Top News

Research Services

NATIONAL BANK OF CANADA FINANCIAL MARKETS

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January 29, 2025

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG
Dow Jones MINI futures	44,962.00	-69.00	-0.15%
S&P500 MINI futures	6,084.25	-12.75	-0.21%
NASDAQ MINI futures	21,583.00	1.25	0.01%
CANADA EQUITY MARKET	**LAST**	**CHANGE**	**%CHG**
S&P/TSX 60 futures	1,537.30	1.20	0.08%
OVERSEAS MARKETS	**LAST**	**CHANGE**	**%CHG**
DJ EURO STOXX 50	5,225.27	29.56	0.57%
FTSE 100 INDEX	8,561.54	27.67	0.32%
DAX GERMANY	21,572.99	142.41	0.66%
CAC 40 Index	7,857.11	-40.26	-0.51%
NIKKEI 225 INDEX	39,414.78	397.91	1.02%
HANG SENG INDEX	20,225.11	27.34	0.14%
SHANGHAI COMPOSITE INDEX	3,250.60	-2.03	-0.06%

COMMODITIES/ FX	LAST	CHANGE
CRUDE OIL WTI	$73.58	-$0.19
NATURAL GAS	$3.43	-$0.05
GOLD	$2,757.10	-$6.01
COPPER	$4.22	NULL
CAD / USD	$0.6913	-$0.0030
CAD / EUR	€ 0.6657	€ 0.0001
USD / EUR	€ 0.9629	€ 0.0043
USD / JPY	¥155.38	-¥0.14

GOVERNMENT BONDS	2YR	5YR	10YR
CANADA (YLD%)	2.81%	2.88%	3.18%
U.S. (YLD%)	4.19%	4.32%	4.52%

Source: LSEG

Morning News

Nasdaq futures point to a slightly higher open on Wednesday as chip sector stocks gained after quarterly orders for semiconductor equipment maker ASML exceeded expectations, while investors awaited the Federal Reserve's interest-rate decision later in the day. Tech stocks on Tuesday led the S&P 500 higher and brought the Nasdaq Composite to a 2% gain. The two indexes made a comeback after incurring sharp losses on Monday in a sell-off spurred by the emergence of China's DeepSeek and the threat it poses to the artificial intelligence trade. Nvidia, which suffered a roughly 17% decline Monday, jumped nearly 9% on Tuesday. The Fed's interest rate decision on Wednesday is now a focal point for investors, as well as Fed Chair Jerome Powell's press conference. Fed funds futures data reflect a nearly 100% certainty that the central bank will keep rates steady at a target range of 4.25% to 4.5%. Markets have been on edge due to worries around President Donald Trump's proposed tariffs, which could exacerbate inflationary pressures and slow rate cuts and investors will be paying especially close attention to Powell's comments for any comments as the president already said he would "demand that interest rates drop immediately.". White House press secretary Karoline Leavitt said on Tuesday that Trump still plans to make good on his promise to issue tariffs on Canada and Mexico on Saturday.

European shares hit a record high on Wednesday, as chip equipment maker ASML led technology stocks higher after reporting strong quarterly results. ASML's shares jumped 11.2% after the Dutch company reported better-than-expected fourth-quarter bookings of 7.09 billion euros ($7.39 billion). Meanwhile, Swedish truck maker Volvo jumped after reporting strong orders in the fourth quarter. Limiting overall gains, fell as the luxury goods group's sales growth failed to impress investors, following a string of strong results from rivals and recent price gains. German consumer sentiment is set to dip heading into February due to growing pessimism among households about the economy and their income prospects, with no sustainable recovery in sight, a survey showed on Wednesday.

Japan's Nikkei snapped a three-day losing run on Wednesday, tracking Wall Street's recovery from a sell-off triggered by Chinese startup DeepSeek's AI model launch, with the focus now on major U.S. earnings and the Federal Reserve's rate decision. Bank of Japan board members discussed how to use estimates on the economy's neutral interest rate to determine further hikes in borrowing costs, with one saying the BOJ's policy rate was still far from that level, minutes of their December meeting showed. Another member questioned whether it was appropriate to use estimates based on data from Japan's prolonged period of deflation, in determining the timing of future interest rate hikes, according to the minutes released on Wednesday.

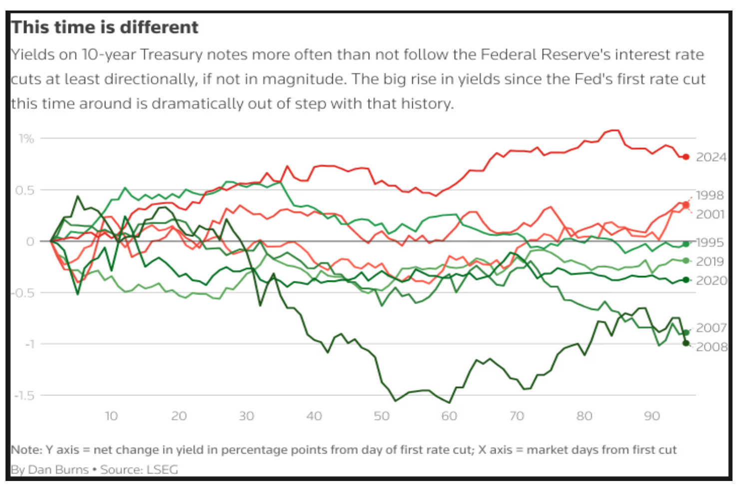
U.S Economic Calendar

Time	Indicator Name	Period	Reuters Poll	Actual	Surprise	Prior	Revised
07:00	MBA 30-Yr Mortgage Rate	24 Jan, w/e		7.02%		7.02%	
08:30	Adv Goods Trade Balance	Dec		-122.11B		-103.50B	
08:30	Wholesale Inventories Adv	Dec		-0.5%		-0.2%	-0.1%
08:30	Retail Inventories Ex-Auto Adv	Dec		0.2%		0.5%	0.4%
14:00	Fed Funds Tgt Rate	29 Jan	4.25-4.5			4.25-4.5	

Canadian Economic Calendar

Time	Indicator Name	Period	Reuters Poll	Actual	Surprise	Prior	Revised
09:45	BoC Rate Decision	30 Jan	3.00%			3.25%	

Chart of the day



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Morning news

CGI Inc: CGI's profit rose in the first fiscal quarter as sales topped expectations thanks to higher demand for digitization services. The Canadian IT company posted on Wednesday a rise in net income to C$438.6 million, or C$1.92 a share for the period ended Dec. 31, up from C$389.8 million, or C$1.67 a share, in the comparable quarter a year ago. Margin improved over the prior-year period, reaching 11.6%, up from 10.8%. Adjusted earnings were C$1.97 a share, meeting analyst expectations according to FactSet. CGI's sales rose to C$3.79 billion from C$3.60 billion. Analysts expected a rise to C$3.78 billion. Bookings came to C$4.16 billion, down from C$4.19 billion, with a backlog of C$29.77 billion, up from C$26.57 billion. CGI said Wednesday that it has appointed Julie Godin as the company's new executive chair and that her father, company founder, Serge Godin, will assume the role of co-chair. Julie Godin, daughter of Serge Godin, currently serves as co-chair of the Canadian IT and business consulting services firm as well as executive vice president of strategic planning and corporate development. In his new role, Serge Godin will continue to focus on acquisitions for CGI and on large-scale engagements with clients.

