RBC Capital Markets

Top 30 Global Ideas for 2025

Second-Quarter Update

EQUITY RESEARCH | April 1, 2025

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

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Table of Contents

This report is priced as of market close on March 31, 2025, unless otherwise noted.

Introduction

Graeme Pearson – Co-Head of Global Research

Mark Odendahl – Co-Head of Global Research

Top 30 Global Ideas for 2025 — Changes This Quarter

Additions: Anheuser-Busch InBev (ABI BB), Carvana (CVNA US), GE Vernova (GEV US), Microsoft (MSFT US), Pembina Pipeline (PPL CN), Regeneron (REGN US), Schneider Electric (SU FP), U.S. Bancorp (USB US), Wells Fargo (WFC US)

Deletions: Bank of America (BAC US), First Solar (FSLR US), Nestlé (NESN SW), Pinterest (PINS US), Sarepta (SRPT US), Siemens (SIE DE), Veeva (VEEV US), American International Group (AIG US)*, PG&E (PCG US)*

Our *Top 30 Global Ideas* remains a list of high-conviction, long-term ideas with quarterly updates that enable dynamic changes into names where we see higher-conviction upside potential. Over the past quarter, the Q1/25 *Top 30* list delivered a total return of -3.7% in USD terms vs. the MSCI World Index at -2.6%, with the best-performing *Top 30* stock selections being Nestlé (+23.0%), Siemens (+22.4%) and Safran (+20.1%). Since inception of our quarterly list at YE2019, the *Top 30* has delivered a total compound annual return of +12.4%, above the benchmark at +10.2%.

Our US equity strategist, Lori Calvasina, recently lowered her YE 2025 S&P 500 price target to 6,200 (from 6,600), below consensus. RBC Economics also recently lowered their 2025 US real GDP growth to 1.6%, a backdrop which is normally challenging for the US equity market, and Lori's valuation work sends a similar, conservative signal for the S&P 500 year-end level. However, Lori's sentiment work is more constructive as net bullishness on the weekly AAII (retail investor) survey has been at deeply depressed levels that have historically signaled a buying opportunity in the US equity market on a 9-12 month view. Lori has also noted that if the S&P 500 breaks significantly below the mid March 2025 low, she believes the equity market will be pricing in more damage to the economy and experience a growth scare drawdown of 14-20% from the early 2025 high. In that case, her year-end 2025 bear case for the S&P 500 of 5,500 seems more likely to play out. Amid global macroeconomic uncertainty and market volatility, the *Top 30* list is built around bottom-up best ideas that we also view as offering attractive positioning in the current environment.

For Q2/25, in **Consumer** we add **Anheuser-Busch InBev (ABI BB)** where we see compelling share price upside due to our positive outlook for the beer category in Europe, the company's strong competitive position and recently improved balance sheet, and discounted valuation relative to other consumer staples stocks. We remove **Nestlé (NESN SW)** following recent share price appreciation and our related rating change to Sector Perform.

Within our **Internet** coverage, we add **Carvana (CVNA US)** and remove **Pinterest (PINS US)** while maintaining an Outperform rating. Carvana looks more compelling to us following the recent pullback, as our positive thesis is unchanged. The company is ramping inventory which should support upward revisions to retail unit estimates, GPU and SG&A/unit have room to drive further leverage, and Carvana has only just begun expanding its capacity in a persistently supply-constrained business.

In **Information Technology** we add **Microsoft (MSFT US)** and remove **Veeva (VEEV US)** while maintaining an Outperform rating. We believe investors underappreciate the GenAI innovation Microsoft brings throughout the infrastructure and application layers, and view the recent underperformance of the shares as a buying opportunity. We believe that Azure growth can reaccelerate, driven by AI momentum, capacity continuing to come online, and the Azure "AI halo effect" coming into play.

In **Financials** we add **Wells Fargo (WFC US)** and **U.S. Bancorp (USB US)** and remove **Bank of America (BAC US)** while maintaining an Outperform rating. We recently upgraded Wells Fargo to Outperform as we are optimistic about the potential of its regulator-imposed asset cap being lifted in 2025, and the growth and return of capital via buybacks that we believe will follow. For U.S. Bancorp, the stage appears set for strong organic growth and we expect positive operating leverage as investments made in the business over the last five years begin to bear fruit. We are also encouraged by management's approach to optimizing revenues from the existing customer base and the potential for additional revenue synergies from the Union Bank acquisition.

In **Health Care** we add **Regeneron (REGN US)**, replacing **Sarepta (SRPT US)**. We believe the recent weakness in Regeneron shares (related to the biosimilar aflibercept launch and Vabysmo competition) offers a compelling entry point. We think strong Dupixent growth, potential extension of loss of exclusivity beyond 2031, and a prolific R&D engine should drive strong top/bottom-line growth which appears underappreciated in the current valuation.

In **Industrials** we add **Schneider Electric (SU FP)** following our recent upgrade to Outperform. Over the last quarter the shares have underperformed the sector group, while the EPS outlook has remained resilient. In our view, the result is a more attractive investment proposition for a company with a track record of above peer organic growth that we expect to continue, supported by the electrification/datacenter mix in the portfolio. We remove **Siemens (SIE DE)** following recent share price outperformance and our related rating change to Sector Perform. We add **GE Vernova (GEV US)**, replacing **First Solar (FSLR US)** as the top idea within our US Clean Energy coverage. In our view, GEV's valuation is attractive despite DeepSeek demand concerns and economic uncertainty. We see continued demand from hyperscale developers and a strong backlog offering considerable long-term demand visibility, with potential for increased profitability beyond current financial projections due to a significant rise in gas turbine prices and internal improvements.

In **Power, Utilities & Infrastructure** we add **Pembina Pipeline (PPL CN)** as our preferred midstream stock. We view Pembina as well-positioned to capitalize on increasing production in the Western Canada Sedimentary Basin through existing contract structures and potential infrastructure expansions. We note Pembina's strong free cash flow generation, underpinned by stable fee-based contracts with upside from the commodity-based marketing division, which allows for shareholder returns via dividends and share buybacks while maintaining a strong balance sheet.

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

****American International Group (AIG US)** and **PG&E (PCG US)** are removed due to analyst departures.*

Top 30 Global Ideas for 2025 – Analyst Coverage and Pricing Data

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (03/31/2025)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Alimentation Couche-Tard Inc.	ATD CN	Irene Nattel	Outperform	CAD	71.00	67,315	94.00	1.1	33.5
Anheuser-Busch InBev SA/NV	ABI BB	James Edwardes Jones	Outperform	EUR	56.92	114,125	77.00	1.7	37.0
Boston Scientific Corporation	BSX US	Shagun Singh	Outperform	USD	100.88	150,331	116.00	0.0	15.0
Cameco Corporation	CCO CN	Andrew Wong	Outperform	CAD	59.24	25,826	90.00	0.2	52.1
Canadian Pacific Kansas City Limited	CP CN	Walter Spracklin	Outperform	CAD	100.99	94,405	122.00	0.8	21.6
Carvana Co	CVNA US	Brad Erickson	Outperform	USD	209.08	45,370	320.00	0.0	53.1
ConocoPhillips	COP US	Scott Hanold	Outperform	USD	105.02	133,625	133.00	3.0	29.7
Constellation Software Inc.	CSU CN	Paul Treiber	Outperform	CAD	4,557.37	96,578	5,700.00	0.1	25.2
Ferrari N V	RACE IM	Tom Narayan	Outperform	EUR	392.20	70,204	500.00	0.2	27.7
Gaming and Leisure Properties, Inc.	GLPI US	Brad Heffern	Outperform	USD	50.90	14,440	56.00	6.0	16.0
GE Vernova Inc.	GEV US	Christopher Dendrinos	Outperform	USD	305.28	85,478	445.00	0.0	45.8
GFL Environmental Inc.	GFL US	Sabahat Khan	Outperform	USD	48.31	19,010	53.00	0.1	9.8
Gitlab Inc	GTLB US	Matthew Hedberg	Outperform	USD	47.00	8,333	80.00	0.0	70.2
HubSpot, Inc.	HUBS US	Rishi Jaluria	Outperform	USD	571.29	30,774	950.00	0.0	66.3
Illumina, Inc.	ILMN US	Conor McNamara	Outperform	USD	79.34	12,615	128.00	0.0	61.3
London Stock Exchange Group plc	LSEG LN	Ben Bathurst	Outperform	GBp	11,460.00	60,652	14,000.00	1.1	23.3
Microsoft Corporation	MSFT US	Rishi Jaluria	Outperform	USD	375.39	2,803,413	500.00	0.7	33.9
MSCI Inc.	MSCI US	Ashish Sabadra	Outperform	USD	565.50	44,813	675.00	0.6	19.9
PayPal Holdings, Inc.	PYPL US	Daniel R. Perlin	Outperform	USD	65.25	66,164	104.00	0.0	59.4
Pembina Pipeline Corporation	PPL CN	Maurice Choy	Outperform	CAD	57.56	33,419	65.00	4.8	17.7
Regeneron Pharmaceuticals, Inc.	REGN US	Brian Abrahams	Outperform	USD	634.23	68,224	1,045.00	0.0	64.8
Safran	SAF FP	Ken Herbert	Outperform	EUR	242.00	105,943	285.00	0.6	18.3
Schneider Electric SE	SU FP	Mark Fielding	Outperform	EUR	210.75	117,978	270.00	2.0	30.1
Shell PLC	SHEL LN	Biraj Borkhataria	Outperform	GBp	2,825.00	170,550	3,800.00	0.1	34.6
Snowflake Inc.	SNOW US	Matthew Hedberg	Outperform	USD	146.16	55,175	221.00	0.0	51.2
U.S. Bancorp	USB US	Gerard Cassidy	Outperform	USD	42.22	65,863	57.00	4.7	39.7
Wells Fargo & Company	WFC US	Gerard Cassidy	Outperform	USD	71.79	236,117	80.00	2.2	13.7
Xero Limited	XRO AU	Garry Sherriff	Outperform	AUD	154.55	23,337	195.00	0.0	26.2
Xylem Inc.	XYL US	Deane Dray	Outperform	USD	119.46	21,610	160.00	1.0	35.0
Zalando SE	ZAL GR	Richard Chamberlain	Outperform	EUR	31.68	8,291	50.00	0.0	57.8

Notes:

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

Source: Bloomberg and RBC Capital Markets estimates

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Additions this quarter:									
Anheuser-Busch InBev SA/NV	ABI BB	James Edwardes Jones	Outperform	EUR	56.92	114,125	77.00	1.7	37.0
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U.S. Bancorp	USB US	Gerard Cassidy	Outperform	USD	42.22	65,863	57.00	4.7	39.7
Wells Fargo & Company	WFC US	Gerard Cassidy	Outperform	USD	71.79	236,117	80.00	2.2	13.7
Deletions this quarter:									
American International Group, Inc.	AIG US	RBCCM Global Research	Outperform	USD	86.94	52,694	87.00	1.8	1.9
Bank of America Corporation	BAC US	Gerard Cassidy	Outperform	USD	41.73	317,607	50.00	2.5	22.3
First Solar, Inc.	FSLR US	Christopher Dendrinos	Outperform	USD	126.43	13,579	251.00	0.0	98.5
Nestle S.A.	NESN SW	James Edwardes Jones	Sector Perform	CHF	89.34	232,105	93.00	3.5	7.6
PG&E Corporation	PCG US	RBCCM Global Research	Not Rated	USD	17.18	36,731	NA	0.0	NM
Pinterest, Inc.	PINS US	Brad Erickson	Outperform	USD	31.00	21,335	50.00	0.0	61.3
Sarepta Therapeutics, Inc.	SRPT US	Brian Abrahams	Sector Perform	USD	63.82	6,327	87.00	0.0	36.3
Siemens Aktiengesellschaft	SIE GR	Mark Fielding	Sector Perform	EUR	211.75	169,591	245.00	2.4	18.1
Veeva Systems Inc.	VEEV US	Rishi Jaluria	Outperform	USD	231.63	38,375	285.00	0.0	23.0

Notes:

American International Group (AIG US) and **PG&E (PCG US)** are removed due to analyst departure.

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 Q1 2025 (January 3, 2025 to March 31, 2025) and since inception (December 2019).

