Capital Markets

Top 30 Global Ideas for 2024

First-Quarter Update

EQUITY RESEARCH | January 2, 2024

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

Disseminated: Jan 2, 2024 00:15EST; Produced: Jan 2, 2024 00:00EST

Table of Contents

Introduction **3**

Top 30 Global Ideas for 2024 – Analyst Coverage and Pricing Data **4**

Top 30 Global Ideas for 2024 – Changes This Quarter **5**

Top 30 Global Ideas – Performance Summary **6**

Investment Thesis **7**

Alimentation Couche-Tard Inc. (TSX: ATD) 8

Alnylam Pharmaceuticals, Inc. (NASDAQ: ALNY) 9

Amazon.com, Inc. (NASDAQ: AMZN) 10

Americold Realty Trust, Inc. (NYSE: COLD) 11

Anheuser-Busch InBev SA/NV (BRU: ABI; NYSE: BUD) 12

Associated British Foods plc (LSE: ABF) 13

Bank of America Corporation (NYSE: BAC) 14

Biogen Inc. (NASDAQ: BIIB) 15

Boston Scientific Corporation (NYSE: BSX) 16

Canadian Natural Resources Limited (TSX: CNQ; NYSE: CNQ) 17

Chubb Limited (NYSE: CB) 18

Constellation Software Inc. (TSX: CSU) 19

CrowdStrike Holdings, Inc. (NASDAQ: CRWD) 20

Diamondback Energy, Inc. (NASDAQ: FANG) 21

Element Fleet Management Corp. (TSX: EFN) 22

Ferrari N V (MILAN: RACE) 23

HEICO Corporation (NYSE: HEI) 24

HubSpot, Inc. (NYSE: HUBS) 25

Illumina, Inc. (NASDAQ: ILMN) 26

London Stock Exchange Group plc (LSE: LSEG) 27

Mastercard Inc. (NYSE: MA) 28

Meta Platforms, Inc. (NASDAQ: META) 29

PG&E Corporation (NYSE: PCG) 30

Restaurant Brands International Inc. (NYSE: QSR) 31

S&P Global Inc. (NYSE: SPGI) 32

Siemens AG (XETRA: SIE) 33

TELUS Corporation (TSX: T; NYSE: TU) 34

Union Pacific Corporation (NYSE: UNP) 35

Veeva Systems Inc. (NYSE: VEEV) 36

WESCO International, Inc. (NYSE: WCC) 37

This report is priced as of market close on December 29, 2023, unless otherwise noted.

Introduction

Graeme Pearson – Co-Head of Global Research

Mark Odendahl – Co-Head of Global Research

Top 30 Global Ideas for 2024 — Changes This Quarter

Additions:
Amazon (AMZN US), Bank of America (BAC US), Biogen (BIIB US), Chubb (CB US), HubSpot (HUBS US)

Deletions:
Albemarle (ALB US), American International Group (AIG US), Lonza (LONN SW), M&T Bank (MTB US), Palo Alto Networks (PANW US)

In this note, we present our *Top 30 Global Ideas* for Q1 2024. This list remains one of high-conviction, long-term ideas, with quarterly updates that enable dynamic changes into names where we see higher-conviction upside potential. The *Top 30* list is built around bottom-up best ideas that we also view as offering attractive positioning in the current environment.

Globally, we share our US Equity Strategy team's view that while the November-December rally has likely pulled forward some of 2024's gains and the market may be due for a pause in the near term, we remain constructive for the year ahead, noting our YE2024 S&P 500 price target of 5,000 implies a mid-single-digit return. Our team's valuation work sends a constructive signal, partially offset by headwinds from a sluggish economy and uncertainty around the 2024 US Presidential election, and we see the greater appeal of bonds in the current rate environment as a dampener of equity market returns, but not necessarily a derailer of them. Our sentiment model also ended 2023 sending a modestly positive 12-month signal for stocks, but a cautious near-term signal.

In Q4/23, the *Top 30* list delivered a total return of +12.9% (USD terms), above the MSCI World Index at +11.4%. During the quarter, the best-performing *Top 30* stock selections were Crowdstrike Holdings (CRWD US) at +52.5%, Siemens (SIE GR) at +31.4%, and Palo Alto Networks (PANW US) at +25.8%. Over the past year, the list delivered a total return of +29.9%, above the benchmark at +23.8%, and since inception of our quarterly list at YE2019, the *Top 30* has delivered a total return of +60.1%, above the benchmark at +43.1%.

This quarter, in **Consumer Discretionary**, we add **Amazon.com (AMZN US)**. In our view, the company's unmatched scale and advantage in verticalized e-commerce combined with its industry-leading cloud business give it many future growth opportunities in new verticals, and management is playing offense on GenAI. To us, Amazon Web Services (AWS) is now de-risked for 2024 and retail EBIT offers plenty of upside potential, which could ultimately re-rate the stock.

In **Information Technology**, we add **HubSpot (HUBS US)**. We like HubSpot's organic approach to growth and innovation, providing a full-stack CRM solution all built on a single platform, see competitive advantages and potential revenue upside from the company rapidly embracing GenAI, and expect strong underlying unit economics could underwrite 30% margins at scale. We remove **Palo Alto Networks (PANW US)** following strong share price performance in 2023 (+111%), while maintaining our positive investment thesis.

In **Financials**, we add **Bank of America (BAC US)**, replacing **M&T Bank (MTB US)** as our top US banks idea. In our view, Bank of America benefits from a strong leadership team driving the franchise to new highs, a robust balance sheet, attractive return of capital program, and global capital markets exposure. Relative to its peers, we see the shares as an attractive long-term risk-reward play.

We also add **Chubb (CB US)**, replacing **American International Group (AIG US)** as our top US insurance idea. We think that Chubb has meaningful avenues for growth with its diversified, global platform and presence in areas where economies are growing and insurance penetration rates are rising, providing defensive attributes even if the US P&C insurance pricing cycle starts to weaken. We view Chubb as an excellent underwriter with a strong financial position, which we expect should allow it to return capital to shareholders via a dividend raise and share buybacks in 2024.

In **Health Care**, we add **Biogen (BIIB US)**. We like the way Biogen's transformation is shaping up, with new CEO Viehbacher's cost-cutting efforts looking to realign the expense base, while the Skyclarys acquisition and Leqembi launch will substantially grow the topline, in our view. We expect EPS to trough in 2024E and potentially to more than double by the end of the decade, creating a favorable setup for a fundamentally undervalued story. We remove **Lonza (LONN SW)** following our recent rating downgrade to Underperform.

In **Materials**, we remove **Albemarle (ALB US)** in favour of higher-conviction stock selections due to some near-term uncertainty regarding the outlook for EV demand and lithium prices moving higher, while maintaining our Outperform rating on the stock.

This report contains a review of the *Top 30* portfolio's historical performance on page 6, and detail on our investment thesis for each *Top 30* name beginning on page 7. We encourage you to reach out to our team to continue the dialogue regarding their investment ideas.

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

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

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (12/29/2023)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Alimentation Couche-Tard Inc.	ATD CN	Irene Nattel	Outperform	CAD	78.03	75,213	94.00	0.9	21.4
Alnylam Pharmaceuticals, Inc.	ALNY US	Luca Issi	Outperform	USD	191.41	25,139	230.00	0.0	20.2
Amazon.com, Inc.	AMZN US	Brad Erickson	Outperform	USD	151.94	1,604,183	180.00	0.0	18.5
Americold Realty Trust, Inc.	COLD US	Michael Carroll	Outperform	USD	30.27	8,597	34.00	2.9	15.2
Anheuser-Busch InBev SA/NV	ABI BB	James Edwardes Jones	Outperform	EUR	58.42	117,599	70.00	1.7	21.5
Associated British Foods plc	ABF LN	Richard Chamberlain	Outperform	GBp	2,367.00	18,014	2,650.00	1.9	13.8
Bank of America Corporation	BAC US	Gerard Cassidy	Outperform	USD	33.67	266,767	35.00	2.7	6.7
Biogen Inc.	BIIB US	Brian Abrahams	Outperform	USD	258.77	37,677	363.00	0.0	40.3
Boston Scientific Corporation	BSX US	Shagun Singh	Outperform	USD	57.81	84,663	61.00	0.0	5.5
Canadian Natural Resources Limited	CNQ CN	Greg Pardy	Outperform	CAD	86.41	93,956	94.00	4.6	13.4
Chubb Limited	CB US	Scott Heleniak	Outperform	USD	226.00	93,248	245.00	1.5	9.9
Constellation Software Inc.	CSU CN	Paul Treiber	Outperform	CAD	3,285.27	69,620	3,400.00	0.2	3.7
CrowdStrike Holdings, Inc.	CRWD US	Matthew Hedberg	Outperform	USD	255.32	64,034	230.00	0.0	-9.9
Diamondback Energy, Inc.	FANG US	Scott Hanold	Outperform	USD	155.08	27,757	180.00	7.8	23.9
Element Fleet Management Corp.	EFN CN	Geoffrey Kwan	Outperform	CAD	21.56	8,392	30.00	2.2	41.4
Ferrari N V	RACE IM	Tom Narayan	Outperform	EUR	305.20	55,852	344.00	0.3	13.0
HEICO Corporation	HEI US	Ken Herbert	Outperform	USD	178.87	24,676	210.00	0.0	17.4
HubSpot, Inc.	HUBS US	Rishi Jaluria	Outperform	USD	580.54	30,491	625.00	0.0	7.7
Illumina, Inc.	ILMN US	Conor McNamara	Outperform	USD	139.24	22,000	258.00	0.0	85.3
London Stock Exchange Group plc	LSEG LN	Ben Bathurst	Outperform	GBp	9,274.00	50,138	10,200.00	1.3	11.3
Mastercard Incorporated	MA US	Daniel R. Perlin	Outperform	USD	426.51	402,199	432.00	0.5	1.8
Meta Platforms, Inc.	META US	Brad Erickson	Outperform	USD	353.96	934,808	400.00	0.0	13.0
PG&E Corporation	PCG US	Shelby Tucker	Outperform	USD	18.03	35,984	21.00	0.0	16.5
Restaurant Brands International Inc.	QSR US	Christopher Carril	Outperform	USD	78.13	37,041	87.00	2.3	13.7
S&P Global Inc.	SPGI US	Ashish Sabadra	Outperform	USD	440.52	140,085	500.00	0.8	14.3
Siemens Aktiengesellschaft	SIE GR	Mark Fielding	Outperform	EUR	169.92	136,089	185.00	2.9	11.7
TELUS Corporation	T CN	Drew McReynolds	Outperform	CAD	23.58	34,309	30.00	6.2	33.4
Union Pacific Corporation	UNP US	Walter Spracklin	Outperform	USD	245.62	149,705	282.00	2.3	17.1
Veeva Systems Inc.	VEEV US	Rishi Jaluria	Outperform	USD	192.52	31,527	225.00	0.0	16.9
WESCO International, Inc.	WCC US	Deane Dray	Outperform	USD	173.88	9,077	187.00	0.9	8.4

Note:

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

Source: Bloomberg and RBC Capital Markets estimates

Top 30 Global Ideas for 2024 – Changes This Quarter

Company	Pricing Symbol	Analyst	Rating	Trading Currency	Closing Price (12/29/2023)	Market Cap (MM)	Price Target	Div. Yield (%)	Implied All-in Return (%)
Additions this quarter:									
Amazon.com, Inc.	AMZN US	Brad Erickson	Outperform	USD	151.94	1,604,183	180.00	0.0	18.5
Bank of America Corporation	BAC US	Gerard Cassidy	Outperform	USD	33.67	266,767	35.00	2.7	6.7
Biogen Inc.	BIIB US	Brian Abrahams	Outperform	USD	258.77	37,677	363.00	0.0	40.3
Chubb Limited	CB US	Scott Heleniak	Outperform	USD	226.00	93,248	245.00	1.5	9.9
HubSpot, Inc.	HUBS US	Rishi Jaluria	Outperform	USD	580.54	30,491	625.00	0.0	7.7
Deletions this quarter:									
Albemarle Corporation	ALB US	Arun Viswanathan	Outperform	USD	144.48	17,020	163.00	1.1	13.9
American International Group, Inc.	AIG US	Scott Heleniak	Outperform	USD	67.75	48,692	76.00	2.1	14.3
Lonza Group AG	LONN SW	Charles Weston	Underperform	CHF	353.70	26,340	270.00	1.0	-22.7
M&T Bank Corporation	MTB US	Gerard Cassidy	Outperform	USD	137.08	22,755	160.00	3.8	20.5
Palo Alto Networks, Inc.	PANW US	Matthew Hedberg	Outperform	USD	294.88	109,518	281.00	0.0	-4.7

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

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 Q4 2023, full year 2023, and since inception (December 2019).