NBF Research

DAILY BULLETIN HIGHLIGHTS

PIPELINES, UTILITIES & ENERGY INFRASTRUCTURE - Q4/24 preview: estimates, reporting calendar & stocks to watch

Event: We highlight our Q4/24 estimates and certain stocks to watch as the market continues to digest the threat of energy import tariffs, as well as the pace of power demand growth.

Key Takeaways: Although Q4/24 heavy oil differentials compressed to ~US$13/bbl, forward differentials in the US$16-18/bbl range suggest healthier crude oil marketing contributions may be on the horizon through 2025 (GEI, PPL, KEY). With respect to tariffs, we highlight that our coverage universe remains primarily insulated by take-or-pay contracts and/or regulated revenues, coupled with certain commercial mechanisms protecting cash flows from any throughput downside risk. On the power front, despite heightened uncertainty surrounding AI infrastructure needs, we maintain our bullish outlook on legacy gas-fired asset recontracting and/or expansion opportunities. Elsewhere, we highlight current EV/EBITDA valuations relative to historical averages, implying attractive upside potential assuming mean reversion towards long-term average levels.

TRANSPORTATION & INDUSTRIALS - Looking ahead to potential labour disruptions across our Transportation coverage in 2025

Event: We review the potential for labour-related disruptions across our Transportation coverage universe in 2025.

Key Takeaways: Labour-related disruptions were a key theme across the Transportation space in 2023-24 with union contract negotiations having a material impact on several of our coverage companies as workers sought large wage increases following a period of high inflation. However, based on our review of all the major union contracts across our Transportation coverage universe, we expect a less disruptive year from labour relations in 2025, although there are still several key agreements up for renewal this year that could impact several of our coverage companies.

METRO INC. - Q1 F2025 Results: Earnings growth accelerates sequentially despite mixed factors

MRU (TSX):	**C$88.56**
Stock Rating:	**Sector Perform**
	(Unchanged)
Target:	**C$94.00**
	(Unchanged)
Est. Total Return:	**7.8%**

Event: Metro reported Q1/F25 EPS of $1.10 versus NBF and consensus at $1.09; last year was $1.02.

Key Takeaways: (1) We view results to be largely neutral. A lower tax rate aided EPS by ~$0.03 vs. NBF; a tax holiday will persist for 3 years. (2) MRU will cycle peak duplicate costs in Q2-Q3 (DC ramp-up costs last year). Also, Q1/F25 SG&A rate was lower y/y adj. for Xmas, Moi Rewards launch and tax-related professional fees; we expect continued operating leverage. (3) We believe a tax holiday of ~$66 mln over 3 years (related to DC investments; larger share in F2025) suggests upside to MRU's 8-10% medium/long-term annual EPS growth target. NBF models 13% EPS growth in F2025. (4) Our EPS expectations are revised slightly higher, primarily reflecting lower tax: F2025 goes to $4.86 from $4.76 and F2026 goes to $5.36 from $5.30. (5) Maintain Sector Perform rating; price target is $94.

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COMMENTS

Pipelines, Utilities & Energy Infrastructure - Q4/24 preview: estimates, reporting calendar & stocks to watch
Transportation & Industrials - Looking ahead to potential labour disruptions across our Transportation coverage in 2025
Uranium - DeepSeek Deep Selloff Presents Buying Opportunity For Uranium Equities
Metro Inc.- Q1 F2025 Results: Earnings growth accelerates sequentially despite mixed factors
Weekly Energy Infrastructure Review: AB power prices plummet as AI infrastructure shine comes off…

RESEARCH FLASHES

Industrial Products - Policy uncertainty increases; implications for engineering consulting, steel distribution and ag space
Telecom Services - Wireless Plan Moves Selectively/Belatedly During January, Will They Stick Later in Quarter?
Altius Minerals Corporation - Altius Reports Q4 Attributable Royalty Revenue Below NBF on Lower Base Metals/Renewable…
Bravo Mining Corp. - Final Trench Results Support An Expanded Future Oxide Resource
Eldorado Gold Corporation - Lamaque Complex Technical Report Shows Well Versus NBF; PEA Demonstrates Solid Potential…
Foran Mining Corporation - Two for Two; Additional Government Funding via Strategic Innovation Fund
Vizsla Silver Corp. - 2025 Catalyst Roadmap

MORNING HIGHLIGHTS

B2GOLD CORP. - Closing of Convertible Notes Offering

BTO / BTG (TSX; NYSE American):	**C$3.43; US$2.37**
Stock Rating:	**Outperform**
	(Was Restricted)
Target:	**C$6.25**
	(Was Restricted)
Est. Total Return:	**85.6%**

Event: Off Restriction

Key Takeaways: BTO announced closing of its offering of $460 mln convertible senior unsecured notes at 2.75% maturing 2030, including full exercise of the $60 mln over allotment (see Press Release Jan. 28). The conversion price is $3.17/sh, a ~34% premium to the close on Jan. 28, 2025 (NYSE: BTG). After model updates to reflect the notes, Q4/24 production and FY25G (see NBF Jan. 14 flash), our NAVPS eased -2.5% to C$6.25 (was $6.41).

MORNING COMMENTS

B2Gold Corp. - Closing of Convertible Notes Offering

MORNING FLASHES

MAC Copper Limited - Q4 Production In line with NBF Estimates, Costs Continue to Trend Lower

Canadian stocks ratings and target changes across the street

Altius Minerals Corp ALS.TO: BMO raises target price to C$3.40 from C$3.20
B2Gold Corp BTO.TO: National Bank of Canada resumes coverage with outperform rating; C$6.25 target price
Bausch + Lomb BLCO.N: Stifel cuts target price to US$18 from US$19
Chartwell Retirement Residences CSH_u.TO: BMO initiates coverage with outperform rating; C18 target price
Extendicare Inc EXE.TO: BMO initiates coverage with market perform rating; C$11 target price
Fiera Capital Corp FSZ.TO: Scotiabank cuts target price to C$10 from C$10.50
Galiano Gold Inc GAU.TO: BMO cuts to market perform from outperform; cuts target price to C$1.50 from C$2.50
Healwell Ai AIDX.TO: Ventum Financial raises target price to C$3.40 from C$3.20
Metro Inc MRU.TO: BMO raises to outperform from market perform; raises target price to C$96 from C$92
Metro Inc MRU.TO: Scotiabank raises target price to C$100 from C$98
Metro Inc MTRU.TO: UBS raises target price to C$99 from C$98
Quebecor Inc QBRb.TO: TD Cowen raises target price to C$40 from C$39

