Equities Research

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CREDIT SUISSE

ESTIMATE / TARGET PRICE CHANGES:

Independent Power Producers & Energy Traders | Increase Target Price

28 April 2023

First Solar [FSLR.OQ]

Guidance reiterated, bookings' ASP higher; Raise TP $7

NEUTRAL

Rating	NEUTRAL [V]
Price (27-Apr-23, US$)	200.83
Target price (US$) (from 163.00)	170.00
52-week price range (US$)	219.48 - 61.40
Market cap(US$ m)	21,453
Enterprise value (US$ m)	20,512

Research Analysts

Maheep Mandloi

Chandni Chellappa

David J. Benjamin

- **Bottom line:** FSLR Q1 revenues/GM%/EPS $548m/20.4%/$0.40 missed CS $751m/ 31.9%/$1.46, and cons $702m/26.6%/$1.05 due to lower volumes sold. Module produced 2.5 GW, +5% q/q +22% y/y, Volumes sold 1.9 GW declined -39% q/q and +51% y/y, due to 2H/Q4 weighted sales similar to that in 2023. Management reiterated 2023 guidance. Implies module ASP ~$0.28/W in Q1, -11% q/q and -1% y/y. Other key takeaways from the call – New factories on target in the US and India, Sold out in the US through 2026, 4.3-4.5 GW sold in 1H (or 2.5 GW sold in Q2),

- **Bookings still at >30c/W:** FSLR has a solar module backlog of 71.6 GW as of 1Q23. Avg ASP of backlog is ~$0.293/W, though importantly new bookings in 1Q23 came in at ~$0.318/W for post 2025 deliveries. Implies total revenues in backlog ~$21b, which indicates strong revenues and pricing power through 2026 at least. Further, contracts carry termination fee of ~20% per management. Termination fee of ~$0.05-0.06/W further implies customers would be in the money to break contracts when US module prices fall below $0.24/W. Management saw backlog grew by 3.9c/W for ~4 GW modules due to ASP adjustors (domestic content, etc..). The company has >30 GW of additional backlog with ~2c/W of higher ASP adjustors, with upside/downside from watts/module, and commodity prices.

- **Valuation and estimate changes:** We increase our TP to $170 (from $163) due to higher ASPs in outer years and India's production linked incentives. Our DCF based valuation includes cash flows through 2033 (manufacturing tax credits expire in 2032) pricing pressure long term due to competition and 11x terminal EBITDA multiple. Our valuation based Neutral rating is unchanged. Our EPS estimated are unchanged. **Risks**: Supply chain related delays, competition, new factory buildout execution.

Full Report

Date of Production: 28-Apr-2023 00:49:28 UTC Date of Dissemination: 28-Apr-2023 08:04:15 UTC

Fidelity National Information Services Inc Q1 2023 recap; Updated 2019-base CAGR analysis

Research Analysts
Timothy Chiodo, CFA
Nik Cremo
Christopher Zhang, CFA
Dylan Wright
Jing Zhang
Patrick Ennis
Kyle Lindgren

- **FY 2023 revenue & EPS outlook increased following a better than excepted Q1 result:** FIS delivered a Q1 revenue and EPS beat of ~3% and ~7%, respectively, which led to the increased FY 2023 outlook (i.e., $85mm and $0.06 beats vs. high-end of Q1 guide makes up majority of / approximates the increases to the FY 2023 outlook). Merchant segment growth was highlighted by strong eCommerce results (+15% in the quarter) and an increased outlook for the year (with the ~500bps macro impact shifting to ~350bps). Further, FIS noted expectations for the Banking backlog to remain flattish YoY throughout 2023 (and was reported as flat in Q1 2023, following multiple quarters of ~1-2% growth), attributed to its sales teams transitioning to focus on higher margin new sales. And while this backlog stagnation was contemplated in segment guidance, the slowing suggests the Banking segment revenue growth outlook for 2023 may be less conservative, all else equal (Q1 results were strong, with the FY 2023 segment guide reiterated at +0-2%, albeit with some re-basing of numbers resulting in the absolute revenue numbers for the Banking segment moving higher in 2023). While we continue to believe that a SOTP valuation case can be made given the relatively more attractive recurring B2B businesses within FIS RemainCo (Banking & Capital Markets), reestablishing a track record of delivering on guidance (this quarter's results were a positive step) will likely be required before shares see more meaningful multiple expansion. We continue to believe that near-medium term revenue headwinds (across both Banking [slowing Backlog] & Merchant [weakness in NA Enterprise, which saw revenues down 3% YoY in Q1 2023]), deeper cost savings that have the potential to impact topline trends, pending details on the Worldpay spinoff (i.e., cost dis-synergies, interest expense, leverage levels, tax rates, etc.) and continued investment by competitors (particularly for Merchant) have reduced visibility.
- **Valuation & estimates:** Target price $70 (vs. prior $75) based on 11.5x 2024E EPS and supported by various illustrative SOTP and FIS & WP frameworks. We move 2023E & 2024E EPS to $5.88/6.25 (vs. prior $5.74/6.18). Risks are mainly competitive (acquiring & bank technology), macro (SMB), a buyer emerging for WP (a scenario FIS is open to, sees a greater degree of deal certainty associated with the planned spin), execution, bank consolidation, backlog trends, & FX.

Full Report

Date of Production: 28-Apr-2023 04:06:26 UTC Date of Dissemination: 28-Apr-2023 04:07:37 UTC

Amazon com Inc. [AMZN.OQ]
E-Commerce Estimates Edge Higher, Climbing Wall of Worry on AWS

OUTPERFORM

Rating	OUTPERFORM [V]
Price (27-Apr-23, US$)	109.82
Target price (US$)	(from 140.00) 142.00
52-week price range (US$)	144.78 - 81.82
Market cap(US$ m)	1,126,534
Enterprise value (US$ m)	1,120,480

Research Analysts

Stephen Ju

Tyler Seidman

- **Event:** AMZN reported 1Q23 results with revenue of $127.4b, +11% FX-neutral growth versus our estimate of $125.5b, operating profit was $4.8b vs our $2.7b. Our FY23/24 adj. EPS is now $3.42/$4.35 vs. $3.26/$4.17 prior.
- **Investment Case:** Investors remain keenly focused on AWS growth to the exclusion of the ongoing estimate/profitability improvements in e-comm. To that end, AMZN shares sold off on the disclosure that 2Q23 indications were for decel of ~500bps to ~11% YOY. We believe AWS growth decelerated throughout 1Q23 (in terms of linearity), due to the macro-driven optimization. With that in mind, as AWS sales/support staff continue to work with clients to help reduce costs, this in turn outputs to longer deals with larger commitments, and ultimately what should be accelerating performance obligations growth (should be disclosed on the 10-Q). On the e-comm side, the most important metrics remain the faster paid unit growth vs shipping costs (8% and 2% respectively) pointing to improving unit economics. This led to an overall beat on OI for 1Q23, alongside healthy guidance for the same for 2Q23 illustrating ongoing ramp/recovery in profit dollars. Although management did not offer a specific outlook for CapEx, it should be down YOY for e-comm operations while continuing to ramp for AWS, consistent with prior commentary and in-line with our expectations. We increase our GMV estimates for 2023 to $682b; +7.9% growth FXN vs prior $651b and +5.4%. Our price target increases modestly to $142 vs prior $140; our AWS forecasts remain unchanged. We maintain our Outperform rating on the following: 1) continued e-commerce segment operating margin expansion as Amazon grows into its larger infrastructure, 2) optionality for faster-than-expected FCF growth vis-à-vis its advertising segment, 3) potential for greater AWS growth durability as suggested by ongoing capital intensity in the business as well as the rising performance obligations.
- **Valuation**: Our DCF-based price target which is based on a 10.5% WACC and 3% terminal growth is now $142 vs prior $140. The risks to our price target include higher-than-expected capital intensity for e-commerce or AWS.

Full Report

Date of Production: 28-Apr-2023 04:40:07 UTC Date of Dissemination: 28-Apr-2023 08:08:56 UTC

LPL Financial Holdings, Inc. [LPLA.OQ]
Off The (1Q23) Call – Better Organic Growth But Lower Earnings; Reduce Target Price

NEUTRAL

Rating	NEUTRAL
Price (27-Apr-23, US$)	203.01
Target price (US$) (from 205.00)	192.00
52-week price range (US$)	269.17 - 167.48
Market cap(US$ m)	15,962
Enterprise value (US$ m)	15,962

Target price is for 12 months.

Research Analysts

Bill Katz

Michael Kelly

Cameron Phillips

- **A Mixed Take –** Favorably, the prospects for NNA are stronger and more diversified, in our view, while we suspect over time the deal pipeline will build. However, several issues offset the better organic growth trajectory: **1)** adverse cash sweep update; **2)** less strategic flexibility/likely need to tap leverage to drive inorganic growth (expect higher incremental revolver balances near-term); **3)** lower earnings prospects, with forward rates-related tail risk(s) into 2024-25; and **4)** consensus estimates for 2H23-2025E appear well too high.
- **Lowering 2023-25E Adjusted EPS –** To reflect updated forward rate expectation, general alignment to revenue/expense line-item guides for 2Q23, lower client cash balances, modestly lower fixed-rate ICA ratio, and updated DCA pricing schedule partially offset by QTD market returns, lower tax rate assumption of 24% (from 25%), and modestly higher 'core' organic growth (ex. Enterprises). Our revised estimates are $16.25/$16.34/$17.95 (from $16.74/$17.35/$19.27), which are ~6%, ~11%, and ~13.5% below the "Street" in 2023-25, respectively. We suspect more detailed cash sweep modeling drives the wedge versus consensus. Prior to our debt adjustments (noted above), our revised model suggested LPLA would operate below its $200M minimum cash threshold through early 2024, we now assume any deals will likely be funded with debt and it raises the debate around repurchase pacing, we suspect, given current macro backdrop.
- **Call Takes: 1)** Recruitment momentum favorable across Traditional, Affiliate, Enterprises, and nascent RIA segments; **2)** upped 2Q23 buyback to ~$300M; **3)** Client cash balances of ~$51B at 4/26, down $3B+ or 7% QTD, though akin to commentary from RJF, roughly $2B+ reflects seasonal billing/tax payments/ongoing sorting of ~$800M continues to slow M/M vs. January levels; **4)** mgmt. noted comfortable at ~55% fixed-rate ICA ratio at 3/31, though expect further variable run-off will migrate the ratio over ~60% through 2025 (in addition to some opportunistic deployment once sorting pressures abate); and **5)** no further change in $1.335-1.370B 'core' G&A though seemingly have flex against further revenue deterioration, albeit, would focus investors on 2024-25E run-rate pacing.
- **The Stock –** Maintain Neutral, though expect the shares to underperform on 4/28 due to consensus revision risk. Lower SOTP-derived target price to $192 (from $205), with the reduction consistent with lower EPS view. Risks include: worse-than-expected sorting pressures and deterioration of the macro environment.

Full Report

Date of Production: 28-Apr-2023 03:39:16 UTC Date of Dissemination: 28-Apr-2023 08:06:15 UTC

Acadia Healthcare Company, Inc. [ACHC.OQ]
Post Conference Call Takeaways: Strong Start to Year, but Potential Headwinds Loom

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	72.82
Target price (US$)	(from 93.00) 95.00
52-week price range (US$)	89.06 - 63.69
Market cap(US$ m)	6,703
Enterprise value (US$ m)	7,925

Target price is for 12 months.

Research Analysts

A.J. Rice

Jonathan Yong

Joseph Overman

Enjia Cao

Anastasia Parafestas

Carlos Penikis, CFA

On April 26, ACHC reported 1Q23 adj. EBITDA of $151 mln, which was ahead of CSe/Cons of $149 mln/$148 mln, and revenues were $704 mln (vs. CSe/Cons of $694 mln/$690 mln). The company reaffirmed its previously announced 2023 guidance.

- **Labor Improvements in Facilities Offset by Investment in Corporate Office, De Novos**: The company reported an improvement in labor expense at the facility level. Base wage inflation of 7.5% and premium pay both showed sequential improvement from 4Q22 and were in line to slightly better than company expectations. However, the company-wide labor expense ratio rose 100 bps to 55.5%, driven by several start-up facilities as well as increased staffing and benefit programs in the company's corporate offices. ACHC has begun developing partnerships with nursing schools in several of its markets, in an effort to further strengthen its staffing pipeline.

- **Medicaid Redeterminations – An Investor Focus, But ACHC Seems Well-Insulated:** ACHC addressed the expected impact of redeterminations within Medicaid, which accounts for 51.8% of the company's revenue. Management cited research estimating that about 17% of Medicaid enrollees will lose coverage, but that 75% of those are expected to pick up insurance through an employer plan or on the ACA exchanges. Of the remaining enrollees, roughly 4% of the Medicaid population, there are additional mitigating factors. In the specialty business, most of ACHC's Medicaid volume is in states with fallback coverage for substance abuse treatment. Over 50% of CTC patients are in states with some form of uninsured or underinsured funding for opioid use disorders. Finally, we believe that those patients in an acute behavioral facility, whose typical diagnoses include schizophrenia, high suicide risk or severe depression, are less likely to be determined ineligible for Medicaid, as are many who are suffering from various opioid disorders.

- **Boosting Outlook, Updating Valuations**: We are raising our 2024 adj. EBITDA estimate to $740.8 mln (from $732.5 mln). We are updating our target price to $95 (from $93), which is based on a 13.5x EV/EBITDA multiple using our 2024 EBITDA estimate. Risks include continued labor pressures and reimbursement changes.