Ticker	Company	Total Return Q1 2025* (in local currency)	Total Return Q1 2025* (in USD)
NESN SW	Nestle SA	19.6%	23.0%
SIE GR	Siemens AG	16.6%	22.4%
SAF FP	Safran SA	14.4%	20.1%
AIG US	American International Group	20.0%	20.0%
SHEL LN	Shell PLC	11.3%	15.6%
BSX US	Boston Scientific Corp.	11.2%	11.2%
VEEV US	Veeva Systems Inc.	8.7%	8.7%
GFL US	GFL Environmental Inc.	8.3%	8.3%
GLPI US	Gaming and Leisure Properties	8.0%	8.0%
ZAL GR	Zalando SE	0.1%	5.1%
COP US	ConocoPhillips	4.7%	4.7%
LSEG LN	London Stock Exchange Group PLC	0.4%	4.3%
CSU CN	Constellation Software Inc.	2.3%	2.8%
XYL US	Xylem Inc.	2.3%	2.3%
RACE IM	Ferrari NV	-3.2%	1.6%
PINS US	Pinterest Inc.	0.2%	0.2%
CP CN	Canadian Pacific Kansas City Ltd.	-5.3%	-4.7%
MSCI US	MSCI Inc.	-5.7%	-5.7%
BAC US	Bank of America Corp.	-6.3%	-6.3%
XRO AU	Xero Ltd.	-8.0%	-7.5%
ATD CN	Alimentation Couche-Tard Inc.	-9.4%	-8.9%
SNOW US	Snowflake Inc.	-9.9%	-9.9%
PCG US	PG&E Corp.	-15.7%	-15.7%
HUBS US	HubSpot Inc.	-18.7%	-18.7%
GTLB US	Gitlab Inc.	-21.4%	-21.4%
CCO CN	Cameco Corp.	-22.8%	-22.3%
PYPL US	PayPal Holdings Inc.	-25.5%	-25.5%
FSLR US	First Solar Inc.	-32.2%	-32.2%
ILMN US	Illumina Inc.	-41.7%	-41.7%
SRPT US	Sarepta Therapeutics Inc.	-49.5%	-49.5%
	Average total return for RBC CM Top 30 Global Ideas in Q1 2025	***-4.9%***	***-3.7%***

Indices		Total Return (in local currency) Q1 2025*	Total Return (in local currency) Since Inception** (Annualized)
SXXP Index	STOXX Europe 600 Price Index	5.8%	8.2%
SPTSX Index	S&P/TSX Composite Index	0.1%	10.9%
NDDUWI Index	MSCI World Net Total Return US	-2.6%	10.2%
AS51 Index	S&P/ASX 200	-3.5%	8.4%
	RBC CM Top 30 Global Ideas	**-4.9%**	**12.8%**
SPX Index	S&P 500 Index	-5.3%	12.8%

Indices		Total Return (in USD) Q1 2025*	Total Return (in USD) Since Inception** (Annualized)
SXXP Index	STOXX Europe 600 Price Index	11.1%	7.4%
SPTSX Index	S&P/TSX Composite Index	0.7%	8.7%
NDDUWI Index	MSCI World Net Total Return US	-2.6%	10.2%
AS51 Index	S&P/ASX 200	-3.1%	6.0%
	RBC CM Top 30 Global Ideas	**-3.7%**	**12.4%**
SPX Index	S&P 500 Index	-5.3%	12.8%

Notes: *Q1 2025 performance calculated from the time of the Top 30 Q1 2025 update report priced as of market close on January 3, 2025, to market close on March 31, 2025. **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 71.00**
Price Target: CAD 94.00 | **Implied All-in Return (%): 33.5**

Investment summary

Despite challenging macro backdrop, multiple avenues for growth, underpinned by: (1) recovery in top-line demand as consumer spending stabilizes and as ATD generates momentum from more-focused, cross-regional initiatives to drive incremental sales and consumer value; (2) well-defined initiatives and strategies to optimize procurement and efficiency; (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 $10B, $8.9B 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 sustainable fuel margin in the mid-40s 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. With gas prices normalizing and opex growth moderating, sustained elevated gas margins should enable ATD to offset SSS and SSG weakness related to cash-strapped consumer spending trends.

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 in excess of $2.4B to fund activity on NCIB (F25 renewed at 10% of common shares comprising ATD's "public float"), dividend growth, and acquisitions. Adjusted net debt/EBITDA ~2.2x pro forma acquisitions (GetGo) 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 more than sufficient to fund the targeted $1.1B of incremental EBITDA from M&A.

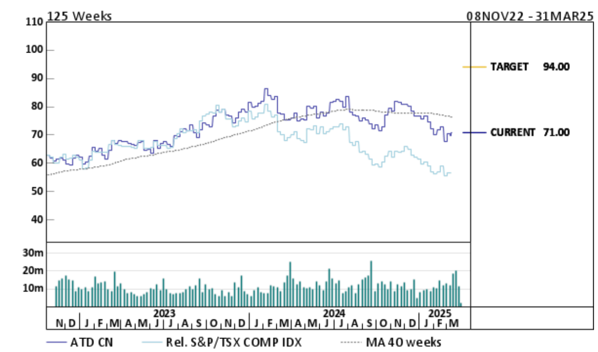
Valuation

Taking the midpoint of 20.0x LTM Q2/F27E (October 2026E) EPS and 11.5x EBITDA drives our price target to C$94, which supports our Outperform rating. The EBITDA multiple is about one turn above the long-term average, 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

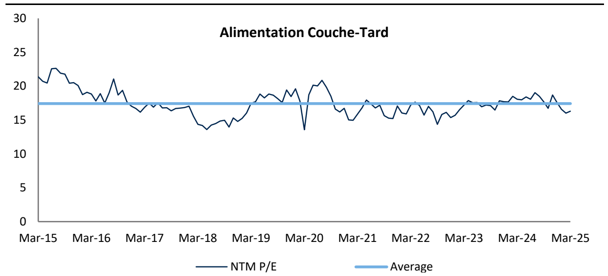
Normalization of gas margins without volume improvement would result in earnings below expectations. Substantial dislocation in inside-store volumes could reduce inside-store contribution. Although c-stores typically are relatively recession-resistant, ~50% of US c-store customers have incomes ≤$60k 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

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 56.92**
Price Target: EUR 77.00	**Implied All-in Return (%): 37.0**

Investment summary

Anheuser-Busch InBev is the world's largest brewer, accounting for approximately 26.5% of global beer volumes. It came into existence when InBev acquired Anheuser-Busch in 2008. InBev itself had been formed by the merger of AmBev and Interbrew in 2004. The acquisition of SABMiller in 2016 has given ABI a broad global footprint. Its two largest markets are North America and Brazil. Anheuser-Busch InBev owns 62% of AmBev, which owns and manages the group's operations in Latin America and Canada. AmBev shares are quoted on the Brazilian Stock Exchange. Major brands include Budweiser, Stella Artois, Corona, Skol, Castle and Harbin. Following the acquisition of SABMiller, Stichting Anheuser-Busch InBev plus related parties own 43.8% of Anheuser-Busch InBev, with Altria and Bevco owning a further 16.9%; thus the free float amounts to 39.3% of the group.

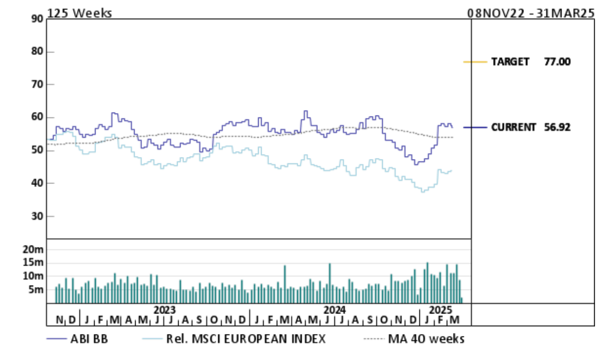
Valuation

We believe that consumer staples stocks lend themselves to a DCF valuation methodology owing to the relative strength and predictability of their cash flows together with, in some instances, a significant mismatch between capital expenditure and depreciation charged through the profit and loss account, meaning that P&L-based valuation metrics (PE ratio, EV/ EBITDA ratio) can be misleading. We use a derivative of a traditional DCF calculation called adjusted present value (APV) whereby the business's operating cash flows are discounted at its cost of equity (8% in this instance) and tax shield at the cost of debt (3.0%). We assume a terminal growth rate of 2.5% per annum from 2035. Under these assumptions, we derive a fair value of €72 per share. Discounting the APV forward by a year at the cost of equity and adding in our dividend forecast for 2025 yields a 12-month price target of €77. Our price target and the implied return support our Outperform rating.

Risks to rating and price target

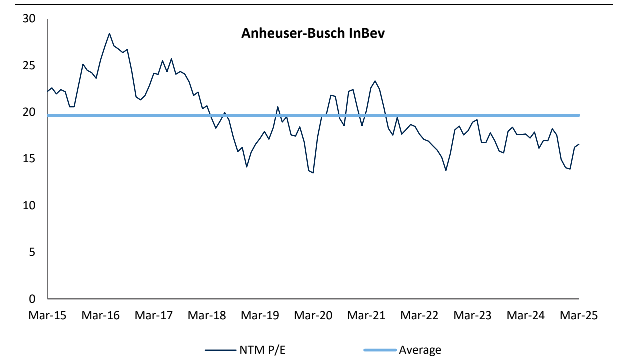
If the Bud Light controversy in the US continues to attract airtime with consequent impact on the volumes of ABI's largest brand, or negative repercussions spill over into other brands and/or geographies, it would have adverse implications for the group's reputation and profitability. Almost all of ABI's 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 3 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 4 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Boston Scientific Corporation (NYSE: BSX)

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

Rating: Outperform	**Closing Price: USD 100.88**
Price Target: USD 116.00	**Implied All-in Return (%): 15.0**

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 9% by 2026. BSX's category leadership strategy driven by product innovation and M&A should drive organic revenue growth above its WAMGR, and at the high end of its stated range (2024-26E LRP of 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.

Positioned to drive consistent double-digit EPS growth. BSX has a clear pathway to consistent double-digit EPS growth over its LRP period driven by top-tier organic revenue growth (2024-26E LRP of 8-10%) and strong OM expansion of +150bps over its LRP period.

Farapulse Pulsed Field Ablation (PFA) system launch is ongoing. BSX launched Farapulse in early Q1'24, and the CEO indicated that EP is one of the two strongest markets in MedTech, with EP being the greatest TAM expansion story in the sector.

Key potential catalysts are as follows: (1) FDA approval for Farapulse PFA in Q1'24 (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 (achieved); (4) next-gen Watchman FLX Pro launch; and (5) acquisitive on the M&A front given BSX's history of accretive M&A to expand its portfolio offerings.

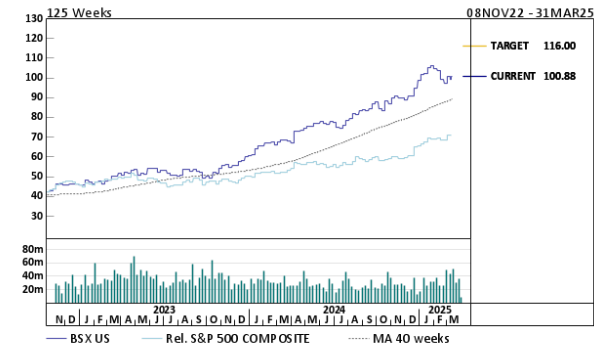
Valuation

Our $116 price target is an equal blend of: (1) DCF yields a value of $120 per share and reflects our forecast through 2034 with a 2.0% terminal value growth rate and a WACC of ~8.3%; (2) EV-to-Sales analysis uses a multiple of ~8.5x on 2026E sales, which yields a value of $115; (3) EV-to-EBITDA analysis uses a ~24.0x multiple on 2026E EBITDA, which yields a value of $115; and (4) P/E analysis uses a ~35.0x multiple on 2026E EPS, above its 10-year historical NTM P/E average multiple of ~23.0x and slightly above its 10-year peak (~33.0x), which yields a value of $115. The return implied by our price target supports an Outperform rating.

Risks to rating and price target

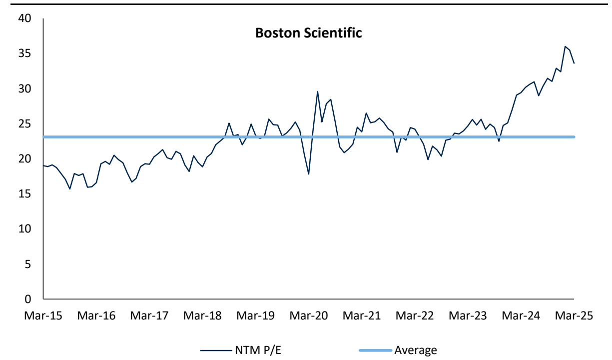
Risks to rating and price target include, but are not limited to: (1) competition that can disrupt and take share; (2) R&D efforts or clinical trials that do not materialize; (3) supply chain or manufacturing disruptions; (4) geopolitical risk; (5) FX headwinds; and (6) BSX/AXNX merger does not get regulatory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

Exhibit 5 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 6 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Cameco Corporation (TSX: CCO; NYSE: CCJ)

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

Rating: Outperform | **Closing Price: CAD 59.24**
Price Target: CAD 90.00 | **Implied All-in Return (%): 52.1**

Investment summary

We believe the company is well positioned to benefit from a renewed focus on nuclear energy and a tightening uranium market, especially as a Western-based producer in a market shift toward security of supply. Additionally, we think Cameco has the right mix of assets to meet the coming market needs: proven uranium production with upside, conversion capacity, potential long-term enrichment technology, and nuclear services.

Potential catalysts

Longer-term, we expect Cameco to increase McArthur River production to 17.5Mlbs (25Mlbs 100% basis) and extend the Cigar Lake life-of-mine beyond 2030. The company also has idled Tier 2 uranium assets in Rabbit Lake and US ISR that could potentially be restarted at higher uranium prices, which we include post-2035.

Cameco has a 49% ownership in the Global Laser Enrichment project (in partnership with Silex Systems) with the option to increase ownership to 75%. GLE is an advanced enrichment technology that could be deployed in the future to re-enrich depleted uranium tails and produce high-assay low-enriched uranium that may be used in future advanced reactor designs.

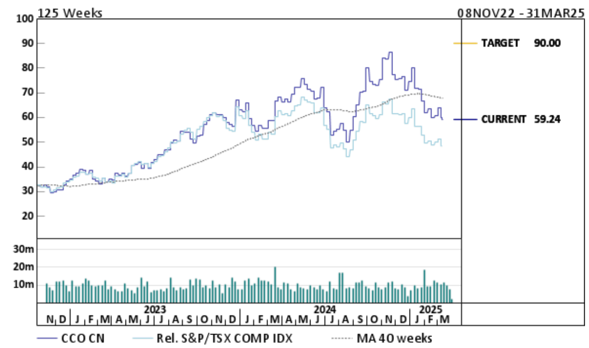
Valuation

Our $90 price target supports our Outperform rating. We value the company by applying a 1.5x P/NAV multiple to our NAV estimate. Our target multiple is above the historical average but in line with multiples during periods of strong investor interest and rising uranium prices. Our DCF uses an 8% discount rate.