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Sienna Senior Living Inc SIA.TO: BMO initiates coverage with outperform rating; C$17 target price
Thomson Reuters Corp TRI.N: RBC raises target price to US$177 from US$173
Verticalscope Holdings Inc FORA.TO: RBC raises target price to C$17 from C$16
Well Health Technologies Corp WELL.TO: Ventum Financial raises target price to C$8 from C$7.50

S&P/TSX Composite Earnings Calendar

Company	Symbol	Time	Consensus EPS Estimate
Canadian Pacific Kansas City Ltd	CP.TO	AMC	1.24
Celestica Inc	CLS.TO	AMC	1.06
CGI Inc	GIBa.TO	BMO	1.97
Methanex Corp	MX.TO	17:00	1.06

Source: LSEG

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Morning news

Alibaba Group Holding Ltd: The tech company released a new version of its Qwen 2.5 artificial intelligence model that it claimed surpassed the highly-acclaimed DeepSeek-V3. "Qwen 2.5-Max outperforms ... almost across the board GPT-4o, DeepSeek-V3 and Llama-3.1-405B," Alibaba's cloud unit said in an announcement posted on its official WeChat account, referring to OpenAI and Meta's most advanced open-source AI models.

ASML Holding NV: The computer chip equipment maker reported fourth-quarter bookings of 7.09 billion euro that far exceeded expectations, as a boom in AI drove demand for the company's most advanced equipment. "The growth in artificial intelligence is the key driver for growth in our industry," ASML CEO Christophe Fouquet said in a statement. ASML reported fourth quarter net income of 2.7 billion euros on sales of 9.3 billion euros. ASML repeated a 2025 sales forecast of 30-35 billion euros, which represents growth of 7-25% from 28.3 billion in 2024.

Chubb Ltd: The insurance company posted a rise in fourth-quarter profit on Tuesday, helped by strong gains in its underwriting business and higher returns on its investments. Chubb's Global P&C net premiums written, which excludes Agriculture, were up 6.7% year over year, with commercial insurance up 6.4% and consumer insurance up 7.5%. It's core operating income, excluding tax benefits, rose to $2.45 billion, or $6.02 per share, in the three months ended Dec. 31, compared with $2.28 billion, or $5.54 per share, a year earlier.

Danaher Corp: The company missed Wall Street estimates for fourth-quarter profit due to soft demand for tools and services used in drug development by its biotech and pharmaceutical clients. On an adjusted basis, Danaher reported a profit of $2.14 per share for the quarter, missing analysts' estimates of $2.16 per share. For the full year 2025, the company expects adjusted core revenue to increase about 3% year-over-year.

F5 Inc: The company forecast second-quarter revenue above Wall Street estimates and beat first-quarter revenue estimates on Tuesday, anticipating stable demand for its cloud services, sending its shares up 13% in extended trading. "We are seeing new opportunities emerge in two main areas: hybrid multicloud and AI," said CEO François Locoh-Donou. The company forecast second-quarter revenue in the range of $705 million to $725 million, above analysts' estimate of $702.7 million.F5 raised its full-year 2025 revenue forecast to a growth of 6% to 7% over fiscal year 2024, from its previous range of 4% to 5%. Revenue for the quarter ended Dec. 31 came in at $766.49 million, compared with analysts' estimate of $715.4 million.

Microsoft Corp: The tech giant and OpenAI are probing if data output from the ChatGPT maker's technology was obtained in an unauthorized manner by a group linked to Chinese artificial intelligence startup DeepSeek, Bloomberg News reported on Tuesday. Microsoft's security researchers observed that, in the fall, individuals they believed to be connected to DeepSeek exfiltrating a large amount of data using the OpenAI's application programming interface (API), the report said. David Sacks, the White House's AI and crypto czar, told Fox News in an interview earlier on Tuesday that it was "possible" that DeepSeek stole intellectual property from the United States.

Nasdaq Inc: The company reported a higher fourth-quarter profit, helped by strong demand for the exchange operator's financial technology products. Revenue from Nasdaq's financial technology business rose nearly 9.8% in the fourth quarter. Net profit attributable to the company, on an adjusted basis, came in at $438 million, or 76 cents per share, in the fourth quarter ended Dec. 31, compared with $395 million, or 72 cents per share, a year earlier.

Packaging Corp of America: The company reported fourth-quarter profit below Wall Street estimates on Tuesday, hurt by seasonally slower demand from its paper products segment. It's net sales rose nearly 11% to $2.15 billion in the quarter. Analysts, on average, estimated $2.13 billion. It reported a fourth-quarter adjusted profit of $2.47 per share, compared with the estimates of $2.53.

T-Mobile US Inc: The company forecast annual wireless subscriber growth above Wall Street estimates, after holiday-quarter promotions and deals boosted demand for its affordable premium 5G plans with streaming bundles. The company expects postpaid net customer additions to be between 5.5 million and 6 million in full-year 2025, compared with Wall Street's expectation of 2.7 million, according to FactSet. T-Mobile's total revenue for the three months to December stood at $21.87 billion, above analysts' estimate of $21.31 billion.

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Evercore ISI Research

FOCUS RESEARCH

Starbucks Corporation (SBUX, Outperform, TP: US$120.00)

Investment year, but underlying sales trends improving; Outperform

- **Fiscal 2025 is an investment year.** It appears that Starbucks is intent on making fiscal 2025 a reset (e.g., investment and testing) year while also improving the sales trajectory longer-term. We are maintaining our sales estimates which include a turn to positive US SSS by the end of F2Q (ending March) and more significant traffic growth by F4Q (see detail below). In addition, our FY26e and FY27e EPS estimates remain roughly the same. That said, we are trimming our FY25e EPS from $3.13 to $2.92 (- 12% YoY; $3.07 cons.) to reflect a variety of discretionary investments. These include: 1) one-time overhead restructuring charges (in F2Q and F3Q) that will be included in non-GAAP earnings, 2) advertising increases (net of in-app discount reductions), 3) labor investments (hours and staffing), 4) store operations testing and Siren installation, and 5) a large YoY compensation bump (100% incentive compensation in spite of the reset year).
- **Reiterate Outperform rating and $120 price target.** We are reiterating our $120 price target based on ~30x our FY26 EPS. Given the expectation for a multi-year recovery period after investments, we believe Starbucks warrants a multiple at the highend of its 10-year 1-standard deviation trading range of 23–31x. We can envision a multi-year recovery period of roughly 15%+ EPS growth beyond FY26 when considering Starbucks' brand strength and Brian Niccol's turnaround history.
- **Lowering our FY25 EPS due to investments, but no change to sales forecasts.** Our FY25 EPS of $2.92 (-12% YoY) reflects heavy fiscal F1H investment, ongoing sales deleverage, and higher YoY G&A spending (7.4% of sales; +40bp YoY; cons. 6.9%). We model 290bp of operating margin contraction in F2Q, and 210bp of contraction for FY25 to 12.8% (cons. 13.7%). Our North America SSS forecasts by quarter are as follows: flat in F2Q (cons -1%), +2% in F3Q (cons. +1.5%), and +3% in F4Q (cons. +3.5%). We continue to forecast a 1% SSS decline in International (cons. -1%) in FY25 but would note that a multi-year analysis would suggest a flattening out by F3Q.