Full Report

Date of Production: 28-Apr-2023 04:28:09 UTC Date of Dissemination: 28-Apr-2023 08:08:16 UTC

Snap Inc. [SNAP.N]

Revenue Headwinds Linger While ML Investments Weigh on Gross Margin

OUTPERFORM

Rating	OUTPERFORM [V]
Price (27-Apr-23, US$)	10.50
Target price (US$)	(from 13.00) 11.00
52-week price range (US$)	30.16 - 7.76
Market cap(US$ m)	16,604
Enterprise value (US$ m)	19,424

Research Analysts

Stephen Ju

Tyler Seidman

- **Event**: Snap reported 1Q23 results with revenue of $989mm vs. CS/cons of $1005mm and $1007mm. Adj. EBITDA was $1mm vs. CS/cons ($22)mm/($1)mm. Our 2023/2024 Adj. EPS are now ($0.06)/$0.09 vs prior ($0.01)/$0.17.
- **Investment Case**: While management did not provide formal guidance for 2Q23, internal expectations call for a ~6% YOY decline, largely in-line with CSe and below Street. This outlook is a function of the uncertain macro as well as headwinds from its DR platform optimization. That said, the biggest takeaway from 1Q23 was on the cost side as Snap elects to fund higher compute costs in the form of machine language investments to drive engagement, depth of engagement, and a broader rollout of My AI – the last of which should help it to gather more customer intent data, which should be layered in to inform better targeting. This outputs to declining NT gross margins given higher infrastructure costs and as a result Adj. EBITDA swings negative with 2Q23 expectations calling for ($100)-($50)mm, down QOQ and below our/cons. forecasts. Our Adj. EBITDA estimates for 2023/2024 shift to ($37)mm/$281mm vs prior $146mm/$527mm respectively, and our price target decreases to $11 vs prior $13. At this point we have not modeled incremental revenue benefits from this new initiative, so going forward either the costs will come off if this ends up ultimately ineffective at improving monetization, or faster revenue growth will show up. And similar to the setup for expectations around DR replatforming, we believe the bias to revenue growth is to the upside. We maintain our Outperform rating on the following: 1) optionality for positive impact from ad platform improvements, 2) potential for continued audience expansion on ongoing product rollouts and global content initiatives, 3) monetization optionality from Snap's other engagement surfaces (Maps/Spotlight), along with longer term advertiser adoption of AR.
- **Valuation**: In-line with the valuation methodology we have used with the rest of our coverage universe, we have based our target price on DCF which suggests $11 (vs prior $13). We have used a WACC of 11.0% and a terminal growth rate of 3%. Competition for engagement and budget share remain risks to our estimates.

Full Report

Date of Production: 28-Apr-2023 04:21:19 UTC Date of Dissemination: 28-Apr-2023 08:06:56 UTC

Capital One Financial Corp. [COF.N]
1Q23 Miss On Provision & Fee Income; Opex Better Than Expected; Strong Growth In Card

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	95.99
Target price (US$) (from 112.00)	108.00
52-week price range (US$)	134.30 - 87.87
Market cap(US$ m)	36,711
Enterprise value (US$ m)	36,711

Target price is for 12 months.

Research Analysts

Moshe Orenbuch

Hoang Nguyen

- **COF reported 1Q EPS of $2.31, below our estimate of $4.00 and cons of $3.84.** The miss against CSe was primarily driven by higher provision ($2.00 impact), due to bigger reserve build in credit card and commercial, though losses were in line. The reserve build in commercial was primarily driven by COF's commercial office real estate portfolio ($3.6 Bn in balances), whose criticized and nonperforming rates have increased. Lower fee revenue drove lower revenues than expected ($0.17 impact). Opex was lower than CSe ($0.33 benefit), including lower marketing. COF also benefited from a lower tax rate in the quarter. Though EPS was below our forecast, card loan growth and purchase volume were both ahead. Coupled with declining credit card payment rate, this should result in higher-than-consensus card loan growth, which would drive future NII. Buyback continues to be low in the short term.
- **Estimates:** Adjust our 2023/2024 EPS estimate to $12.25/16.00 (old: $14.00/$16.50), reflecting 1Q results. Our target price is now $108 (from $112), still based on 7x 2024 EPS estimate. Reiterate Outperform rating. Risks to our estimate include deterioration in credit and higher opex.
- **Positives. 1)** Stronger-than-expected growth in card, driven by moderating payment rate, as well as better-than-expected purchase volume (2 ppt above CSe). This should result in stronger go-forward card loan growth. As a result, NII was stronger than expected. **2)** Opex of $4.95 Bn was lower than CSe of $5.11 Bn, including lower marketing.
- **Negatives. 1)** Provision of $2.80 Bn came in above CSe of $1.81 Bn, driven by bigger reserve build in card and commercial, though losses were in line. In commercial, reserve build was primarily driven by the commercial office real estate portfolio, whose criticized and nonperforming rates have increased noticeably. **2)** Non-interest income of $1.72 Bn came in lower than CSe of $1.84 Bn. **3)** Share repurchase of $150 mil, lower than CSe of $300 mil, as mgmt remains conservative due to macro uncertainties.

Full Report

Date of Production: 28-Apr-2023 04:18:51 UTC Date of Dissemination: 28-Apr-2023 04:19:52 UTC

Domino's Pizza Inc. [DPZ.N]
Carryout Delivers, Delivery Disappoints

NEUTRAL

Rating	NEUTRAL
Price (27-Apr-23, US$)	317.14
Target price (US$) (from 335.00)	355.00
52-week price range (US$)	416.95 - 294.01
Market cap(US$ m)	11,233
Enterprise value (US$ m)	16,104

Target price is for 12 months.

Research Analysts

Lauren Silberman

Alex Stansbury, CFA

Raymon Wang

- **DPZ delivers 1Q23 top & bottom line beat, though signals ongoing NT headwinds.** DPZ EPS of $2.93 beat consensus' $2.71, with the beat driven by better top-line, G&A, interest and tax. US SSS were 3.6%, with carryout SSS of 13.4% partially offset by delivery SSS of -2.1%. DPZ attributed weakness in delivery to the return to pre-COVID behaviors as well as the macro, though it is unclear what the catalyst path is to reaccelerate trends. DPZ suggested SSS will moderate from here, noting 1Q benefitted from easier compares (Omicron, boost week promo, price from delivery mix & match change). DPZ reiterated expectations for US unit growth to remain pressured near-term, though remains confident in reacceleration as headwinds from supply chain challenges ease. Given limited visibility into the path to a sustainable improvement in underlying SSS & some risk to unit growth targets, at current valuation, we believe shares offer a balanced risk/reward.
- **Unboxing the US Business:** US delivery SSS were -2.1%, implying delivery SSS were +3-4% vs 2019 and that delivery traffic is down vs 2019. Weakness in delivery seems to be attributable to underlying demand, likely a combination of increased competition and macro pressures. DPZ highlighted improvements in delivery times (one minute better than 1Q22) and is hosting a "Summer of Service" training program for franchisees to continue to enhance operations. The brand will also maintain its typical cadence of boost week promos that restarted in 2Q22 (1 per quarter). The potential for 3P partnerships is still on the table, though we get the sense that DPZ will prioritize investments in its own digital ecosystem near-term and we do not see 3P partnerships as a "foregone conclusion." Carryout remains a bright spot, with SSS +13.4%, and DPZ continues to lean into the growing business, highlighting a key goal of the updated loyalty program is to more effectively engage with carryout customers. DPZ also spoke to increased efforts around innovation, including menu (Loaded Tots), technology (Apple CarPlay) and delivery (fleet of ~1K delivery EVs).
- **CS Estimates:** We are raising 2023/2024 EPS to $13.38/15.00 (from $12.85/14.55), with higher revenue from the digital fee increase partially offset by lower supply chain profit.
- **Valuation:** We are raising or TP to $355 (from $335) based on ~18x/23x our NTM EBITDA/EPS in 12 months, a discount to historical multiples given a slower growth outlook. Risks: consumer spending, competition, inflation, FX.

Full Report

Date of Production: 27-Apr-2023 23:07:18 UTC Date of Dissemination: 28-Apr-2023 08:02:52 UTC

Pinterest [PINS.N]
Executing Well, but Macro Weighs Down Growth

NEUTRAL

Rating	NEUTRAL [V]
Price (27-Apr-23, US$)	27.27
Target price (US$)	(from 29.00) 28.00
52-week price range (US$)	29.10 - 17.19
Market cap(US$ m)	18,662
Enterprise value (US$ m)	18,662

Research Analysts

Stephen Ju

Tyler Seidman

- **Event**: Pinterest reported 1Q23 revenue of $602.6mm vs. CS $593mm and consensus $595mm. Management indicated that expectations for the June quarter is for revenue to be up LSD YOY. Our price target modestly decreases to $28 vs prior $29. Our EPS estimate for 2023/2024 is now $0.69/$0.95 versus prior $0.65/$0.95.

- **Investment Case**: 1Q23 revenue, Adj. EBITDA and MAUs were above our expectations as content recommendations are resonating well with users - Pinterest posted its second consecutive quarter of QOQ MAU growth with US/CAN app users growing 7% vs 5% in 4Q22. In addition, shopping capabilities continue to improve and resonate with both users and advertisers with shopping revenue rising 40% YOY while checkouts grew 30% since 2H22 for merchants who uploaded catalogs. Separately, mgm't noted that revenue trends are tracking to grow 4-5% YOY in 2Q23 vs cons. +6% and CSe +2% as the overall ad environment appears to be stabilizing but economic uncertainty continues to weigh on what could be faster growth. From a vertical perspective, emerging categories including travel and auto were positive in 1Q23, with notable strength from EU across both large and SMB advertisers. On the cost side, marketing spend will step up in 2Q23 as costs shifted from 1Q23, although these expenses should moderate during the course of 2023 – we estimate nominal dollar growth of R&D and Sales and Marketing in 2023 should total ~$124mm and ~$26mm respectively. Taken together, mgm't reiterated that adj. EBITDA margin is expected to expand in 2023 as investments in AI/ML taper off although we remain below these levels as we continue to bake into our estimates slowing overall economic activity and hence total advertising spend. From a model perspective, our estimate changes are modest. Our 2023/2024 revenue and adj. EBITDA projections stand at $2.93b/$3.3b and $436mm/$664mm compared to $2.9b/$3.2b and $429mm/$657mm. Our price target is now $28 vs $29 prior and we maintain our Neutral rating.

- **Valuation:** Our DCF-based price target which is based on an 11% WACC and 3% terminal growth is $28 (vs. $29 prior). Slower-than-expected customer growth or ad product traction are risks to our price target and estimates.

Full Report

Date of Production: 28-Apr-2023 04:24:19 UTC Date of Dissemination: 28-Apr-2023 08:07:37 UTC

The Chemours Company [CC.N]
Full year guide unchanged after upside MarQ

UNDERPERFORM

Rating	UNDERPERFORM [V]
Price (27-Apr-23, US$)	27.95
Target price (US$)	(from 27.00) 25.00
52-week price range (US$)	44.79 - 23.94
Market cap(US$ m)	4,159
Enterprise value (US$ m)	6,614

Research Analysts

John Roberts

Matthew Skowronski

Edlain Rodriguez

- **Reiterated midpoint 2023e adj EBITDA guide of $1.25B v. $1.24B/$1.2B cons./CSe**. Call at 8:00AM Friday 4/28/23 (888-330-2022 #7276019). Reported MarQ23 adj. EBITDA/EPS of $304M/$185M vs. CSe of $186M/$0.38. Overall EBITDA declined 25% Y/Y on 18% lower volume, with weakness in TiO2 & fluoropolymers partly offset by higher refrigerants results. We recently reviewed CC's fluoropolymer's business and CC will be attending CS Toronto mini-conf. on June 21 (along with Dupont, IFF, Ecolab & Eastman).

- **Titanium Technologies EBITDA of 70M vs. $52M CSe** Titanium Technologies EBITDA declined 66% Y/Y on 35% lower volume. Pricing rose 2% Q/Q, similar to 1% gain shown by peer Tronox. CC noted "destocking in Europe and China is largely behind us, however demand growth to date appears to be gradual".

- **Thermal & Specialized Solutions EBITDA of $185M vs. $114M CSe.** Thermal & Specialized Solutions EBITDA rose 6% on 10% higher volume. The improvement appears largely driven by next gen. Opteon refrigerants. CC noted "uncertainty in automotive demand sustaining at Q1 level and demand recovery in construction end-markets".

- **Advanced Performance Materials EBITDA of $84M vs. $75M Cse.** Advanced Performance Materials EBITDA declined 5% Y/Y on 7% lower volume. Strength in semiconductor fab construction & hydrogen/fuel cell applications, was more than offset by declines in more economically sensitive applications.

- **Valuation and Risks:** We revise our estimates lower based on a slower improvement in margins, particularly in the Titanium Technologies segment than we previously anticipated. Our 2023/2024/2025 EPS estimates move to $3.99/$5.20/$6.25 vs. prior $4.03/$6.00/$7.30. Our NTM EBITDA (ending MarQ25e) rolls forward to ~$1.4B from ~$1.5B (end DecQ24e) previously, both including estimated PFAS liability. Using an unchanged ~5.0x EBITDA multiple, our price target declines to $25 from $27. Key upside risks to our investment thesis include a soft economic landing, faster growth in fluoroproducts, and a potential settlement or dismissal on firefighting foam cases.

Full Report

Date of Production: 27-Apr-2023 22:35:22 UTC Date of Dissemination: 27-Apr-2023 22:38:28 UTC

PTC Therapeutics [PTCT.OQ]
1Q23 Earnings Update – Multiple 2Q Readouts Ahead

NEUTRAL

Rating	NEUTRAL [V]
Price (27-Apr-23, US$)	52.64
Target price (US$)	(from 48.00) 51.00
52-week price range (US$)	55.13 - 25.60
Market cap(US$ m)	3,897
Enterprise value (US$ m)	4,415

Research Analysts

Judah C. Frommer, CFA

Nick Japhet, CPA

PTCT reported 1Q23 earnings today with revenue of $220.4M (vs FactSet cons. of $200.5M paced by better Translarna revenue vs. our model). Mgmt. reaffirmed revenue guidance of $940M-$1B and $545-$565M in net product revenue for the DMD franchise. Management Q&A focused on **the four upcoming 2Q readouts** (Part 2 of Ph3 APHENITY in PKU, Part 1 of Ph2 PIVOT-HD, and the Ph2/3 MIT-E and Ph3 MOVE-FA trials of vatiquinone), which **will inform a future portfolio review and possible OpEx reduction**. We note that **management did not reaffirm FY23 OpEx guidance** ($1.01-$1.06B per 4Q update). PTC ended Q1 with cash/equivalents of $286.3M.

- **Additional Product Revenue Detail**. DMD franchise revenue came in at $170M. Translarna revenue was $115M (vs. $79M in 1Q22), with growth being driven by new patient starts, continued high compliance, and geographic expansion. Management also noted **large government orders** in LatAm, central/eastern Europe, and the Middle East during the quarter, which PTC expects to **drive lumpiness in quarterly revenue going forward** given the unpredictability of government orders. PTC recorded Evrysdi royalty revenue of $30.8M off the back of CHF 363M in sales by Roche. Recall, $1.5B in annual Evrysdi sales will trigger a **$100M milestone** to PTC.