Risks to rating and price target

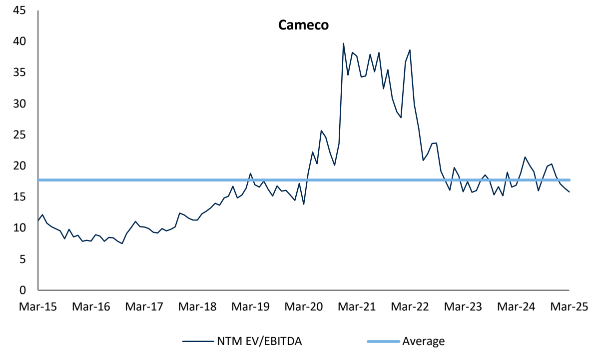
Risks to rating and price target include: (1) a negative outcome in the ongoing CRA transfer pricing dispute; (2) contract cancellations; (3) potential production disruptions; (4) weaker-than-expected uranium prices; (5) currency volatility, primarily CAD/USD; and (6) a decline in uranium investor sentiment resulting in lower valuation multiples.

Exhibit 7 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 8 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

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

RBC Dominion Securities Inc.
Walter Spracklin, CFA (Co-Head of Global Industrials Research) (416) 842-7877,
walter.spracklin@rbccm.com

Rating: Outperform	Closing Price: CAD 100.99
Price Target: CAD 122.00	Implied All-in Return (%): 21.6

Investment summary

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

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

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

Valuation

Our $122 price target is based on applying a P/E multiple of 21.5x to our 2026 EPS estimate of $5.65. Our 2026 EPS forecast reflects CP achieving full synergy run-rate on the KSU acquisition in line with guidance provided when the deal was announced. The target multiple is a premium to peers, in our view warranted by CP's operations-focused management team as well as the increased network reach following the KSU acquisition. Our price target supports our Outperform rating.

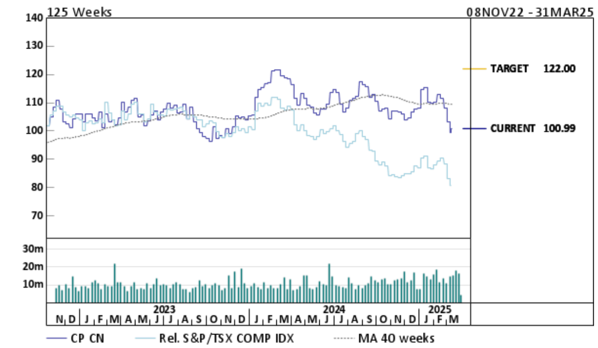
Risks to rating and price target

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

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

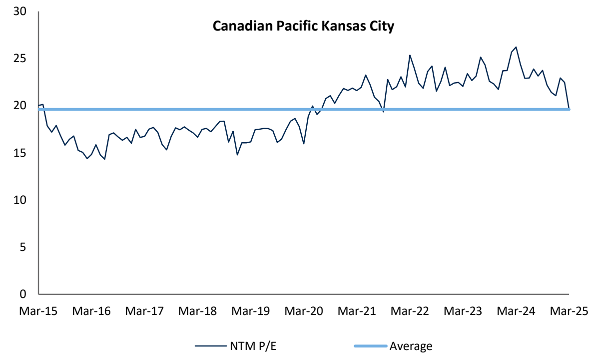
Integration risk. We consider CP management to be one of the top teams in North America and have strong confidence in its ability to execute on the integration of this deal and achieve (or exceed) the announced targets. Moreover, CEO Keith Creel has agreed to contract amendments that would see him lead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

Exhibit 9 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 10 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Carvana Co. (NYSE: CVNA)

RBC Capital Markets, LLC
Brad Erickson (Analyst) (971) 842-9607, brad.erickson@rbccm.com

Rating: Outperform	**Closing Price: USD 209.08**
Price Target: USD 320.00	**Implied All-in Return (%): 53.1**

Investment summary

CVNA is the US's leading natively digital used-car dealer as consumers increasingly get comfortable buying cars online. The opportunity is huge, fragmented and underpenetrated making it ripe for digital disruption, in our view. That said, we think investors are now discounting significant long-term growth leaving less room for upside in the stock and tilting risk/reward less favorably.

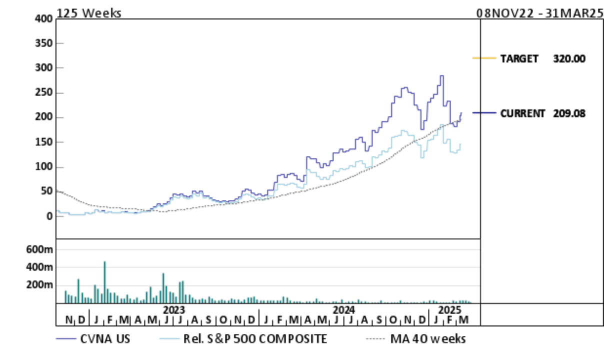
Valuation

Our $320 price target is based on 30x EV/'26E EBITDA which is a premium to some of the faster growers in the sector in the low/mid 20x range because of even faster growth in a relatively large and underpenetrated end market. The company is showing signs of meaningful improvement on profitable unit growth and has meaningful capacity to ramp units further without incurring meaningful fixed costs. That said, we need more confidence in persistent profitable unit growth necessary to improve our rating. Our price target supports our Outperform rating.

Risks to rating and price target

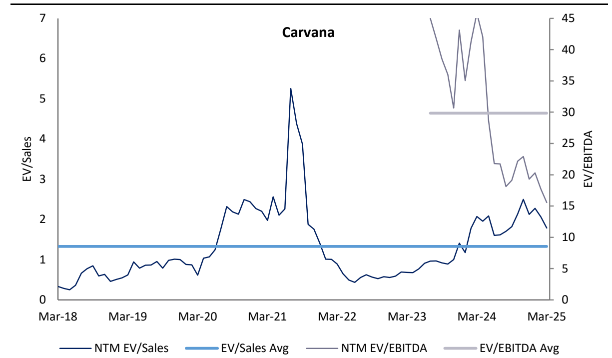
Risks to rating and price target include: (1) accelerating unit growth, (2) decelerating inventory constraints; (3) an upturn in asset-backed securities markets; (4) better-than-expected gross profitability; and (5) significant decreases to interest rates and/or a macroeconomic upturn.

Exhibit 11 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 12 - Forward consensus EV/sales & EV/EBITDA history



Source: Factset

Most recent company note: link

ConocoPhillips (NYSE: COP)

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

Rating: Outperform	**Closing Price: USD 105.02**
Price Target: USD 133.00	**Implied All-in Return (%): 29.7**

Investment summary

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

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

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

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

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

Strong balance sheet. The company's strong balance sheet provides a strategic advantage to increase shareholder value through commodity price cycles.

Valuation

Our $133/share price target is derived from a combination of evaluating forward EBITDA multiples and our Net Asset Value (NAV). Our target reflects:

6.1x multiple on our 2025 EBITDA estimate, higher relative to peer averages.

A 13% premium to our $118/share Net Asset Value (NAV), above the large cap peer average due to peer-leading shareholder return commitment, solid FCF growth rates, a strong balance sheet, and asset diversity. Our NAV is a risked assessment of 3P reserves using the long-term RBC commodity price outlook of $65/bbl (WTI), $70/ bbl (Brent), and $3.50/Mcf (HH).

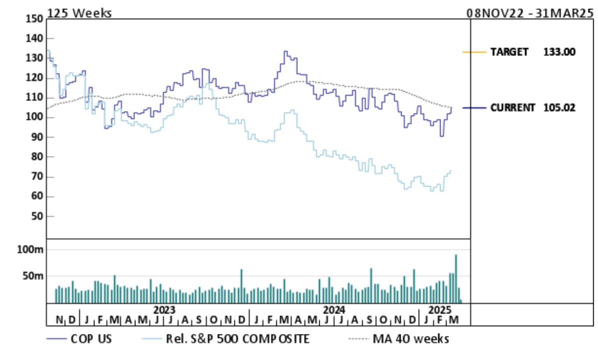
Our price target supports our Outperform rating.

Risks to rating and price target

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

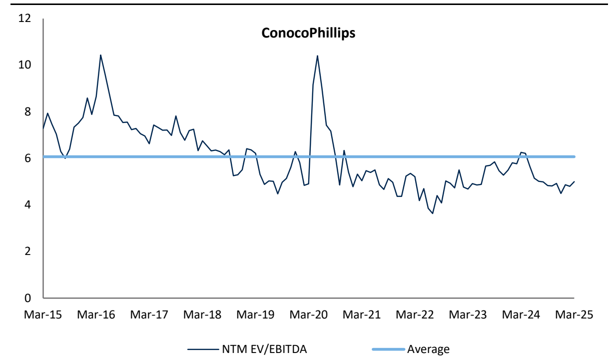
Regulatory changes could adversely impact the company's development opportunities and economics. COP has federal acreage on certain core assets in both the Permian Basin and Alaska that could be impacted by regulatory changes.

Exhibit 13 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 14 - Forward consensus EV/EBITDA 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 4,557.37
Price Target: CAD 5,700.00	Implied All-in Return (%): 25.2

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. Our positive outlook reflects the continued compounding of Constellation's capital deployed at high hurdle rates, along with the scalable nature of Constellation's decentralized business model. The acquisition targets in Constellation's database continue to grow (now estimated at 60k, up from 1.2k in 2006). The 60k acquisition targets imply a large $300B+ addressable market. We forecast Constellation to deploy a record $2.5B capital on acquisitions in FY25e, up from $1.6B in FY24.

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 490 bps of margin expansion over the last 10 years. Our outlook calls for adj. EBITDA margins to expand from 26.7% in FY24 to 27.6% in FY26e.

Constellation's valuation appears attractive. Constellation is trading above Canadian software consolidators on NTM EV/EBITDA. However, we believe Constellation's valuation is attractive given the company's proven ability to compound FCF/share over the long term.

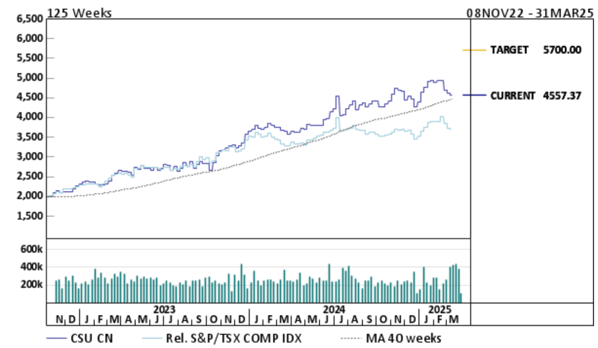
Valuation

Our C$5,700 price target is based on 26x CY26e 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 an Outperform rating.

Risks to rating and price target

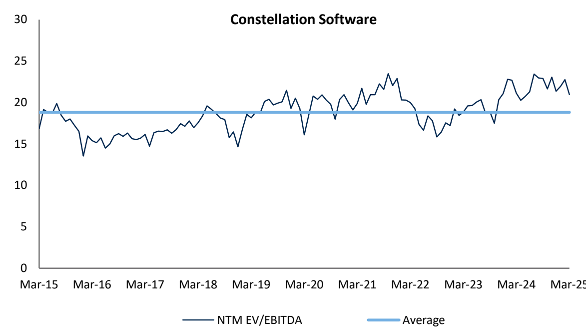
Risks to rating and price target include: (1) inability to find attractive acquisition candidates at high rates; (2) unforeseen challenges managing large acquisitions; (3) unexpected organic growth headwinds; (4) loss of key employees; and (5) a decline in tech market valuations.

Exhibit 15 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 16 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Ferrari N V (MILAN: RACE)

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

Rating: Outperform | **Closing Price: EUR 392.20**
Price Target: EUR 500.00 | **Implied All-in Return (%): 27.7**

Investment summary

Production increase on the horizon. Ferrari's electrification campaign and new E-building facility should enable the automaker to increase its production beyond the legacy plant's 15K/year level.

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.

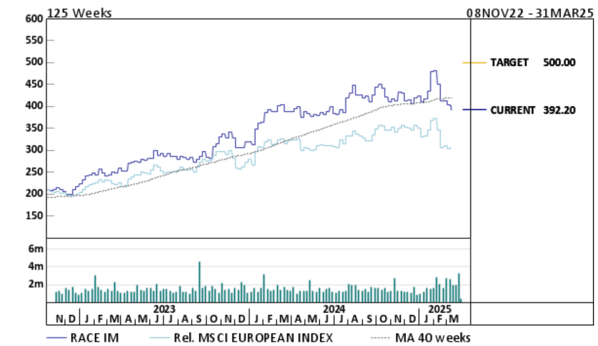
Valuation

Our €500 price target is derived by applying a 32x (DCF-derived) multiple to our 2025E 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

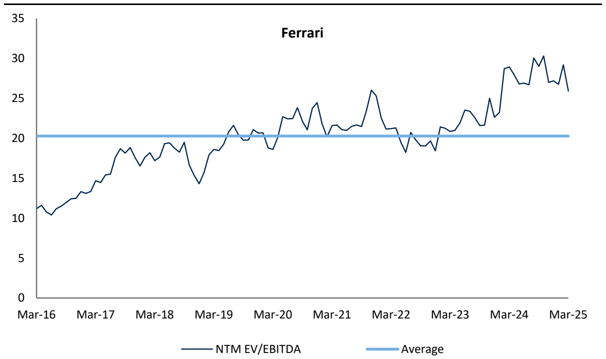
Risks to rating and price target include: (1) challenges to penetrating China; (2) electrification is not in Ferrari's DNA; and (3) premium FUV market is already hyper-competitive.

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

Gaming and Leisure Properties, Inc. (NASDAQ: GLPI)

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

Rating: Outperform | **Closing Price: USD 50.90**
Price Target: USD 56.00 | **Implied All-in Return (%): 16.0**

Investment summary

We like GLPI's focus on the regional gaming net lease market, which has historically generated highly consistent cash flows and above-average acquisition accretion levels. We also think that there is still a large potential universe of future acquisitions among both existing tenants and potential new tenants, and the recent foray into tribal gaming could increase the universe even further. GLPI has a solid balance sheet, and we see upside to its credit rating over time. We also think the current valuation is too low given GLPI's high quality cash flow stream, and we think the stock can re-rate higher.

Potential catalysts:

Continued acquisitions: Most of GLPI's growth potential is inorganic, but this tends to be more episodic than for most net lease peers, so new acquisitions would be a catalyst.