IT Hardware & Networking

IT Hardware/Networking: Thinking Past The "DeepSink"… Who Can Stay Afloat?

- **ALL YOU NEED TO KNOW:** There has been a ton of focus on what does DeepSeek mean for the AI infrastructure players over the last few days, however we think a more interesting angle would be to look at – who can benefit from this? A few buckets to consider: **1) The "AI Agnostic" Trade** – These companies have minimal exposure to the infrastructure buildout narrative and should be fairly defendable if the AI "picks and shovels" trade keeps going south. Names like AAPL, MSI, FFIV, etc. should al l be fairly stable if the AI capex spigot slows down. **2) The "inferencing plays"** – To a large extent, more cost efficient models should make the deployment of AI applications quicker (Jevons paradox); in this case, the invested capital to build/run AI models will come down and create a new set of use cases. Beneficiaries here could include companies like IBM, CDW, ANET, etc. **3) "Proprietary Data Wins"** – AAPL in our coverage stands out as a critical winner on this dynamic. **4) The "dislocated AI names"** – We think high quality names that have sold off like APH, & ANET for example are now extremely dislocated and current prices could represent attractive entry points even if the training costs are coming down.

Semiconductors and Semiconductor Equipment

DeepSeek Implications for Semis

- DeepSeek's released its R1 LLM on Jan 20th, which appears to lower the cost of training and inferencing by 10x -30x. We have 4 takes from this development:
    1) **Lower Cost Compute Cycle = Increased Demand For Those Cycles.** Historical case studies like virtualization of servers 20 years ago and Tectonic Shifts in computing over 70 years tell us that computing cost improvements do not disrupt demand but rather translate to increased demand for lower cost compute-cycles. We expect this to manifest in greater proliferation of smaller parameter set LLMs and spur the development of multi-mode (image/video) models that require higher computational intensity to train and inference (positive for AI plays)
    2) **Expect More AI in Smartphones and IoT Devices.** We expect smaller LLM parameter sets will lead to accelerated deployment at the edge in Smartphones and IoT devices that will translate to applications that take advantage of low-latency, off-network computations (positive for ARM, QCOM)
    3) **More ASIC vs Merchant Debate.** We expect the development to fuel increased debate around merchant vs ASIC solutions. History tells us that standard, general-purpose / flexible and programmable computing historically dominated previous computing eras, but this "parallel processing" era was the first to use custom solutions (ASICs) at scale. (jury is still out, unclear if positive or negative for AVGO, MRVL)

4) **Pulls Forward our "AI Late Cycle / Analog-MCU Early Cycle" Thesis**. Our 2025 cycle call has been that AI is late cycle and analog/MCUs are early cycle (link here), and that a potential digestion hyperscale digestion period in 2026 could pressure AIstock P/E multiples in 2025. We think that the DeepSeek R1 model introduction pulls forward the P/E compression concern, and potentially triggers an intra-sector semiconductor stock rotation into analog/MCU stocks (which are historically late cycle defensive plays) from AI stocks. (positive for analog/MCU stocks)

- We do not change our estimates for our AI stocks, as we believe that compute cycle costs have declined for the past 70 years, so are normal and expected, and that the lower cost of compute cycles/tokens/XPU instances translates to higher demand for those instances.

RATING & TARGET PRICE CHANGES

F5, Inc. (FFIV, In Line, TP: US$310.00)

Impressive Beat with Potential for AI Upside.

- **ALL YOU NEED TO KNOW:** FFIV delivered a robust Dec-qtr performance with rev/EPS of $766M/$3.84, exceeding street expectations of $715M/$3.36. The upside was driven by a host of benefits including higher than anticipated software subscriptions, a more stable IT environment, and technology refreshes across both Software and Services. Total revenues were up +10.7% y/y driven by Software (+22% y/y) and Systems (+18%) while Services increased (+2.9% y/y). From a segment perspective, F5 is seeing widespread refresh activity as customers continue deploying applications in hybrid multi -cloud environments. On the Software side, F5 continues to benefit from several large multi -year subscription renewals and new projects (more positive vs. 90 days ago as the company expected expansion rate to be flattish in Q1). The company is now expecting total software revenue to grow at least +10% y/y in FY25 vs. prior expectations of upper single-digit growth. The robust top-line drove margin expansion with operating margins coming in at 37.4%, up +189bps y/y and +295bps q/q. FFIV provided Mar -qtr guide at $715M/$3.08, demonstrating continual strong top-line growth (+5% y/y at the midpoint) while EPS fell below street expectations primarily due to seasonality and the timing of payroll tax resets (street at $703M/$3.21). Crucially, F5 has raised their FY25 revenue guidance to +6-7% growth vs. previous expectations of +4-5% and EPS growth of +6.5-8.5% vs. previous expectations of +5-7% growth.
- **Net/Net:** FFIV is benefiting from its leadership for hybrid multi-cloud solutions. We see room for upside as the year progresses driven by strength in software as potential for renewals and expansion rates sustain suggesting the rate of deceleration maybe more muted. Furthermore, FFIV remains well positioned to benefit from AI deployments, specifically with large enterprises. If the company can prove the durability of top-line growth in both their software and hardware business while sustaining margin and EPS expansion, we think the company has line-of-sight to do $

NextEra Energy Inc (NEE, In Line, TP: US$77.00)

Updating Valuation Post NEP Update

- **We are reducing our NEE target price from $79 to $77 to reflect the recently announced updates at NEP.** We now value NEP in our SOTP at ~$0.70/share accounting for the recent suspension of distributions and updates to guidance (see our NEP note). We continue to value the regulated business at FPL using an unchanged steep 20% premium applied to our estimate of fair valuation, 16.0x for the peer group. For NEER, we apply multiples of EBITDA to the various segments excluding the wind/solar tax credits, which we value separately by discounting the cash flow attributable to NEE with consideration of what is allocated to ta x equity investors. We assign a 12.0x EBITDA multiple for the Contracted Renewables business, 11.0x EBITDA for the Nuclear segment, 10.0x for both the Gas Pipelines and Transmission & Other segments, and 9.0x for both the Gas Infrastructure and Customer Supply & Trading businesses. See our SOTP analysis on page 2 followed by highlights of year end earnings call on page 3.