Ticker	Company	Total Return Q4/2023 (in local currency)	Total Return Q4/2023 (in USD)
CRWD US	Crowdstrike Holdings Inc.	52.5%	52.5%
SIE GR	Siemens AG	25.6%	31.4%
PANW US	Palo Alto Networks Inc.	25.8%	25.8%
ABF LN	Associated British Foods plc	16.7%	22.0%
UNP US	Union Pacific Corporation	21.3%	21.3%
WCC US	WESCO International Inc.	21.2%	21.2%
SPGI US	S&P Global Inc.	20.8%	20.8%
CSU CN	Constellation Software Inc.	17.2%	20.2%
QSR US	Restaurant Brands International Inc.	18.1%	18.1%
META US	Meta Platforms Inc.	17.9%	17.9%
LSEG LN	London Stock Exchange Group plc	12.6%	17.8%
ABI BB	Anheuser-Busch InBev SA/NV	11.3%	16.4%
ATD CN	Alimentation Couche-Tard Inc.	13.4%	16.3%
RACE IM	Ferrari NV	9.1%	14.1%
EFN CN	Element Fleet Management Corp.	11.2%	14.1%
AIG US	American International Group Inc.	12.4%	12.4%
PCG US	PG&E Corporation	11.8%	11.8%
T CN	TELUS Corporation	7.9%	10.7%
HEI US	HEICO Corporation	10.5%	10.5%
MTB US	M&T Bank Corp.	9.5%	9.5%
BSX US	Boston Scientific Corporation	9.5%	9.5%
ALNY US	Alnylam Pharmaceuticals Inc.	8.1%	8.1%
MA US	Mastercard Inc.	7.9%	7.9%
FANG US	Diamondback Energy Inc.	2.3%	2.3%
CNQ CN	Canadian Natural Resources Ltd.	-0.4%	2.1%
ILMN US	Illumina Inc.	1.4%	1.4%
COLD US	Americold Realty Trust Inc.	0.3%	0.3%
VEEV US	Veeva Systems Inc.	-5.4%	-5.4%
LONN SW	Lonza Group AG	-16.9%	-9.4%
ALB US	Albemarle Corporation	-14.8%	-14.8%
	Average total return for RBC CM Top 30 Global Ideas in Q4 2023	***11.3%***	***12.9%***

Total Return (in local currency)

Indices		Q4/2023	2023	Since Inception (Not annualized)
	RBC CM Top 30 Global Ideas	**11.3%**	**28.5%**	**60.8%**
SPX Index	S&P 500 Index	11.7%	26.3%	57.5%
NDDUWI Index	MSCI World Net Total Return US	11.4%	23.8%	43.1%
SXXP Index	STOXX Europe 600 Price Index	6.8%	16.6%	30.4%
AS51 Index	S&P/ASX 200	8.6%	14.0%	39.0%
SPTSX Index	S&P/TSX Composite Index	8.1%	11.8%	39.3%

Total Return (in USD)

Indices		Q4/2023	2023	Since Inception (Not annualized)
	RBC CM Top 30 Global Ideas	**12.9%**	**29.9%**	**60.1%**
SPX Index	S&P 500 Index	11.7%	26.3%	57.5%
NDDUWI Index	MSCI World Net Total Return US	11.4%	23.8%	43.1%
SXXP Index	STOXX Europe 600 Price Index	11.7%	20.5%	28.4%
SPTSX Index	S&P/TSX Composite Index	10.9%	14.6%	36.9%
AS51 Index	S&P/ASX 200	15.2%	14.2%	35.2%

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

Source: Bloomberg and RBC Capital Markets

Investment Thesis

Alimentation Couche-Tard Inc. (TSX: ATD)

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

Rating: Outperform | **Closing Price: CAD 78.03**
Price Target: CAD 94.00 | **Implied All-in Return (%): 21.4**

Investment summary

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

F28 EBITDA objective of $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 the articulation of a sustainable fuel margin in the low 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. Despite high gas prices/opex increases, sustained elevated gas margins should enable ATD to offset gallon weakness related to dislocations.

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

Strong B/S + FCF profile with forecast annual FCF well in excess of $2.5B to fund activity on NCIB (F24 renewed at 5% of shares outstanding), dividend growth, and acquisitions. Adjusted net debt/EBITDA ~1.9x pro forma known acquisitions (TotalEnergies, MAPCO) despite activity on NCIB, well below the post-SFR peak of 3.6x, with normalized estimated balance sheet capacity of ~$10B, which using ATD's historical and recent transaction multiples is sufficient to fund the targeted $1.1B of incremental EBITDA from M&A.

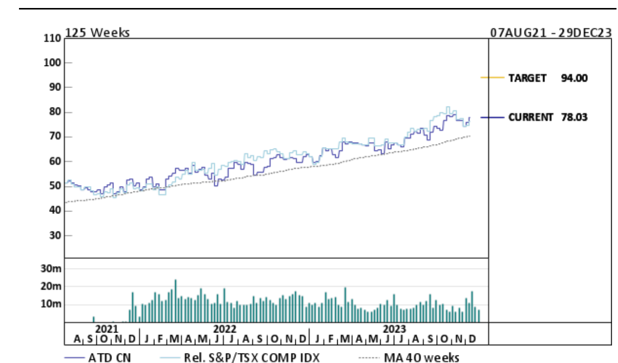
Valuation

Taking the midpoint of 18.5x TTM Q3/F26E (February 2026E TTM) EPS and 11.5x EBITDA drives our price target of $94, which supports our Outperform rating. The EBITDA multiple is consistent with the average of the five-year range, reflecting overall sector valuation trends, and supported by ongoing strong normalized underlying performance, relatively recession-resistant business model, and benefits from prior-period merger and acquisition. We believe the multiples are also appropriate relative to our c-store coverage universe based on relative investment attributes.

Risks to rating and price target

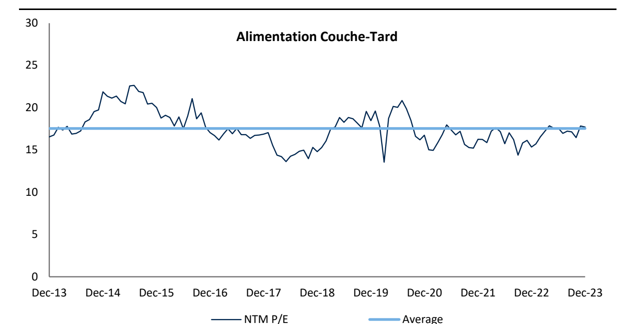
Normalization of gas margins without volume improvement would result in earnings below expectations. Substantial dislocation in inside-store volumes could reduce inside-store contribution. Although c-stores typically are relatively recession-resistant, ~50% of US c-store customers have incomes ≤$60k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

Exhibit 1 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 2 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Alnylam Pharmaceuticals, Inc. (NASDAQ: ALNY)

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

Rating: Outperform | **Closing Price: USD 191.41**
Price Target: USD 230.00 | **Implied All-in Return (%): 20.2**

Investment summary

CRL For Patisiran Difficult To Rationalize, But Financial Impact Modest – The **CRL** for patisiran's sNDA package for TTR-CM is disappointing and difficult to rationalize given: 1) 2019 FDA guidance supports approval on function and symptoms, 2) APOLLO-B hit on both function (6MWT) and symptoms (KCCQ), 3) drug is safe (been on the market for 1/2 decade), 4) AdCom voted **9-3** for approval, and 5) patients have only one therapeutic option today (that can come with high co-pay for some patients). Despite this, the financial impact appears to be modest impact given 2023 product guidance was reiterated ($1.2b-1.285b), and Onpattro is now expected to generate $200-225m in 2024 (vs $360m consensus before the CRL).

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

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

M&A Optionality Nice To Have, But Our Call Is Fundamental. Few biotech companies have a commercially validated platform technology like ALNY (~$1b in revenue, five siRNA drugs approved in less than four years), M&A potential is a frequent topic of debate, especially given prior transactions in the space (DRNA and Sirna). We view M&A optionality as a "nice to have," but we are making a fundamental call on the stock. With the recent pull-back (-16% YTD), we see an attractive entry point ahead of key catalysts.

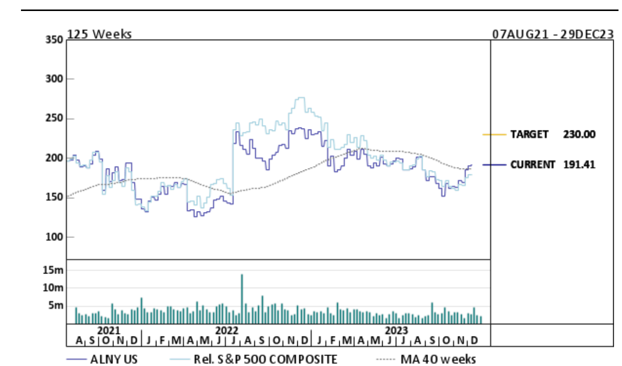
Valuation

Our base case assumes 100% PoS for lumasiran, 85% for inclisiran, 90% for TTR, 45% for zilebesiran, 15% for Alzheimer's disease, 15% for T2D, and 65% for fitusiran. Our $230 price target is based on a DCF that assumes a 10% WACC (same for all stocks in our coverage) and a 1% terminal growth rate (with a 0–2% range applied to our coverage depending on the relative maturity of the platforms). Our price target supports our Outperform rating.

Risks to rating and price target

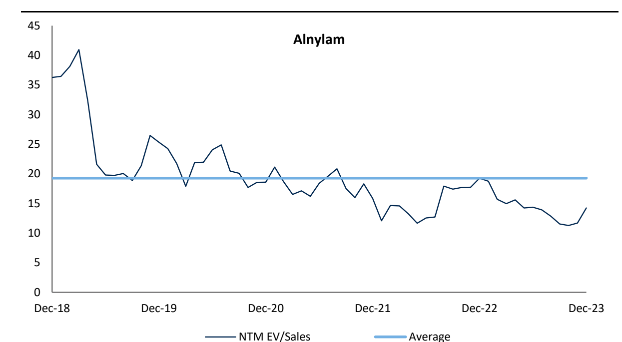
Risks to rating and price target include: 1) HELIOS-B does not have a positive readout; 2) Amvuttra fails to gain approval or commercial traction for TTR-CM; and 3) emergence of a safety signal.

Exhibit 3 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 4 - Forward consensus EV/sales history



Source: FactSet

Most recent company note: link

Amazon.com, Inc. (NASDAQ: AMZN)

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

Rating: Outperform	Closing Price: USD 151.94
Price Target: USD 180.00	Implied All-in Return (%): 18.5

Investment summary

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

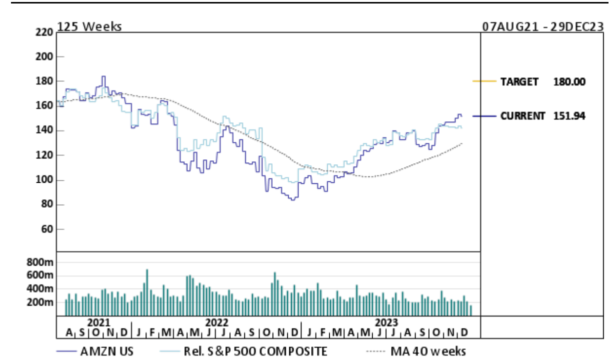
Valuation

The stock trades at 13x EV/'24E EBITDA, which is a slight discount to the group. Reasons for the discount are valid in some ways given the law of large numbers limiting growth rates and the multiple ascribed to the low-margin 1P retail business. That said, we believe an in-line multiple is fair given the e-commerce moat that AMZN has developed, combined with rising exposure to highly cash-generative segments such as advertising and cloud. Our Outperform rating is supported by our $180 price target, which is based on 16x EV/our '24 EBITDA estimate.

Risks to rating and price target

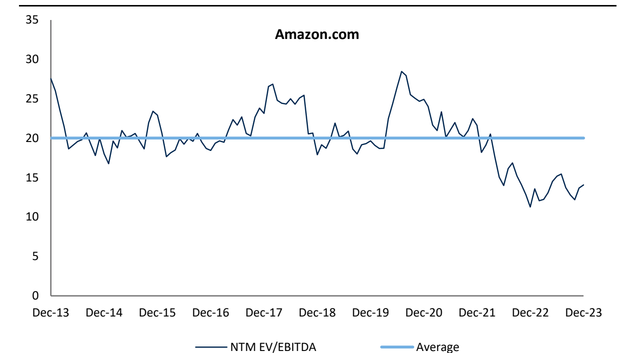
Challenging integration of ongoing capacity expansion. Less sticky or reversionary e-commerce trends post-pandemic. Less successful Prime membership adoption in international markets leading to slowing growth and less margin expansion than expected. Inability to secure rights to meaningful sports & entertainment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

Exhibit 5 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 6 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

Americold Realty Trust, Inc. (NYSE: COLD)

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

Rating: Outperform | **Closing Price: USD 30.27**
Price Target: USD 34.00 | **Implied All-in Return (%): 15.2**

Investment summary

Americold Realty Trust (NYSE: COLD) is an industrial REIT solely focused on owning and operating temperature-controlled warehouses. COLD is the largest public player in this niche space, and we believe management will utilize its platform to drive solid earnings growth and create value for shareholders.

Potential catalysts include: 1) The recovery could occur quicker than expected. The same-store portfolio has generated healthy growth YTD, but these trends could accelerate if throughput volumes and service margins rebound earlier than expected; 2) developments should drive strong external growth. The company has a large completed development pipeline, and once these projects stabilize, they should generate ~$0.15/share of incremental AFFO; and 3) potential acquisitions would be additive. With a better cost of capital, we believe COLD could become more aggressive in pursuing acquisitions, which would push external contributions higher.

Valuation

Price target justification: Our $34 price target is based on a 2025E EV/EBITDA multiple of ~17x. Our target multiple largely reflects a slight premium to the historical acquisition range (12–16x) but a discount to the transacted large high-quality portfolios (20.0x+) in 2020-2022. Our price target reflects a ~15% premium to our $29.76/sh YE24E NAV and supports our Outperform rating.

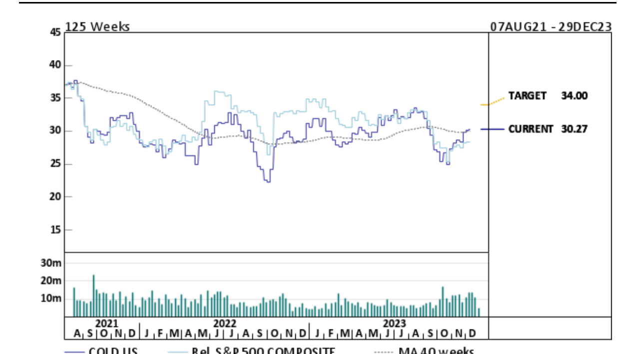
NAV: We estimate the in-place NAV at $24.92/sh assuming a ~7.9% cap rate. We expect the portfolio will generate significant growth over the next few years pushing our YE24E NAV to $29.76/sh from our YE23E NAV of $26.24/sh.