New tenants: Exposure to a new tenant could diversify risk and also provide a runway of new acquisitions.

Spread expansion: If GLPI's acquisition spreads were to expand, through either a lower cost of capital or higher cap rates (quality neutral), we think this would be positive for the stock.

Tribal acquisitions: GLPI recently made its first foray into the tribal market, and additional opportunities there could be a catalyst.

Development opportunities: GLPI has agreements with some of its tenants that allow for co-investments in new developments, which could generate higher returns than traditional acquisitions.

Higher credit rating: We think GLPI's credit quality is higher than the company's current ratings, and upside to these ratings could improve cost of debt.

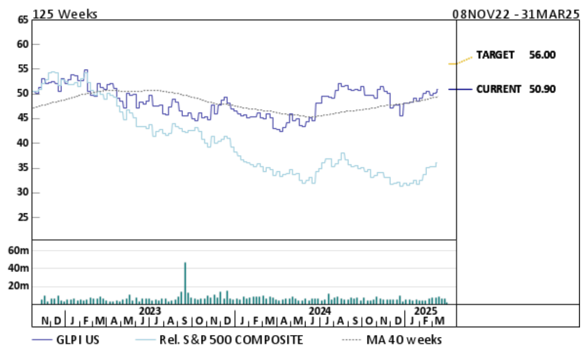
Valuation

We derive a DCF valuation of $57/sh using our 2024–27 AFFO/sh estimates, a terminal growth rate of 2.2%, and a WACC of 6.9%. The terminal growth rate and WACC are consistent with the average we use for peers. We apply a 14.0x AFFO multiple to our NTM estimate to arrive at an AFFO methodology value of $57/sh; this multiple is slightly above the group average, reflecting GLPI's cash flow quality. The simple average of the two methodologies yields our $56/sh price target, which supports our Outperform rating.

Risks to rating and price target

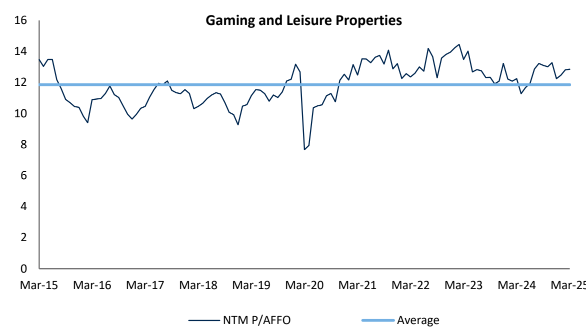
Risks to rating and price target include: **Economic trends:** The largest risks to all net lease companies relate to general economic trends. **Spread contraction:** A reduction in acquisition spreads through either cap rate compression or a higher cost of capital would be a headwind. **Concentration risk:** GLPI has all of its rent concentrated in seven casino operators, so issues with any of these operators is a potential risk. **Disruption risk:** An increasing rollout of iGaming platforms could eat away at the market share of traditional casinos. **Regulatory risk:** Gaming is a highly regulated industry, particularly at the state level, so any new regulatory headwinds are a risk.

Exhibit 19 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 20 - Forward consensus P/AFFO history



Source: Factset

Most recent company note: link

GE Vernova Inc. (NYSE: GEV)

RBC Capital Markets, LLC
Christopher Dendrinos, CFA (Analyst) (212) 428-6522, christopher.dendrinos@rbccm.com

Rating: Outperform	**Closing Price: USD 305.28**
Price Target: USD 445.00	**Implied All-in Return (%): 45.8**

Investment summary

We believe shares of GEV will outperform the peer group for the following key reasons:

Margin improvement. The company has undertaken cost-down initiatives to reduce operating costs and is having success in pushing prices higher, which is reflected in better margins in the backlog. Service contracts have higher margins than equipment, and the long duration provides increased earnings visibility. The company has also outlined a growing opportunity from its software solutions and a more streamlined product strategy as additional benefits to margins. We see a path well ahead of the company's 14% by 2028 target.

Electrification underpinning growth in key segments. Secular trends of electrification and increasing decarbonization efforts give us confidence in revenue growth across the portfolio.

FCF expansion. We expect free cash flow increase by ~7.0x from 2023 through 2025. The robust FCF outlook provides GEV with shareholder returns optionality.

Product portfolio positions the company to benefit from the energy transition. In addition to generally benefiting from the secular trend of the energy transition, the company's market leadership in gas power and electrification also positions GEV to benefit from increasing electricity demand, regardless of the pace of the increasing share of renewables.

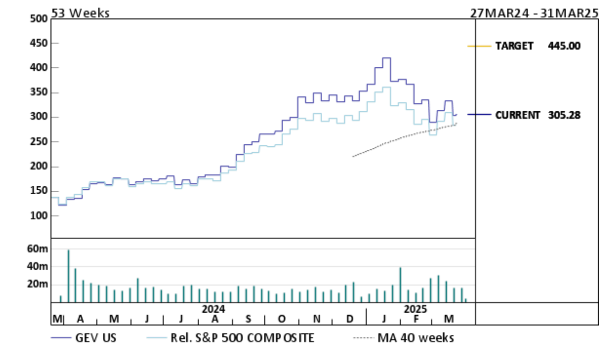
Valuation

Our $445 price target uses an EV/EBITDA multiple of ~15x on FY2028E EBITDA of ~$7.75bn. Our valuation multiple is a ~1x turn discount to the multi-industry industrial peer group EV/EBITDA multiple for FY2026E. We believe the valuation is justified because of the tenor and strength of the order backlog, supporting the long-term value opportunity as the company's margin and FCF should continue to grow above industry deep into the decade. Our price target supports our Outperform rating.

Risks to rating and price target

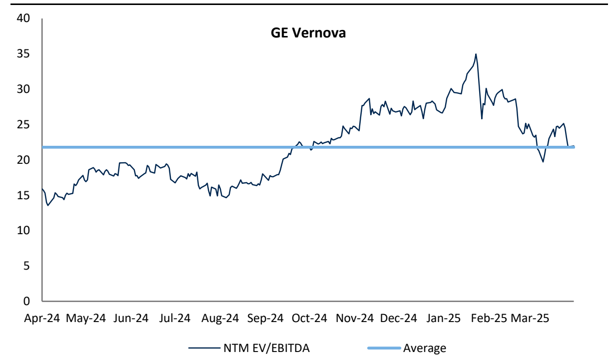
Regulatory and policy environment may impact the demand mix for GEV's products. Key business segments depend on the favorable regulatory and policy environment that encourages utility-scale adoption of renewables. Changes in these policies may adversely impact the company's growth outlook and performance. Further, if policy requires an acceleration of renewables, this may result in lower demand for GEV's gas power segment, which in the near/medium term supports the company's margins and FCF generation. **Product and operational cost-downs.** The company continues to be disciplined and effective in its cost-downs, and future financial performance will rely on maintaining cost-downs, despite the introduction of new product lines and technologies and inflationary pressures. **Supply risks.** GEV operates in a supply-constrained environment. Constraints of commodity/product availability may result in higher costs to the company. **Long bid cycles.** The company has engaged in relatively longer bid cycles, which expose it to inflationary costs if protections have not been embedded in the contracts.

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

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 48.31**
Price Target: USD 53.00	**Implied All-in Return (%): 9.8**

Investment summary

Fourth-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).

Investing in sustainability-related organic growth initiatives – GFL is investing in MRFs to take advantage of ongoing developments with EPR regulations, as well as RNG facilities to monetize the gas that the company's landfills are producing. GFL expects to generate annual run-rate Adjusted EBITDA of $80–100MM by 2026 from its EPR-related investments and an additional $175MM from RNG projects. For perspective, GFL has outlined EV/EBITDA "build" multiples of ~4–5x for its EPR-related initiatives and <2x for RNG projects.

Long M&A runway – Although GFL has acquired +260 companies since inception and has grown into the fourth-largest company in the Solid Waste industry, it 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.

Sale of majority interest in Environmental Services highlights value of Solid Waste business – GFL has entered into an agreement to sell a majority interest in its Environmental Services business at an EV of ~$8B, with GFL receiving ~$6.2B of cash and rolling over a $1.7B equity interest in the business. Overall, we view the transaction favorably, as it provides GFL with capacity to repurchase a significant proportion of s/o, and it should reduce the company's leverage profile to more closely align with peers on a pf basis (~3x). GFL will also retain upside optionality via its ~44% equity interest. Longer-term, we continue to believe that GFL can continue to re-rate toward the peer average ~14.5x over time.

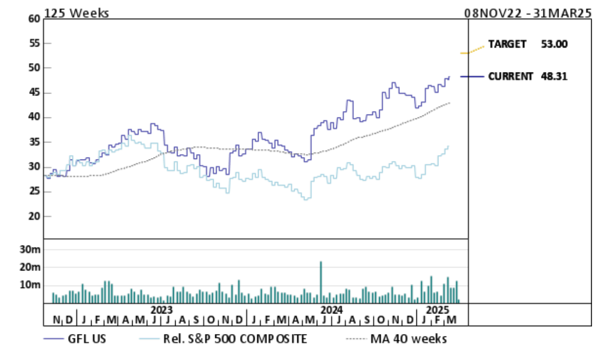
Valuation

In our base case scenario, we apply a ~15x EV/EBITDA multiple on our 2026 EBITDA estimate of ~$2.1B. We believe our target 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$53 price target, which supports our Outperform rating.

Risks to rating and price target

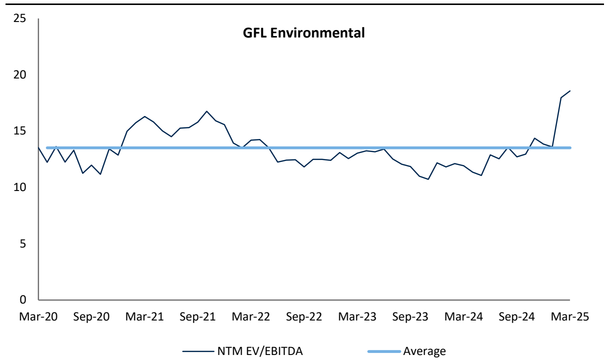
Risks to rating and price target include: (1) competition; (2) dependence on third-party landfills and disposal facilities; (3) acquisition risks (i.e., if GFL is unable to successfully acquire and integrate target companies); (4) sensitivity to macro factors; and (5) regulatory and environmental risk.

Exhibit 23 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 24 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: [link]

Gitlab Inc. (NASDAQ: GTLB)

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

Rating: Outperform	Closing Price: USD 47.00
Price Target: USD 80.00	Implied All-in Return (%): 70.2

Investment summary

We believe Gitlab is well positioned to become the center of the DevSecOps ecosystem helping to consolidate spending in a large and growing market.

We believe Gitlab's addressable market opportunity for its DevSecOps platform is ~$40 billion, which should grow over time. In our view, Gitlab is well positioned to drive spending away from legacy DIY DevOps approach leveraging point tools manually integrated together, as companies realize the power of a single application for the entire DevSecOps lifecycle. With that said, there is an opportunity to grow by adding and maturing features in more stages of the DevSecOps lifecycle as well as making the features open-source to encourage contributions and further improve the platform. Additionally, we believe there are opportunities to grow within the existing customer base through higher tiered plans and more users, increased adoption of its SaaS offering, and international expansion. Finally, we believe that Gitlab is differentiated in having been an all-remote company since its inception, which has enabled broader access to talent across the globe with diverse, specialized and highly in-demand skills that employers with physical locations may not have access to.

Potential catalysts include: (1) ultimate upsell and the Premium price increase; (2) Gitlab Dedicated and Duo adoption; (3) international expansion; (4) advancing feature maturity across more stages of the DevSecOps lifecycle; (5) driving growth through increased S&M with a focus on replacing DIY DevOps within larger organizations and driving customer growth; (6) expansion within existing customer base through more users or move to higher tiered plans; and (7) increased adoption of the faster growing SaaS offering.

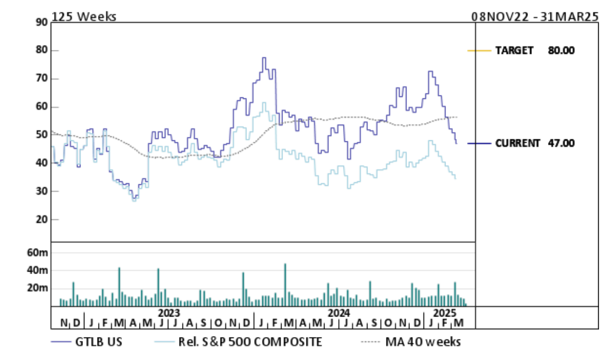
Valuation

We calculate our base-case price target of $80 by applying a 15.0x multiple to our CY/25 revenue estimate. This implies a premium to high-growth peers, in our view, warranted due to a large and expanding TAM that leads to an attractive growth profile as well as the opportunity for upside to growth expectations. Our price target supports our Outperform rating.

Risks to rating and price target

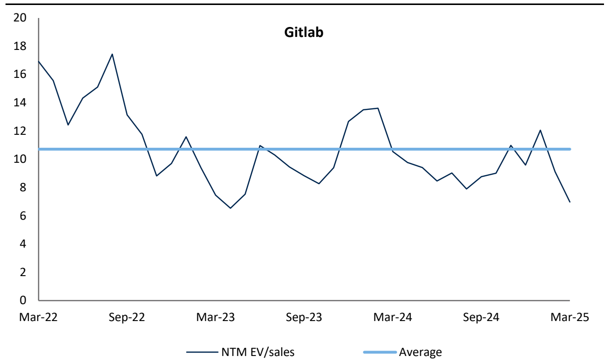
Risks to rating and price target include: (1) intense competition with competition across one to all ten stages of the SLDC, with limited barriers to entry; (2) competition with well-established providers such as Atlassian and Microsoft and larger and better-resourced competitors; (3) reliance on independent open source contributors beyond the company's direct control; (4) market for the services is relatively new and unproven; and (5) limited operating history.