NextEra Energy Partners, LP (NEP, Outperform, TP: US$15.00)

Not What We Bargained For

- NextEra Energy Partners (NEP) is being renamed to XPLR Infrastructure, with new ticker XIFR to begin trading on February 3rd.
- **Long-awaited strategic review majorly disappoints:** In our conversations with investors, they were hoping at a high level that XPLR would cut its distribution (a 70-80% cut seemed priced in) and potentially find other solutions to guide to moderated distribution growth (a reduced payout ratio) from there with a heightened focus on CAFD per share growth going forward. Instead, the company is suspending its distribution entirely for an indefinite period of time and the cash flow growth is not there. XPLR will utilize its retained operating cash flow with the expectation that it will not need to issue

equity to make investments (in repowering, co-located storage, clean energy assets) and execute the convertible equity portfolio financing (CEPF) buyouts.

- **Outperform rating based on valuation after significant sell-off:** NEP shares sold off ~25% yesterday to $11.83/share. We value NEP at $15/share using a 50% weighted average of two approaches: 1) target yield of free cash flow before growth (FCFbG); and 2) target EV/EBITDA multiple.
  - **FCFbG approach derives valuation of $17:** We apply a punitive 20% FCFbG target yield for 2026, a significant discount to Clearway Energy's trading yield of 9%, a company much better positioned for cash flow growth that has distribution growth and a cleaner balance sheet.
  - **EV/EBITDA target multiple approach derives valuation of $13:** We apply an 8.0x multiple of 2026 EBITDA, a 20-25% discount to Clearway Energy's 10.5x trading multiple.
- **See inside for highlights from fourth quarter 2024 results**.

Stryker Corporation (SYK, Outperform, TP: US$410.00)

And 'Presto', SYK starts FY25 on confident note (OMx a standout despite deal & spine sale)

- **4Q results:** SYK reported organic growth of ~10%, with total revs of ~6.4 Bn coming in ~100 bps above ST. Given some of segment restatements (Interventional spine move to Neuro-cranial), the headline segment numbers are a tad incomparable to ST. Hips and Knees came in 1-2% above ST, and HSD-LDD organic. Trauma & Extremities was a standout at teens organic. Within MedSurg, Endoscopy at 11.5% and Neurocranial at Dd organic (ex Vertos M&A) stood out. GMs came in above and drove OMx Beat. Overall EPS grew ~16% and Beat ST by ~4% - we think ~half of this Beat was driven by lower int exp (SYK's prior Guide was conservative).
- **FY25 Guide:** SYK guided to FY'25 org sales guide of 8-9% with 1% Fx HW and modestly favorable pricing. The guide includes 26.3% OMs…NARI is expected to be 0-20 bps dilutive post close. EPS guide of $13.45-13.70 (incl $0.10-0.15 of Fx HW) does not include $0.20-0.30 of dilution from NARI deal, implying a range of ~$13.20-13.45 post deal close. Seasonality is expected to be similar to FY'24 and OMx is expected to be 2H weighted (~65 bps in 1H and ~135 bps in 2H). The sale of the US spinal implants business will be absorbed into the current guidance.
- **Thesis Update:** There were a lot of moving pieces on todays print…while NARI deal was announced and expected, the sale of spine implant biz, segment restatements and CFO transition (Preston Wells starts as new CFO on Apr 1) were new details on the call. We were surprised by the OMx commentary…we had expected dilution from NARI to be higher and were pleased to see SYK point to max dilution of ~20 bps from the deal. While there is a small benefit coming from sale of spine implant (OMs below corporate), we think the majority of offsets are coming from better execution and mix (LP35 and Endoscopy aiding margins). We tweaked down our EPS from prior $13.42 to $13.25 (NARI dilution & spine sale), which would generally make a case for lowering PT. However we think SYK makes an exception for 2 reasons – the starting Guide was better than expected (8-9% vs the 7.5-9% start for FY24) and better than expected OM execution. Our new PT of $410 equates to ~31x CY25 P/E, ~25x EBITDA and 2.6% FCF yield.

OTHER COMMENTS

Alexandria Real Estate Equities, Inc. (ARE): Valuation, PT & Ests Slip; Dev/Redev Leasing Remains Elusive
Apple Inc (AAPL): Dec-Qtr Preview & "Cheat Sheets" - Positioned to Outperform Low Expectations
Ashland Inc. (ASH): F1Q25 First Look
BXP, Inc. (BXP): Guidance Shortfall Not As Bad As Feared; Leasing A Positive Surprise
Chubb Ltd. (CB): 4Q24 EPS Beat Driven by Better Underlying Loss Ratios but Focus is on Durability & Topline Growth
Equity LifeStyle Properties, Inc. (ELS): Tweaking A Few Inputs Post Q4 Conf Call
Everest Group, Ltd. (EG): Thoughts Off the Call on Reserve Actions with Focus on Casualty Re
Ferrari N.V. (RACE): 4Q Preview: Less 1H Torque, but Don't Underestimate 2H Horsepower
Invesco Ltd. (IVZ): Together Positive Flow & Expense Mgmt Outlooks Can Help a Lot
JetBlue Airways Corporation (JBLU): Known Fleet Constraints Persist, 4Q24 Review
Kimberly-Clark Corp (KMB): Plenty of flex. Attractive risk-reward, given valuation
RenaissanceRe Holdings Ltd (RNR): 4Q24 EPS: Casualty Noise Strikes Again
SAP SE (SAP-ETR): Plowing Ahead: S/4HANA Cycle + Margin Expansion = Steady FCF Grower; PT to €270
Zimmer Biomet Holdings, Inc. (ZBH): FNA acquisition fits ZBH's strategic criteria; Accretion/Dilution model available …
Food & Restaurants: Technically speaking in Food & Restaurants
Global Automotive: EvrISI Autos Pitstop: GM Overreaction / EPS & Positioning! / Dealer (DAD) Doug / Super Webinar Wed…
Global Household & Personal Care: LVMH Reads on EL, OR and COTY P
Machinery: Our Proprietary PRM For December: Improvement (led by N. America) But Still Suggesting Slow Start To 2025…

Top News
U.S. Stocks

Shipping: Tankers: Choose Your Own Adventure, Nimbly
Software: Quick Takeaways From Enterprise CIO Chat
Surface Transportation: Trucking Trends: Not All Disruption is Good
Airlines Survey: Airlines Survey Continues At A Strong Level
Homebuilders Survey: Homebuilders Survey Moves Down + Update On Inventory
Shipping Cos. Survey: Shipping Cos. Survey Steady Following Improvement
Trucking Cos. Survey: Trucking Cos. Survey Ticks Down Following Three Weeks Of Improvement.
Wine & Spirit Wholesalers Survey: Wine & Spirit Wholesaler Survey Sees Sales Pull Back