- **Model Changes**. We've updated our model based on 1Q23 actuals. We project FY23 EPS of -$5.61 (-$4.45 prior). Our 12-month TP is now $51 (from $48), which is derived from a blended DCF (75-25 weighting) – a product DCF ($49/sh) and an M&A DCF ($57/sh). Risks include clinical, commercial, regulatory, and financing.

Full Report

Date of Production: 28-Apr-2023 01:54:38 UTC Date of Dissemination: 28-Apr-2023 01:55:38 UTC

Teledyne Technologies Inc. [TDY.N]
Q1-23 Review: Digital Imaging Margins Slip in Q1, But Thesis Intact, Re-iterate Outperform

- **Key Takeaways**: TDY stock declined 2.7% on Q1-23 results in a tough tape for Multis (-0.9%) and our CS Industrial Tech coverage (-1.9%). TDY's 1Q23 EPS of $4.53 was 10c ahead of consensus, but in line at the Operating level. Q2 EPS guidance of $4.61 (mid-point) was 6c below consensus. **FY23 EPS guidance of $19.00-$19.20 was unchanged.** However, we reduce our **FY23 EPS by 13.5c (-0.7%) to $19.20,** as we lower organic growth by 90bps and operating margins by 10bps. **Our $499 TP** (prior $503) **declines due to lower EPS**. We reiterate our **Outperform** thesis, TDY is ~67% defensive/ long-cycle, with FLIR-TDY benefits ahead, and a $3.0B backlog (56% of sales).
- **Revenue Growth**: TDY still guides to $5.73B revenues (+5% growth) in FY23, but in our view implies lower organic growth, offset by higher contribution from acquisitions and better FX. Q1 TDY organic growth +4.2% was 50bps ahead of expectations but DI organic growth of +1.4% was 70bps lower than CS expectations. We now model FY23 sales growth +5.6% (prior +6.1%) to $5.76B (prior $5.79B) versus guidance of $5.73M.
- **FY23 Margins Lowered 10bps**: Digital Imaging (DI) margins declined 20bps yoy in Q1-23, missing VA consensus by 40bps and CS by 70bps. The decline was driven by mix, and we believe TDY saw no benefit from lower broker component buys in Q1. We lower our FY23e DI margins by 30bps to 22.8%. We model total TDY FY23 margins +40bps to 21.8% (prior 21.9%), partially offset by higher Instrumentation and A&D margins.
- **Catalysts**: despite the mixed Q1 results in our view the re-iteration of FY23 guidance, the bias to FY23 EPS is to the top of the range of company guidance.
- **Valuation & Risks**: Our $499 Target Price is based on unchanged 26x P/E multiple, derived from a fundamental P/E model for growth companies. Our 26x multiple is 1.37 relative to the SPX index and is a discount to TDY's 5-year historical relative of 1.48. Risks include labor and other cost inflation, component shortages, and delays to DoD contracts.

OUTPERFORM

Rating	OUTPERFORM
Price (26-Apr-23, US$)	404.92
Target price (US$) (from 503.00)	499.00
52-week price range (US$)	452.89 - 331.10
Market cap(US$ m)	19,032
Enterprise value (US$ m)	21,324

Target price is for 12 months.

Research Analysts

Guy Hardwick

Full Report

Date of Production: 27-Apr-2023 19:55:59 UTC Date of Dissemination: 27-Apr-2023 20:00:05 UTC

CREDIT SUISSE

Specialized Finance | Increase Target Price

27 April 2023

MasterCard Inc. [MA.N]
Q1 2023 Earnings Recap; Updated 2019-base CAGR analysis

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	373.67
Target price (US$)	(from 390.00) 400.00
52-week price range (US$)	382.39 - 283.38
Market cap(US$ m)	356,198
Enterprise value (US$ m)	346,779

Target price is for 12 months.

Research Analysts

Moshe Orenbuch

Timothy Chiodo, CFA

Nik Cremo

Christopher Zhang, CFA

Hoang Nguyen

Dylan Wright

Jing Zhang

Patrick Ennis

Kyle Lindgren

- **FY 2023 outlook increased alongside Q1 revenue beat:** Mastercard delivered a ~2% revenue beat, roughly similar to the ~2.5% beat we saw from Visa. However, Mastercard's outperformance was rooted in better global volume growth, while Visa's revenue upside was driven by yield (particularly within Services revenues/brand fees and not from cross-border yields). From a macro perspective, Mastercard's US volume trends showed stability in April vs. March (albeit with both months slower vs. Q1 levels, in part due to lower tax refunds), with management noting that they are not seeing any material change in broader consumer health. This allowed Mastercard to raise organic FXN revenue expectations into the low teens (slightly up from the high-end of LDD prior, meaning the increase to the FY guidance was largely driven by the Q1 results). In total, Q1 organic FXN ex-Russia revenue grew ~20% (CSe), with the Q2 outlook calling for a roughly ~800bps deceleration to ~12% (guided to high end of low-double digits) driven by tougher comps (Omicron impacted prior Q1 more than Q2, VAS stronger than expected in Q1 2023), lower FX volatility, lower tax refunds, normalizing cross-border travel growth, and easing inflation. This compares to Visa's CQ2 guide implying a deceleration of ~500-600bps, albeit from a starting point of ~18% FXN ex-Russia). We model Mastercard US volumes +7% YoY in Q2 (vs. Visa ~6.5% in CQ2), roughly in line with the April MTD trends (and implies a relatively stable 2019-base CAGR April-June). We continue to believe that Mastercard has attractive qualities in the current environment, including profitability (~50-60% EBIT margins, high FCF conversion, GAAP-like EPS), balanced exposure (discretionary vs. non-discretionary, goods vs. services, CNP vs. CP), ability to grow through moderate recessionary conditions, inflationary benefits (~55%+ of gross revenue priced ad valorem), and mix shifts (cross-border evolving to become more eCommerce-focused [less travel focused]), as outlined in our deep dives, "Visa & Mastercard: Analyzing the Medium-Term Growth Algorithm" & "Visa & Mastercard: Demystifying the Models".
- **Valuation & estimates:** We update our target price of $400 based on ~27.5x 2024E (implying a ~1.6x relative P/E vs. S&P 500, roughly in line with the historical average). Our 2023/2024E EPS move to $12.35/$14.72 (vs. prior $12.25/$14.43) on updated guidance. Risks are macro (consumption), cross-border, acquisition impacts, & FX.

Full Report

Date of Production: 27-Apr-2023 23:06:40 UTC Date of Dissemination: 27-Apr-2023 23:07:47 UTC

TFI International [TFII.N]
1Q miss and cut to EPS outlook reflect macro headwinds, but FCF and long-term compound opportunity make TFI attractive after pull-back

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	101.55
Target price (US$)	(from 137.00) 121.00
52-week price range (US$)	127.85 - 72.99
Market cap(US$ m)	8,812

Target price is for 12 months.

Research Analysts

Ariel Rosa

Ben Mohr

Daniel Lai

- **Nimble in established segments, temporary struggles with newest segment:** TFII reported 1Q adj. EPS of $1.33, down -20% y-y, below our $1.53 and Street's $1.49 estimates. Revenue ex-fuel declined -18% y-y to $1.56 billion, $17 million below our target. Adj. OR deteriorated 130 bps y-y to 89.7%, 140 bps worse than our target. Weak macro conditions were evident in results, as US LTL revenue ex-fuel fell -21% y-y driven by a -20% decline in shipments and a -1% decline in revenue per shipment. As we noted in our 1Q earnings preview, we expected significant headwinds for truckers this quarter given depressed spot rates and excess capacity. On the cost side, TFI exhibited impressive ability to flex costs down to match volume declines, with adj. OR improving 340 bps y-y to 75.7% for P&C, 360 bps y-y to 75.5% for Canadian LTL, and 250 bps y-y to 84.5% for Specialized Truckload. However, its newest segment, US LTL, struggled, with adj. OR deteriorating 500 bps to 95.7% (92% excluding one-time items), reflecting more work to be done in margin improvement.
- **TFI maintains unique ability to navigate cycles, roll up businesses, deliver FCF:** Like several of its peers, TFI fell sharply yesterday after reporting earnings (down -11%). Unlike some other carriers, however, we did not view TFI as having a particularly rich valuation going into earnings, with the stock offering a free cash flow yield of roughly 7%. Even with the challenging quarter, TFI's FCF in the quarter was nearly $200 million, up 113% y-y. CEO Alain Bedard acknowledged the challenges from the soft demand environment, which is hurting density in its most challenged segments such as US LTL. This drove a cut to the company's'23 EPS outlook to $7.00-7.25 from $7.50-7.60. Nevertheless, TFI continues making acquisitions (including 5 year-to-date), which should continue to deliver compound earnings growth over time. The company's relentless focus on free cash flow generation should give it options to drive earnings through the cycle, both through continued buybacks and with its target for a large acquisition. With the stock now at 14x our estimate of cyclically depressed 2023 earnings, its valuation appears reasonable, particularly for those investors who can hold through the cyclical downturn.
- **We remain Outperform but trim our TP to $121** (from $137) based on a 17x target PE on our '23e EPS of $7.15 (down from $7.40). We lower our '24e EPS to $8.30 from $8.70. Key risks include continued macro weakness, US LTL turnaround execution, and uncertainties with regard to future acquisitions.

Full Report

Date of Production: 27-Apr-2023 22:37:53 UTC Date of Dissemination: 27-Apr-2023 22:39:25 UTC

Eli Lilly [LLY.N]
1Q23 Second Opinion; Increasing TP to $420

OUTPERFORM

Rating	OUTPERFORM
Price (26-Apr-23, US$)	376.27
Target price (US$) (from 400.00)	420.00
52-week price range (US$)	390.35 - 285.70
Market cap(US$ m)	358,340
Enterprise value (US$ m)	367,109

Target price is for 12 months.

Research Analysts

Trung Huynh

Carson Wong

- **Solid 1Q23 results with Mounjaro outperformance.** Overall 1Q23 sales came in slightly ahead of expectations. Importantly Diabetes came in 8% above consensus driven by higher than expected sales for Mounjaro (30% beat), and Trulicity (5% beat). With a hyper-focus on Mounjaro, 60% of scripts are now paid (up from 40% in FY22 results). This performance more than offset slightly weaker sales of Immunology (5% miss), Neuroscience (7% miss), and oncology (5% miss). There was a step up in costs, but this has been well flagged by the company as they need to keep investment for growth.

All eyes on TRAILBALZER-ALZ 2 and ADA. The next key catalysts for LLY will be donanemab's Phase 3 TRAILBALZER-ALZ 2 Alzheimer's data in 2Q, and the ADA conference (June 23-26), where LLY will present the full data from SURMOUNT-2, Phase 2 data for orforglipron (oral GLP-1), and retatrutide (GGG agonist). On the call, management were confident in the donanemab opportunity, reiterating the strong Phase 2 data, and the potential to stop dosing after 12 months. The team is currently engaged in building awareness and getting patients access to these medicines, where they are increasingly confident US medicare will be able to fully cover Alzheimer's drugs.

We reiterate our Outperform and increase Target Price to $420 from $400. Following today's print, we have increased our forecasts for Mounjaro to reflect stronger than expected uptake. We now forecast 5% higher 2023 EPS of $8.81 (vs. $8.41 prior).

Catalysts and Risks: (1) TRAILBLAZER-ALZ 2 in mid-2023, (2) ADA 2023, and (3) SURMOUNT-3/4 in mid-2023. Risks include worse-than-expected commercialization of Mounjaro, failure of donanemab, and worse-than-expected clinical study data.

Valuation: Our target price of $420 is based on a 25:75 blended discounted cash flow (DCF) valuation of $454 and a relative P/E valuation of $408. LLY currently trades on a 2024 P/E of 33x, a premium to US peers of 15.4x. On EV/NPV LLY trades on 1.58x vs. peers on 1.07x.

Full Report

Date of Production: 27-Apr-2023 23:44:40 UTC Date of Dissemination: 27-Apr-2023 23:48:33 UTC

FirstCash, Inc. [FCFS.OQ]
1Q23 EPS Beat On Revenue; Improved Growth Outlook On AFF; Raise TP

NEUTRAL

Rating	NEUTRAL
Price (27-Apr-23, US$)	102.70
Target price (US$)	(from 91.00) 100.00
52-week price range (US$)	102.70 - 64.24
Market cap (US$ m)	4,754.31
Enterprise value (US$ m)	6,384.11

Target price is for 12 months.

Research Analysts

Moshe Orenbuch

Hoang Nguyen

- FCFS reported 1Q adjusted EPS of $1.25, above CSe of $1.16 and cons of $1.23. The beat vs our estimate was primarily due to better-than-expected revenues across all segments (U.S. pawn, LATAM pawn an AFF), particularly in pawn's scrap proceeds (strong gold prices) and AFF. This offset higher-than-expected cost of revenue and opex (opex was higher across business segments as well, though this is mainly to support the better-than-expected revenue growth). Mgmt raised AFF growth outlook and is "highly positive" on 2023 outlook. FCFS will also continue to open and acquire new pawn stores this year. Overall, we view the quarter as **positive**.
- **Bottom Line:** Our 2023/2024/2025 EPS estimates are $5.96/$6.74/$7.13 (old: $5.95/$6.40/$6.65). Our target price is $100 (old: $91), 15x our 2024 EPS estimates. Reiterate Neutral rating. Risks to our estimates and TP include weaker than expected performance in AFF and lower-than-expected retail margins.
- **Positives. 1)** Better-than-expected revenues across all segments, primarily driven by pawn's scrap proceeds (strong gold prices) and AFF. **2)** Mgmt increased growth outlook for AFF and is upbeat on overall 2023 outlook.
- **Negatives. 1)** Higher opex, though this is mainly to support the better-than-expected top line growth.

Full Report

Date of Production: 27-Apr-2023 21:38:29 UTC Date of Dissemination: 27-Apr-2023 21:39:36 UTC

Olin Corporation [OLN.N]
Full yr 2023 EBITDA guide upside; Mixed MarQ results & JunQ guide

UNDERPERFORM

Rating	UNDERPERFORM
Price (27-Apr-23, US$)	54.67
Target price (US$)	52.00
52-week price range (US$)	66.92 - 42.21
Market cap(US$ m)	7,155
Enterprise value (US$ m)	9,444

Target price is for 12 months.