Risks to rating and price target

The greatest risks to our estimates, recommendation, and price target center on operational issues popping up within the company's platform. Other risks including changing consumer preferences, political risks, foreign currency exposure, interest rate concerns, environmental or zoning issues, tenant downsizing or bankruptcies, along with key personnel changes, could also become a concern. A full list of risk factors can be found in the company's SEC filings.

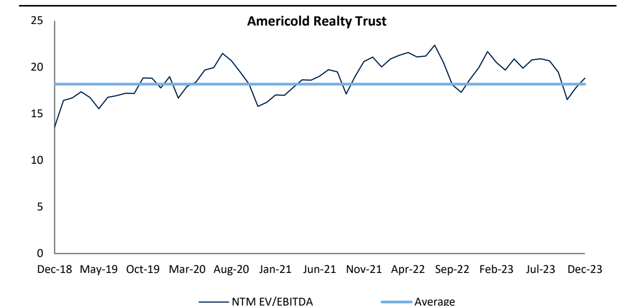
Other company-specific risks include: 1) uncertain economy could cause consumers to buy less food. COLD has experienced lower throughput volumes due to the weaker consumer. If this issue persists, some customers might decide to reduce inventory levels too; 2) supply could make the environment more difficult. There has been increased interest from institutional capital in the temperature-controlled warehouse space. We believe this could drive construction activity higher, making it more difficult to deliver above-average organic growth; 3) tech could make some warehouses obsolete. The space is going through a technological revolution that includes more automation within facilities. This could drive increased efficiency and make certain warehouses less competitive; and 4) cybersecurity breaches. The company suffered two large cyberattacks that impacted its business and earnings. It has recovered from them but could continue to face this type of risk in the future.

Exhibit 7 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 8 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

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

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

Rating: Outperform	**Closing Price: EUR 58.42**
Price Target: EUR 70.00	**Implied All-in Return (%): 21.5**

Investment summary

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

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

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

Lastly there are additional long-term prospects of AB InBev's digital platform: 'Bees'. We think there is (rightly) nothing in the share price to reflect this at the moment, but it's an interesting piece of optionality.

We hold an Outperform rating for AB InBev.

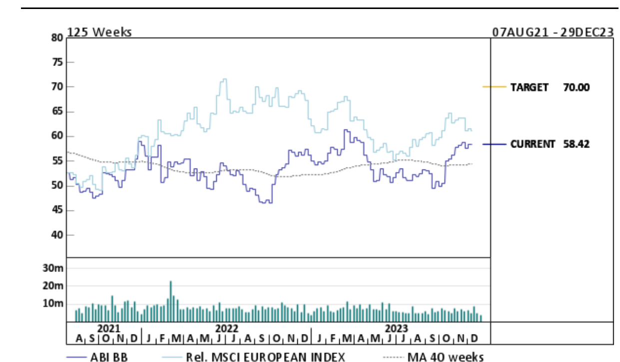
Valuation

We believe that consumer staples stocks lend themselves to a DCF valuation methodology owing to the relative strength and predictability of their cash flows together with, in some instances, a significant mismatch between capital expenditure and depreciation charged through the profit and loss account, meaning that P&L-based valuation metrics (PE ratio, EV/ EBITDA ratio) can be misleading. We use a derivative of a traditional DCF calculation called adjusted present value (APV) whereby the business's operating cash flows are discounted at its cost of equity (8% in this instance) and tax shield at the cost of debt (2.9%). We assume a terminal growth rate of 2.5% per annum from 2035. Under these assumptions, we derive a fair value of €66 per share. Discounting the APV forward by a year at the cost of equity and adding in our dividend forecast for 2023 yields a 12-month price target of €70. Our price target and the implied return support our Outperform rating.

Risks to rating and price target

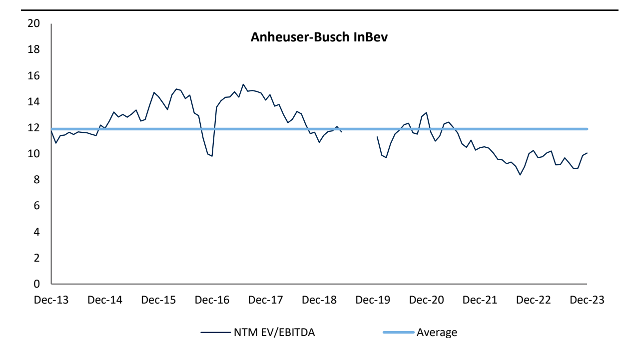
If the Bud Light controversy in the US continues to attract airtime with consequent impact on the volumes of ABI's largest brand, or negative repercussions spill over into other brands and/or geographies, it would have adverse implications for the group's reputation and profitability. Almost all of ABI's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

Exhibit 9 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 10 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

RBC Capital Markets

Associated British Foods plc (LSE: ABF)

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

Rating: Outperform | **Closing Price: GBp 2,367.00**
Price Target: GBp 2,650.00 | **Implied All-in Return (%): 13.8**

Investment summary

ABF's largest business, Primark, offers a space rollout story in Europe and the US, and remains the leading value player in the UK retail space. We expect a further healthy sales trend in the short term, given ongoing recovery trends for store-based retailing, with a strong margin improvement for Primark in FY24/25. On the Food side of the business Grocery has now passed through more cost inflation, while Ingredients appears to have benefited from a more benign competitive environment, albeit will face tough comps in FY24E. Sugar profitability has been affected short term by lower British Sugar production volumes and increased costs, but profits should improve significantly next year helped by firmer pricing and an improved performance by Vivergo.

ABF currently trades at c.14x CY24E P/E, which we view as attractive given a likely return to double-digit earnings growth from FY24E.

Potential catalysts: ABF has an IMS on 23 January. For the first 16 weeks of FY24 we expect it to report low single-digit LFL sales for Primark, Grocery sales slightly ahead of last year, Ingredients sales slightly below, and strong Sugar sales driven by a recovery in UK sugar beet yields and by Vivergo. We think there could be some upside to the Primark LFL outlook for FY24, and we expect Primark will see significant gross margin improvement this year helped by freight benefits, lower raw materials costs, a small FX tailwind and lower factory gate prices (given a soft global buy in major sourcing markets). Grocery is likely to see stable profits this fiscal year given higher marketing spend at Twinings this fiscal year offsetting some growth, with Ingredients likely to see a small reduction in sales and profits following a very strong year in FY23. Sugar has a very positive outlook this fiscal year as it should benefit from normalised production in the UK and Spain, Vivergo recovery and still high World sugar prices.

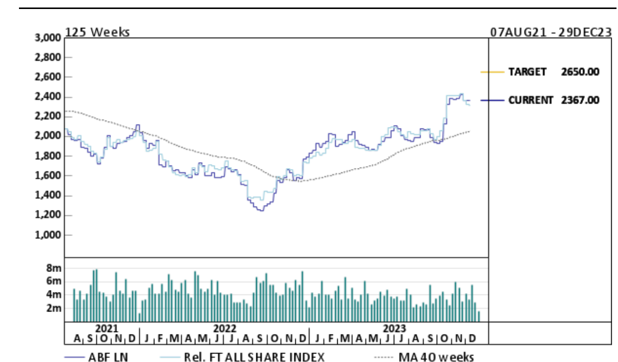
Valuation

We use an average of DCF and sum-of-the-parts analysis to arrive at our price target of 2,650p for ABF. For our DCF, we model a 10-year sales CAGR of 5%, EBIT CAGR of 7% and FCF CAGR of 13%. We use a WACC of 8% and a terminal growth rate of 2.0% due to ABF's global reach with some international growth potential. Our DCF suggests an implied share price of c.£25.95. In our sum-of-the-parts for ABF, we use a FY24E P/E multiple of c.16x for Primark, below Inditex and H&M (c.19-20x) and TJX (c.22x) to reflect its lack of a developed omnichannel offer. For Grocery (c.14x), we value Twinings Ovaltine at a 20% discount to Nestle (ex L'Oreal) and Unilever P/E multiples, and place the rest on a 40% discount. We value Sugar at 10x P/E, above Suedzucker (c.5x). Finally, we value Ingredients at 13x, ahead of Glanbia (c.12x) and below Kerry Group (c.16x) and value Agriculture at 8x, above Origin Enterprises (7x). This suggests an implied share price of c.£27.06. Our price target supports an Outperform rating.

Risks to rating and price target

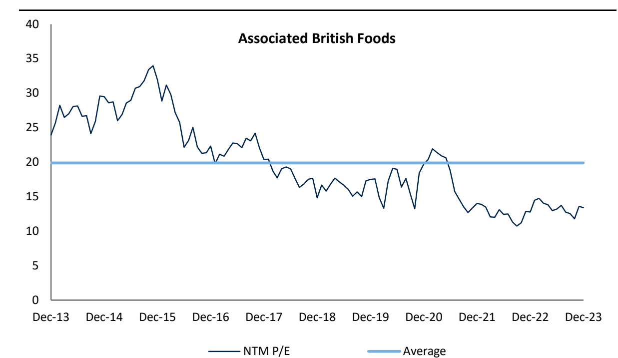
The biggest rating and price target risks for ABF, in our view, are if: 1) footfall to Primark stores weakens materially; 2) Primark's margin outlook weakens due to higher purchasing costs or more/less discounting than we expect; 3) grocery sales growth is below expectations or input cost pressures are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

Exhibit 11 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 12 - Forward consensus P/E history



Source: FactSet

Most recent industry note: link

Bank of America Corporation (NYSE: BAC)

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

Rating: Outperform | **Closing Price: USD 33.67**
Price Target: USD 35.00 | **Implied All-in Return (%): 6.7**

Investment summary

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

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

Strong balance sheet: With a common equity tier 1 (CET1) ratio of 11.9% and SLR of 6.2%, as of September 30, 2023, BAC proved it was able to withstand the "hit" it took in 2020 from the severe decline in the US economy resulting from the containment strategies for COVID-19. Also, due to its strong capital position and PPNR (pre-tax, pre-provision revenue), it should be capable of paying and increasing its dividend throughout a downturn.

Return of capital: BAC announced that its Board of Directors has authorized the repurchase of up to $25 billion of its common stock over time. BAC repurchased $1.0 billion in common shares during the third quarter.

Global capital markets: As one of the leaders in global capital markets, BAC has relationships with ~73% of the Global Fortune 500. Additionally, its investment in digital technology is driving a scale business to higher highs.

Impressive franchise: BAC has successfully grown its deposit market share – it had $1.88 trillion in total deposits and $980 billion in total consumer banking deposits as of 3Q23, providing evidence that the company is starting to go on the offensive after years of cleaning up the problems from the Financial Crisis. Additionally, we believe the company's mobile offerings are among the best in the industry, and as usage increases, we expect BAC to see an increase in its profitability and earnings growth.

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

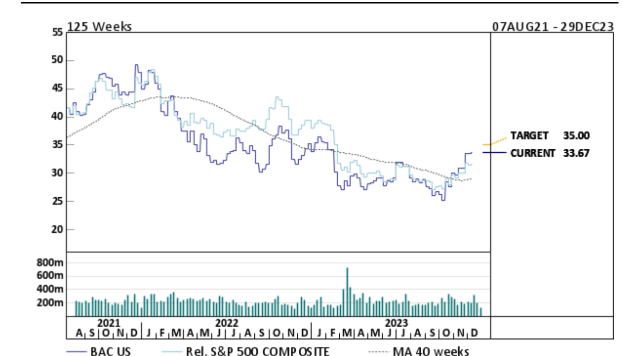
Valuation

Our price target of $35 is 11.0x our 2024 EPS estimate, 0.99x 4Q24E book value, and 1.33x 4Q24E tangible book value. These multiples are consistent with the highest quality banks in the peer group. Our price target primarily reflects our profitability and risk assessment of the company relative to a peer group of similar companies, as well as current market concerns regarding an economic slowdown. Our price target and implied return support our Outperform rating.

Risks to rating and price target

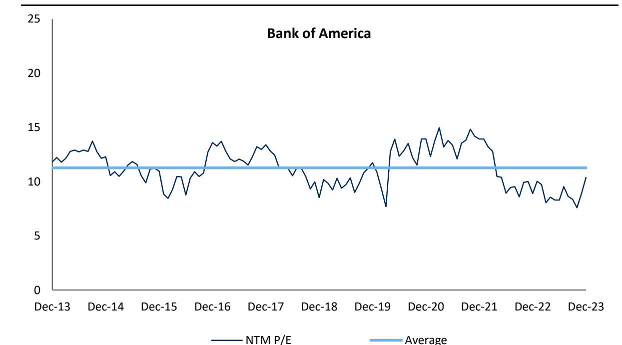
We believe aggressive monetary tightening by the Federal Reserve, which results in driving the US economy into a deep recession in 2023, is the key risk for the company, our rating and price target. A deep recession would bring on elevated levels of credit losses, which would depress earnings.

Exhibit 13 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 14 - Forward consensus P/E history



Source: FactSet

Most recent industry note: link

Biogen Inc. (NASDAQ: BIIB)

RBC Capital Markets, LLC
Brian Abrahams, M.D. (Analyst) (212) 858-7066, brian.abrahams@rbc.com

Rating: Outperform	**Closing Price: USD 258.77**
Price Target: USD 363.00	**Implied All-in Return (%): 40.3**

Investment summary

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

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

Potential catalysts include: 1) continued Leqembi & Skyclarys launch trends (4Q23+); and 2) SubQ Leqembi filing (1Q24).

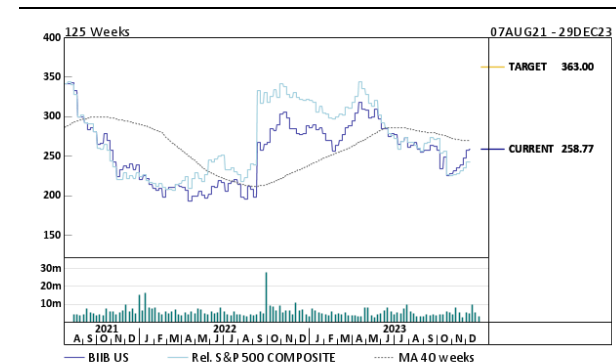
Valuation

Our $363 price target is derived from a DCF, which uses a 9.5% discount rate and a 3% terminal growth rate. Our price target supports our Outperform rating.