S&P500 Earnings Calendar

Company	Symbol	Time	Consensus EPS Estimate
Ameriprise Financial Inc	AMP.N	AMC	9.07
Automatic Data Processing Inc	ADP.OQ	BMO	2.29
CH Robinson Worldwide Inc	CHRW.OQ	AMC	1.11
Corning Inc	GLW.N	BMO	0.56
Danaher Corp	DHR.N	BMO	2.15
General Dynamics Corp	GD.N	BMO	4.04
Hess Corp	HES.N	BMO	1.46
International Business Machines Corp	IBM.N	AMC	3.75
Lam Research Corp	LRCX.OQ	AMC	0.88
Las Vegas Sands Corp	LVS.N	AMC	0.58
Lennox International Inc	LII.N	BMO	4.21
Meta Platforms Inc	META.OQ	AMC	6.76
Microsoft Corp	MSFT.OQ	AMC	3.13
MSCI Inc	MSCI.N	BMO	3.95
Nasdaq Inc	NDAQ.OQ	07:00	0.75
Norfolk Southern Corp	NSC.N	BMO	2.95
Otis Worldwide Corp	OTIS.N	BMO	0.95
Progressive Corp	PGR.N	NTS	
Raymond James Financial Inc	RJF.N	AMC	2.69
Rockwell Automation Inc	ROK.N	BMO	1.57
ServiceNow Inc	NOW.N	AMC	3.67
Teradyne Inc	TER.OQ	AMC	0.91
Tesla Inc	TSLA.OQ	AMC	0.74
T-Mobile US Inc	TMUS.OQ	BMO	2.29
United Rentals Inc	URI.N	AMC	11.66
Waste Management Inc	WM.N	AMC	1.79
Western Digital Corp	WDC.OQ	AMC	1.80

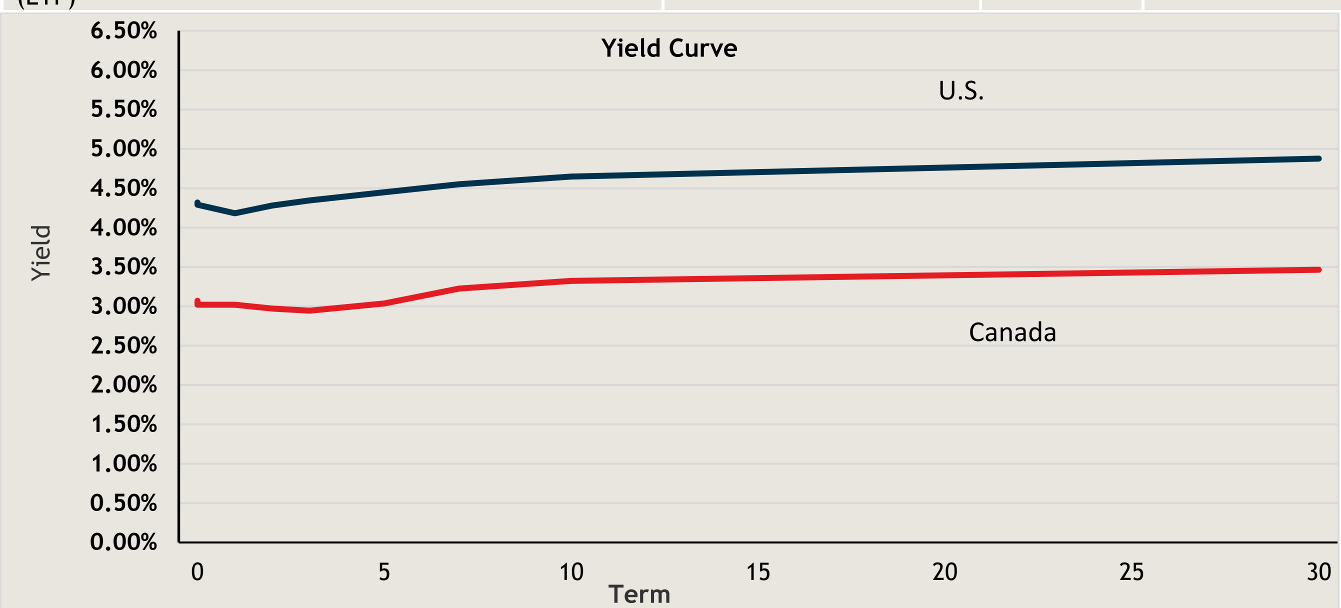
Source: LSEG

Top News

Fixed Income

Canadian Key Rate	Last	Change bps		Last	Change bps
CDA o/n	3.25%	0.00	CDA 5 year	2.87%	-3.1
CDA Prime	5.45%	0.00	CDA 10 year	3.17%	-2.7
CDA 3 month T-Bill	2.96%	-3.5	CDA 20 year	3.28%	-3.0
CDA 6 month T-Bill	2.96%	-1.0	CDA 30 year	3.34%	-2.9
CDA 1 Year	2.93%	-3.0	5YR Sovereign CDS		
CDA 2 year	2.81%	-2.8	10YR Sovereign CDS		
US Key Rate	**Last**	**Change bps**		**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.00	US 5 year	4.32%	-2.7
US Prime	7.50%	0.00	US 10 year	4.52%	-2.9
US 3 month T-Bill	4.19%	-0.3	US 30 year	4.76%	-2.8
US 6 month T-Bill	4.28%	-0.2	5YR Sovereign CDS	34.98	
US 1 Year	4.14%	0.0	10YR Sovereign CDS	39.47	
US 2 year	4.19%	-1.2			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	644.63	-0.06%	1.45%
BMO Laddered Preferred Shares (ETF)	11.18	0.00%	2.10%