Exhibit 25 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 26 - Forward consensus EV/sales 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 571.29
Price Target: USD 950.00	Implied All-in Return (%): 66.3

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 $950 by applying a 17x EV/revenue multiple to our 2025 estimate of $2,990M. 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

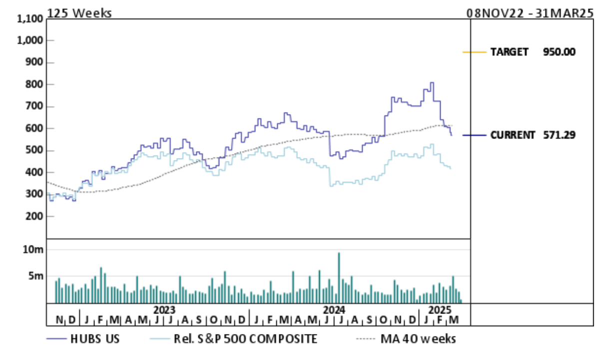
Risks to rating and price target include:

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.

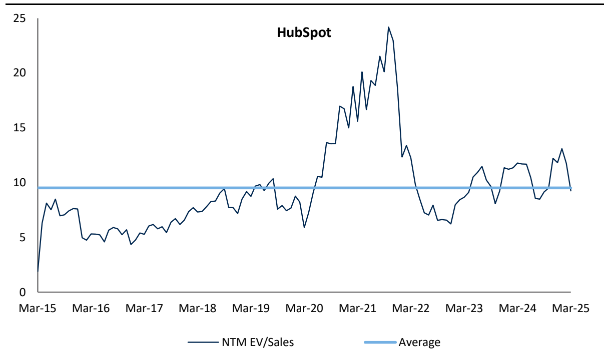
Long-term profitability: Margins have improved and are solid for HUBS growth, but the company's long-term margin structure remains uncertain. We believe the company has a strong enough cash position to achieve positive FCF generation without raising funds.

Exhibit 27 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 28 - Forward consensus EV/sales history



Source: Factset

Most recent company note: link

Illumina, Inc. (NASDAQ: ILMN)

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

Rating: Outperform	Closing Price: USD 79.34
Price Target: USD 128.00	Implied All-in Return (%): 61.3

Investment summary

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. While we believe a return to sustainable HSD/LDD revenue growth will lead to multiple expansion longer term, we believe China headwinds still prevent that from happening, and thus value ILMN more inline with other LST companies.

Valuation

Our 12-month price target of $128 is based on applying the 1-year P/E multiple of "incumbent" LST companies as of latest FQE to our FY'26 EPS estimate, or 25x. Though ILMN has historically shown growth rates above this group, medium term competition and macro pressures may prevent ILMN from growing above these peers over the next 12 months. Our price target supports an Outperform rating.

Risks to rating and price target

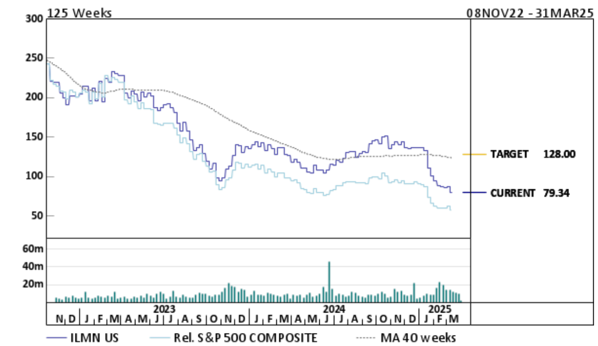
Our estimates are based on the assumption that revenue growth re-accelerates, expenses grow more slowly than revenue, and the tax rate will decline over time. If any of these assumptions prove to be incorrect, our estimates may be too high.

We use a P/E average of other LST companies that face similar market dynamics as ILMN, including increased competition and exposure to customer types with diverse funding sources. If ILMN's share in the NGS market were to be more impacted than our assumptions; and ILMN can't return to revenue or earnings growth inline with other LST companies, ILMN's multiple may continue to trade at a relative discount.

Recent decisions in China may make it impossible for Illumina to operate in the region, which accounts for approximately 7% of sales. If the company loses these sales without any offsetting expense reduction, our estimates could be at risk.

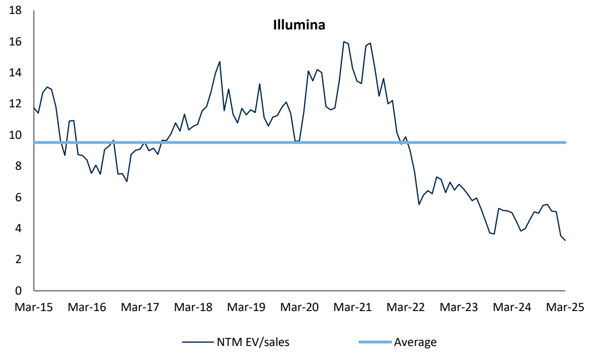
Alternatives to NGS, including long-read sequencing, could damage ILMN's market position.

Exhibit 29 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 30 - 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 11,460.00**
Price Target: GBp 14,000.00 | **Implied All-in Return (%): 23.3**

Investment summary

Impressive operational momentum moving into 2025: 2024 was another strong year for LSEG, delivering org. cc growth of 8%, exceeding stated targets, and a reflection of the improved performance of the group. Commentary on traction and enhancements to the Workspace product through 2024 has boosted our confidence in the medium-term investment case, whilst the risk profile of the shares has been reduced by removal of Refinitiv seller overhang.

Diversified business model with an attractive growth outlook: LSEG is targeting 'mid-to-high single-digit' organic revenue growth, accelerating from 2025. This growth acceleration should be underpinned by (1) secular drivers; (2) return from elevated recent cap-ex investment; and (3) revenue contribution from MSFT partnership. We expect a step-up in EPS growth over FY24-FY27E.

Favourable exposure to fixed income volatility: LSEG's transactional revenues (c25% of group revenues) tend to benefit when interest rate expectations fluctuate, meaning we see the group as a beneficiary from "higher-for-longer" rate scenarios that look more likely following the US election result. A "deregulatory" Trump administration could also benefit prospects for US banks (important LSEG customers).

Strong cash generation to support capital returns and further bolt-on M&A: Following a period of elevated investment, we expect the underlying EBITDA margin to improve over the medium term, with cap-ex strain also set to fall from 2025, supporting improved cash generation. The group has announced material buybacks in each of the last three years, and we expect similar returns looking forward, given strong cash generation.

Discount to peers becoming more difficult to justify: We view the international data providers as the most appropriate peer group for LSEG. With overhang risk now removed we see the argument for a discount as further weakened. The group trades on a FY26E PE of 25x, versus the financial data provider average of 29x. This c15% discount offers a runway for a re-rating in our view.

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 7.5% (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 £7.1bn to reach our equity value.

Our price target implies a FY 2026E P/E of 29x, which we see as justified given LSEG's strong FCF generation and exposure to structural growth markets. Our price target of 14,000p supports our Outperform rating.

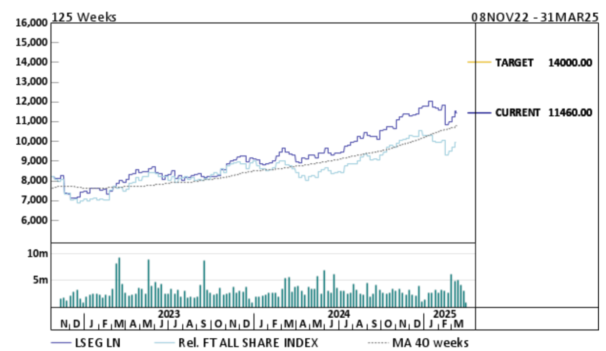
Risks to rating and price target

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.

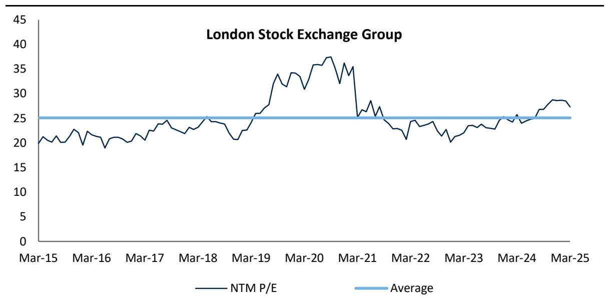
Post Trade is exposed to regulatory uncertainty. Temporary CCP equivalence has been granted to the UK clearing houses until 2028 for euro-denominated IRS.

Exhibit 31 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 32 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Microsoft Corporation (NASDAQ: MSFT)

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

Rating: Outperform | **Closing Price: USD 375.39**
Price Target: USD 500.00 | **Implied All-in Return (%): 33.9**

Investment summary

We like shares of Microsoft for four primary reasons:

Market Leader in Several Important Software Categories. Microsoft is a top vendor across numerous enterprise software markets, including public cloud (Azure), collab (Teams/Office), developer tools (GitHub/Visual Studio), security (Azure AD, Defender), and hyperautomation (Power Platform). In addition, Microsoft holds a top spot in other technology vectors, like video games (Xbox), social networking (LinkedIn), and AR (HoloLens).

Durable Double-digit Growth at Scale. From FY21-FY24, Microsoft sustained a 13% CAGR, adding ~$80B of revenue to $245B total. Even more impressive, most of this came organically with $36B from Azure, $17B from Office, and $6B from Gaming (LinkedIn added $6B). In our base case, we expect Microsoft to maintain a low-teens CAGR from FY25-FY26 off an already large $245B base.

Several Market Expansion Opportunities. We see several large expansion opportunities, underpinning our view that Microsoft can sustain DD growth. Microsoft has historically successfully entered new markets, e.g., hyperautomation, security ($10B+ business growing 40%+), and collaboration. We believe the large Office install base, Azure's platform/capabilities, and effective bundling are the enablers. We look to customer experience/engagement as an area to watch given recent investments.

Still Room for Margin Expansion. Microsoft has dispelled the bear thesis that cloud mix-shift would pressure margins, as gross margins have expanded ~4 points since FY18 and operating margins ~10 points. We see gross margins pushing higher, though at a more measured rate. In addition, we expect the company to keep balancing efficiency gains against investments in future growth, ultimately leading to modest operating margin expansion.

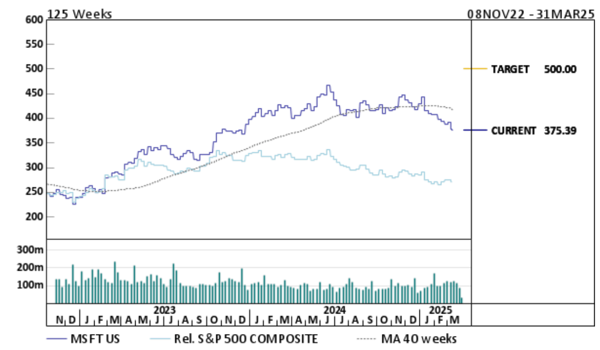
Valuation

We calculate our base-case price target of $500 by applying a 37x multiple to our CY25 EPS estimate of $13.66. Our target multiple is slightly above the Mega Cap peer group, warranted in our view by the company's leadership position in key software categories, durable double-digit growth at scale, and room for margin expansion, albeit some hardware/on-premises mix. Our price target supports our Outperform rating.

Risks to rating and price target

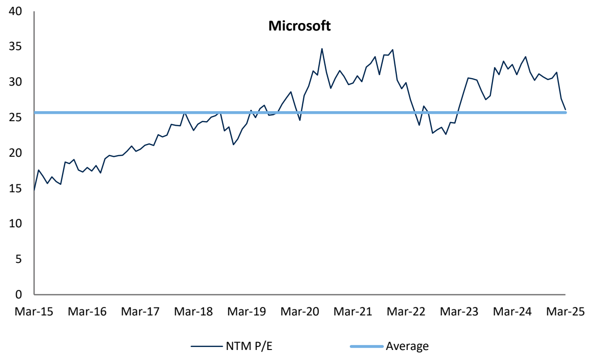
Azure growth could slow: While we maintain the view that public cloud remains early days, a material slowdown in Azure growth could impact the stock and future growth. **Competitive backdrop remains intense:** If Microsoft is unable to maintain its leadership across several sub-categories of software and/or continue entering new markets, this could limit its ability to sustain DD growth. **Uneven consumer strategy:** While positioning has improved in certain consumer markets (namely gaming), execution has been uneven historically (unable to establish a presence in smartphone and living room ecosystems) which could serve as a competitive risk. **Transformational acquisition:** A significant acquisition that depletes the company's net cash position and adds operational pressures on the business could be a risk.

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

MSCI Inc. (NYSE: MSCI)

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

Rating: Outperform	**Closing Price: USD 565.50**
Price Target: USD 675.00	**Implied All-in Return (%): 19.9**

Investment summary

Industry-leading position in large multi-billion dollar opportunities including Indices, Analytics, Sustainability, and Private markets should sustain low-double-digit organic revenue growth. We believe high contribution margins should deliver long-term EBITDA margins in the high-50% range. Shareholder-friendly capital allocation focused on strategic tuck-in acquisition and buybacks should drive double-digit earnings growth. Separately, the downturn playbook should help defend margins and EPS in a potential downturn. Given all the considerations above, we believe the company deserves its premium valuation.

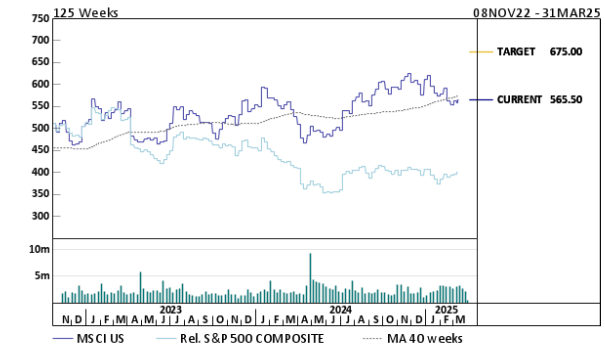
Valuation

Our price target of $675 is based on ~35x our FY26E EPS of $19.55. Our target multiple is in line with the 5-year PE average. We remain encouraged by MSCI's dominant market position in four verticals with a strong moat, accelerated revenue growth profile, industry-leading margins, and shareholder-friendly capital allocation. Our price target supports our Outperform rating.