Risks to rating and price target

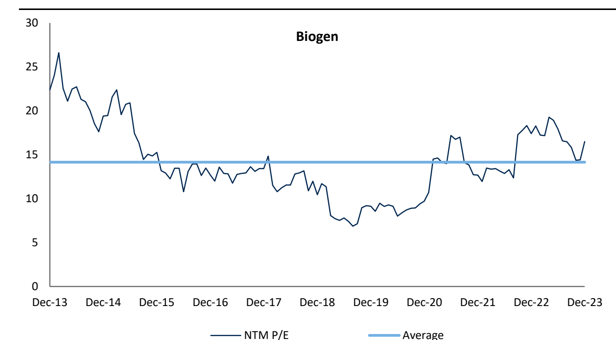
Risks to our rating and price target include: 1) competition, generics, and pricing pressure in MS; 2) competition in SMA; 3) clinical failure or reimbursement limitations on Alzheimer's antibodies; and 4) headwinds from the ongoing COVID-19 pandemic.

Exhibit 15 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 16 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Boston Scientific Corporation (NYSE: BSX)

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

Rating: Outperform	Closing Price: USD 57.81
Price Target: USD 61.00	Implied All-in Return (%): 5.5

Investment summary

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

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

Positioned to drive consistent double-digit EPS growth. BSX has a clear pathway to consistent double-digit EPS growth driven by top-tier organic revenue growth (guidance of 8–10% organic CAGR during 2024–26) and strong OM expansion (+150bps during the LRP period). We project GM expansion driven by annual product cost reduction, contribution from value improvement programs, and strategies to reduce pricing pressure and COVID inefficiencies; OM driven by efficient SG&A spending and enhanced productivity in R&D spending. We expect BSX to deliver +30% OMs over time.

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

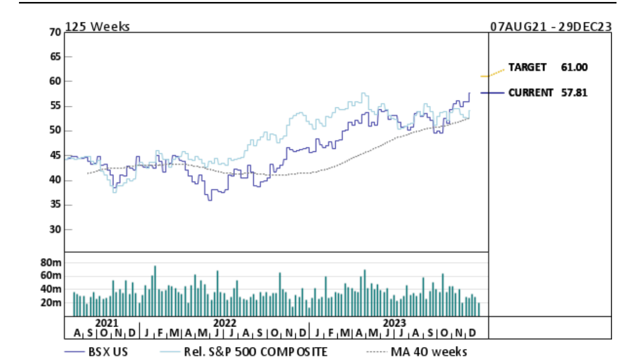
Valuation

Our $61 price target is an equal blend of: 1) DCF yields a value of $65 per share and reflects our forecast through 2032 with a 2% terminal value growth rate and a WACC of ~6.6%; 2) EV-to-Sales analysis uses a 2024E sales multiple of ~6.3x, which yields a value of $60; 3) EV-to-EBITDA analysis uses an 18.0x multiple on 2024E EBITDA, which yields a value of $59; and 4) P/E multiple of 27.0x on 2024E EPS, which yields a value of $61. Our $61 price target supports our Outperform rating.

Risks to rating and price target

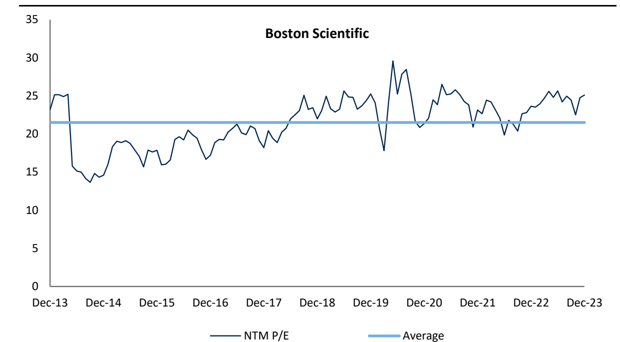
Risks to rating and price target include, but are not limited to: 1) competition that can disrupt and take share; 2) R&D efforts or clinical trials that do not materialize; 3) supply chain or manufacturing disruptions; 4) geopolitical risk; and 5) FX headwinds.

Exhibit 17 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 18 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

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

Rating: Outperform | **Closing Price: CAD 86.41**
Price Target: CAD 94.00 | **Implied All-in Return (%): 13.4**

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

Investment summary

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

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

Management Committee Structure. CNQ does not have a CEO. Instead, the company is stewarded by a management committee consisting of 22 people. This group meets weekly and oversees all matters spanning marketing, finance, ESG, operations, and technology, amongst others. Murray Edwards, Executive Chairman, Tim McKay, President, Scott Stauth, COO (succeeding Tim McKay as President) and Mark Stainthorpe, CFO, are all key members of the committee.

Impressive Shareholder Returns. Alongside fourth-quarter 2022 results, CNQ modified its shareholder returns policy which now revolves around a net debt floor of $10 billion (up from $8 billion previously). The company is currently allocating 50% of its free cash flow (after dividends and base capital) towards share repurchases, with the balance (less strategic growth capital/acquisitions) earmarked for debt reduction. Under its new policy, once CNQ's net debt falls to $10 billion the company will allocate 100% of its free cash flow as incremental returns to shareholders. Free cash flow will be defined as adjusted FFO less dividends and total capital expenditures (excluding A&D) in the year. To the extent that the company's net debt rises above $10 billion, it would revert to its prevailing 50/50 policy. CNQ's net debt sat at approximately $11.5 billion as of September 30, 2023, and the company expects to achieve its net debt target in the first quarter of 2024.

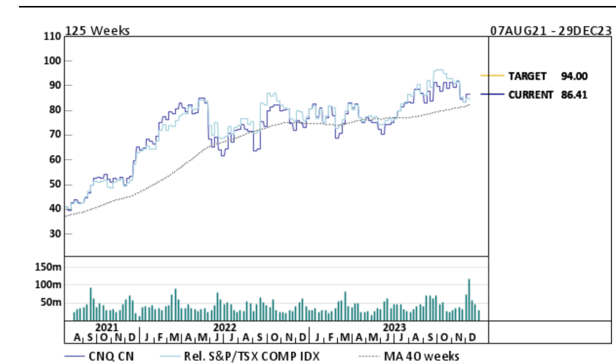
Valuation

Our price target of $94 per share reflects an equal weighting toward a multiple of 1.2x our NAV and an implied 2024E debt-adjusted cash flow multiple of 8.9x at mid-cycle commodity prices. The multiples we have chosen reflect CNQ's superior execution capability, long-life, low-decline asset base, and free cash flow generation potential. Our price target and implied return support our Outperform rating.

Risks to rating and price target

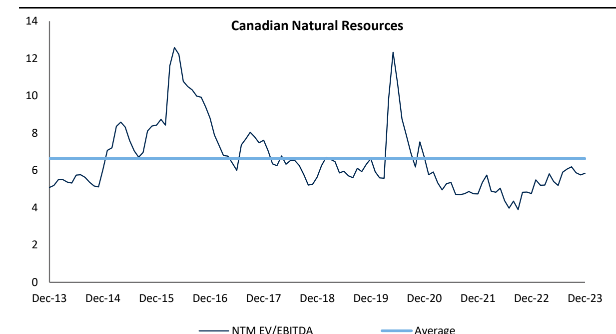
The most significant risk to our price target and rating is unexpected changes in crude oil and natural gas prices. Other risks include the impact of foreign exchange and government legislation as it relates to royalties, income taxes, and environmental policy.

Exhibit 19 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 20 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent industry note: link

Chubb Limited (NYSE: CB)

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

Rating: Outperform	Closing Price: USD 226.00
Price Target: USD 245.00	Implied All-in Return (%): 9.9

Investment summary

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

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

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

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

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

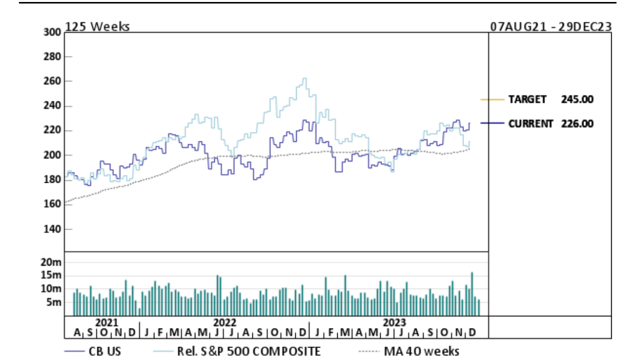
Valuation

Our $245 price target is based on an approximately 1.6x price-to-book multiple applied to our ending-2024 book value per share estimate. Our multiple reflects a strong balance sheet, best-in-class underwriting capability and ample capital to pursue growth opportunities. We see ROEs migrating towards the low teens under normalized economic conditions, which could be augmented by additional capital management activities or incremental growth should pricing improvement accelerate. Our price target supports our Outperform rating.

Risks to rating and price target

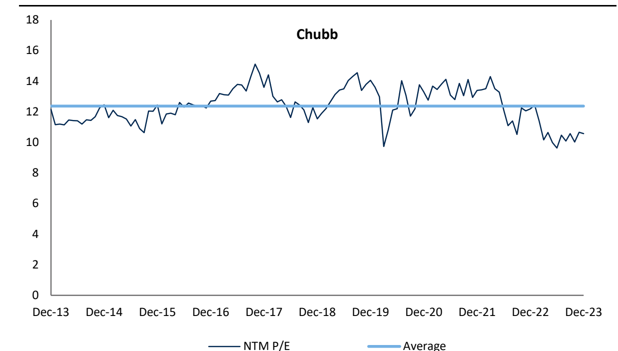
The company outlines a variety of risks in its annual 10-K, the most impactful of which, in our view, are as follows: exposure to man-made and natural catastrophe losses, exposure to unforeseen litigation, regulatory impacts in a variety of jurisdictions, the risk of fluctuations in inflation and interest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

Exhibit 21 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 22 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Constellation Software Inc. (TSX: CSU)

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

Rating: Outperform | **Closing Price: CAD 3,285.27**
Price Target: CAD 3,400.00 | **Implied All-in Return (%): 3.7**

Investment summary

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

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

Well positioned to benefit in an uncertain macroeconomic environment. The high frequency of acquisitions and capital deployed YTD in 2023 demonstrate that Constellation's model is counter-cyclical. In periods of economic and financial duress, we believe that Constellation is more likely to deploy larger amounts of capital at high rates. Moreover, Constellation's software is mission-critical and required for day-to-day operations. Recurring maintenance revenue accounted for 71% of FY22 revenue. Our outlook calls for Constellation's constant currency organic growth to normalize from 5.0% FY23E to 2.0% FY24E.

Constellation's valuation appears attractive. Constellation is trading at 22x NTM EV/EBITDA, above Canadian software consolidators. We believe Constellation's valuation appears attractive given the company's proven ability to compound FCF/share over the long term.

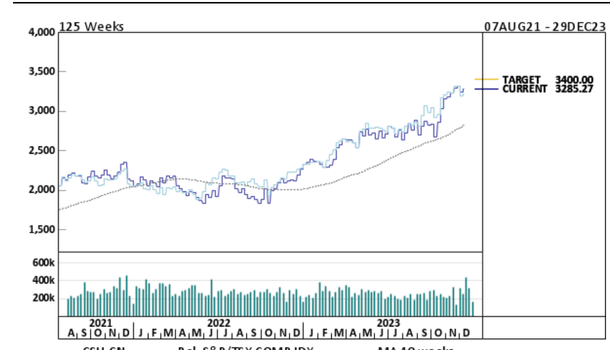
Valuation

Our C$3,400 price target equates to 22.4x CY24E EV/EBITDA, justified above Canadian software consolidator peers in our view, given Constellation's faster ability to compound capital in the long term. Constellation has converted 84% of adj. EBITDA into FCF over the last five years. Our price target supports our Outperform rating.

Risks to rating and price target

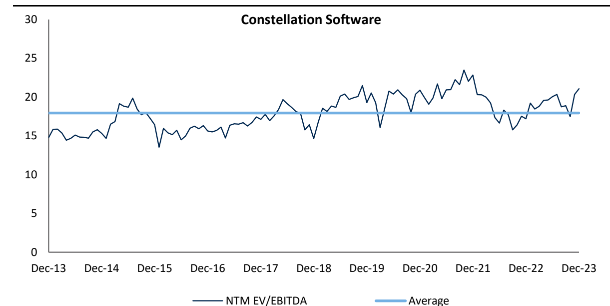
Risks to our rating and price target include: 1) quarterly lumpiness; 2) lack of accretive acquisition candidates; 3) unexpected organic growth headwinds; 4) an inability to sustain further margins; 5) loss of key employees; and 6) a decline in tech market valuations.

Exhibit 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

CrowdStrike Holdings, Inc. (NASDAQ: CRWD)

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

Rating: Outperform	Closing Price: USD 255.32
Price Target: USD 230.00	Implied All-in Return (%): -9.9

Investment summary

High-level thesis on CrowdStrike.

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

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

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

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

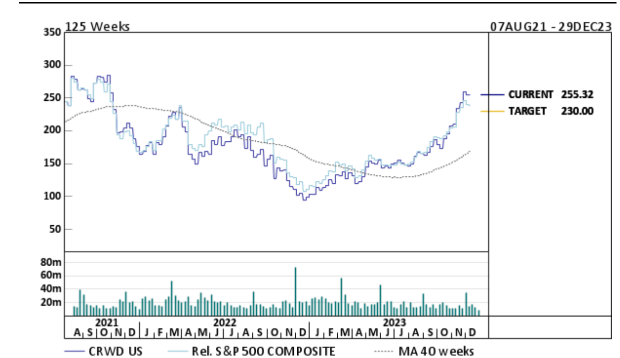
Valuation

We calculate our $230 price target based on 14.2x CY/24E EV/S which is a premium to leading growth security peers and appears reasonable given our LT view of growth and profitability. Additionally, our target assumes 46x CY/24E FCF. Our price target supports an Outperform rating.