Research Analysts
John Roberts
Matthew Skowronski
Edlain Rodriguez

- **Full yr 2023 EBITDA guide mid-pt of $1.75B v $1.65B prior CSe.** Call at 9AM ET Friday (4/28/23) (877-883-0383 #7706307). JunQ23 adj. EBITDA guide slightly below $434M vs. $441M/$434MM CSe/consensus. MarQ23 adj EBITDA of $434M v $426M CSe. Olin continues to focus on margins over volume, curtailing additional production during the qtr.
- **Chlor-Alkali EBITDA of $360M vs. CSe $318M**: Chlor-Alkali and Vinyls (CAV) adjusted EBITDA declined 20% Y/Y on 12% lower volume. Pricing was up on all chlorine derivatives except vinyls. Olin curtailed overall production to minimize caustic soda, which is the weaker side of the ECU. Industry consultant CMA expects N. American caustic soda prices to decline Q/Q in 2Q23.
- **Epoxy/Winchester EBITDA of $36M/$67M vs. CSe ~$61M/$71M**: Epoxy adjusted EBITDA declined 77% Y/Y on 40% lower sales excluding the exit of cumene/bisphenol-A intermediate sales. Epoxy volumes declined 31% Y/Y, reflecting weak durables demand globally, & elevated China exports. Winchester adjusted EBITDA declined 46% Y/Y on lower commercial sales, partly offset by higher government sales.
- **Valuation & Risks**: We decrease our 2024/2025 estimates modestly reflecting a slower recovery in Epoxy margins than previously expected. Our 2023/2024/2025 EPS moves to $5.75/$8.15/$13.65 from $5.74/$9.25/$15.70 previously. Our NTM EBITDA rolls forward to ~$1.8B (end MarQ24e) approximately unchanged from ~$1.8B (end DecQ24e) previously. We apply an unchanged ~4.5x multiple, and our target price remains $52 as a result. Upside risks to our Underperform rating include significant supply outages or closures, which could boost chlor-alkali chain prices above our base case, and an acceleration of end-market demand above our base case.

Full Report

Date of Production: 27-Apr-2023 21:20:47 UTC Date of Dissemination: 27-Apr-2023 21:22:26 UTC

United Rentals [URI.N]
United We Stand

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	357.66
Target price (US$) (from 544.00)	482.00
52-week price range (US$)	479.57 - 235.84
Market cap(US$ m)	24,816
Enterprise value (US$ m)	35,589

Target price is for 12 months.

Research Analysts

Jamie Cook, CFA

Chigusa Katoku

Anika Dholakia

- **Thoughts Post Call:** URI's stock closed down 5% after beating street expectations on sales and EBITDA. Sales of $3.285B were up 30.2% y/y with Rental revenue of $2.740B up 26% y/y and above consensus estimate of $2.686B reflecting broad end market strength, the acquisition of Ahern, and a 2% increase in fleet productivity. Pro forma for Ahern, Q1'23 rental revenue grew 16.6% reflecting 5.9% fleet productivity growth. Ahern integration is on track and impact during the quarter was in line with expectations. URI estimates that the Ahern asset base generates rental revenue of $0.40 on every dollar while URI generates $0.60 and is therefore dilutive, which is expected to lead to a ~4 point drag on fleet productivity for the rest of the year. Adjusted EBITDA for the quarter was $1.503B vs consensus at $1.470B, with margins increasing 70 bps as reported although up 160bps on a pro forma basis to 45.8%, tied to the dilutive effect of Ahern. Sales of used rental equipment of $388M grew 83.9% y/y largely due to the normalized volumes after holding back on sales in 2022. We view that the Ahern deal, although a drag through 2023, adds capacity and positions URI to capitalize on macro resilient mega trends in the medium term like infrastructure spend, clean energy and advanced manufacturing funded by the IRA, and private investments across autos, semiconductors, energy and power. We tweak our FY23-25 Adj. EBITDA to $6.85B, $7.16B and $7.4B and TP to $482, based on 6x 2024 EV/EBITDA. Risks: macro, M&A integration, inflation.

- **Details on Outlook:** URI reaffirmed its 2023 revenue outlook of $13.7-14.2B which at the midpoint of $13.95B is up 20% y/y or up 12% pro forma and slightly below consensus at $14.055B. Sale of used equipment is implied at $1.3B. Adj. EBITDA is unchanged at $6.60-6.85B which at the midpoint of $6.725B is up 20% y/y and also slightly below consensus at $6.778B. Adj. EBITDA margins are implied flat y/y at the midpoint and flow through at 48%. On a pro forma basis, margins are implied up 80bps y/y with flow through in the mid-50s. Net rental capex is also unchanged and seen between $2.00-2.25B, which is down 14% y/y after gross purchases of $3.30-3.55B. Net cash provided by operating activities is seen at $4.4-4.8B and free cash flow excluding merger and restructuring related payments is seen at $2.10-2.35B. Guidance reflects strong visibility into customers' pipelines. Recent acquisition integrations are on track, adding valuable capacity that will support customers across infrastructure, industrial, manufacturing, energy and power related opportunities.

Full Report

Date of Production: 27-Apr-2023 21:55:08 UTC Date of Dissemination: 27-Apr-2023 21:58:03 UTC

Bread Fincl Hldg [BFH.N]
1Q23 Miss On NII & Reserve Build But Losses & Spending Better

NEUTRAL

Rating	NEUTRAL [V]
Price (27-Apr-23, US$)	27.30
Target price (US$)	40.00
52-week price range (US$)	57.46 - 26.76
Market cap(US$ m)	1,368
Enterprise value (US$ m)	2,413

Research Analysts

Moshe Orenbuch

Hoang Nguyen

- **BFH reported 1Q EPS of $9.08. Excluding the gain on sale from the BJ's portfolio, we gauge core earnings of $5.81, below CSe of $6.39 and cons of $7.00.** The miss vs our estimate was primarily due to lower revenue ($0.25 impact, ex. GOS), primarily due to lower NII from lower cash and investment securities, as NIM and loan growth were in line (average loan ~1 ppt better). This was offset by lower/better interchange net of RSA. Opex was mostly in line, while provision was slightly higher than CSe ($0.09 impact, driven by lower-than-expected reserve release, as losses were better). Credit sales were 2 ppt better than CSe. Management is assuming a more challenging macro outlook in 2023, and maintains prior guidance. Overall, we view the quarter as **moderately positive**.
- **Bottom Line:** Our 2023/2024 EPS estimates are $10.90/$10.70 (old: $7.40/$10.80). Our target price is $40, 4x our 2024 EPS estimates. Reiterate Neutral rating. Risks to our thesis include higher-than-expected provision and lower-than-expected growth.
- **Positives. 1)** Better/lower interchange net of RSA. **2)** Credit sales were 2 ppt higher than CSe. **3)** Losses were 4% lower than expected, though reserve build drove the overall provision higher.
- **Negatives. 1)** NII of $1.12 Bn came in below CSe of $1.14 Bn, though this was driven by lower cash and investment securities balance.

Full Report

Date of Production: 28-Apr-2023 01:01:28 UTC Date of Dissemination: 28-Apr-2023 01:04:31 UTC

Molina Health [MOH.N]
Q&A Our Way: Continued Conservatism in 2023; Still Seeing Substantial Embedded Earnings Power

OUTPERFORM

Rating	OUTPERFORM
Price (26-Apr-23, US$)	275.57
Target price (US$)	(from 347.00) 350.00
52-week price range (US$)	369.23 - 251.75
Market cap(US$ m)	16,057
Enterprise value (US$ m)	13,118

Target price is for 12 months.

Research Analysts

A.J. Rice

Jonathan Yong

Enjia Cao

Anastasia Parafestas

Carlos Penikis, CFA

Joseph Overman

MOH reported 1Q23 EPS of $5.81, $0.62 ahead of cons due to better MLR and investment income. MOH also raised its 2023 outlook with EPS of 'at least $20.25' from 'at least $19.75'.

- **Conservative Outlook for 2023 and Beyond:** Management continues to take a conservative stance relative to its financial outlook, with no change towards the remainder of the year after 1Q outperformance. On Medicaid redeterminations, while 13 out of MOH's 18 Medicaid states have marketplace offerings, guidance does not forecast any recapture. Currently only one state has started the redetermination process, and the majority do not begin until June or July. The Medicaid corridor position could provide some cushion depending on if trends align in the proper geographies. Recent RFP wins and two recent acquisitions represent $4.00 of embedded unrealized earnings power. There is an additional $2 in embedded EPS savings related to Covid corridors in three states, which guidance assumes remain in place. There may also be further revenue growth in 2024 in the form of new RFP wins or acquisitions that have yet to be announced.
- **MLR and Membership Growth:** Medicaid 1Q23 MLR of 88.4% would have been closer to the lower end of the LT range of 88-89% if not for the impact of the prior period premium activity. MOH expects to grow Medicaid membership in Texas under the RFP despite a new entrant into the market. Regarding its Marketplace segment, MOH boosted 2023 pricing by 9% but still does not expect the 1Q23 MLR strong outperformance to continue. On Medicare, the final rate notice has less of a relative impact for MA, as MA represents only 13% of revenue, with over half of the company's Medicare business being in the MMP program which is not affected by items such as Star ratings and risk adjustments. D-SNPs continues to see above market growth (up 15% Y/Y for MOH) despite competitor focus, with the company enjoying brand recognition from Medicaid.
- **Raising EPS:** We are raising our 2023/2024 EPS to $20.35/23.35 from $19.80/23.15. We raise our TP to $350 (from $347) based on 15x P/E our 2024 estimates. Risks include Medicaid contract losses, increases in utilization or reimbursement pressure, and Marketplace utilization pressure.

Full Report

Date of Production: 27-Apr-2023 22:02:10 UTC Date of Dissemination: 27-Apr-2023 22:03:36 UTC

Healthcare Services Group [HCSG.OQ]
Good Start on a Normalized Year post-Contract Modifications

NEUTRAL

Rating	NEUTRAL
Price (25-Apr-23, US$)	13.88
Target price (US$)	(from 14.00) 17.00
52-week price range (US$)	18.56 - 12.00
Market cap(US$ m)	1,033
Enterprise value (US$ m)	994

Target price is for 12 months.

Research Analysts

A.J. Rice

Jonathan Yong

Enjia Cao

Carlos Penikis, CFA

Joseph Overman

- **Stronger Margins Lift Quarter, Rest of Year Discussed:** In 1Q23, HCSG posted 10.4% gross margin from Housekeeping and 6.6% for dining, an improvement sequentially and Y/Y. However, revenues came in at $417.2 mln which missed HCSG's 1Q top-line guide of $420-425 mln. Management attributed the top-line miss to pulling forward the final tranche of contract modification exits. Management indicated that the revenue impact of contract modifications and the pricing increases are fully reflected in Q1 and expect flat revenues sequentially for Q2 and sequential growth in 2H23. Due to lengthening payroll accrual days in Q2, management projects $15-25 mln in free cash flow in Q2 and $20-30 mln in free cash flow for the rest of the year. For FY 2023, free cash flow is expected to be $30 mln. The company highlighted positive cash collection momentum in the quarter and notes that the use of $16 mln in operating cashflow and increase in AR this quarter was attributable to timing of payroll accruals. DSO is expected to remain flattish with a downward trajectory since Q1 is traditionally the weakest quarter of the year for working capital.
- **Inflation Pass-through Dynamics:** HCSG noted that the higher inflationary increase in 3Q22 of 2.7% is passed through in 1Q whereas actual inflation in the quarter was 0.4%, which contributed to higher margins. Margins are also impacted by execution and new business adds. The company continues to see dining segment margins going forward in the MSD-HSD range. Q4 food-at-home inflation was 1.1% and, in March, food-at-home CPI was -0.3%, which reads through positively for margins next quarter.
- **Labor Market Update, Generally Positive for HCSG:** HCSG highlighted that labor dynamics are stabilizing, noting that job openings and wage growth are trending downward and labor force participation rates continue to trend positively. HCSG saw more improvement in the labor market in suburban and urban markets compared to rural. The labor dynamic by market drives higher occupancy in urban/suburban vs rural nursing homes.
- **Model Update:** We adjust our FY EPS to $0.68 (vs $0.41 prior) based on management guidance on the revenue trajectory in the remainder of the year. Our target price is $17 (vs $14 prior), which is based on 25x (unch.) our 2024 EPS Estimate. Risks to our estimates include pace of new business adds, labor pressures, and further facility exits.

Full Report

Date of Production: 27-Apr-2023 21:04:48 UTC Date of Dissemination: 27-Apr-2023 21:06:13 UTC

SS&C Tech Hldgs [SSNC.OQ]

Accelerating organic growth to drive multiple

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	55.89
Target price (US$)	(from 78.00) 83.00
52-week price range (US$)	66.27 - 46.46
Market cap(US$ m)	13,942
Enterprise value (US$ m)	20,175

Target price is for 12 months.

Research Analysts

Kevin McVeigh

Victor Khong

Marc Vitenzon

BOTTOM LINE—we take our target to $83 up from prior Street-high $78 as we believe the stock is poised to meaningful rerate in 2023. This rerating occurs as the market becomes comfortable with an accelerating organic growth story as evidenced by reaffirmed 2-6% 2023 organic revenue growth guidance. Q1 organic growth was 1.9% led by Blue Prism [10.9% (5% revs)], I&IM [9.7% (5% revs)], and retirement [8.3% (3% revs)]. As important there was meaningful inflection at GIDS [DST]—[3.6% (~20% revenue). While margins slipped 240bps on 127% YoY interest expense and FX headwinds, SSNC is poised to drive leverage over balance of 2023. Operating cash flow rose almost 40% YoY in Q1. In our view, SS&C continues to offer investors a unique opportunity to benefit from disruption in financial services, fueled in part by substantial data needs amid ever-increasing asset complexity. Remain Outperform on no fundamental change to story and expected H2 ramp. We increase target price to $83.

- **Results [Q1]: MIXED**

Revenue: $1.363b [CSe/Street $1.352b/$1.350b].

EPS: $1.11 [CSe/Street $1.14/$1.14].

Guide [Q2]: MIXED

Revenue: $1.335b-$1.375b, $1.355b midpoint [CSe/Street: $1.399b/$1.381b]

EPS: $1.08-$1.14, $1.11 midpoint [CSe/Street: $1.22/$1.19]

Guide [FY23]: REITERATED

Revenue: $5.455b-$5.655b, $5.555b midpoint [CSe/Street: $5.555b/$5.535b]

EPS: $4.67-$4.97, $4.82 midpoint [CSe/Street: $4.85/$4.84]

- **CS EPS:** 2023E/2024E maintained at $4.85/$5.50.
- **Positives**—multiple client wins, inorganic growth opportunities given valuation reset
- **Negatives**—high interest expense, deceleration in Blue Prism growth for the quarter
- **$83 [up from $78] target price is ~11.1x 2024E EV/EBITDA**—vs three-year avg/range of ~11.7x/7.9-13.5x—**~11.5x** blended comps: **~9.0x** [~85% weight software-enabled services [FIS (~8.0x), FISV (~11.5x), and SEIC (~12.0x)] + **~2.5x** [~15% weight—license [BR (~14.0x '24E EV/EBITDA) and ENV (~13.6x)] and [JKHY (~16.6x)].