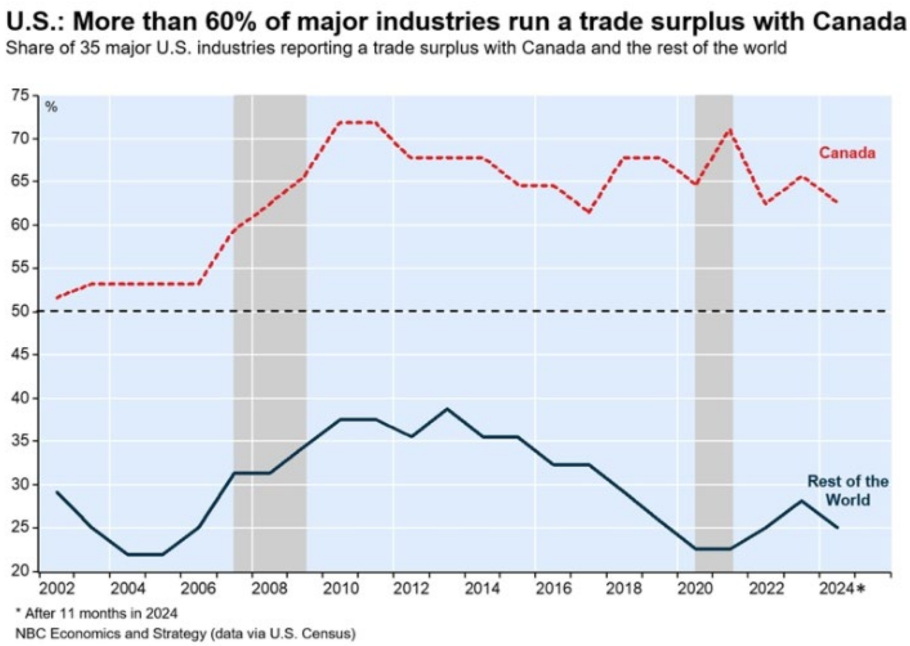


Source: LSEG

Top News
Economy & Strategy

U.S.: More than 60% of major industries run a trade surplus with Canada

As Washington continues to express concern over its record trade deficit, it may be worth considering the expansion of free trade agreements with partners like Canada. As today's Hot Chart shows, our free trade agreements with the U.S. have proven highly advantageous for Uncle Sam, with 60% of the 35 major U.S. industries engaged in bilateral trade with Canada enjoying a trade surplus (excluding oil and gas, the U.S. held in 2023 a notable $26.3 billion trade surplus in goods with Canada). In comparison, only 25% of U.S. industries maintain a surplus when trading with the rest of the world. The American government undeniably shares a "special relationship" with Canada, characterized by a trade dynamic that is significantly skewed in favour of the United States when it comes to the distribution of trade surpluses.

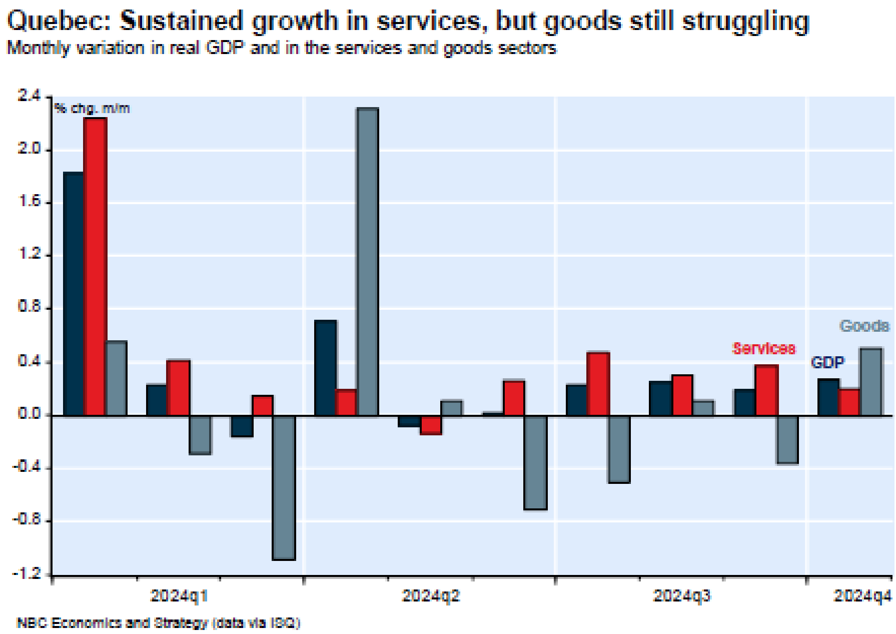


[Click here for full comments]

Quebec: GDP growth remains robust in October

The Quebec economy grew by 0.3% in October, the fifth consecutive monthly increase. The resilience of the provincial economy is due in particular to the robustness of the services sector, which has also posted uninterrupted growth since May. The increase seen in October was also due to a significant rebound of 0.5% in the goods sector, following a fall of 0.4% in September. However, the performance of this industry has been much more mixed since the start of 2024, alternating between growth and contraction almost every month, and increasing only half of the time in the first ten months of the year. The growth in the goods sector in October was due in particular to a 9.4% jump in the mining and quarrying subsector (following a 5.0% fall in September), which was only partially offset by a 4.5% fall in the agriculture and forestry sector. As a result, the level of production in mining and quarrying is the only one of the goods subsectors to exceed the level of activity seen two years ago, unlike 80% of the services subsectors (12 out of 15). For the months ahead, Quebec is well placed to show resilience, thanks in particular to its high savings rate and the tightest labour market among Canadian provinces. Although the recent interest rate cuts will have a growing impact in the coming months to support the economy, we should not expect spectacular growth due to the threat of the US tariff and the review of immigration targets, which will be headwinds for the economy.

Top News
Economy & Strategy



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Evercore ISI - Equity & Derivatives Strategy: Earnings Reaction Surprise, Policy Surprise, FOMC - No Surprise: Earnings EDGE Daily - Jan 29, 2025

Key Point: This earnings season has kicked off with Surprisingly sharp price reactions to double beats and misses, far exceeding historical norms (p. 2). At today's FOMC, Powell will focus on avoiding Surprises (Fig 1), especially given the market's response to the previous meeting and ongoing fiscal policy uncertainty. If successful, today's Fed meeting will be remembered as uneventful, with investors focusing on insights into the economic outlook, the restrictiveness of the current policy stance, and perspective on Trump policy implications.

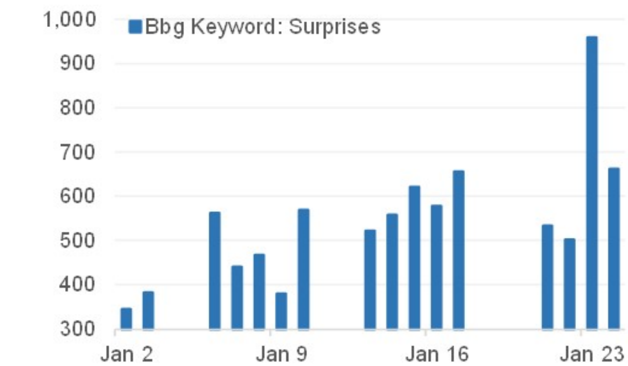
In the Spotlight: GM (Outperform, $55 PT, McNally) declined after its double beat and guidance raise failed to impress investors, bucking the larger earnings reaction trend. The positive results were a function of the wind-down of its expensive Robotaxis business, strong customer demand without rebates, and a rebound in China sales. Notably however, investors were cautious of Trump's potential levy of Tariffs on Mexico (February 1 hangs in the air, Figure 2) and removal of IRA's $7,500 EV credit. SAP (In Line, €218 PT, Materne), Europe's largest cloud provider, beat estimates and raised its 2025 cloud revenue outlook supported by further embedding of AI services into deals. U.S. Tech rebounded from Monday's DeepSeek plunge as sector earnings will kick off.