Risks to rating and price target

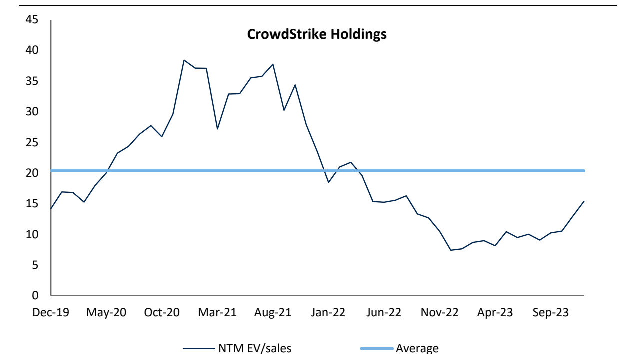
Risks to our rating and price target include: 1) CrowdStrike operates in a market with competition from larger legacy competitors, like Symantec, as well as newer entrants; 2) potential pricing pressure given the crowded nature of the market; 3) CrowdStrike operates a land-and-expand model; failure to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

Exhibit 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

Diamondback Energy, Inc. (NASDAQ: FANG)

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

Rating: Outperform	Closing Price: USD 155.08
Price Target: USD 180.00	Implied All-in Return (%): 23.9

Investment summary

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

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

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

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

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

Valuation

Our $180/share price target reflects a premium to our $162/share Net Asset Value (NAV) and a 5.7x multiple on our 2024 EBITDA estimate.

Our NAV is a risked assessment of 3P reserves using the long-term RBC commodity price outlook of $65/bbl (WTI), $70/bbl (Brent), and $3.75/Mcf (HH).

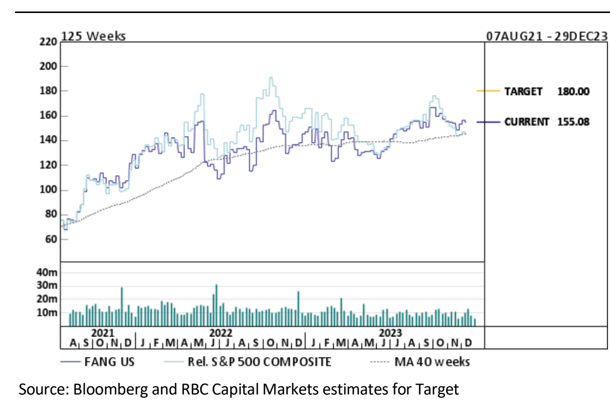
We expect FANG to trade at a premium to our NAV related to a lower commodity price environment that is reflected in our long-term price forecast. We expect the company to trade in line with peer EBITDA multiples.

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

Risks to rating and price target

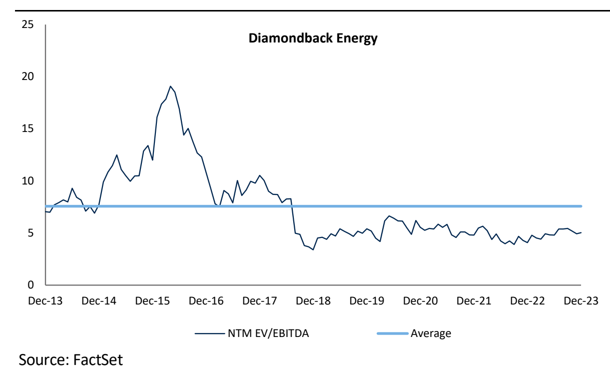
Risks to our rating and price target include: 1) much of the potential in FANG shares relies on executing its development strategy on its unconventional acreage positions. Results below expectations in this area would have an adverse effect on the stock; and 2) weaker-than-expected commodity prices could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

Exhibit 27 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 28 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent industry note: link

Element Fleet Management Corp. (TSX: EFN)

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

Rating: Outperform	Closing Price: CAD 21.56
Price Target: CAD 30.00	Implied All-in Return (%): 41.4

Investment summary

Why we rate EFN shares Outperform: Four key themes drive our positive view of EFN: 1) attractive growth – we forecast that EFN's EPS could grow at a mid-teens CAGR over the next five years, driven by new client wins, organic growth within existing customers, and significant returns of capital; 2) multiple potential catalysts (see below); 3) strong defensive attributes – EFN faces minimal credit/residual risks and tends to have long-term contracts (3–5 years) with high retention rates (~99%); and 4) attractive valuation – we see high EPS growth as a key driver of valuation and potential valuation multiple expansion.

Why we like the fleet management industry: In our view, the fleet management industry has several attractive attributes, which we think, given that EFN is the largest player in North America, should provide outsized benefits to the company. Specifically: 1) the fleet management industry has high barriers to entry, which we think is partly attributable to high switching costs for customers, but also significant scale benefits; 2) the industry has a favorable competitive landscape, which we think has generally resulted in rational pricing behavior; 3) as mentioned above, the industry benefits from long-term contracts and very low client turnover/churn; and 4) the industry has strong free cash flow generation potential.

Potential catalysts include: 1) stronger origination volumes; 2) new customer wins and cross-selling existing customers new fleet services; and 3) increased returns of capital (e.g., further dividend increases, share buybacks, etc.).

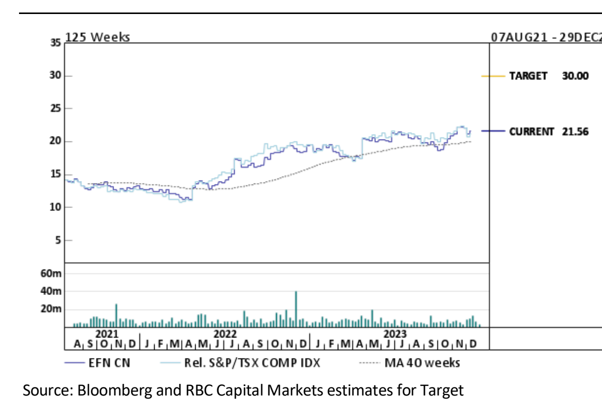
Valuation

Our 12-month price target is $30/share. Our 12-month price target is based on applying an 18x multiple to our blended 2024E/2025E fully diluted operating EPS forecast of $1.65, which is a premium to the global fleet manager peer average. We believe a premium to global fleet management peers is warranted given factors including higher expected growth, stronger fundamentals, greater scale, and very little exposure to credit risk. Our target multiple reflects an attractive mix of strong positive fundamentals, attractive growth potential even in a recession scenario, potential catalysts (e.g., earnings upside) and defensive attributes. We believe our 12-month price target and the implied total return support our Outperform rating.

Risks to rating and price target

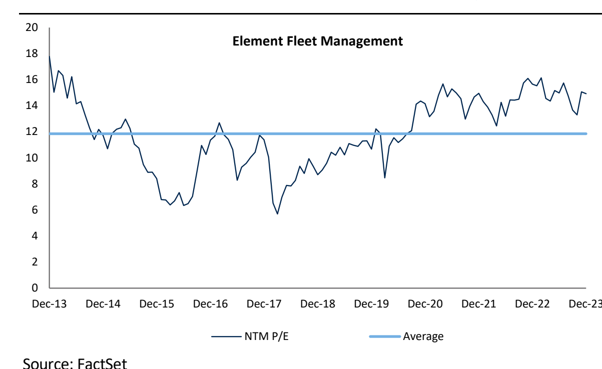
Risks to rating and price target include: 1) evidence of further delays to the time of normalizing originations/OEM production past mid-2023 (EFN's current guidance); 2) key customer losses; and 3) key personnel departures.

Exhibit 29 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 30 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Ferrari N V (MILAN: RACE)

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

Rating: Outperform	Closing Price: EUR 305.20
Price Target: EUR 344.00	Implied All-in Return (%): 13.0

Investment summary

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

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

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

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

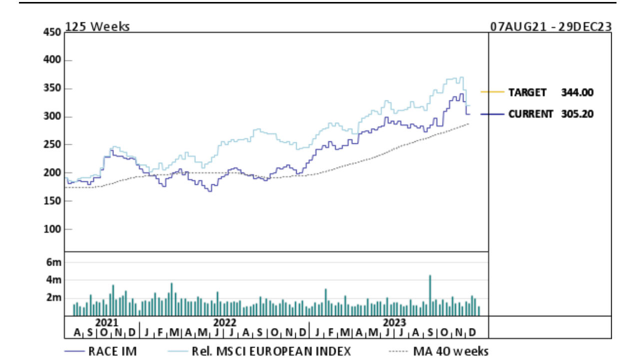
Valuation

Our €344 price target is derived by applying a 27x multiple to our 2024E EBITDA. We then add Industrial net cash, subtract underfunded pension liabilities, and discount back @7% to arrive at our equity value. Our price target supports our Outperform rating.

Risks to rating and price target

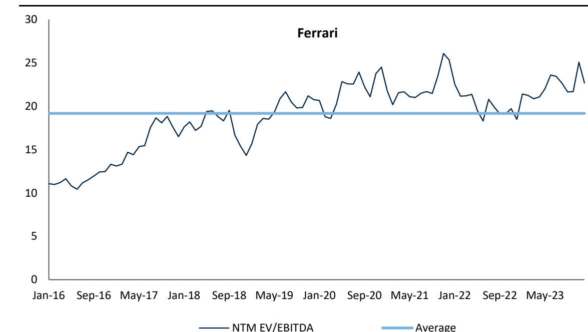
Risks to our rating and price target include: 1) challenges to penetrating China; 2) electrification is not in Ferrari's DNA; and 3) premium SUV market is already hyper-competitive.

Exhibit 31 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 32 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

HEICO Corporation (NYSE: HEI)

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

Rating: Outperform	**Closing Price: USD 178.87**
Price Target: USD 210.00	**Implied All-in Return (%): 17.4**

Investment summary

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

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

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

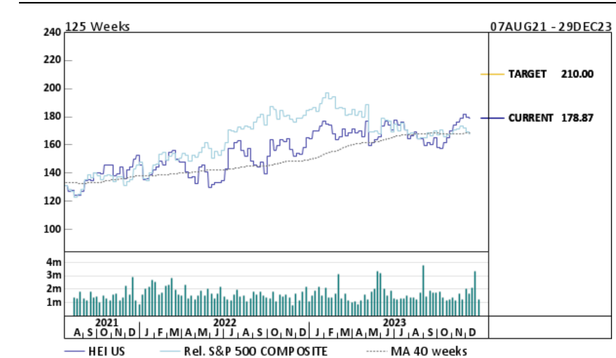
Valuation

Our $210 price target is based on a blend of 51x our 2025E P/E and 26.5x our 2025E EV/EBITDA. We believe these multiples are in line with historical ranges and are appropriate considering that we are in the mid-stages of the anticipated aerospace recovery, and the company should see incremental upside from acquisitions. Our price target supports our Outperform rating.

Risks to rating and price target

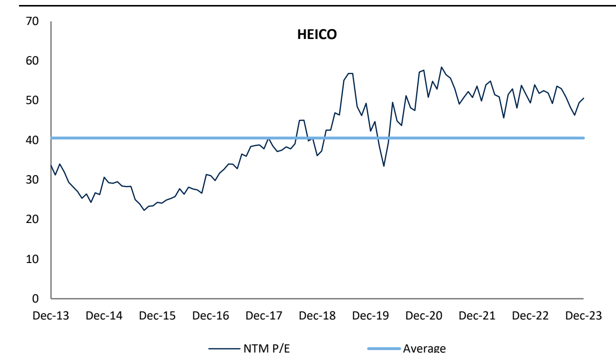
The following represent key risks to our HEI price target objective: 1) pace of the air travel recovery and impact of COVID-19 variants on business and leisure air travel; 2) supply chain disruptions and material lead times; 3) ability to hire the necessary human capital to support growth objectives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

Exhibit 33 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 34 - Forward consensus P/E history



Source: Factset

Most recent company note: [link]()

HubSpot, Inc. (NYSE: HUBS)

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

Rating: Outperform | **Closing Price: USD 580.54**
Price Target: USD 625.00 | **Implied All-in Return (%): 7.7**

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 include: 1) 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; 2) 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; and 3) 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 long term drive a shift in the valuation focus.

Valuation

We calculate our base-case price target of $625 by applying a 13x EV/revenue multiple to our 2024 estimate of $2,466M. Our target multiple is a premium to the 40-60 Rule of 40 peer group, warranted in our view by HubSpot's large market opportunity, strong execution track record and attractive long-term financial profile. Our price target supports our Outperform rating.

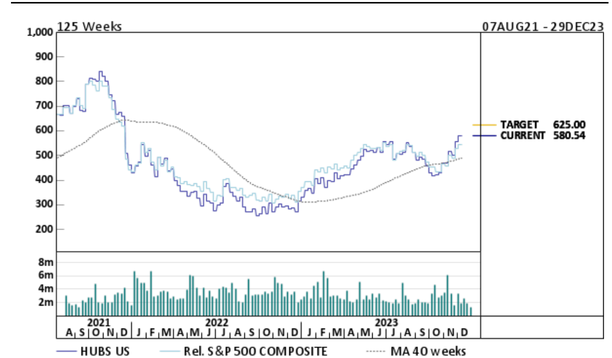
Risks to rating and price target

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

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

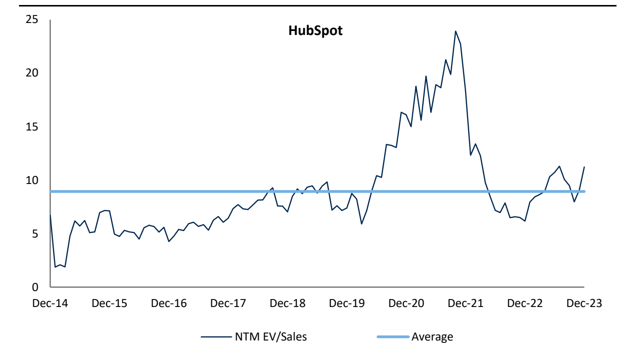
Long-term profitability: Margins have improved and are solid for HUBS growth, but the company's long-term margin structure remains uncertain. We believe the company has a strong enough cash position to achieve positive FCF generation without raising funds.