Full Report

Date of Production: 28-Apr-2023 02:20:51 UTC Date of Dissemination: 28-Apr-2023 02:23:59 UTC

AllianceBernstein [AB.N]
Off The (1Q23) Call – Bull Thesis Intact/ Improving; Lift '24E/Target Price

OUTPERFORM

Rating	OUTPERFORM
Price (26-Apr-23, US$)	34.10
Target price (US$)	(from 44.00) 44.50
52-week price range (US$)	45.27 - 32.31
Market cap(US$ m)	3,424
Enterprise value (US$ m)	3,424

Target price is for 12 months.

Research Analysts

Bill Katz

Michael Kelly

Cameron Phillips

- **Four-Pronged Fundamental Bull Thesis Intact** – After wading through 1Q23 and post-quarter conference call, we believe the bull case for AB remains intact, if not incrementally improving into 2Q23 – even as we expect elevated, though quite low-fee, institutional run-off into April. We come off the call bullish on: **1)** underlying organic growth trends; **2)** foresee further retail/FI share gains; **3)** favorable fee rate migration, notwithstanding tactical decline 4Q22/1Q23; and **4)** further, potentially outsized (relative to peers, ex. above-trend markets) margin improvement – with surprising condensed Q/Q disclosure understating core operating profitability in 1Q23, we believe.
- **Multiple Flow Drivers** – We now forecast 1.3% annualized organic growth rate (AOGR) for '23 followed by 2.6% AOGR for '24, vs. 2.1% and 2.6% AOGR, respectively, previously. Key focal areas likely center on Alts and Fixed Income (FI), and lesser degree equities; pick up in retail/ global and Private Wealth. Within Alts, see room for favorable private credit, Private Equity, Credit; within FI, both public and private credit, with favorable lead indicators. At the margin, expect further coordination with EQH, nascent retail credit interval fund and further productivity gains/ faster unit growth from Private Wealth, the latter further migrating to UHNW segment, a catalyst for less correlated mandates, we believe.
- **Underlying Margin Modestly Understated** – Adjusted for "Interest on Borrowings," which factor AB-related B/S debt, put pro forma "core" margin at ~29% vs. our similarly calculated ~27%-E. We believe comp/net revenue flex for FY23, Sell Side JV and residual HQ relocation synergies, point to ~30% margin by YE24, with upside into '25E.
- **Adjust '23-24 Earnings Per Unit (EPU) Forecast** – To $2.78 and $3.25 for '23E/'24E, vs. $2.81/$3.21 prior. Reflects QTD market action, tweaked flow prospects, refined operating income, non-operating income & taxes. Our estimates do not factor any capital management associated with Sell Side JV, still slated by YE23, nor deals, and we expect management to remain active. We factor recent financial guidance – generally stable Q/Q.
- **Retain Outperform** – We raise our Target Price $0.50 to $44.50, or 13.5x (unchanged) our revised '24E EPU, discounted by six months at a 10% cost of equity, plus $2.50 for NPV of future HQ relocation savings. Remains favored Traditional. Downside risks include worse organic growth, more acute margin pressure, and market-led NAV declines.

Full Report

Date of Production: 27-Apr-2023 22:12:45 UTC Date of Dissemination: 27-Apr-2023 22:13:41 UTC

Oshkosh Corporation [OSK.N]
Up and Access

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	76.50
Target price (US$) (from 113.00)	96.00
52-week price range (US$)	106.02 - 70.29
Market cap(US$ m)	5,008
Enterprise value (US$ m)	4,820

Target price is for 12 months.

Research Analysts

Jamie Cook, CFA

Chigusa Katoku

Anika Dholakia

- **Thoughts Post Print:** OSK closed flat after exceeding Q1'23 consensus EPS by 54% on better sales and margins driven by access equipment performance. Vocational performance was largely in line whereas Defense margins continue to be challenged. For the full year 2023, OSK raised EPS to $6.00 from $5.50 which was essentially the first quarter beat. Incentive compensation is now expected to be a $1.10 headwind to EPS versus $0.80 prior and product development costs unchanged at $0.30. OSK bumped up its AE and Vocational margin forecast 50 bps to 11.5% and 8.0% respectively and lowered Defense margins to 3.25% from 4.0%. Despite macro concerns, OSK continues to see good demand for its products with backlog now sitting at $14.8B and currently close to one year out. Assuming supply chain improves, OSK sees upside to guidance and is aiming to ramp production shortening lead times. OSK is still targeting its 2025 EPS targets although sees the JLTV loss as a headwind that needs to be overcome assuming OSK does not win the protest. OSK is also strategically looking to diversify its Defense business via contracts like the US Postal Service NGDV and expects a down-select decision on the OMFV this summer. We view this print as a step in the right direction in terms of regaining credibility after missing EPS guidance in 2022 however believe the market is looking for more consistent EPS performance across the portfolio and greater confidence the macro holds. We tweak our FY2023-25 adjusted EPS to $6.00, $6.85 and $8.00 and TP to $96. Risks: supply chain, rising input costs, macro.

- **Details on Outlook:** OSK increased its FY'23 adjusted EPS guide to ~$6.00 (prev. ~$5.50), above FactSet consensus estimates of $5.61. Revenue is expected at ~$8.65B (prev. ~$8.4B) vs. consensus of $8.461B, with operating income of ~$570M (prev. ~$530M), above cons. estimates of $544M. By segment, AE sales are projected to be $4.4B (prev. $4.2B) on margins of ~11.5% (prev. ~11%), Defense sales are ~$2.1B (prev. ~$2.0B) on margins of ~3.25% (prev. ~4%) and Vocational sales are ~$2.2B (unchanged) on adjusted margins of ~8.0% (prev. ~7.5%). Corporate expense is seen at ~$180M (prev. ~$170M), CapEx at ~$350M (unchanged), adj. tax rate at ~25% (unchanged), and FCF at ~$300M (unchanged) while OSK assumes a share count of ~65.7M. For Q2, OSK expects revenues and Adj. EPS in line with Q1.

Full Report

Date of Production: 27-Apr-2023 23:02:23 UTC Date of Dissemination: 27-Apr-2023 23:03:25 UTC

CREDIT SUISSE

Pharmaceuticals | Decrease Target Price

27 April 2023

Bristol-Myers Squibb Co. [BMY.N]
1Q23 Second Opinion; Trimming PT to $72

NEUTRAL

Rating	NEUTRAL
Price (27-Apr-23, US$)	67.61
Target price (US$)	(from 78.00) 72.00
52-week price range (US$)	81.13 - 65.71
Market cap(US$ m)	142,204
Enterprise value (US$ m)	162,858

Target price is for 12 months.

Research Analysts

Trung Huynh

Carson Wong

- **No surprises as 1Q23 results; FY23 guide reiterated.** BMY had a solid 1Q23 print, slightly below consensus on the top and bottom lines. Key growth drivers of Eliquis, Breyanzi, Abecma, and Camzyos performed well but sales were offset by weaker performance of Reblozyl, Yervoy and Revlimid. Gross Margin came in better than expected at 78% vs cons 77% despite being pressured (Revlimid, cell therapies), while R&D and MS&A came in as expected. The 2023 guidance remains the same with reported sales of $47.1bn (vs. CSe $46.9bn), and non-GAAP EPS of $7.95-8.25 (vs. CSe $7.99bn).

- **More clarity on execution required.** It was announced yesterday Giovanni Caforio (Chairman and CEO) will retire as CEO from November 1, 2023 to be succeeded by Christopher Boerner (COO). While unlikely strategy will change considerably, in our view, the short-term challenge for new management will be to deliver acceleration of the key growth drivers, expected in 2H, that could help multiple expansion. However, despite the good performance in 1Q23, and encouraging comments on the call for some growth drivers, we still need to see more execution before being more constructive. For Sotyktu, Camzyos, and Cell therapy, we are broadly in-line with consensus on these launches in 2023, and believe the current risk/reward is well reflected in current valuations.

- **Reiterate Neutral & decreasing TP to $72 from $78.** We have made minor changes to our modeling following 1Q23 results, with revisions mainly around lower Revlimid sales expectations in the out years. Our 2023 EPS remains unchanged at $8.00, but we have decreased our 2024 and 2025 EPS to $8.26 and $8.51 respectively (from $8.45 and $8.71 prior).

- **Catalysts and Risks:** (1) Phase 2 Sotyktu UC data in 2023, (2) Phase 3 CM-7DX for Opdivo first-line metastatic castration-resistant prostate cancer in 2H23-24, and (3) Phase 2 EMBARK-HFpEF Camzyos data in 2H23-24. Risks include macro conditions continuing to deteriorate revenues, pricing headwinds, and pipeline surprise to clinical trials.

- **Valuation:** Our target price of $72 is based on a 25:75 blended DCF valuation of $61 and a relative P/E of $76. BMY trades on a 2024E P/E of 8.2x, a c.47% discount to US peers of 15.4x. On EV/NPV, BMY trades on 1.04x vs peers on 1.07x.

Full Report

Date of Production: 27-Apr-2023 23:46:14 UTC Date of Dissemination: 27-Apr-2023 23:47:49 UTC

Accolade [ACCD.OQ]
FY24 EBITDA Outlook Improved Better than Expected but Expectations Might Have Been Higher

NEUTRAL

Rating	NEUTRAL [V]
Price (27-Apr-23, US$)	16.06
Target price (US$)	13.00
52-week price range (US$)	16.06 - 5.28
Market cap(US$ m)	1,169
Enterprise value (US$ m)	1,136

Research Analysts

Jonathan Yong

A.J. Rice

Anastasia Parafestas

This note replaces the prior note from 4/27/23 which incorrectly listed FY24 EPS as -$1.93 and should be -$1.94.

- **FY24 EBITDA Outlook Improved, as Expected, but Expectations Likely Higher:** As we surmised in our F4Q23 preview, ACCD increased their FY24 EBITDA outlook by ~$12.5 mln at the mid-pt which now sees an EBITDA loss of $(8)-(16) mln compared to a loss of $(21)-(29) mln. The improved outlook is a nice positive and a touch better than we originally anticipated. Further, this does point to a strong FY25 when the full run rate of cost reductions come through and the company originally projected achieving breakeven before these cost reductions. That said, we did note expectations were elevated into the print with an expectation of stronger revenues or an EBITDA much closer to breakeven for FY24 relative to what the company guided towards. All-in, this is a nice positive and continues a string of positive developments over the past 12 months, but we remain Neutral rated on valuation and possible macroeconomic headwinds. Looking ahead, the company's analyst day on May 8th could provide incremental changes to the LT outlook as well as a deeper dive into the business.
- **Other Items and Opportunities:** As it relates to the unchanged FY25 EBITDA margin outlook, the company noted that they wanted to focus on FY24 at this point and the analyst day will be an opportunity for the company to adjust the margins at that point. On the Select Navigator Pilot, ACCD noted it does end at the end of April and could be an opportunity when the T5 contract goes live. Of note, the Select pilot, if moved into T5, would be an opportunity over and above the current T5 contract but would likely be different than the current pilot. Finally, the company highlighted that the rationalization of the vendor ecosystem with customers is one of the top three focus items which is a key factor for customers in choosing ACCD.
- **Raising EBITDA Estimates:** We are raising our FY24/FY25 EBITDA to $(12.3)/$16.6 mln from $(14.9)/$10.3 mln. Our TP is unchanged at $13 based on 2x our CY24 sales of $474 mln. Risks to our TP/rating include macroeconomic headwinds, less than expected cost savings, and greater competition.

Full Report

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Comcast Corp. [CMCSA.OQ]
1Q23 Wrap: Connectivity Beat and Raise; Greater Content Confidence

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	40.27
Target price (US$)	50.00
52-week price range (US$)	44.28 - 28.68
Market cap(US$ m)	169,781
Enterprise value (US$ m)	260,790

Target price is for 12 months.

Research Analysts

Douglas Mitchelson

Grant Joslin

Jane Feng

Chirac Ndetan

- **Forecast Update**: Following 1Q23 EBITDA well ahead by $827M, we are raising 2023 EBITDA $402M to $36.552B, essentially passing through the 1Q Connectivity beat while leaving full year Content EBITDA little changed. For 2Q, we see broadband net losses at 75k, Connectivity revenue/EBITDA -1.6% / +0.9% Y/Y and Content at +5% / -24% (bringing 2Q23 total EBITDA to $9.364B). Our 2024-2027 EBITDA/Capex/FCF estimates are little changed, while higher foreign taxes raising ETR impacts Adj EPS through our forecast period (including lowering 2023 $0.05 to $3.59).
- **Outlook:** Churn remains durably below pre-pandemic levels and broadband ARPU is growing rapidly (+4.5% Y/Y) despite significant competitive pressures, allowing for a natural margin tailwind when paired with Video declines, business connectivity growth, and notable Connectivity cost reduction efforts. Results increased confidence that there remains potential EBITDA growth upside for cable companies in 2023 (even after today's increase) and accelerating growth in 2024. Parks and Studios trends remain strong, and Peacock is at its full EBITDA loss run rate, while linear networks remain highly challenged. Overall, visibility is increasing during this difficult year which has elevated broadband competition, macro-driven advertising headwinds, tough political comps, currency and sport cost headwinds at Sky and peak investment at Peacock.
- **Valuation:** Our DCF-based target remains $50 (7.3%WACC, 0% terminal growth). Comcast trades at 6.7x '23e and ~6x '24-26e EBITDA. Risks: macro; broadband competition; content popularity; capital allocation; ultimate returns on the current network/parks/streaming investment cycle.

