (3) inability to realize additional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

Exhibit 55 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 56 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Veeva Systems Inc. (NYSE: VEEV)

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

Rating: Outperform	Closing Price: USD 214.73
Price Target: USD 250.00	Implied All-in Return (%): 16.4

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.

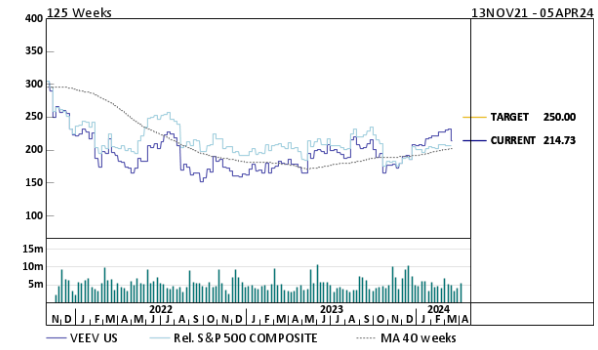
Valuation

Our $250 price target is based on 34x EV/CY24E FCF, 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

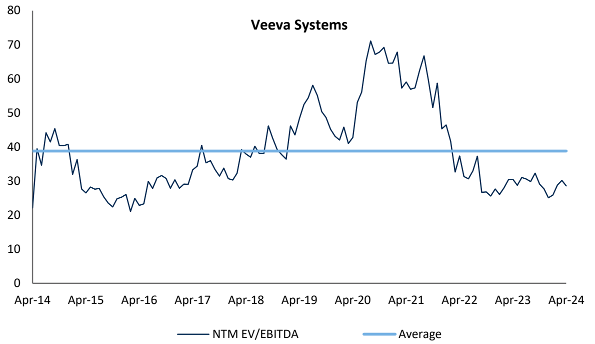
Investment risks include: (1) Customer concentration, with the top 10 customers representing 36% of revenue; (2) international risk, with non-US revenue representing ~40% of total revenue; (3) CRM remains a significant part of the business at ~45% of total revenue (according to our estimates); and (4)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

Exhibit 57 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 58 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Xylem Inc. (NYSE: XYL)

RBC Capital Markets, LLC
Deane Dray, CFA (Co-Head of Global Industrials Research) (212) 428-6465, deane.dray@rbccm.com

Rating: Outperform | **Closing Price: USD 128.27**
Price Target: USD 153.00 | **Implied All-in Return (%): 20.2**

Investment summary

Largest US water pure-play with attractive defensive growth and ESG appeal. Xylem is the largest US pure-play water technology solutions provider, with a commanding first-mover advantage in the multi-year adoption of smart water systems. Growing digitally enabled products is longer term a margin tailwind. Xylem also benefits from scarcity value (limited water pure-plays) and ESG appeal.

Potential catalysts

Advanced Infrastructure Analytics (AIA) is an incubator of new smart water solutions. AIA consists of Pure Technologies and Xylem's digital solutions platform, which includes its acquisitions of EmNet, Visenti, HYPACK, and Valor Water Analytics. We would characterize AIA as an "incubator" of new water technologies within the Xylem portfolio, with a mandate to develop and pilot innovative software and data analytics.

COVID-19 pandemic accelerated adoption of smart water offerings. Xylem believes the pandemic accelerated trends that had already been emerging in the water utilities space, such as remote asset and workforce management, automated operations, and remote monitoring. The increasing focus on the affordability of capex and productivity of opex by utilities customers should also spur conversions to its digital offerings.

Evoqua synergies. Where the deal gets compelling, will be the "old school" revenue synergies; namely taking Evoqua treatment services internationally and increasing the share of wallet with municipalities.

Valuation

Our $153 price target assumes XYL trades to a 45% premium to our 2025E target group P/E multiple of 24.0x, near the high end of its historical relative P/E range of 25%-50%. We believe that a target relative multiple near the high end of the range is warranted given encouraging long-term trends in the water utility end market, a mix-shift to digital, revenue and cost synergy opportunities, PFAS remediation tailwind on the horizon, capital allocation, and investments in new smart water solutions that we expect to ramp over the coming years. On our 2025 cash EPS estimate, this underpins our price target, which supports our Outperform rating.

Risks to rating and price target

Economic conditions. Macro trends such as inflation/deflation, credit availability, currency, commodity costs and availability, and supply chain could all cause Xylem's results to differ from our estimates.

Europe. At 24% of revenues, Xylem carries one of the higher exposures to Europe in the sector.

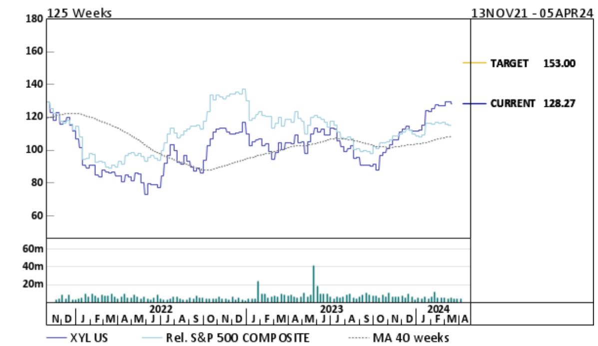
Foreign exchange. FX headwinds from the appreciation of the USD would have an outsized negative impact on sales.

Regulations. Xylem's solutions are often a beneficiary of new regulations on water quality, efficiency, and usage. However, regulations can also affect which technology wins in a competitive new market.

Acquisitions. A failure to identify and integrate acquisitions successfully could prevent the company from reaching its full growth potential.

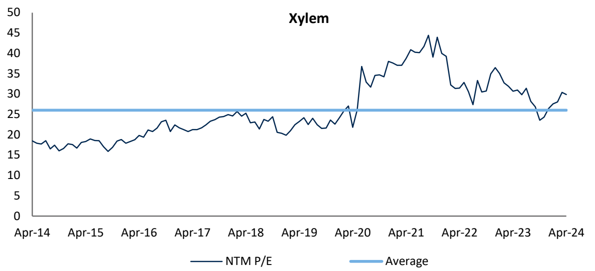
Competition. The global water sector remains highly competitive. The rise of credible Chinese players in the global water market is a key risk factor.

Exhibit 59 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 60 - Forward consensus P/E history



Source: Factset

Most recent company note: link

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As of 31-Mar-2024

			Investment Banking Serv./Past 12 Mos.	
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