Exhibit 35 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 36 - Forward consensus EV/sales history



Source: Factset

Most recent company note: link

Illumina, Inc. (NASDAQ: ILMN)

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

Rating: Outperform	Closing Price: USD 139.24
Price Target: USD 258.00	Implied All-in Return (%): 85.3

Investment summary

We have an Outperform rating on Illumina with a $258 price target. We believe Illumina's current stock price overdiscounts the likelihood of share erosion from smaller competitors, and does not factor in years of R&D spend and product innovation that Illumina has invested in the next-gen sequencing (NGS) market, which represents a company projected $120B TAM. We believe a return to sustainable DD revenue growth will lead to multiple expansion more in line with historical levels, leading to price appreciation.

Valuation

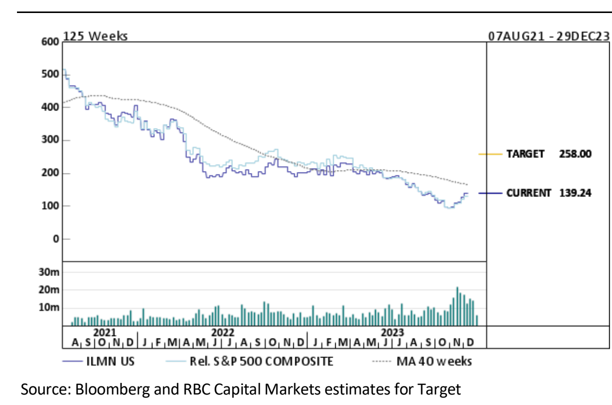
Our 12-month price target of $258 applies the 1-year recent P/E multiple of high-growth 'innovator' HC companies (TECH, ISRG, IDXX) of 43.2x and applies it to our 'Core ILMN' EPS of $5.98. This is the EPS we calculate for ILMN if we exclude Grail operations and a tax rate of 17%, in line with the company's historical tax rate.

Our current FY'25 EPS estimate is lower than $5.98 but includes Grail operations and a tax rate that is higher than historical levels due to Grail operations and the capitalization of certain R&D expenses, both of which we believe should reverse over time. Our methodology and multiple are based on our assumption that the company can return to historical growth rates above traditional life science tools companies. Our price target supports an Outperform rating.

Risks to rating and price target

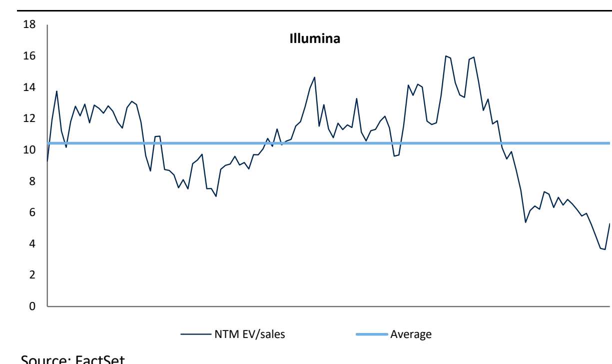
Risks to our rating and price target include: 1) Illumina divestment in Grail and subsequent appeals could result in fines, funding of Grail as a standalone entity, earnings drag and distraction to management may continue for several years; 2) our assumption that Illumina may cut R&D spend to reflect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

Exhibit 37 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 38 - Forward consensus EV/sales history



Source: FactSet

Most recent industry note: link

London Stock Exchange Group plc (LSE: LSEG)

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

Rating: Outperform | **Closing Price: GBp 9,274.00**
Price Target: GBp 10,200.00 | **Implied All-in Return (%): 11.3**

Investment summary

We rate LSEG Outperform, with a £102 price target.

Following the completion of the Refinitiv deal, LSEG has transformed into an enlarged group with higher quality revenue streams and enhanced exposure to secular growth themes.

We expect the diverse, mostly recurring, revenue streams of the enlarged group to convert to strong cash generation over all time horizons, and we expect leverage to reduce to 1.4x by Dec-24.

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

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

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

Valuation

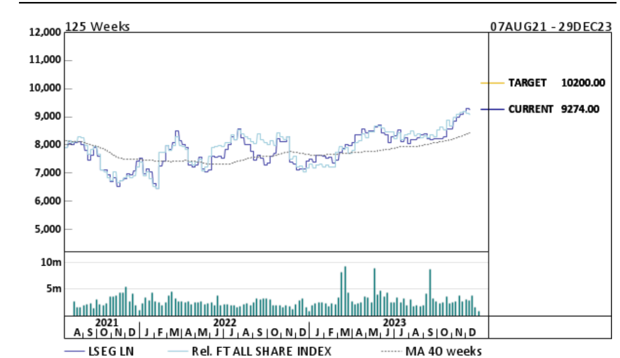
Our price target for London Stock Exchange Group (LSEG) is derived from a discounted cash flow model. We use a three-stage model, whereby we apply a Risk Discount Rate of 8% (reflecting our view of the relative risk of LSEG's business model) and a terminal value growth assumption of 3%. We model our DCF on a reported basis, incorporating FX adjustments to our earnings. We also deduct current net debt of £6.2bn to reach our equity value.

Our price target implies a FY 2024E P/E of 27x, which we see as justified given LSEG's strong FCF generation and exposure to structural growth markets. Our price target of 10,200p supports an Outperform rating.

Risks to rating and price target

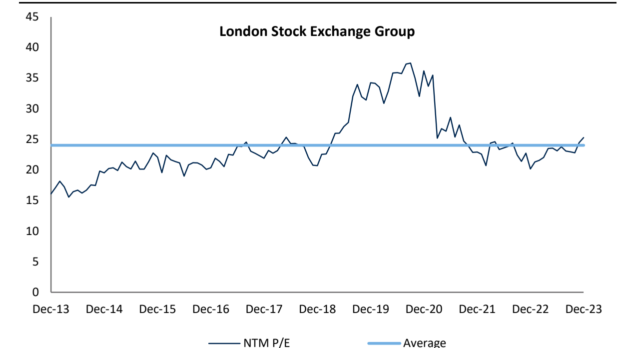
Risks to our rating and price target include: 1) failure to integrate with Refinitiv efficiently could produce lower revenue synergies than expected at a higher cost; 2) competition in each of LSEG's 3 business areas could lead to a decrease in LSEG's market share in the respective areas; and 3) Brexit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

Exhibit 39 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 40 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Mastercard Inc. (NYSE: MA)

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

Rating: Outperform	Closing Price: USD 426.51
Price Target: USD 432.00	Implied All-in Return (%): 1.8

Investment summary

We believe MA is a core long-term holding and an "indexed" way to play payments and benefit from three global secular mega-trends including: 1) global consumption; 2) global digitization of payments; and 3) global innovation, which is creating new payment flows. We note that ~67% of its TAM is from new payment flows, beyond the classic cash to card conversion, while we forecast service revenues to grow 2x the carded-market and are heavily focused on cyber-intelligence/security and data analytics/services, both long-term secular themes.

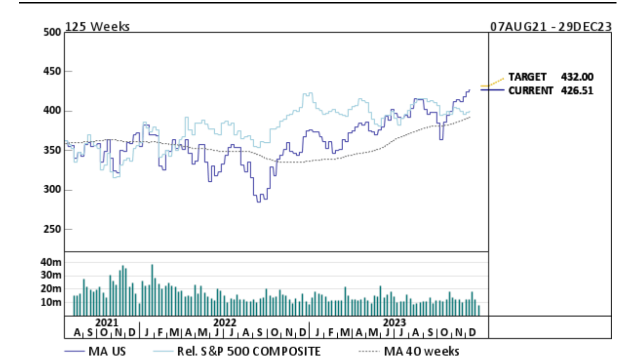
Valuation

Our price target of $432 is 30x our CY24 EPS estimate, generally in line with its historical average. Underlying our estimates are expectations for: 1) near-term pressure before a rebound to double-digit growth in purchase volumes, with modest pricing and secular growth; 2) double-digit increases in transaction revenues; 3) near-term pressure on cross-border revenue growth; and 4) relatively flat client incentives as a percentage of gross revenues. Our price target supports our Outperform rating.

Risks to rating and price target

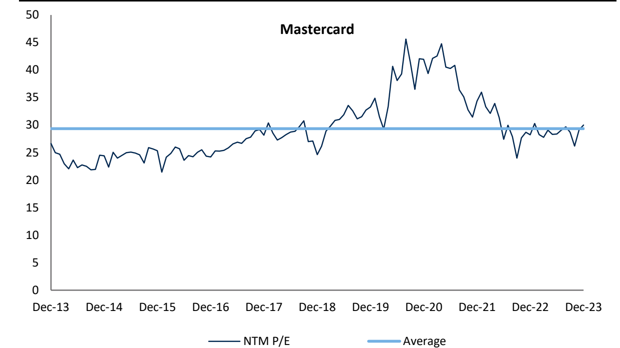
A slowdown in payment volumes and cross-border travel (from such things as a global recession), increased regulatory scrutiny or a pushback from large financial institutions on pricing could impede our price target and rating.

Exhibit 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

Meta Platforms, Inc. (NASDAQ: META)

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

Rating: Outperform	Closing Price: USD 353.96
Price Target: USD 400.00	Implied All-in Return (%): 13.0

Investment summary

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

Valuation

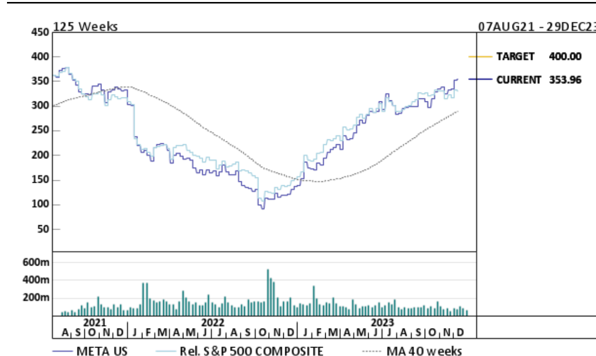
Meta trades at a discount to the broader internet group, which is largely a function of views around core market maturity and laws of large numbers. This discount is likely to persist given the undeniable size of the core business, but we think the gap should persist or narrow depending on META's ability to demonstrate stability in its ad business relative to the Apple-related disruption around signal loss.

Our $400 price target supports our Outperform rating and is based on 12x EV/'24E EBITDA and 23x P/'24E EPS. Our target multiples are below the peer group due to high market penetration and sheer size but in our view reasonable for the long-term secular growth and compounding earnings power of the core business.

Risks to rating and price target

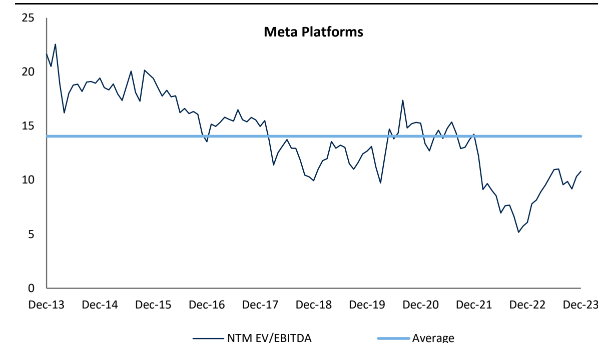
These include regulation, user privacy mandates implemented by either governmental agencies or competing ecosystem providers, competition from existing social platforms or potentially other large technology players, public perception that could lead to a decline in usage, and a macroeconomic downturn.

Exhibit 43 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 44 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

PG&E Corporation (NYSE: PCG)

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

Rating: Outperform	Closing Price: USD 18.03
Price Target: USD 21.00	Implied All-in Return (%): 16.5

Investment summary

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

Potential catalysts include: 1) execution of plan under new management. Execution of the company's Lean Operating System (LOS) and wildfire plans will be essential in terms of improving the company's perceived risk profile, which could lead to greater confidence from investors and rating agencies; 2) upside to capital expenditure program. Current capital forecasts include spend above authorized amounts. Potential recovery of these investments in the future may result in greater rate base growth. Approval of undergrounding would provide a boost of confidence; 3) CA regulatory environment. Constructive outcomes for rate cases as well as approval of additional capital investments may accelerate growth at the utility; 4) CA emissions targets and electrification. Statewide emissions goals as well as local efforts to decarbonize may promote electric systems over gas systems, resulting in impacts on gas customer counts; and 5) reintroduction of a dividend. We expect PCG to start paying a dividend by 1Q24. This should prompt income investors to add PCG to their portfolios.

Valuation

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

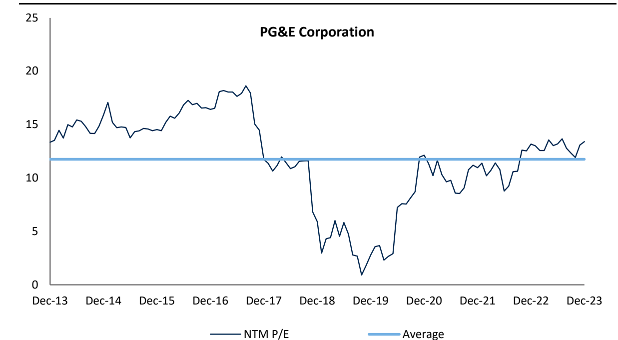
Risks to rating and price target

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

Exhibit 45 - Share performance and RBC valuation

Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 46 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Restaurant Brands International Inc. (NYSE: QSR)

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

Rating: Outperform	Closing Price: USD 78.13
Price Target: USD 87.00	Implied All-in Return (%): 13.7

Investment summary

We continue to view QSR as our top pick among the global franchised fast food group. We see potentially improving Burger King US trends, accelerating development, and shifts in capital allocation (toward growth investments and reduction in leverage) driving stock performance. Relative valuation for QSR remains compelling (~14x 2024E EBITDA, versus global peer average of ~16x), in our view, particularly as we are taking a more cautious stance on the overall group.