Full Report

Date of Production: 27-Apr-2023 23:23:51 UTC Date of Dissemination: 27-Apr-2023 23:25:11 UTC

CREDIT SUISSE

Biotechnology | Increase Target Price

27 April 2023

Ascendis Pharma [ASND.OQ]

Q1 Earnings: Skytrofa Exceeds Expectations, but Limited Visibility on Path Forward for PTH Likely an Overhang

NEUTRAL

Rating	NEUTRAL [V]
Price (27-Apr-23, US$)	76.98
Target price (US$)	(from 82.00) 89.00
52-week price range (€)	119.73 - 64.59
Market cap(US$ m)	3,974
Enterprise value (€ m)	3,489

Research Analysts

Tiago Fauth

Daniel Kim

Jonathan Woo

Geoffrey Weiner, MD PhD

- **ASND Q1'23 Earnings**: ASND reported Q1 Skytrofa revenues of €31.6M, handily beating consensus estimates (per Visible Alpha) of €19.6M by ~60%. The company guided to full-year 2023 Skytrofa revenues of €150-160M, significantly higher than consensus of €98M. ASND notes this strong performance has been driven by longer treatment experience, consolidation of the GH market, and continued medical affairs activity, building relationships with both patients and endocrinologists. Importantly, the company reiterated conviction in its path to profitability without the need for additional dilutive equity financing, though it did not provide specific assumptions underlying that path or how much PTH revenue trajectory influences that scenario. Overall, we view the GHD sales inflection as net positive, though lack of specifics on PTH's deficiencies/ path to resolution remains the main overhang for the stock.
- **No Details on PTH Path Forward, Though an Answer Might be Available Soon**: Following TransCon PTH's deficiency letter received earlier this month, ASND reported no new updates with regards to its interactions with the FDA. The company still does not know the deficiencies of its NDA package, and provided no visibility/expectations for potential resolutions of said deficiencies. While some scenarios could lead to a modest pushout on expected launch, the lack of details makes it difficult for investors to handicap the impact of the regulatory path forward.
- **Catalysts**: Key catalysts include Skytrofa's EU launch in Germany in Q3'23, as well as TransCon CNP's Ph2 1-Year OLE data in Q4'23. Also anticipated European Commission decision on MAA for TransCon PTH during Q4 2023, and if approved, potential launch in Germany in early 2024. Additionally, we expect TransCon IL-2 Ph1/2 monotherapy dose escalation data in Q1'23, TransCon IL-2 Ph1/2 combo therapy data in Q3'23, and Skytrofa Ph3 adult GHD data in Q4'23.

Model Changes: After updating our model for Q1 actuals and adjusting our projections, we now model 2023 EPS of -€10.22 (vs. -€10.64 previously) and our blended (standalone and M&A) DCF-based TP is $89 (from $82). Risks include clinical, regulatory, and commercial uncertainties.

Full Report

Date of Production: 27-Apr-2023 23:22:01 UTC Date of Dissemination: 28-Apr-2023 00:00:43 UTC

CH Robinson [CHRW.OQ]

New CEO announcement expected 2Q dispels some uncertainty; CH notes signs of capacity exits, rates bottoming; raises cost-out target

UNDERPERFORM

Rating	UNDERPERFORM
Price (27-Apr-23, US$)	99.68
Target price (US$)	(from 91.00) 93.00
52-week price range (US$)	119.55 - 88.17
Market cap(US$ m)	11,611
Enterprise value (US$ m)	13,512

Target price is for 12 months.

Research Analysts

Ariel Rosa

Ben Mohr

Daniel Lai

- **Miss on downturn but CH focused on cost-cutting for ST, tech-driven gains for LT:** CHRW reported 1Q adj. EPS of $0.98 (excluding a $3.7 mil. restructuring charge), down a considerable -52% y-y and missing our $1.03 and Street's $0.99 estimates. Adj. gross profit (AGP) was down -24% y-y to $686 mil. ($56 mil. below our target), but adj. gross margin improved 160bps y-y to 14.9% (missing our estimate by only 10 bps). Revenue for both NAST and Global Forwarding were worse than expected, echoing much of Transports this season on a lack of seasonal upswing into March and April. However, CHRW was up +8% today, which we believe reflects: (1) A level of reduced uncertainty from the announcement during the earnings call that the company plans on naming its new CEO in 2Q. (2) Signs of capacity exits that would be a precursor to rates bottoming from a read-through of CHRW's lower level of new carrier registrations. (3) CHRW raising its run-rate cost-out target to $300 mil. (vs. $150 mil. previously). Lastly, through the cycle, CHRW continues to invest in its tech platform that could support shipper/carrier insights-driven share gains and productivity-driven margin enhancement, which we view as a positive.
- **We remain concerned with near- and longer-term prospects given structural headwinds:** Since our initiation last summer, we have remained Underperform due to concerns over rising competition from tech platforms in the freight brokerage space. We continue to believe this headwind exists for the longer term, potentially putting a lid on earnings gains. Furthermore, with 70% contractual/30% transactional business across its book, CHRW may experience further margin pressures as contract rates lag spot rates in their decline through '23. In our model we brought down revenue forecasts sequentially from 1Q as a starting point and through '23 to reflect the market weakness. Based on CHRW's peak-to-trough historical analysis, it expects 4Q23 or 1Q24 for AGP/shipment to trough. With earnings constrained, cash flow becomes stifled as a result, and we think CHRW's aim of reducing leverage may have to be put on hold as it may need to issue debt in order to fund operations through the cycle, depending on its cost-out success.
- **We reiterate Underperform but slightly raise our Target Price to $93** (from $91) based on a 22x target P/E (from 18.5x) on our '23e EPS, reflecting a peak multiple on bottom-of-cycle earnings. We lower our '23e and '24e EPS to $4.25 (from $4.90) and $4.85 (from $5.40), respectively. Upside risks include a new CEO, tech initiatives driving new productivity, a faster economic recovery, and aggressive cost-outs supporting margins.

Full Report

Date of Production: 28-Apr-2023 01:18:57 UTC Date of Dissemination: 28-Apr-2023 01:20:37 UTC

Meritage Homes [MTH.N]
Healthy Orders and Closing of Spec Homes; Increasing Estimates and Target Price

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	122.23
Target price (US$)	(from 130.00) 140.00
52-week price range (US$)	127.88 - 64.97
Market cap(US$ m)	4,494
Enterprise value (US$ m)	4,220

Target price is for 12 months.

Research Analysts

Dan Oppenheim

Max Teplitz

- **Increasing 2023 and 2024 estimates on higher closing expectations, lifting TP to $140.** We are raising our 2023 and 2024 EPS estimates to $13.55 (from $11.15) and $11.05 (from $8.60) based on our expectation of higher closings as MTH generates volume from its spec-focused strategy. However, we continue to expect some pressure on margins from the still-difficult market environment. We maintain our Outperform rating and are raising our target price to $140 (from $130) based on a 1.2x multiple of year-end 2023 book value.
- **High spec level drives volume.** At this time of buyers wanting to move quickly and looking for alternatives to the limited existing home inventory, MTH has captured volume from its high spec levels, as MTH started 2023 with 4,900 spec homes, which provided buyers with homes where they could close within the quarter (45% of 1Q closings were from orders in 1Q). We expect the 3,900 spec homes at the end of 1Q will be sufficient to serve buyers in 2Q (we estimate 2Q orders of just under 3,600 homes and MTH will start approximately 4,000 homes in 2Q).
- **Likely to see modest pressure on margins in coming quarters.** We expect MTH's gross margin to trend lower during 2023 based on the lower level of demand and affordability challenges, and we expect a 21.2% gross margin in 2023 (down from 28.6% in 2022). We think margins will likely bottom in 2024.
- **Maintain Outperform rating with $140 target price.** Our target price of $140 (up from $130) is based on a 1.2x multiple of year-end 2023E book value. The key downside risk to our forecast is a severe decline in home prices that would lead to significant impairments.

Full Report

Date of Production: 28-Apr-2023 00:08:33 UTC Date of Dissemination: 28-Apr-2023 00:09:39 UTC

Caterpillar Inc. [CAT.N]
You CAT Bring Me Down

OUTPERFORM

- **Thoughts Post Print:** CAT closed down 1% after reporting a sizable beat on sales margins and earnings with impressive performance across all three segments in particular CI and RI. Total adjusted operating profit increased 47% to $2.7B driving incremental margins of 68%. Adjusted margins surprised on the upside at 21.1% achieving the high end of CAT's targeted margin range and compared to 13.7% last year, driven largely by more favorable than expected price cost coupled with better-than-expected factory efficiency and cost absorption tied to improving supply chain and favorable demand. CAT is sitting with backlog of $30.5B up 15% y/y providing above average visibility into the year. Furthermore, customers are starting to see the benefits of stimulus related to IIJA, broader onshoring and the IRA. CAT expects higher sales in Q2 compared to Q1 in line with typical seasonality. CAT expects E&T sales accelerate given strong sales to users which are supported by healthy demand. CAT expects sales levels comparable to the first quarter in CI and RI. Both segments are expected to report positive sales to users. CAT expects a smaller decrease in dealer inventory in the Q2'23 compared to a $400M decrease in Q2'22. Margins should substantially improve y/y however be lower compared to Q1 despite higher sales in line with typical seasonality. Y/Y price benefit should also moderate sequentially as CAT lapped prior year increases. In addition, SG&A and R&D investments should increase as CAT accelerates strategic investments. Finally, CAT does not anticipate the favorable absorption impact in the first quarter to be repeated. Unfortunately, similar to other industrial impressive prints, we believe the stocks are trading off on concerns earnings are backward looking and not reflective of macro concerns believed to be around the corner. Furthermore, dealer inventories while still low are approaching more normalized levels and supply chain is starting to ease leading to concerns book to bill has risk to dip below one as customers and dealers feel less rush to order. We maintain our more constructive view on the cycle helped by stimulus and onshoring coupled with markets that have been underserved over the past several years as well as an aged fleet. We revise our FY 2023-25 estimates to $18.10, $18.60, and $21.60 from $15.00, $19.20 and $20.00respectively and change our TP to $279 from $307 assuming 15.0x our 2024 EPS. Risks: Macro, inflation, mat costs.

Rating	OUTPERFORM
Price (27-Apr-23, US$)	214.33
Target price (US$)	(from 307.00) 279.00
52-week price range (US$)	264.54 - 162.44
Market cap(US$ m)	114,318
Enterprise value (US$ m)	116,736

Target price is for 12 months.

Research Analysts

Jamie Cook, CFA

Chigusa Katoku

Anika Dholakia

Full Report

Date of Production: 27-Apr-2023 23:39:43 UTC Date of Dissemination: 27-Apr-2023 23:40:51 UTC

COMPANY UPDATES:

Aerospace & Defense | Forecast Increase

28 April 2023

Northrop Grumman [NOC.N]
1Q23 Wrap: Hitting the Buy-Side Bullseye

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	457.68
Target price (US$)	490.00
52-week price range (US$)	549.01 - 437.65
Market cap(US$ m)	69,589
Enterprise value (US$ m)	79,138

Target price is for 12 months.

Research Analysts

Scott Deuschle

Will Jackson

- **Bottom Line:** NOC reported 1Q23 results with sales above Street, EBIT below, and EPS above. FCF was below, but not atypical of seasonality. Below Street EBIT was largely driven by a 50bps headwind from CAS pension costs, which were not fully embedded in consensus, but within our estimates and generally well appreciated by buy-side. As such, we view these results as roughly in-line with buy-side expectations. We walk away from the quarter with our estimates relatively little changed, with higher revenue across our forecast partially offset by modestly lower margins as we reflect trends in mix and favorable/unfavorable EACs; we note that unfavorable EACs have increased every quarter in the last 10 quarters, which may reflect somewhat diminished profit potential on the current backlog of fixed price work. Our target price remains $490, valuing NOC using a 4.5% FCF yield on '25E (vs. '24E prior).
- **B-21 update:** Mgmt. continues to expect first flight later this year, as well as the first LRIP production award. NOC made no changes to B-21 EACs this quarter, whether in development, or LRIP. 10Q disclosures on potential LRIP losses did not change ($0-$1.2b).
- **Other points:** (1) NOC expects int'l revenue to grow at double digit rates over the next decade; (2) Missile defense work is now approaching 10% of sales, across OPIR, NGI, and other programs; (3) Sec 174 tax impact is $720m in 2023 per the 10Q; (4) The sale of a minority equity stake in an international business should close in 3Q, and drive a $04.0 benefit to EPS. Mgmt raised guidance by a like amount. (5) Mgmt. expects robust FCF growth to continue beyond 2025.
- **Estimates / Risks:** Our '23-'25 EPS est. revise to $22.56/$24.11/$27.14 from $22.07/$23.98/$27.01. Risks include budget risk, sector rotation, wage inflation.

Full Report

Date of Production: 28-Apr-2023 01:22:12 UTC Date of Dissemination: 28-Apr-2023 08:04:54 UTC

Quest Diagnostics [DGX.N]

Q&A Our Way: Solid Start to 2023, Post-Covid Environment Begins to Materialize; Haystack Deal Seen as Long-term Positive

NEUTRAL

Rating	NEUTRAL
Price (27-Apr-23, US$)	141.01
Target price (US$)	146.00
52-week price range (US$)	157.28 - 121.77
Market cap(US$ m)	15,776
Enterprise value (US$ m)	19,260

Target price is for 12 months.

Research Analysts

A.J. Rice

Jonathan Yong

Joseph Overman

Anastasia Parafestas

Enjia Cao

Carlos Penikis, CFA

DGX posted 1Q23 adj. EPS of $2.04, $0.07 above cons. The company narrowed it's full-year adj. EPS guidance to $8.45 - $8.95, leaving the midpoint unchanged.

- **Base Business Post Solid Performance, Modestly Outperforming Expectations:** Base Business revs grew 10%, supported by a roughly 8% increase in volumes. Strong growth was seen across all types of customers. Management highlighted a continued return to care, as individuals resumed normal checkups and testing as Covid-19 cases have fallen. Very strong growth in routine testing (routine cardiometabolic, lipid panels, chemistry panels, etc.) supports the hypothesis that volume was driven in part by pent-up demand post pandemic. Base business revs from health systems specifically grew about 7% in the quarter, slightly ahead of the 5-6% CAGR that the company mentioned at its investor day. DGX has continued to have success with new wins in its reference and professional lab service offerings.

- **Covid Testing Drops Faster Than Expected, To be a de minimis Contributor Going Forward:** Covid testing revenue declined about 80% Y/Y, with approx. 1.3 million molecular tests in the quarter, compared to about 5 million in 1Q22. This drove a 7.7% decline in revenue per requisition in the quarter, though base business rev per req was up 2.3%. Guidance on Covid revs for the year was updated to $150 mln - $200 mln (from $175 mln - $275 mln), which implies roughly $30 mln - $80 mln of Covid revs for the remainder of the year. A drop-off in Covid testing in the last part of the first quarter comes ahead of the end of the PHE on May 11, when mandatory coverage for PCR tests will end and reimbursement rates are expected to be cut roughly in half.