Risks to rating and price target

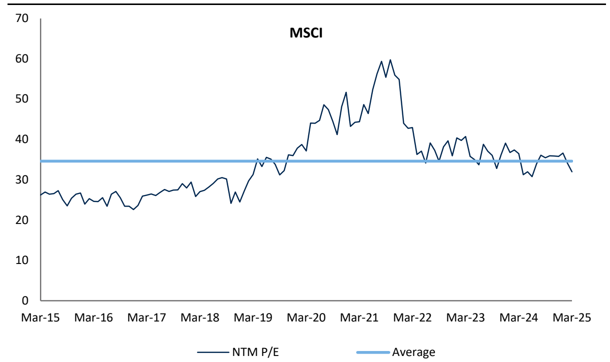
Risks to rating and price target include: (1) inability to deliver on the Analytics growth initiatives; (2) impact of market volatility and pricing pressure on indexing business; (3) increased regulations; (4) increased competition and lack of sustainability adoption; and (5) sell-off in the high-multiple stocks.

Exhibit 35 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 36 - Forward consensus P/E history



Source: Factset

Most recent company note: link

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 65.25**

Price Target: USD 104.00 | **Implied All-in Return (%): 59.4**

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, we think 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.

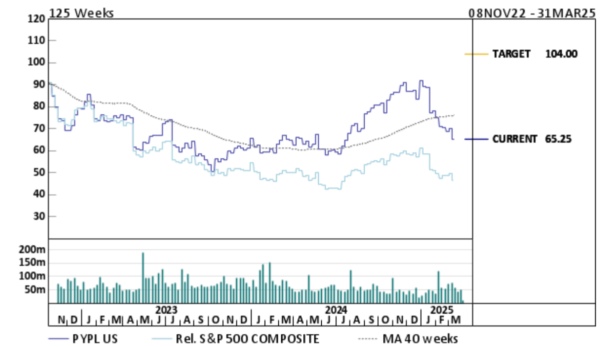
Valuation

Our price target of $104 is 18x our FY26 adj. EPS estimate and supports our Outperform rating. Our multiple reflects current peer group multiples. 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

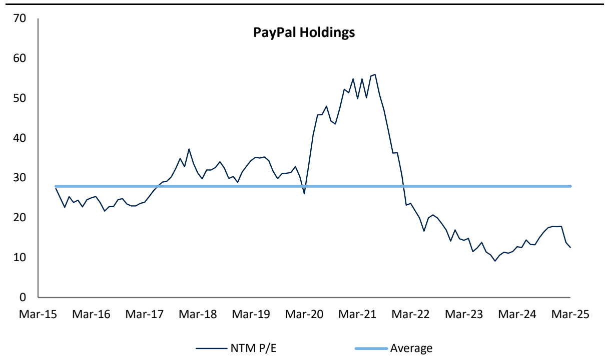
Risks to rating and price target include: (1) accelerated decline in the company's take rate beyond what has been contemplated; (2) increasing competition in the global payments landscape pressuring PayPal's leadership position; (3) unexpected regulation, especially if it slows growth or precludes PYPL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

Exhibit 37 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 38 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Pembina Pipeline Corporation (TSX: PPL; NYSE American: PBA)

Rating: Outperform	Closing Price: CAD 57.56
Price Target: CAD 65.00	Implied All-in Return (%): 17.7

RBC Dominion Securities Inc.
Maurice Choy, CFA, CA, CPA (Analyst) (604) 257-7632, maurice.choy@rbccm.com

Investment summary

We expect Pembina's shares to outperform its peers for the following key reasons:

Well-positioned to benefit from higher WCSB production. Whether it be uncontracted capacity or within its contract structures that blend minimum take-or-pay levels with fee-for-service upside as volumes grow, we expect Pembina to benefit from growing gas and liquids volumes in the Western Canada Sedimentary Basin (WCSB). Further, growing volumes could result in contracted infrastructure opportunities including NGL fractionation expansion and/or pipeline expansion projects.

Free cash flow generation after all capex and dividend payments provides a range of capital allocation opportunities. In 2022 and 2023, the company generated excess cash flow after dividends (including delivering annual dividend growth) and all capex. In 2022, the company prioritized share buybacks and in 2023, Pembina focused on increasing balance sheet flexibility by reducing leverage. As we look into 2025, we project an ability to further deliver dividend growth following the increase in 2024, fully fund its capex from its operating cash flow, and maintain enough balance sheet flexibility to fund other opportunities within its financial guardrails.

Solid base of business with a commodity kicker. Pembina's guardrails target more than 80% of EBITDA coming from fee-based revenues, primarily underpinned by take-or-pay or cost-of-service contracts, which underpin the dividend. As upside optionality, Pembina's Marketing division can benefit from leveraging its asset base to take advantage of various commodity spreads.

Potential catalysts. Improved investor sentiment toward energy and midstream stocks; additional volumes for the conventional pipeline system; government programs that strengthen oil and gas producing customers; increased Montney producer activity on the back of the sanctioning of the third-party LNG Canada project.

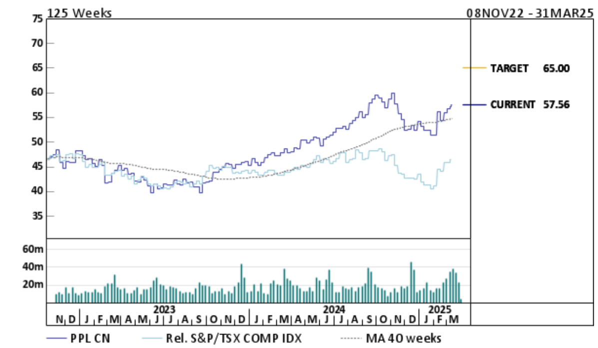
Valuation

Our $65.00/share price target is based on an EV/EBITDA multiple of 12.0-12.5x 2026E. For much of the last 15 years, Pembina's shares have traded within a range of roughly 10–13x EBITDA (although its peak valuation was in the range of 20x). With improving market fundamentals, new growth projects, and a stronger focus on capital allocation versus the past, we believe there is support for the stock trading in the upper half of its historical valuation range. We believe that the relative risk-adjusted expected total return to our price target supports our Outperform rating on the shares.

Risks to rating and price target

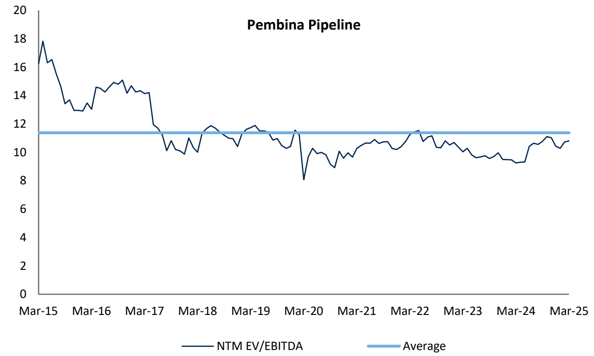
Risks to rating and price target include: (1) a weak market for energy including lower-than-expected throughput on the pipeline systems; (2) regulatory intervention; (3) the ability to complete new projects on time and on budget; (4) operational issues; (5) reduced margins in the midstream and marketing segment; and (6) acquisitions, investments and/or projects that fail to gain the confidence of investors.

Exhibit 39 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 40 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

Regeneron Pharmaceuticals, Inc. (NASDAQ: REGN)

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 634.23**
Price Target: USD 1,045.00	**Implied All-in Return (%): 64.8**

Investment summary

We believe Eylea's advantages in market entrenchment, logistics, and physician comfort based on its established safety profile will provide some level of protection from competition; furthermore, rapid launch of EyleaHD and recent litigation win against a biosimilar manufacturer provide additional runway and give comfort on meaningful market conversion to EyleaHD, though biosimilar aflibercept would likely still need to enter the market by 2026. For Dupixent, we believe its market entrenchment and demonstrated real-world, long-term efficacy and safety will continue to drive its growth in existing indications and provide some confidence for other type 2 inflammatory diseases, with further upside coming from potential LoE extension from lifecycle strategy and patent protection. The breadth and depth of the company's robust R&D portfolio and good track record also provide comfort on its long-term prospects.

Key positives include: (1) proven real-world efficacy and long-term safety profile of Dupixent, with multiple indication expansion opportunities; (2) diverse pipeline programs in oncology, inflammatory diseases, and genetic medicine under co-development with companies that have expertise in respective areas; and (3) Eylea's market entrenchment in both wAMD and DME.

Potential catalysts include: (1) commercial uptake of EyleaHD (2025+); (2) Fianlimab+Libtayo ph.II data in NSCLC/melanoma (1H25/2H25); and (3) Ph.III itepekimab COPD data (2H25).

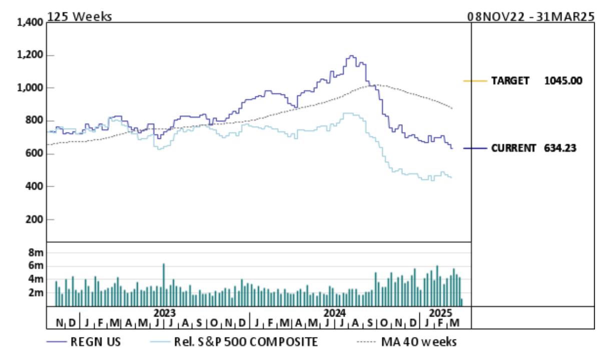
Valuation

Our $1,045 price target is derived from a DCF analysis, with a 9.5% discount rate and a 3.0% terminal growth rate off 2033E. Our price target supports our Outperform rating.

Risks to rating and price target

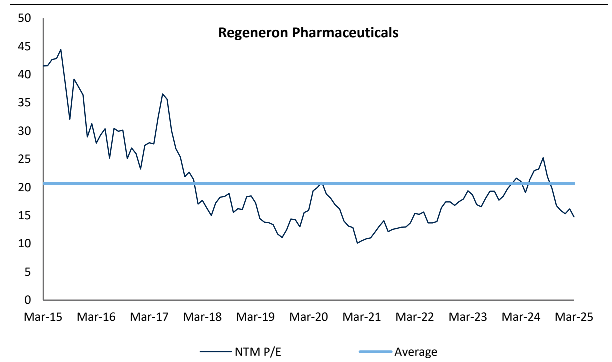
Risks to rating and price target include Eylea risks from biosimilar entrants, new biologic competition, and IRA, increasing competition for Dupixent, and clinical development and regulatory risks for oncology and other pipeline programs.

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]

Safran (NXT PA: SAF)

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

Rating: Outperform **Closing Price: EUR 242.00**
Price Target: EUR 285.00 **Implied All-in Return (%): 18.3**

Investment summary

We rate Safran (SAF-FR) Outperform with a €285 price target. We view Safran as a high-quality aerospace and defense supplier, with strong exposure in the narrowbody engine market. Investors are primarily focused on the Aerospace Propulsion segment, particularly with the CFM56 program, the primary profit driver for the segment, and execution on the LEAP, the next-generation narrowbody engine program.

We believe key positive catalysts for SAF-FR will come from continued strength in the commercial aftermarket, execution on LEAP, potential upside to the 2028 targets provided at its 2024 CMD, and capital allocation optionality. We believe the valuation disconnect with US peers provides upside potential.

Valuation

Our €285 price target is based on applying a 23.5x multiple to our 2026 FCF/share estimate of ~€12.12. We believe a multiple at the high end of historical ranges is appropriate considering the outlook for margin upside, catalysts associated with capital allocation, the company's low leverage, and strong market fundamentals. The implied return to our price target supports our Outperform rating.

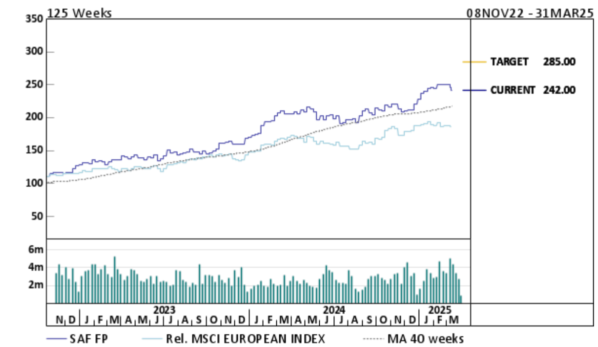
Risks to rating and price target

The primary risks to our rating and price target are focused in the company's civil aerospace business. Specifically, we highlight risks associated with passenger and cargo travel levels, airline maintenance spending schedules and MRO capacity and lead times, as well as work scopes and the availability of spare parts and material lead times. The company also faces risk from the pace of new aircraft deliveries and aircraft interior modification and retrofit spending.

We also highlight the engine supply chain's ability to support expected LEAP engine production increases, as well as the overall health of the aerospace supply chain and risks associated with sanctions and trade policies, capital spending by suppliers, and necessary investments in people and working capital.

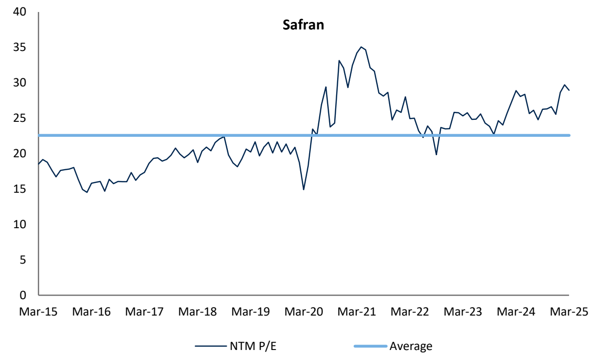
The company also faces risks from: exchange rates and currency hedging strategies, as well as airlines' and lessors' access to capital to support aircraft purchases and investments; global defense spending, technology advancements in propulsion and other areas, and timing of defense contracts and investments; and global geopolitical risks.