Potential catalysts include: 1) an acceleration in same-store sales growth, with particular focus on stability at Burger King US; 2) improvement in TH contribution to overall EBITDA growth; 3) a significant brand acquisition; and 4) accelerating new unit development.

Valuation

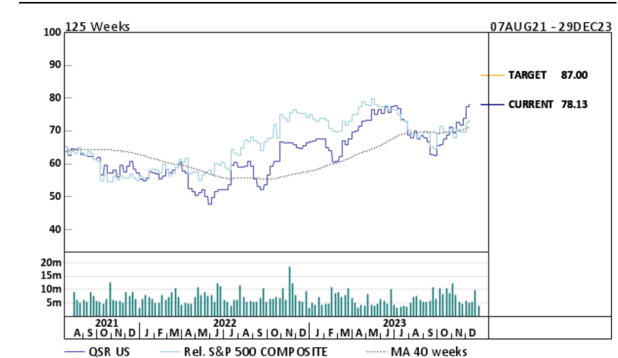
Our price target of $87 is based on applying a multiple of 18x, which is above QSR's peer group (i.e., MCD, YUM, DPZ) average, to 2024E EBITDA of ~$2.9B. Our price target equates to ~25x 2024E EPS and a 5% FCF yield.

We believe QSR deserves an 18x given its continued momentum at Tim Hortons Canada, stable trends at Burger King, solid unit growth (historically >5%), and M&A optionality. Its among best-in-class dividend yield also supports our valuation. Our price target supports our Outperform rating.

Risks to rating and price target

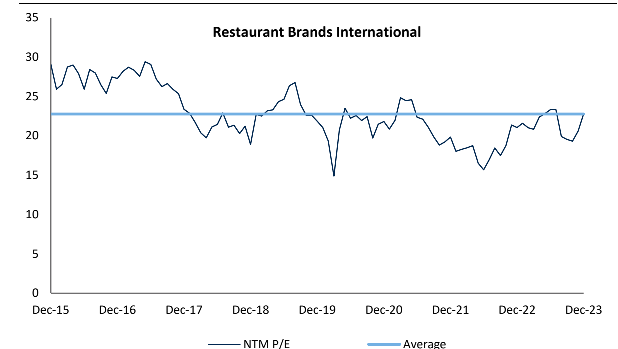
Risks to our rating and price target include: 1) as with most restaurant company stocks, worse-than-expected same-store sales can negatively impact valuation. Risk factors for same-store sales include: macro/consumer headwinds; increased competition; declining consumer demand for the brand. In the case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

Exhibit 47 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 48 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

S&P Global Inc. (NYSE: SPGI)

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

Rating: Outperform	Closing Price: USD 440.52
Price Target: USD 500.00	Implied All-in Return (%): 14.3

Investment summary

We believe that the strategic INFO acquisition should accelerate the normalized revenue growth profile and deliver double-digit earnings growth driven by upside to revenue and cost synergies. Complementary data assets powered by Cloud and AI/ML should enable predictive actionable insights from disparate data assets and distribution at scale. Importantly, the transformative acquisition should propel SPGI's ESG offerings and private company offerings.

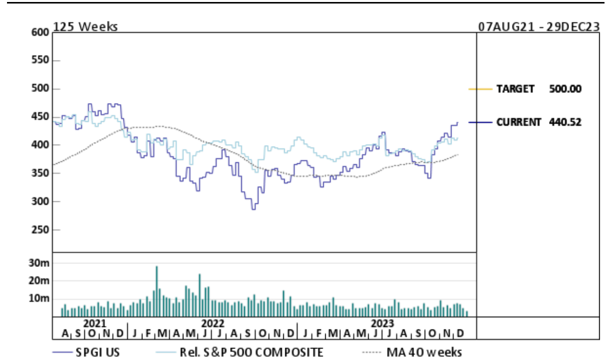
Valuation

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

Risks to rating and price target

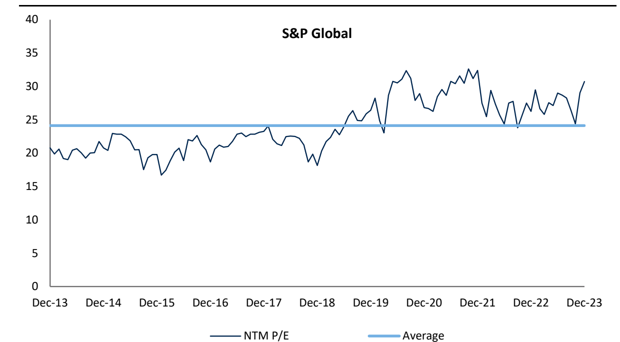
Risks to our rating and price target include: 1) a significant decline in credit issuance; 2) increased competition for market data; 3) slowdown in demand for Platts; 4) challenges in integrating acquisitions; and 5) decline in AUM linked to SPGI indices.

Exhibit 49 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 50 - Forward consensus P/E history



Source: FactSet

Most recent industry note: link

Siemens AG (XETRA: SIE)

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

Rating: Outperform	Closing Price: EUR 169.92
Price Target: EUR 185.00	Implied All-in Return (%): 11.7

Investment summary

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

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

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

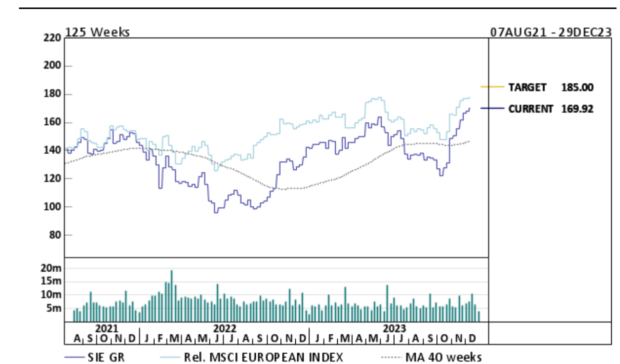
Valuation

We value Siemens on a target P/E of 18x '24E, which is broadly in line with our sector average supported by our analysis which shows Siemens continuing business as a through-cycle outperformer versus the sector from an operational standpoint. It gives a valuation of €185 per share. P/E is a fair multiple to use in our view given the complicated nature of the group and its underlying net debt/EBITDA being at ~1x in line with the sector average. Our price target supports our Outperform rating on the stock.

Risks to rating and price target

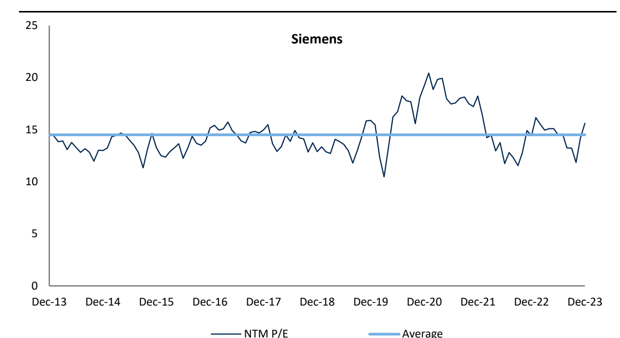
Risks to our rating and price target include: 1) economic cycle: Siemens continues to see growth reflecting its strong order backlog, but if the macro backdrop was to worsen it could impact this assumption; 2) cost flexibility: Siemens' size, complexity and board-level representation from labour unions mean that it has historically not been very agile with its cost basis. Siemens has been changing this, but it remains a factor; 3) supply chain: there continue to be supply chain constraints. Siemens' outlook assumes some continued normalisation, which if it did come through would be negative; 4) sector de-rating: Further concerns of a deep recession could precipitate a general sell-off and de-rating in the industrials sector, thus affecting Siemens' valuation; and 5) Siemens could suffer indiscriminate buying/selling pressure: Siemens is a highly liquid proxy for industrial Europe and could be bought or sold by portfolio managers wanting to increase or reduce European industrial or European cyclical exposure. The share is also a major component of Germany's DAX Index.

Exhibit 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

TELUS Corporation (TSX: T; NYSE: TU)

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

Rating: Outperform | **Closing Price: CAD 23.58**
Price Target: CAD 30.00 | **Implied All-in Return (%): 33.4**

Investment summary

TELUS has not been immune to sector headwinds that have included cyclical impacts on TELUS International and TELUS Agriculture & Consumer Goods, inflation impacts on TTech and incremental competitive impacts in Western Canada in the wake of the Rogers*-Shaw merger. While we expect these headwinds to persist in H2/23 and through 2024, we believe the stock at 8.3x FTM EV/EBITDA more than adequately reflects these headwinds, particularly given: 1) the reiteration of 2023 growth guidance for TTech that remains industry-leading on an underlying basis; 2) the sustained step-down to low double-digit capex intensity post-FTTH build in 2023 that should continue to translate into industry-leading FCF growth and capital returns; and 3) a consistent track record of network leadership and execution.

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

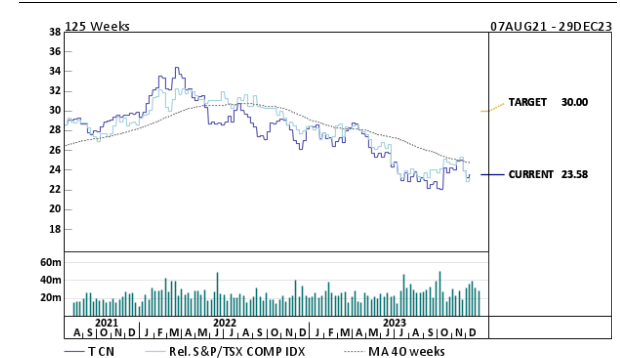
Valuation

The implied total return to our $30 price target supports our Outperform rating. To derive our target, we take the average of three approaches: 1) applying a 21.5x multiple to our blended two-year forward adjusted EPS estimates; 2) applying a target EV/EBITDA multiple of 8.25x to our blended two-year forward EBITDA estimates for TELUS Technology Solutions and factoring in our one-year target for TELUS International; and 3) discounted FCF through 2030E factoring in a WACC of 9.0% and a terminal growth rate of 1.75%. We believe our target multiples are consistent with the company's growth and risk profile relative to Canadian peers, and a higher interest rate environment.

Risks to rating and price target

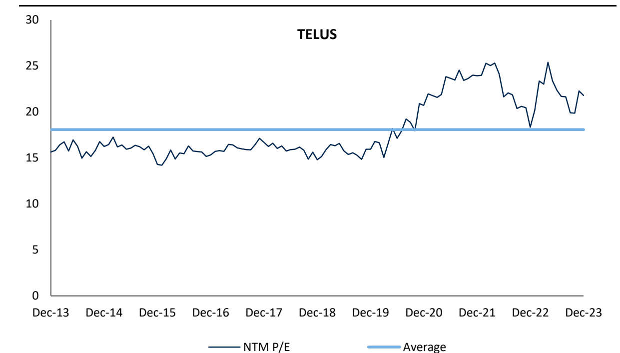
Risks to our rating and price target include: 1) a prolonged and/or significant economic downturn; 2) a sustained increase in wireless competition and/or unexpected change in regulation resulting in higher churn and/or accelerated declines in postpaid ARPU; 3) inability to realize additional cost savings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

Exhibit 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

**** RBC Capital Markets provided a fairness opinion to Cogeco Inc. (TSX: CGO) special committee in connection with Cogeco Inc. repurchase of its Cogeco subordinate voting shares (the "CGO SVS") from CDPQ as press released on December 11th, 2023.***

Union Pacific Corporation (NYSE: UNP)

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

Rating: Outperform	Closing Price: USD 245.62
Price Target: USD 282.00	Implied All-in Return (%): 17.1

Investment summary

Our Outperform rating is based on our expectation that PSR-driven efficiencies will be achieved.

We believe that UNP will deliver further operational progress despite volume headwinds. Following the announcement that Jim Vena will be UNP's CEO, we expect that his strong operating philosophy will result in a marked turnaround in operating performance, which we expect will drive O/R and service more toward PSR peers. While cadence of the improvement will be of focus, we have assumed this turnaround is achieved by 2025, resulting in mid-teen EPS CAGR (with risk to the upside) out to 2025E. We also believe that UNP's competitive dynamics – unparalleled access to Mexico and the chemicals sector in the US Gulf Coast – provide favourable growth prospects in the long run relative to peers.

Favorable sector fundamentals to drive long-term growth in free cash flow (and shareholder returns). Our constructive outlook on the rail sector is based on the industry's unique characteristics: 1) limited and rational competition; 2) high barriers to entry; and 3) sustainable growth in demand. We expect these attributes to drive real rate increases, volume growth, and margin expansion over the long term supported by service improvements, efficiency initiatives, and the implementation of smart technology. With stable capital expenditure requirements and clean balance sheets, we believe that the industry is positioned to generate increasing free cash flow that will, in turn, drive up shareholder returns through sustained growth in dividends and share repurchases.

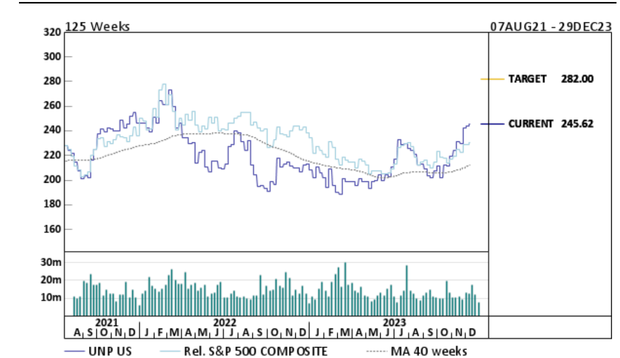
Valuation

Our $282 price target, which supports our Outperform rating, is based on applying a P/E multiple of 20x to our 2025 EPS estimate of $14.08. Our target multiple is a premium to US peers and reflects the impact of the PSR-driven efficiencies we believe will be achieved.