- **CS Estimates Raised Modestly, Target Price Remains Unchanged**: We are increasing our 2023 EPS estimate to $8.73 (from $8.70). We are also increasing our full year 2023 revenue estimate to $9.01 bln (from $8.91 bln) to reflect the stronger base vols. We are maintaining our target price at $146, which is based on roughly 11.5x our 2024 EBITDA estimate. Risks include covid and base testing volumes in addition to government reimbursement pressures.

Full Report

Date of Production: 28-Apr-2023 05:04:33 UTC Date of Dissemination: 28-Apr-2023 08:09:39 UTC

CREDIT SUISSE

Gold | Earnings

27 April 2023

Eldorado Gold [EGO.N]
First read: Q1-23 EPS beat

UNDERPERFORM

Rating	UNDERPERFORM [V]
Price (27-Apr-23, US$)	10.52
Target price (US$)	10.50
52-week price range (US$)	11.55 - 5.16
Market cap(US$ m)	1,944
Enterprise value (US$ m)	2,156

Research Analysts

Fahad Tariq, CPA, CA

Jessica Xu

- **EGO reports Q1-23 results**: On April 27, Eldorado Gold reported Q1-23 adj. EPS of $0.11 (reported EPS of $0.12), a beat vs. $0.04 consensus (Reuters) and CSe. The EPS beat against our model was driven mainly by lower stock-based compensation expense, partially offset by higher taxes. Q1-23 CFPS (pre-WC) was $0.51, also a beat vs. $0.38 consensus and $0.47 CSe. Q1-23 adj. EBITDA was ~$103mm, a beat vs. vs. $84mm consensus and $99mm CSe.
- **2023 guidance reiterated:** Eldorado Gold reiterated 2023 gold production guidance (H2-weighted) of 495koz (475-515koz) – we are currently modeling 500koz. 2023 cash costs and AISC are still expected to be $810/oz ($760-860/oz) and $1,240/oz ($1,190-1,290/oz), respectively. 2023 total capex is still expected to be $542mm at the midpoint (including $250mm for Skouries).
- **Operational highlights**: Q1-23 gold production was ~113koz (sales: ~110koz), a beat vs. 108koz CSe. Q1-23 cash costs and AISC were $845/oz and $1,184/oz respectively, below $951/oz and $1,402/oz CSe. Eldorado Gold continues to expect improved recoveries and higher stacking rates at Kisladag beginning in Q2-23 as a result of agglomeration enhancements (i.e., installation of a fine ore agglomeration drum) and construction of the North leach pad. At Olympias, on April 27, the company received EIA approval allowing for expansion of the processing facility to 650ktpa.
- **Recapping Skouries financing package**: Recall that on April 5, Eldorado Gold announced that it closed the previously disclosed €680mm project financing facility to fund 80% of Skouries. The company drew down €32mm for project development in mid-April.
- **Balance sheet:** Eldorado Gold ended Q1-23 with ~$262mm cash and net debt of ~$231mm.
- **EGO to host a conference call on April 28 at 11:30AM ET (1-800-319-4610).**

Full Report

Date of Production: 27-Apr-2023 22:56:52 UTC Date of Dissemination: 27-Apr-2023 22:58:25 UTC

LPL Financial Holdings, Inc. [LPLA.OQ]
1Q23 First Impression – A Clean Beat; Strong NNA & Capital Return

NEUTRAL

Rating	NEUTRAL
Price (27-Apr-23, US$)	203.01
Target price (US$)	205.00
52-week price range (US$)	269.17 - 167.48
Market cap(US$ m)	15,962
Enterprise value (US$ m)	15,962

Target price is for 12 months.

Research Analysts

Bill Katz

Michael Kelly

Cameron Phillips

- **A Clean Beat –** $4.49 1Q23 adjusted EPS (GAAP: $4.24) vs. CSE of $4.26 and $4.33 FactSet (FS) consensus. Relative to us, the beat reflects $0.07 per share lower taxes, $0.15 per share of higher commissions, production payout was in line but payout ratio was 86.2% (vs. ~87% guide), and $0.02 from lower shares.

- **Key Positives: 1)** ~$25B NNA (incl. Financial Institutions), or ~9.4% annualized organic growth, vs. our $20B-E, with ~$$10B NNA in March, or ~11% annualized growth, both paced by strong advisory/brokerage flows – and Enterprises; **2)** 4,944K Services Subscriptions, up 465 Q/Q, with diverse contribution; **3)** 21,521 3/31 Financial Advisors (FA), up 246 Q/Q, vs. CSE of 21,475; **4)** 3.20% ICA yield ~10 Bp ahead of quarter-end guide though in line with CSE of 3.21% – fixed out $3B in 1Q (in line), while fixed-rate contracts rose to 55% of total ICA balances (in line); **5)** $326M 'core' G&A in line – ~12-15% FY2023 Y/Y growth guide in line with prior update though mgmt. noted running at $1.3B annualized, with flex; **6)** $275M buyback, ahead of ~$250M/Q-E; while **7)** announced $7.5B Financial Institution win associated with BMO/Bank of the West deal.

- **Key Issues**: **1)** $54.6B 3/31 client cash fell ~$600M below model and down $2B M/M to 4.6% of 3/31 client AUA (~10 Bps below model); **2)** $1.175T 3/31 client AUA, up ~2.5% M/M (in line); **3)** $234M 3/31 corporate cash, down ~50% Q/Q and 25% below CSE, leaving ~$34M incremental liquidity, pre-FCF/leverage; **4)** $1.7B CMP NNA ticked up Q/Q but remains well below 2021-1H22 run-rate; and **5)** 19.8 Bps LTM gross profit ROA flat Q/Q and generally range-bound despite platform scaling, with reported gross profit ROA (incl. client cash at 31.8 Bps, up ~3 Bps Q/Q entirely on cash) – and a likely watch point in light of decline forward interest rate expectations.

- **Key Questions Into 5PM EDT Conference Call: 1)** Outlook for further opportunistic fixed-rate deployment; **2)** color around 'core' G&A flex; **3)** capital mgmt. priorities, including M&A pipeline; **4)** update on Liquidity & Succession services opportunity; **5)** recruitment pipeline; and **6)** client cash sorting dynamics/core deposit beta discussion, including outlook against declining rates.

- **The Stock –** Expect shares to trade mixed on 4/28 pending conference call as strong NNA into quarter-end partially offset by transitory nature of 1Q23 beat and client cash dynamics.

Full Report

Date of Production: 27-Apr-2023 22:03:20 UTC Date of Dissemination: 27-Apr-2023 22:04:30 UTC

Eastman Chemical [EMN.N]
Upside MarQ, but 2H23 guide below consensus

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	80.56
Target price (US$)	100.00
52-week price range (US$)	112.29 - 70.81
Market cap(US$ m)	9,598
Enterprise value (US$ m)	14,092

Target price is for 12 months.

Research Analysts

John Roberts

Edlain Rodriguez

Matthew Skowronski

- **Implied 2H23 EPS guide midpt. is $4.30 vs $4.60 CSe**. (Conf. call at 8AM on Friday). 2Q23 EPS guide midpt is $2.00 vs $2.05 CSe. EMN had pre-announced MarQ would be above high end of initial $1.05-$1.25 range, and reported well-above at $1.63. Overall organic volume declined 9% Y/Y, but it appears energy costs were lower than expected, and premium auto (~10% of sales) also had upside. The 1st PET advanced recycling facility is delayed a couple months by labor issues, but "significant volume" now expected to be taken by EssilorLuxottica. The 2nd plant in France appears on track. Announcement of U.S. location for 3rd plant also appears delayed. The 2nd & 3rd plants are targeted for PET bottles. We recently reviewed the overall circular plastics industry. EMN will be attending CS Toronto Mini-Conference on June 21st with DD, CC, & ENTG.
- **Adv. Mat'ls/Fibers EBIT of $86M/$94M vs. $74M/$72M CSe.** Advanced Materials EBIT rose 39% despite 6% lower vol./mix, with favorable price/raws. Consumer plastics volume declined due to destocking but was partly offset by higher automotive windshield films & paint protection films. Fibers EBIT rose ~300% Y/Y on 3% higher volume, reflecting the catch-up pricing in the new contract that began Jan. 1.
- **Functional amines shuffle scrambles results for AFP & Chem. Intermediates.** The relatively stale functional amines unit was moved from Chem. Intermediates to AFP. The new AFP segment posted 26% lower EBIT on 15% lower vol./mix and appeared broadly affected by destocking. The new Chem. Intermediates segment posted ~63% lower EBIT on 12% lower vol./mix. Weakness was noted in olefins (~50% of segment) & plasticizers (~20%), while acetyls (~30%) appeared stable.
- **Valuation & Risks**: We modestly raise 2023E/202E4 EPS to $8.00/$8.95 from $7.95/$8.85. Our target price of $100 is based on ~8x forward NTM (end MarQ25E: Q5E-Q8) EBITDA of ~$2.1B. Downside risks include 1) any issues with new circular plastic plants, 2) delays in auto market (~15% of sales) recovery; 3) higher energy costs benefit the more commoditized businesses but specialty businesses.

Full Report

Date of Production: 27-Apr-2023 22:40:47 UTC Date of Dissemination: 27-Apr-2023 22:42:05 UTC

LTC Properties, Inc. [LTC.N]
1Q23 Miss; A Few More Tenant Rent Deferrals Appear

NEUTRAL

Rating	NEUTRAL
Price (27-Apr-23, US$)	34.32
Target price (US$)	36.00
52-week price range (US$)	45.14 - 32.08
Market cap(US$ m)	1,421
Enterprise value (US$ m)	2,393

Target price is for 12 months.

Research Analysts

Tayo Okusanya, II, CFA, CPA

- **Overall Thoughts**: 1Q23 FFO/sh of $0.66 missed CS/consensus at $0.68/$0.69, and guidance during 4Q22 earnings of $0.67/$0.68. The miss vs CS was primarily driven by ~2c of lower than expected rental income. LTC continues to not issue FY23 guidance amidst the uneven fundamental recovery in skilled nursing (and senior housing to a lesser extent). While LTC has completed a number of major tenant lease restructurings, smaller troubled tenants remain an issue as seen via abatements made during and after 1Q23. A deferral of ~$1.5M of interest payments from LTC's #1 tenant Prestige Healthcare (~17.7% of annualized GAAP NOI) is likely to raise eyebrows amongst investors given Prestige's size in the LTC portfolio and ongoing reimbursement challenges for operations in Michigan (LTC's #2 market at ~13% of investments and ~17% of NOI). Rent coverages in the assisted living ("ALF") and skilled nursing ("SNF") portfolios also continue to remain weak, which could also indicate risk around need for additional rent relief to weaker operators. This is further supported by slow occupancy recovery in both portfolios.
- **Robust Investment Activity Is Driving Up Leverage But Planned Brookdale Asset Sales Should Help**: While LTC has been more aggressive with acquisitions (1Q23 investments of ~$179M vs FY22 of ~$112M), it has come at the cost of rapidly rising leverage (5.8x Debt to Annualized Adjusted EBITDAre in 1Q23 vs 5.0x in 4Q22). Management noted at our Healthcare REIT Summit that dispositions in 2023 will exceed typical annual dispositions of ~$35M-$40M in 2023. This appears to be reflected in new commentary regarding the non-renewed Brookdale assets. LTC plans to "sell approximately half of the properties in the Brookdale portfolio" which should provide equity.
- **Key Questions**: 1) More color on additional new deferrals announced in 1Q23 (especially for Prestige Healthcare; 2) Expectations for Brookdale asset sales (timing & pricing) as well the transition of the assets not up for sale ; 3) Updated views on the SNF regulatory outlook (namely impact of the end of the PHE & the imminent minimum staffing rule). Earnings call April 28th, 833-470-1428; Pw: 796837

Full Report

Date of Production: 28-Apr-2023 03:22:07 UTC Date of Dissemination: 28-Apr-2023 03:23:58 UTC

AbbVie [ABBV.N]
1Q23 Second Opinion

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	148.87
Target price (US$)	170.00
52-week price range (US$)	166.55 - 134.21
Market cap(US$ m)	262,628
Enterprise value (US$ m)	313,481

Target price is for 12 months.

Research Analysts

Trung Huynh

Carson Wong

- **Reaction overdone on Skyrizi weakness.** Despite printing a solid set of 1Q23 results, AbbVie stock sold off -8% largely on lower-than-expected performance of Skyrizi ($1.36bn vs. cons $1.43bn). We acknowledge Skyrizi is the key growth driver for the company but think the level of sell-off was overdone based on: (1) $70m impact from destocking, (2) 1Q23 high-single-digit % decline of net pricing, which was in line with CSe of 8%, and (3) confidence in moderation of pricing impact over time. We will continue to monitor the performance of Skyrizi through the year.
- **Guidance increase highlights outperformance from other focus areas.** Beyond Skyrizi (and Imbruvica), the rest of the base business performed well with AbbVie increasing its FY23 sales guide to $52.4bn from $52.0bn given the performance of aesthetics ($5.3bn in 2023 vs. prior $5.2bn), and Neuroscience ($7.4bn in 2023 vs. prior $7.2bn). As a consequence, adjusted diluted EPS guidance was raised and now contemplates full year 2023 of $10.72-$11.12 (vs. CSe $10.81) from $10.62-$11.02. Our trough EPS year is in 2023 ($10.81) ex-IPR&D. However, the company noted if US Humira does better and ABBV outperforms in 2023, then the trough could move into 2024.
- **Reiterate Outperform rating and $170 Price Target.** Following updated 1Q23 guidance we have slightly lowered our Skyrizi estimates, offset by aesthetics and neuroscience sales. We now forecast 2023 EPS of $10.81 vs. $10.73 prior.

Catalysts and Risks: (1) Qulipta PDUFA for chronic migraine in 2Q23, and (2) Phase 2 LUMINOSITY data for Teliso-V c-MET non-small cell lung cancer (NSCLC) in 2023. Risks include: political and industry risks (we see the biggest risk on tax), higher-than expected Humira erosion in 2023, and pipeline risk to clinical trials.

Valuation: Our $170 target price is based on a 25:75 blended discounted cash flow (DCF) valuation of $179 and a relative P/E of $167. AbbVie trades on a 2024 P/E of 13.3x, a c.14% discount to US peers of 15.4x. On EV/NPV, it trades on 1.06x vs. peers on 1.07x.