On Deck: 26 S&P 500 companies (14.4% market cap) report on 1/29. All eyes will be on Tech Heavyweights MSFT (O/p, $500PT, Materne), TSLA (In Line, $275 PT, McNally) and META (O/p, $700 PT, Mahaney). Rebuilding efforts following the California fires will drive focus to URI (Outperform, $1004 PT, Raso).

Season Stats: To date, 100 S&P 500 companies (19% market cap) have reported 4Q results. Reported Sales growth has been +3.7% and Earnings +11.0% – surprising by +0.9% and +6.5% respectively – putting overall Sales growth on pace for +4.7% and Earnings for +7.9% (reported + consensus blend). Extrapolating EVR ISI expected +1.1% surprises to the balance of companies reporting suggests Earnings +8.8%. The average stock price rose +0.6% post-results. Companies beating on both the top and bottom line ("Double Beats") are higher by +2.3% on average vs. +0.9% 5 year average, and "Double Misses" are lower -4.0% vs. -3.1% average.

Top News
Economy & Strategy

Figure 1: Whether on Earnings, Policy or Geopolitics, the Bull Market in Surprises is Underway



Source: Bloomberg, Evercore ISI Research

Figure 2: GM, a Good Quarter and a Poor Price Reaction Spotlights the Tariff Risks

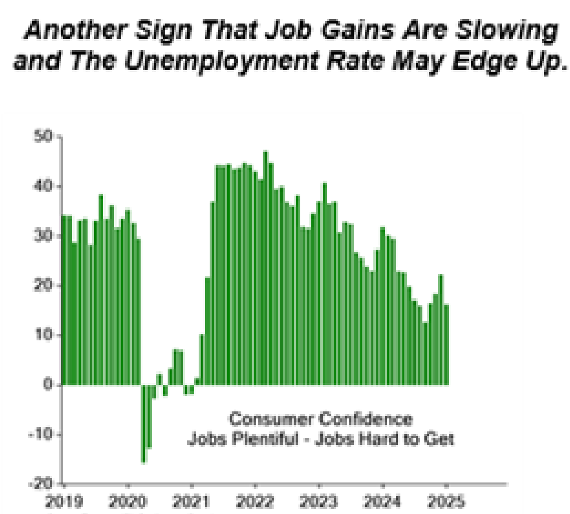
Source: Bloomberg, EVR ISI Research

Evercore ISI – Fixed Income Strategy: Quick Take – Mixed Set Of Releases This Morning

Key Points

The economic releases this morning were mixed. Headline durable goods orders fell again in December, but that decline was concentrated in the civilian aircraft industry. Excluding those orders, headline orders would have been up modestly. Home prices were modestly higher. The FHFA home price index (our preferred metric) rose +0.3% in Nov. Consumer confidence surprisingly fell in Jan. Finally, the Richmond Fed mfg index jumped higher.

- Durable goods orders plunged for a second consecutive month. They are down -2.2% in Dec after a revised -2.0% drop in Nov. Civilian aircraft orders fell -45.7% and tech orders were soft too. Consequently, nondefense capital goods orders plunged. But ex aircraft, nondefense capital goods orders rose +0.5%. Unfilled orders fell -0.5%, and inventories rose +0.4%.
- Surprisingly consumer confidence slipped modestly in Jan. This may in part be a consequence of L.A. wildfires and extreme cold weather. Both expectations and current situation fell. Labor sentiment deteriorated too.



Concerning the key upcoming releases, we forecast January's payroll employment will advance around +165K and the unemployment rate should stay at 4.1%. Average hourly earnings advance +0.3%, which puts the y/y gain at +3.7%. Today's reports in aggregate should be essentially neutral for Treasury yields, the dollar and industrial stocks

Evercore ISI - Global Policy | Political Analysis - Trump's OMB Sends Shot Across the Bow on Federal Funding – with Impoundment Likely on the Way

Last night the Office of Management and Budget sent a letter to Federal agencies asking them to pause all federal financial assistance programs until February 10. The stated intent was to review programs for consistency with President Trump's priorities, particularly around DEI, climate, foreign assistance, and immigration.
Following a series of piecemeal spending pauses announced over the past week, the latest memo claims to be sweeping in its scope, purportedly covering in $3 trillion of annual Federal spending, with the only explicit exclusions for Medicare, Social Security, and other assistance paid directly to individuals.

If the pause ends up being as sweeping as it seems on face and ends up remaining in force for an extended period beyond the initial Feb. 10 deadline, the economic impacts would be enormous – $3T equates to around 10% of GDP.

That said, we would not be surprised if the Administration is forced to clarify the scope of this pause, as occurred last week when an initially announced pause on IIJA/IRA funding appeared to freeze all federal highway spending, but a follow-on memo limited the scope to programs with a direct climate or clean energy nexus.

Regardless, the White House's actions out of the gate underscore we are likely to see a major fight ahead over impoundment – whether the executive has unilateral authority to cancel spending that Congress has authorized. In our comprehensive note on this issue, we argue that President Trump faces an uphill battle convincing courts of his view that Executive Branch impoundment of funds is constitutional. However, the Trump team may be working to identify a set of compelling examples to test its legal theory of the case on impoundment, and funds may be held up while this issue works its way through the courts.

The idea of impoundment might raise hopes about a quicker path to spending cuts, especially for Treasury investors closely watching the deficit. But whether impoundment can be sustained legally and politically is far from assured.

Top News
Conference Calls

First Edition Call

This Week on TEAMS:

MONDAY: Research Services - **8:30 am English call** / **9h00 appel français**

TUESDAY: Kyle Dahms, NBC Economist - **8:30 am English call** / **9h00 appel français**

WEDNESDAY: Dennis Mark, NBCFM Technical Analyst - **8:30 am English call** / **9h00 appel français**

THURSDAY: Cameron Doerksen, NBCFM Transport & Aerospace Analyst - **8:30 am English call** / **9h00 appel français**

FRIDAY: TBA - **8:30 am English call** / **9h00 appel français**

A replay is available in the Event Calendar of Research Services SharePoint

Research Services Publications (Links)

Research Services Reports
- F_SCORE update
- Inexpensive Quality Canadian Stocks - Update
- Inexpensive Quality U.S. Stocks - Update
- NBF Selection List - December 2024 / January 2025
- U.S. Turnaround Stories - Update
- Better than Bonds US - January 2025
- Better than Bonds Canada - January 2025

Preferred Shares
- Preferred Shares - December 2024
- Preferred Shares Printable Tables

Convertible Debentures
- Convertible Debentures - December 2024
- Convertible Debentures Printable Table

This report along with all the research from NBCFM Research Services can also be accessed on our ***SharePoint***

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