Exhibit 43 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 44 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Schneider Electric (NXT PA: SU)

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

Rating: Outperform	**Closing Price: EUR 210.75**
Price Target: EUR 270.00	**Implied All-in Return (%): 30.1**

Investment summary

Schneider is a high-quality business and we expect robust delivery over the next few years. It has targets for 7-10% per annum organic growth and we forecast ~8% run-rate. In this context we see the valuation discount to the peer group as unjustified.

Global leader: Schneider Electric is a global leader in electrical distribution, automation, and energy management products. The company serves the markets for non-residential & residential buildings, industrial & machines, utilities & infrastructures, datacentres and networks. Schneider has top two positions globally in many of the markets it competes in, in particular in the low/medium voltage and UPS markets.

Robust growth: At its November CMD, Schneider set a 4-year 7-10% per annum organic sales CAGR. Schneider's organic growth over the last 5-year period, has averaged 7.4%. We forecast 8% per annum average growth over the next 2 years.

Sustainability leader: Schneider has a longstanding track record of a focus on sustainability with strong scores from the relevant rating agencies.

Improving capital allocation: Schneider's capital allocation has improved, becoming more shareholder-friendly. Looking at the last twelve years of spending, the trends are clear. Acquisitions steadily declined from accounting for over 60% of operating cashflow in 2011 (three-year rolling basis) to more like 10-20% in recent years, and we see the Aveva minority acquisition in 2022 as an outlier rather than a change in pattern.

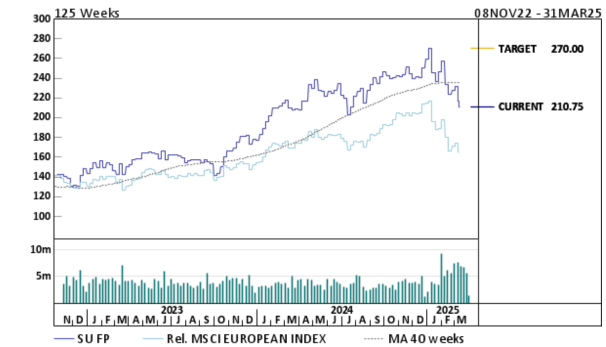
Valuation

We use a combination of PE and DCF valuations, giving us a price target of €270. We use a forward EV/EBIT multiple of 20x25E (set at a ~10% premium to the Electrical peers in view of Schneider's above-average margin and medium-term growth profile), which we apply to 2025E EBITA returning €275. Meanwhile, our DCF returns €265 (using 7.5% WACC, perpetuity growth of 3.5% and 21% EBITA margin). Averaging the two results in a rounded €270 price target, which supports our Outperform rating.

Risks to rating and price target

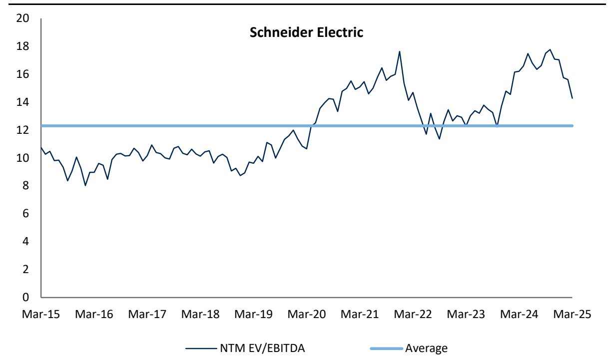
Risks to rating and price target include EPS sensitivity to the economic growth backdrop which could accelerate or decline, Schneider's exposure to Chinese construction activity (we estimate ~5% of sales are driven by this), and exposure to emerging market currencies (Schneider has not been able to shift its production into emerging markets as quickly as its sales mix has shifted). M&A also remains a risk area, both positive and negative, as it remains a core area of the strategy. There are also valuation sentiment risks, most specifically around the datacenter exposure and sentiment on that market.

Exhibit 45 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 46 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

Shell PLC (LSE: SHEL; NYSE: SHEL)

Rating: Outperform	Closing Price: GBp 2,825.00
Price Target: GBp 3,800.00	Implied All-in Return (%): 34.6

RBC Europe Limited
Biraj Borkhataria, CFA (Head of Global Energy Transition Research) +44 20 7029 7556,
biraj.borkhataria@rbccm.com

Investment summary

Key reasons for our positive stance:

Operational turnaround. While 4Q24 results were on the softer side, it followed five quarters in a row of earnings coming in above market expectations with the drive from the new management on improving operational performance appearing to be coming through across a number of divisions. We think this should support cash generation over the coming years, supported by its oil leverage and #1 presence in a growing LNG market.

Resilient distributions. We think Shell's balance sheet (current ~5% gearing) should allow for buybacks to continue at the current pace, even in a lower price scenario through 2025. Sustained buybacks in the face of falling share prices mean share count reductions could be more rapid than anticipated, which in turn could drive higher DPS growth over time.

More rateable earnings. One of the aspects of the investment case that we've been highlighting has been around volatility, and our calculations suggest that earnings and cash flow volatility is lower than US peers despite the trading business seemingly adding to it. This seems to be underappreciated by the market with a difference between perception and financials.

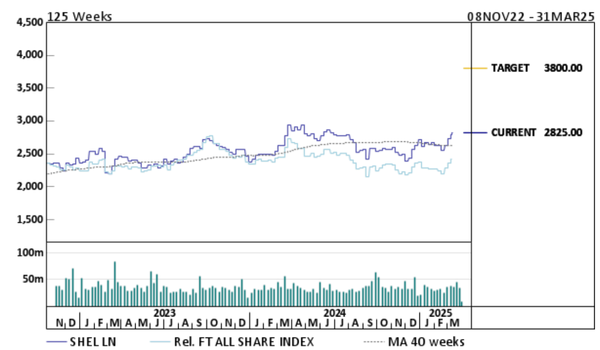
Valuation

We value Shell based on a 50/50 weighting between SOTP and normalized EV/DACF using a multiple of 7x. This leads to a price target of 3,800p, which supports our Outperform rating.

Risks to rating and price target

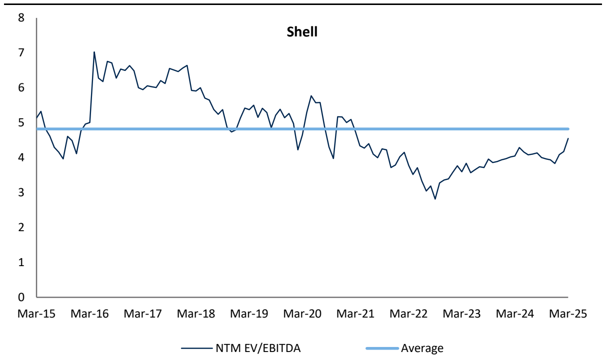
Risks to rating and price target include: (1) overcapacity in LNG as Shell is involved in multiple growth projects whilst also being the largest supplier of LNG globally; (2) sustained weakness in US gas prices constraining profitability of gas drilling in the US; (3) security risk in key areas in the Middle East and North Africa where Shell is highly exposed; and (4) fiscal risk and uncertainty surrounding regulation in the oil & gas industry. In general, all international integrated oil companies are exposed to resource price fluctuations, political/security risk, execution risk, and environmental/permitting risks.

Exhibit 47 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 48 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Snowflake Inc. (NYSE: SNOW)

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

Rating: Outperform	Closing Price: USD 146.16
Price Target: USD 221.00	Implied All-in Return (%): 51.2

Investment summary

Cloud remains the center of gravity for data: We believe 2025 will increasingly show stability and ultimately improvement in cloud spend, partially benefiting from easier compares. We believe this bodes well for Snowflake, as consumption trends are likely to improve in 2025 as macros stabilize/improve.

A more competitive Data Cloud: Historically, Snowflake was a Cloud Data Warehousing platform, but it has evolved into a Data Cloud platform, which supports use cases across data warehousing, data lakes, and beyond. We believe its move into the data lake market through Snowpark should enable cross-sell into BI use cases and increasingly GenAI.

GenAI should drive higher consumption: We believe that a modern data strategy is a precursor to a GenAI strategy and that Snowflake is well positioned given the large amount of data on its platform, as new GenAI offerings should help drive incremental workload utilization. We think a more material impact on results is likely in 2025 and beyond as new products go into GA. Ultimately, we believe GenAI remains a key tailwind to support the company's long-term growth and margin targets.

SNOW is not inexpensive but deserves a premium valuation, in our view: We believe the premium valuation is warranted based on Snowflake's best-in-class growth, TAM expansion opportunities, management team, and scaling FCF margins.

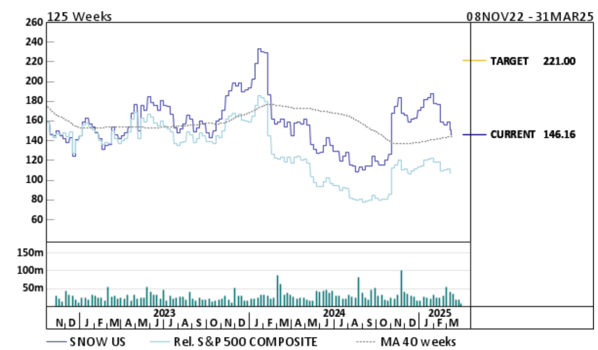
Valuation

We calculate our base-case price target of $221 by applying a 17.5x multiple to our CY/25 revenue estimate. This is a premium to the 30%+ growth peers, in our view warranted by the best-in-class growth, TAM expansion opportunities, and scaling FCF margins. Our price target supports our Outperform rating.

Risks to rating and price target

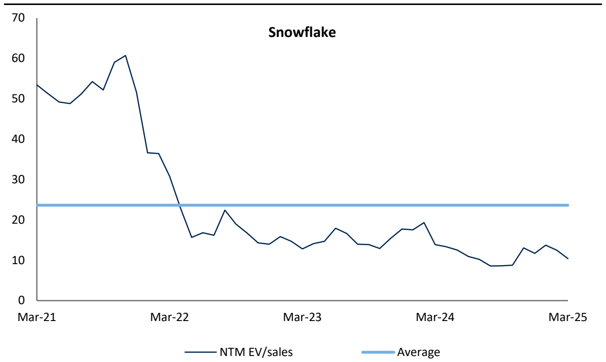
Risks to rating and price target include: (1) consumption trends could fluctuate, particularly in difficult economic times; (2) high level of competition in the market from large established public cloud providers as well as emerging cloud native vendors; (3) the company's ability to attract new customers or expansion within existing customers and its ability to maintain high retention rates; and (4) failure to invest adequately and continue to innovate can create risk of losing share to competitors.

Exhibit 49 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 50 - Forward consensus EV/sales history



Source: Factset

Most recent company note: link

U.S. Bancorp (NYSE: USB)

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

Rating: Outperform | **Closing Price: USD 42.22**
Price Target: USD 57.00 | **Implied All-in Return (%): 39.7**

Investment summary

We rate USB shares Outperform for the following reasons:

Best in Class: USB has demonstrated, through the compound annual growth rate of shareholders' return over the last 10–20 years, that it has consistently been one of the best-performing commercial banks in the US. The company's focus on growing tangible book value and dividends per share has driven this performance, in our view.

Highest Return on Equity (ROE): Through a relentless focus on core fundamentals and capital management, USB has consistently delivered the highest reported ROE among the top 20 banks (excludes custody and investment banks).

Great Steward of Shareholders' Capital: Management has the utmost respect for shareholders' capital, in our opinion. USB has consistently returned 60–80% of earnings each year through dividends and stock repurchases. USB declared a quarterly common dividend of $0.50 per common share, and completed $100 million in share repurchases in 4Q24.

Strong Asset Quality: USB has demonstrated strong underwriting skills throughout a credit cycle which has served it very well. It is willing to sacrifice balance sheet and earnings growth to protect the integrity of its balance sheet.

Balanced Revenue Mix: In 4Q24, net interest revenue was ~59% of total core revenue and fee revenue was ~41%. This mix has been a key ingredient of its best-in-class ROE.

Digital Banking: USB has been building up its digital banking and payment capabilities, which combined will likely provide another source of secular revenue and earnings growth.

Inflection Point: Following general underperformance over the last two years, USB is at an inflection point where headwinds are becoming tailwinds as investments the company has made over the last decade begin to bear fruit, driving revenue growth that should outpace expense growth moving forward. Additionally, USB will look to achieve this success through driving the interconnectedness of its businesses, deepening relationships with customers while simultaneously shifting its capital expenditures from a defensive strategy to an offensive one.

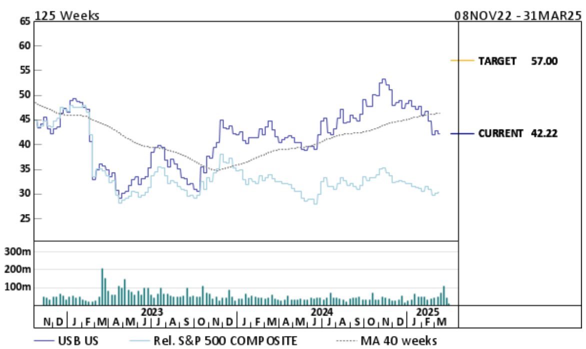
Valuation

Our price target of $57 is 12.8x our 2025 EPS estimate, 1.60x 1Q26E book value, and 2.08x 1Q26E tangible book value. These multiples are consistent with the highest-quality banks in the peer group. Our price target primarily reflects our profitability and risk assessment of the company relative to a peer group of similar companies, as well as current economic expectations. Our price target and implied return support our Outperform rating.