Risks to rating and price target

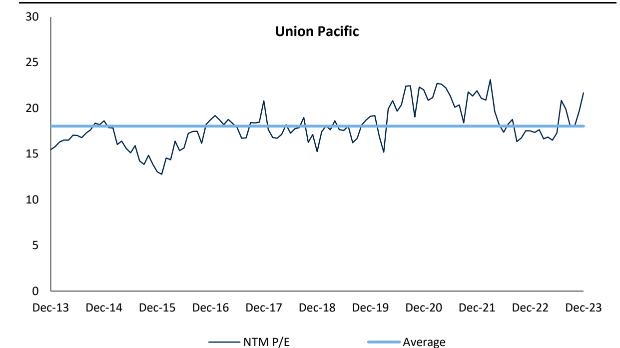
Risks to our rating and price target include: 1) further decline in global prices for metallurgical and thermal coal; 2) continued displacement of coal at US utilities on account of persistently low natural gas prices; 3) technological advances in trucking that result in significant share losses; 4) severe network disruption and reduced agriculture production as a result of weather events; and 5) lower industrial production and consumer demand on account of economic volatility throughout North America.

Exhibit 55 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 56 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Veeva Systems Inc. (NYSE: VEEV)

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

Rating: Outperform | **Closing Price: USD 192.52**
Price Target: USD 225.00 | **Implied All-in Return (%): 16.9**

Investment summary

We like shares of Veeva for four primary reasons: 1) Veeva's domain expertise and deep customer relationships have created a market leadership position and a sustainable economic moat, limiting the threat of competition. As a result, Veeva has one of the highest average revenues per customer in software (~$1.6M in CY22); 2) we see multiple growth drivers for Veeva to maintain 20%+ subscription growth, including CDMS, Data Cloud, and Vault OLS (Outside of Life Sciences). We believe Veeva has a large TAM that will continue to grow with new products and that Vault, Veeva's content management platform, is a continued engine for innovation; 3) Veeva's financial model is best-in-class, with a leading blend of growth and profitability. Veeva continues to show 20%+ organic subscription growth, while also seeing FCF margins approach 40% (which places Veeva in rare territory among SaaS companies), making Veeva a consistent "Rule of 40" company. This is the result of Veeva's product-led growth, fiscal discipline, and its unique GTM motion of the "Veeva Way", which involves slowly driving adoption through reference selling; and 4) the life sciences market is attractive, as it is a defensive industry that is also rather profitable (pharmaceutical companies have software-like gross margins of 70%+) and technology-forward (with the pandemic accelerating digital transformation initiatives).

One key feature of life sciences is that the industry is more collaborative than others, which makes reference selling a key part of the GTM model. In addition, Veeva's blue chip customer base spans almost all of the top pharmaceutical companies, including household names such as Pfizer, Moderna, Johnson & Johnson, AstraZeneca, and Regeneron.

Valuation

Our $225 price target is based on 31x EV/CY24E FCF, a premium to the peer group, which we believe is warranted considering Veeva's leading blend of growth and margins, runway for future growth, and competitive positioning. Our price target supports our Outperform rating.

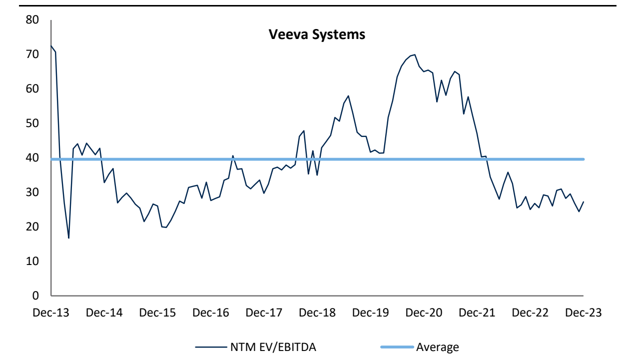
Risks to rating and price target

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

Exhibit 57 - Share performance and RBC valuation

Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 58 - Forward consensus EV/EBITDA history



Source: FactSet

Most recent company note: link

WESCO International, Inc. (NYSE: WCC)

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

Rating: Outperform | **Closing Price: USD 173.88**
Price Target: USD 187.00 | **Implied All-in Return (%): 8.4**

Investment summary

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

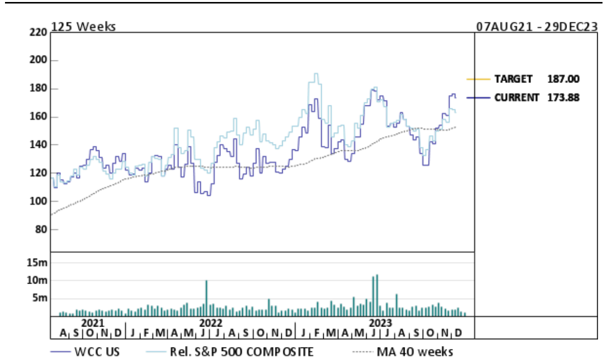
Valuation

Our $187 price target assumes WCC trades to an undemanding 40% discount to our 18.0x SMID-cap 2024E target group P/E multiple, or 10.8x. This is at the low end of WCC's historical (40%)-(10%) relative P/E range to discount the elevated leverage, integration risk following the Anixter deal, risk that the macro meaningfully turns over, and destocking continues. This is balanced by the powerful secular drivers of electrification, grid hardening, automation, data centers, and infrastructure spending. Our price target supports our Outperform rating.

Risks to rating and price target

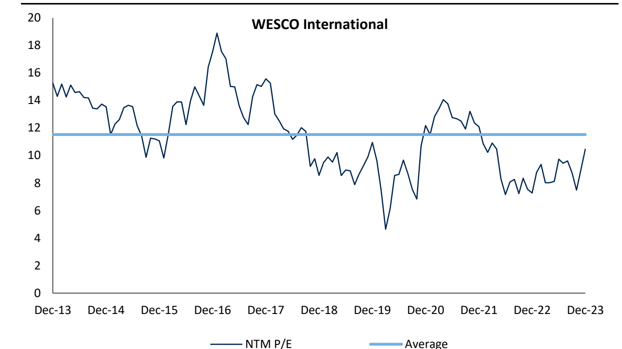
Risks to our rating and price target include: 1) integration risk with Anixter; 2) economic conditions. WESCO operates in cyclical industrial end markets and a slowdown in global activity could adversely impact sales and operating margins. Macro trends including inflation/deflation, commodity costs, credit availability, currency fluctuations, and supply chain could all materially impact results; 3) competition and pricing. WESCO operates in the highly fragmented and competitive electrical products' distribution market. With limited access to credit, smaller competitors may potentially cut prices and pressure WESCO's disciplined business model. There is also a growing risk from online distributors such as Amazon Business; 4) acquisitions. WESCO has been active on the M&A front in this consolidating market and is exposed to overpaying for targets and integration headwinds. We remain confident in management's discipline on this front but acknowledge that large deals such as EECOL require considerable management attention and carry inherent integration risk; 5) financial risks. Tightening credit standards and any disruption to credit markets could cause our estimates to be too optimistic; and 6) nonresidential end market. A slower-than-expected recovery in the nonresidential construction end-market could cause our estimates to be too optimistic.

Exhibit 59 - Share performance and RBC valuation



Source: Bloomberg and RBC Capital Markets estimates for Target

Exhibit 60 - Forward consensus P/E history



Source: FactSet

Most recent company note: link

Required disclosures

Non-U.S. analyst disclosure

One or more research analysts involved in the preparation of this report (i) may not be registered/qualified as research analysts with the NYSE and/or FINRA and (ii) may not be associated persons of the RBC Capital Markets, LLC and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Conflicts disclosures

This product constitutes a compendium report (covers six or more subject companies). As such, RBC Capital Markets chooses to provide specific disclosures for the subject companies by reference. To access conflict of interest and other disclosures for the subject companies, clients should refer to **https://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?entityId=1.** These disclosures are also available by sending a written request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7 or an email to rbcinsight@rbccm.com.

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

With regard to the MAR investment recommendation requirements in relation to relevant securities, a member company of Royal Bank of Canada, together with its affiliates, may have a net long or short financial interest in excess of 0.5% of the total issued share capital of the entities mentioned in the investment recommendation. Information relating to this is available upon request from your RBC investment advisor or institutional salesperson.

Explanation of RBC Capital Markets Equity rating system

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

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

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

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

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

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

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

Distribution of ratings

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

Distribution of ratings
RBC Capital Markets, Equity Research
As of 31-Dec-2023

			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [Outperform]	829	57.17	253	30.52
HOLD [Sector Perform]	575	39.66	154	26.78
SELL [Underperform]	46	3.17	6	13.04

Conflicts policy

RBC Capital Markets Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on request. To access our current policy, clients should refer to https://www.rbccm.com/global/file-414164.pdf or send a request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7. We reserve the right to amend or supplement this policy at any time.

Dissemination of research

RBC Capital Markets endeavors to make all reasonable efforts to provide research content simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. RBC Capital Markets provides eligible clients with access to Research Reports on the Firm's proprietary INSIGHT website, via email and via third-party vendors. Please contact your investment advisor or institutional salesperson for more information regarding RBC Capital Markets' research.

For a list of all recommendations on the company that were disseminated during the prior 12-month period, please click on the following link:
https://rbcnew.bluematrix.com/sellside/MAR.action

The 12-month history of Quick Takes can be viewed at https://www.rbcinsightresearch.com/.

Analyst certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Third-party disclaimers

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P") and is licensed for use by RBC. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

RBC Capital Markets disclaims all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any statements made to the media or via social media that are in turn quoted in this report, or otherwise reproduced graphically for informational purposes.

Disclaimer

RBC Capital Markets is the business name used by certain branches and subsidiaries of the Royal Bank of Canada, including RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, RBC Capital Markets (Europe) GmbH, Royal Bank of Canada, Hong Kong Branch, Royal Bank of Canada, Singapore Branch and Royal Bank of Canada, Sydney Branch. The information contained in this report has been compiled by RBC Capital Markets from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Capital Markets, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Capital Markets'' judgement as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. This report is not an offer to sell or a solicitation of an offer to buy any securities. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. RBC Capital Markets research analyst compensation is based in part on the overall profitability of RBC Capital Markets, which includes profits attributable to investment banking revenues. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. RBC Capital Markets may be restricted from publishing research reports, from time to time, due to regulatory restrictions and/ or internal compliance policies. If this is the case, the latest published research reports available to clients may not reflect recent material changes in the applicable industry and/or applicable subject companies. RBC Capital Markets research reports are current only as of the date set forth on the research reports. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. To the full extent permitted by law neither RBC Capital Markets nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct, indirect or consequential loss arising from, or in connection with, any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior written consent of RBC Capital Markets in each instance.

Additional information is available on request.

To U.S. Residents: This publication has been approved by RBC Capital Markets, LLC (member FINRA, NYSE, SIPC), which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets, LLC.

To Canadian Residents: This publication has been approved by RBC Dominion Securities Inc. (member CIRO). Any Canadian recipient of this report that is not a Designated Institution in Ontario, an Accredited Investor in British Columbia or Alberta or a Sophisticated Purchaser in Quebec (or similar permitted purchaser in any other province) and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report should contact and place orders with RBC Dominion Securities Inc., which, without in any way limiting the foregoing, accepts responsibility for this report and its dissemination in Canada.

To U.K. Residents: This publication has been approved by RBC Europe Limited ('RBCEL'), which is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority, in connection with its distribution in the United Kingdom. This material is not for general distribution in the United Kingdom to retail clients, as defined under the rules of the FCA. RBCEL accepts responsibility for this report and its dissemination in the United Kingdom.

To EEA Residents: This material is distributed in the EU by either RBCEL on an authorised cross-border basis, or by RBC Capital Markets (Europe) GmbH (RBC EG), which is authorised and regulated in Germany by the Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) (BaFin).

To Persons Receiving This Advice in Australia: This material has been distributed in Australia by Royal Bank of Canada, Sydney Branch (ABN 86 076 940 880, AFSL No. 246521). This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider the appropriateness of this material having regard to their objectives, financial situation and needs. If this material relates to the acquisition or possible acquisition of a particular financial product, a recipient in Australia should obtain any relevant disclosure document prepared in respect of that product and consider that document before making any decision about whether to acquire the product. This research report is not for retail investors as defined in section 761G of the Corporations Act.

To persons receiving this from Royal Bank of Canada, Hong Kong Branch: This document is distributed in Hong Kong by Royal Bank of Canada, Hong Kong Branch, which is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission. This document is not for distribution in Hong Kong, to investors who are not “professional investors”, as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) and any rules made under that Ordinance. This document has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. Past performance is not indicative of future performance. WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution in relation to the investment. If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

To persons receiving this from Royal Bank of Canada, Singapore Branch: This publication is distributed in Singapore by the Royal Bank of Canada, Singapore Branch, a registered entity licensed by the Monetary Authority of Singapore. This publication is not for distribution in Singapore, to investors who are not “accredited investors” and “institutional investors”, as defined in the Securities and Futures Act 2001 of Singapore. This publication has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. You are advised to seek independent advice from a financial adviser before purchasing any product. If you do not obtain independent advice, you should consider whether the product is suitable for you. Past performance is not indicative of future performance. If you have any questions related to this publication, please contact the Royal Bank of Canada, Singapore Branch.

To Japanese Residents: Unless otherwise exempted by Japanese law, this publication is distributed in Japan by or through RBC Capital Markets (Japan) Ltd., which is a Financial Instruments Firm registered with the Kanto Local Financial Bureau (Registered number 203) and a member of the Japan Securities Dealers Association (“JSDA”) and the Financial Futures Association of Japan (“FFAJ”).

® Registered trademark of Royal Bank of Canada. RBC Capital Markets is a trademark of Royal Bank of Canada. Used under license.
Copyright © RBC Capital Markets, LLC 2024 - Member SIPC
Copyright © RBC Dominion Securities Inc. 2024 - Member Canadian Investor Protection Fund
Copyright © RBC Europe Limited 2024
Copyright © Royal Bank of Canada 2024
All rights reserved