Risks to rating and price target

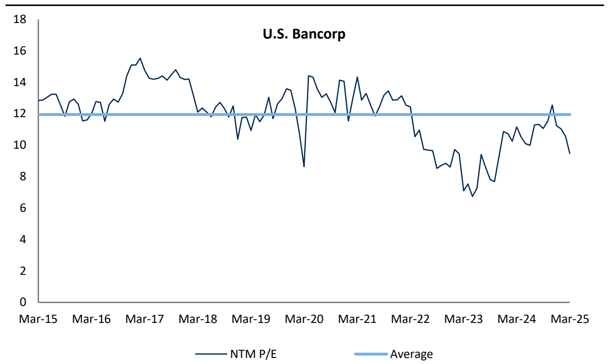
The reemergence of inflation in 2025 is the key risk for the company and our rating and price target. A reemergence of inflation would likely force the Federal Reserve to halt its easing (lowering of the Federal Funds rate) which could eventually lead to monetary tightening to bring down inflationary levels and possibly cause a recession.

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

Wells Fargo & Company (NYSE: WFC)

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

Rating: Outperform | **Closing Price: USD 71.79**
Price Target: USD 80.00 | **Implied All-in Return (%): 13.7**

Investment summary

Our Outperform rating on Wells Fargo's shares is primarily driven by the following key fundamental factors:

Reporting Structure: WFC classifies its management reporting into four primary operating segments: Consumer Banking and Lending which reported $1.6B or ~32% of net income in 4Q24; Commercial Banking, $1.2B or ~24% of net income; Corporate and Investment Banking, $1.58B or ~31% of net income; and Wealth and Investment Management, $508M or ~10% of net income. We note that the Corporate segment reported a net income of $186M.

Improving Efficiencies: Since Charlie Scharf arrived at WFC as CEO, he has had a focus on reducing the company's high expense levels and improving its efficiency ratio. In the first quarter (4Q19) as CEO, WFC's efficiency ratio was 79%. Through his cost savings initiatives launched at the start of 2021 he has been able to reduce the efficiency ratio to 68% in 4Q24.

Cease and Desist Order and asset cap: The Federal Reserve's Cease and Desist Order (C&D) from 2018 will limit the company's ability to grow by putting an asset cap on the size of its balance sheet. As a result of the C&D, WFC must keep its total average asset size at the 4Q17 level. In addition to this C&D, WFC has three other enforcement actions that it is working on with the regulators. The company continues to make progress in settling the enforcement actions and most recently the OCC lifted its 2018 consent order issued to the company as a result of its compliance risk management problems. The lifting of this Order is encouraging as it paves the way for the Federal Reserve to eventually lift its C&D and asset cap, which we believe will be in 2025. The Federal Reserve's C&D, however, carries more political overtones to it, in our opinion.

Strong Capital Levels: WFC has excess capital with a CET1 ratio of 11.1% based as of 4Q24. Over time and after the Basel III Endgame proposal is finalized, we expect the company will work to bring down its CET1 ratio through larger stock buybacks.

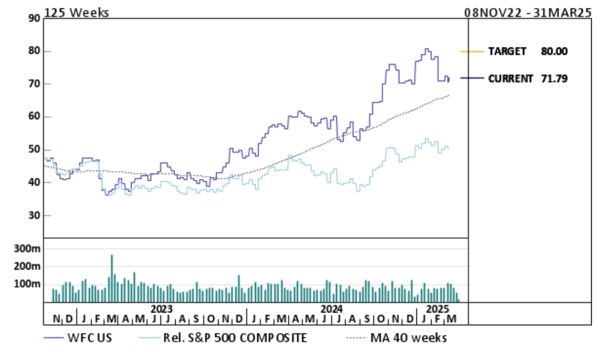
Valuation

Our price target of $80 is 13.7x our 2025 EPS estimate, 1.53x 1Q26E book value, and 1.82x 1Q26E tangible book value. These multiples are consistent with the highest-quality banks in the peer group. Our price target primarily reflects our profitability and risk assessment of the company relative to a peer group of similar companies, as well as current economic expectations. Our price target and implied return support our Outperform rating.

Risks to rating and price target

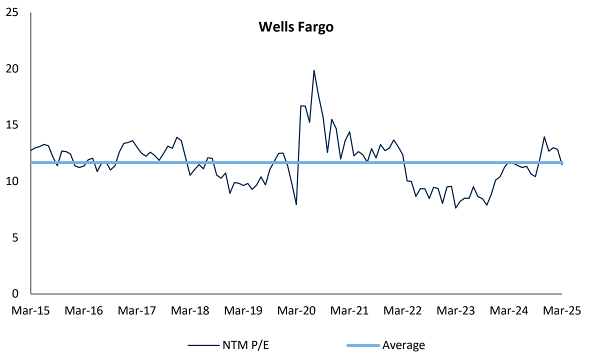
We believe excessive monetary easing by the Federal Reserve, which results in a reemergence of inflation in 2025, is the key risk for the company and our rating and price target. A reemergence of inflation would likely force the Federal Reserve to halt its easing (lowering of the Federal Funds rate) which could eventually lead to monetary tightening to bring down inflationary levels and possibly cause a recession.

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

Xero Limited (ASX: XRO)

Royal Bank of Canada, Sydney Branch
Garry Sherriff (Head of Australian Equity Research & Lead Technology Research) +61 2 9033 3022, garry.sherriff@rbccm.com

Rating: Outperform	**Closing Price: AUD 154.55**
Price Target: AUD 195.00	**Implied All-in Return (%): 26.2**

Investment summary

Mission-Critical Software. Over 4m subscribers globally with SMEs paying ~$40/month on average for business-critical software. High product utility and relative low price translate to high recurring revenue over 99% and low churn ~1%. XRO's software fulfils increased mandatory obligations from tax authorities in Australia, New Zealand and the UK.

Cloud First, SaaS First with Global Scalability Advantages. XRO is the only global accounting software player built in the cloud as an SaaS platform since inception for SMEs. These attributes give XRO material global scalability advantages relative to key competitors that started life as desktop or on-premises software packages. XRO is not saddled with the complexities of a hybrid solution or transitioning its core offerings to the cloud.

Potential catalysts include: (1) subscriber net adds; (2) average revenue per user (ARPU) growth; (3) financial results in May (FY) and Nov (1H); (4) AGM in August; (5) acquisitions; and (6) new products and geographies.

Potential risks include: (1) lower subscriber growth; (2) lower average revenue per user (ARPU) growth; (3) higher-than-forecast costs; and (4) lower EBITDA and free cash flow margins.

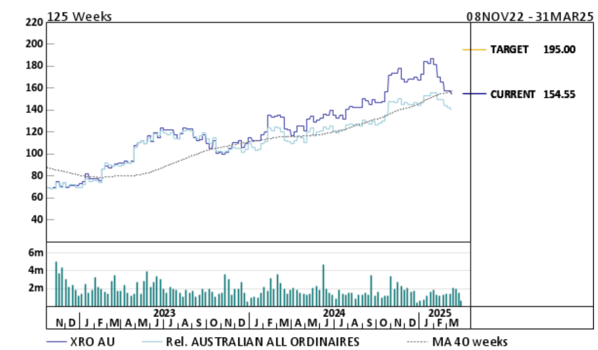
Valuation

Our 12-month forward A$195.00/share price target is based on our DCF valuation. The assumptions for our base-case valuation are: (1) cash flow forecast to FY34; (2) WACC 7.7%; and (3) terminal value calculated as a blended average of our perpetuity growth 3.5% assumption and a terminal EV/EBITDA multiple 18x. These metrics are broadly consistent with those we use for peers. Our price target supports an Outperform rating.

Risks to rating and price target

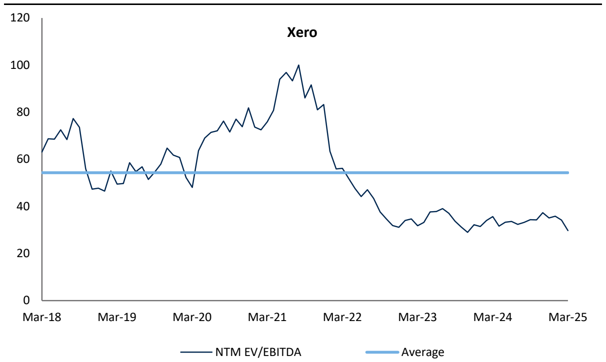
Risks to rating and price target include: (1) weak economic conditions impacting SME bankruptcies and business formations which may see a lower subscriber number growth; (2) higher investment in opex and capex above market expectations; (3) increased competition; (4) financial results; (5) potential bolt-on acquisitions; and (6) entering new geographies.

Exhibit 55 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 56 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

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 119.46**
Price Target: USD 160.00 | **Implied All-in Return (%): 35.0**

Investment summary

Largest US water pure-play with attractive defensive growth and sustainability 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 sustainability 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

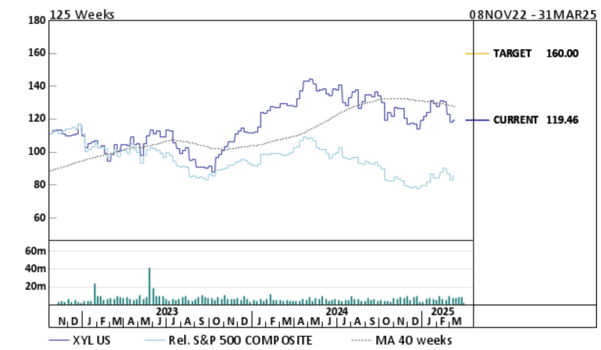
Our $160 price target assumes XYL trades to a 45% premium to our 2025E target group P/E multiple of 24.0x, near the high end of its historical relative P/E range of 25%-50%. We believe that a target relative multiple near the high end of the range is warranted given encouraging long-term trends in the 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

Risks to rating and price target include:

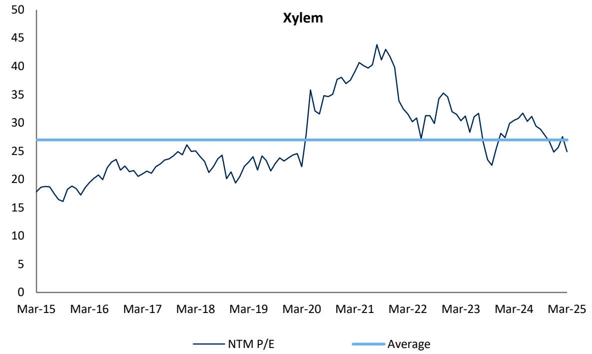
Economic conditions. Macro trends such as inflation/deflation, credit availability, currency, commodity costs and availability, and supply chain could all cause Xylem's results to differ from our estimates. **Europe.** At 24% of revenues, Xylem carries one of the higher exposures to Europe in the sector. **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 57 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 58 - Forward consensus P/E history



Source: Factset

Most recent company note: link

Zalando SE (XETRA: ZAL)

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: EUR 31.68**
Price Target: EUR 50.00 | **Implied All-in Return (%): 57.8**

Investment summary

We believe ZAL's growth will remain strong, as the company continues to spend on marketing and enhances its competitive advantage on services. Its improving unit economics, particularly for Wholesale orders, should allow it to maintain a strong competitive position while still delivering margin improvement. ZAL is currently trading at c.13.5x CY25e EV/ EBIT, which we view as attractive given its strong growth prospects.

Potential catalysts

We expect ZAL to report its Q1 results on 6th May. We expect Q4 trading to follow the pattern of Q4 with normalised promo activity during the Jan/Feb winter sale and better March weather to stimulate demand for Spring fashion. We expect the adoption of ZAL's loyalty program to accelerate throughout the year and ZMS to accelerate its growth from here. We expect the ABOUT YOU acquisition to complete over the summer. For FY25 ZAL is guiding to GMV and revenue growth of +4-9% yoy and adj. EBIT in the range of EUR530-590mn. It is also guiding to capex for the full year in the range of EUR180-280mn, which should produce a lower normalised level going forward due to past investments in capacity.

Valuation

We use a DCF analysis to derive our PT of €50. Our DCF analysis applies a WACC of 9% and terminal growth rate of 2.5% to reflect Zalando’s growth potential. We model a 10-year CAGR in sales of 5% and in EBIT of 13%, resulting in a terminal EBIT margin of c.10%. Our price target supports our Outperform rating.

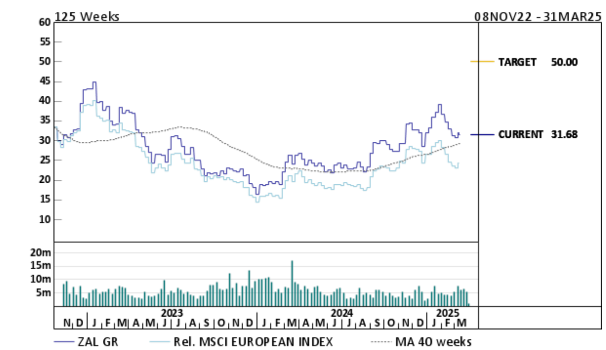
Risks to rating and price target

Weaker than expected sales owing to pressures on consumer spending, and/or due to increased competition (including from Amazon or traditional retailers as they invest more in online).

Zalando's margins could be lower than expected owing to greater investments in price or the overall proposition, weaker than expected inventory control or higher warehousing or marketing costs.

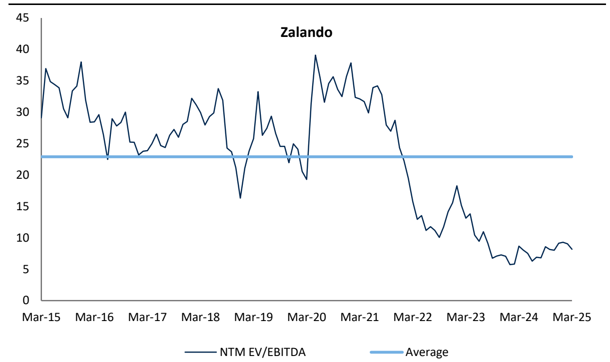
Execution risk – e.g., from disruption as a result of opening new warehouses or additional infrastructure investments could also put pressure on our price target and rating.

Exhibit 59 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 60 - Forward consensus EV/EBITDA history



Source: Factset

Most recent company note: link

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As of 31-Mar-2025

			Investment Banking Serv./Past 12 Mos.	
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