Full Report

Date of Production: 28-Apr-2023 00:33:25 UTC Date of Dissemination: 28-Apr-2023 00:34:38 UTC

PennyMac Mortgage Investment Trust [PMT.N]
Book Value Better Than Expected

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	11.76
Target price (US$)	15.00
52-week price range (US$)	16.53 - 11.12
Market cap(US$ m)	1,037
Enterprise value (US$ m)	1,037

Target price is for 12 months.

Research Analysts

Douglas Harter, CFA

William Nasta

PMT reported first quarter GAAP EPS of $0.50. Excluding fair value, we estimate adjusted earnings for PMT were $0.27/sh, $0.03 lower than our estimate and $0.04 below the consensus. Lower correspondent profitability drove the downside vs. our estimate. PMT generated an economic return of 3.7% for the quarter.

- **Earnings Power:** PMT sees the run-rate quarterly earnings potential of the portfolio as $0.40/quarter, in line with last quarter and in line with the dividend rate. Relative to last quarter the expected returns on credit sensitive strategies (+30 bps to 19.7%) increased along with interest rate strategies (+120 bps to 12.9%) and correspondent (+680 bps to 22.3%).
- **Book Value:** Book value increased by $0.18 (1.1%) in the quarter to $15.96; this was $0.22 (1.4%) higher than our estimate.
- **Share Repurchase:** PMT repurchased 0.6 million shares (0.7% of outstanding) during 1Q at an average discount of 26% to ending book value. PMT has purchased an additional 600,000 shares in through April 25.
- **Credit Strategies:** The credit strategies segment generated $18.4 million of adjusted pre-tax profitability, $2.0 million (12.2%) higher than expected. The CRT portfolio continues to be in run-off (down $27 million in the quarter). PMT invested $12 million in GSE CRT during 1Q and additional $43 million so far in 2Q.
- **Interest Rate Strategies:** The Interest Rate Strategies segment generated $29.7 million of adjusted pre-tax profitability, $0.7 million (2.3%) lower than our estimate. Higher than expected interest expense was the cause of the miss vs. CSe. GAAP pre-tax profitability was $(7.0) million, driven by the larger hedge loss ($54.9 million) and MSR loss ($45.8) than upside in Agency MBS ($63.6 million).
- **Correspondent:** The correspondent segment generated $1.8 million in pre-tax profitability, $4.3 million (70%) lower than our estimate. Lower GOS accounted for the downside vs. our estimate. Funded volume (for PMT) was 2.9% higher than our estimate, while locks were 6.2% higher. GOS margin was 9 bps, down 4 bps from 4Q and our estimate.

Full Report

Date of Production: 28-Apr-2023 03:00:32 UTC Date of Dissemination: 28-Apr-2023 03:13:02 UTC

Agnico Eagle Mines Limited [AEM.N]
First read: Bucking the trend with strong Q1 production

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	56.59
Target price (US$)	66.00
52-week price range (US$)	59.61 - 37.54
Market cap(US$ m)	28,033
Enterprise value (US$ m)	28,616

Target price is for 12 months.

Research Analysts

Fahad Tariq, CPA, CA

Jessica Xu

- **Agnico Eagle reports Q1-23 results**: On April 27, Agnico Eagle reported Q1-23 adj. EPS of $0.58 (reported EPS of $3.87 which includes a one-time $1.5bn or $3.29/sh remeasurement gain related to Canadian Malartic), a beat vs. $0.49 consensus (Reuters) and $0.47 CSe. Against our model, the EPS beat was driven fundamentally by higher production and lower opex. Q1-23 CFPS (pre-WC) was $1.30, splitting $1.25 consensus and $1.44 CSe.
- **Recapping 2023 guidance:** Agnico Eagle reiterated 2023 gold production of 3.34Moz (3.24-3.44Moz) – we are currently modelling 3.38Moz. 2023 cash costs and AISC are still expected to be $865/oz ($840-$890/oz) and $1,165/oz ($1,140-$1,190/oz), respectively. 2023 capex is still expected to be $1.42bn.
- **Operational highlights:** Q1-23 gold production was ~813koz, a strong beat vs. 766koz consensus and 784koz CSe (recall Q1 included 50% of Canadian Malartic). Q1-23 cash costs and AISC were $832/oz and $1,125/oz, respectively, both below vs. $855/oz and $1,176/oz CSe (Q1 AISC was 4.3% below what we were modeling). Agnico Eagle highlighted that the operational focus for 2023 is optimizing the Abitibi operations, specifically utilizing excess mill capacity at Malartic (i.e., 40ktpd excess capacity in 2028), and improving regional production by 500koz by 2030. At Kittila, Agnico Eagle will host the Supreme Administrative Court of Finland in Q2-23 as part of the review of the permit limitation and, if there is a positive decision in H2-23, the company can increase the mining rate from 1.6Mtpa to 2.0Mtpa.
- **Recapping recent transactions:** Recall that on April 6, Agnico Eagle and Teck announced the completion of the previously announced 50/50 joint venture for the San Nicolas copper-zinc project in Mexico. An EIA and permit application for San Nicolas is expected in H1-23, and a feasibility study is expected in early 2024. The acquisition of Yamana's 50% stake in Canadian Malartic closed on March 31, 2023.
- **Capital return:** Agnico Eagle maintained its $0.40/sh quarterly dividend, which on an annualized basis implies a ~2.8% yield, and it repurchased $4.8mm worth of shares in Q1-23 under its NCIB (which it intends to renew). The company ended Q1-23 with a cash balance of ~$745mm and net debt of ~$1,598mm.

AEM to host a conference call on April 28 at 8:30AM ET (1-888-664-6392).

Full Report

Date of Production: 27-Apr-2023 22:24:13 UTC Date of Dissemination: 27-Apr-2023 22:27:23 UTC

WEX [WEX.N]

Q1 2023 Earnings Recap

NEUTRAL

Rating	NEUTRAL
Price (27-Apr-23, US$)	173.29
Target price (US$)	195.00
52-week price range (US$)	201.27 - 126.67
Market cap(US$ m)	7,474
Enterprise value (US$ m)	10,246

Target price is for 12 months.

Research Analysts

Nik Cremo

Timothy Chiodo, CFA

Christopher Zhang, CFA

Dylan Wright

Jing Zhang

Patrick Ennis

Kyle Lindgren

- **Strong Q1 & raised guidance appears conservative:** WEX reported strong Q1 revenue results across all three segments with a 2% topline beat driven by Travel (revenue up 87% YoY) and the Benefits segment (former Health segment) up 36% YoY with ~60% of the growth coming from interest income on deposits. The Mobility segment (former Fleet) delivered robust 8% YoY macro-neutral revenue growth (CSe ~6% ex. XOM acquired portfolio), but below high Q1 management guidance of 10-15% given lower late fee revenue (not fundamental) and factoring revenue (OTR-related, stable QoQ). The Mobility segment appears on track to meet the 4% YoY macro-neutral for 2023 (that factors in a slow growth environment) with payment processing transactions accelerating to 4.4% on a 2019-CAGR basis (up 120bps QoQ). The new Corporate Payments segment (former Travel & Corporate) grew 36% YoY with strength in Travel offsetting lower growth in the Corporate Payments business from yield pressure, with the 7-11% 2023 segment revenue guide now appearing even more conservative (CSe 2023 growth of 15% vs. 13% prior). Overall, we view WEX's Q1 results as encouraging but will remain cautious on the core Mobility segment near-term until we see signs of improvement from the OTR fleet customers (e.g., SSS & credit losses). We believe WEX's healthy Corporate Payments volume growth of 17% and Mobility transaction growth bodes well for FLT's Q1 results.

- **What we liked:**1) Robust SaaS customer account growth in WEX's Health segment of 14% YoY supported by a strong open enrollment season and ~$37mm interest income on customer assets drove ~36% revenue growth YoY, adding to confidence management's outlook for ~25-30% segment revenue growth in 2023; 2) Strong volume and revenue growth in WEX's Travel business segment up 84% and 87% YoY, respectively, with volumes 29% above 2019 levels (vs. below 2019 levels in Q4); 3) Management expects improving credit losses going forward noting losses related to OTR fleet customers are starting to abate and fraud losses improved to ~4bps in Q1 from ~11bps in Q3 2022 (~6bps in Q4) from a merchant liability shift and fraud detection enhancements; and 4) WEX repurchased ~$93mm of shares during Q1.

- **Valuation & estimates:** We maintain our Neutral rating and $195 target price, based on 13x 2024E EPS. Our 2023E/2024E EPS are now $14.01/$16.71 (vs. $13.71/$16.47 prior) due to higher interest income on deposits (Benefits segment) and higher Travel revenue. Risks are largely macro, competitive, M&A, & SMB credit related.

Full Report

Date of Production: 27-Apr-2023 22:50:29 UTC Date of Dissemination: 27-Apr-2023 22:51:46 UTC

PennyMac Financial Services [PFSI.N]
Operating Earnings Ahead of Expectations

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	65.92
Target price (US$)	70.00
52-week price range (US$)	72.55 - 39.73
Market cap(US$ m)	3,294
Enterprise value (US$ m)	3,294

Target price is for 12 months.

Research Analysts

Douglas Harter, CFA

William Nasta

PFSI reported 1Q GAAP EPS of $0.57, $0.59 higher than our estimate (smaller net MSR mark). On a GAAP basis PFSI generated a 3.5% ROE in 1Q, down 0.8% from 4Q. Excluding the MSR mark (net of hedges and provision for losses in servicing) and non-recurring tax increase, we put operating EPS at $1.08, $0.05 higher than our estimate. While Production income was below our estimate for the quarter, Servicing profitability was higher than our estimate. PFSI's book value decreased by 0.8% in the quarter to $68.91, which was in line with our estimate.

- **Outlook:** PFSI expects its ROE to trend towards its pre-COVID range during 2023. The ROE goal remains the same as prior quarters.
- **Return of Capital:** PFSI repurchased 0.8 million shares during the first quarter for a total of $45.3 million ($58.99 per share), which represents 1.6% of outstanding shares at 3/31. As of April 25th, PFSI has repurchased an additional 0.2 million shares for a total cost of $11 million ($61.24).
- **Production Segment:** The production segment generated pre-tax loss of $20 million in 1Q, vs. our estimate of a $9 million loss. Higher than expected expenses was the driver of the miss vs. our estimate.

Volumes: PFSI locked $15.1 billion in 1Q across correspondent (including some conventional), consumer direct, and broker direct, which was 9% higher than our estimate. Loans fulfilled for PMT (conventional correspondent) were $7.5 billion higher than our estimate. The volume outlook for 2Q23 (run-rated using April funding volumes) is about 23% below our prior estimates although we expect volumes to continue to ramp seasonally from April's level.

GOS margin: GOS margin increased for Correspondent (+4 bps) and broker direct (+20 bps), but was more than offset consumer direct, which was down 35 bps in the quarter. Total GOS margin declined by 6 bps in the first quarter to 49 bps.

Additional Information:

Expenses: Total production expenses were $141.2 million, up $0.6 million (0.4%) from last quarter and $18 million (15%) higher than our estimate.

- **Servicing Segment**: The servicing segment generated core pre-tax income (excluding valuation changes) of $94 million, $13 million higher than our estimate. This equates to 6.8 bps on average UPB vs. 5.8 bps last quarter (and vs our estimate of 5.8 bps). Higher than expected servicing revenues, slightly offset by higher operating expenses accounted for the upside vs. our estimate.

Growth: PFSI's servicing portfolio (including subserviced for PMT) grew by 2.2% in the quarter to $564 billion.

Full Report

Date of Production: 28-Apr-2023 03:27:04 UTC Date of Dissemination: 28-Apr-2023 03:28:09 UTC

Sirius XM Holdings Inc [SIRI.OQ]
Better-than-Feared 1Q23 Builds a Foundation for 2023

NEUTRAL

Rating	NEUTRAL
Price (26-Apr-23, US$)	3.65
Target price (US$)	4.00
52-week price range (US$)	6.78 - 3.51
Market cap(US$ m)	14,144
Enterprise value (US$ m)	23,180

Target price is for 12 months.

Research Analysts

Douglas Mitchelson

Grant Joslin

Jane Feng

Chirac Ndetan

- **1Q23 Wrap:** SiriusXM had a very volatile day of trading, perhaps reflecting that 1Q23 was a mixed bag operationally. Subscriber losses were much higher than we expected driven by both streaming churn and weak auto gross adds, but trial starts (and advertising) improved through the quarter, each quarter's net adds should improve sequentially, and the remainder of the year should be approximately breakeven net adds. Capex came in ~$45M above, but this represented down payments on years of construction and the full year capex was reaffirmed – indeed, mgmt raised its full year EBITDA and FCF guides $50M. We lower full year SiriusXM self pay net adds, ARPU, and revenue, but offset this with a less bearish outlook for Pandora (both volume and price) leaving revenue unchanged. We lower opex, primarily marketing, to reflect management leaning out on trial acquisition until the 4Q SXM app relaunch, leading to 2023 EBITDA and FCF each +$50M and Adj EPS +$0.01 each year from 2023-2026. Our longer-term FCF benefits from management's explicit satellite capex for the next five years which is generally lower than we had forecast.
- **Outlook:** SiriusXM's recent trading levels near decade lows is attributable to a dogpile of pressures – 2H22 estimate cuts, a pause in the levered equity return flywheel, hedging from Liberty's exchangeable debt refinancing, and other short interest. Today's surprisingly solid 1Q23 results should bolster sentiment and allay fears of a 2023 guidance cut; indeed, we think that the company may be back to its normal beat-and-raise cadence. Moreover, with satellite capex at its maximum level this year, the FCF outlook is now a constructive one of steady growth back up to 2019-2021 levels. On the other hand, absent an auto market inflection or consumer recession, the nearest operating catalyst still appears to be the 4Q SXM app relaunch with trialers arriving in 4Q and paying subscriber momentum not palpable until early 2024. Thus, other than a potential merger with Liberty Sirius, we struggle to identify a catalyst to drive SIRI out of its doldrums. With reasonable operating trends but no catalyst, we reiterate our Neutral rating.
- **Valuation:** Our DCF-based TP remains $4.00. SIRI trades at 9x '23e & '24e EV/EBITDA, or a 6% FCF yield (8% ex-satellite capex). Risks include streaming pivot execution, changes to in-car audio competition, and changes to relationship with Liberty.

Full Report

Date of Production: 27-Apr-2023 20:30:56 UTC Date of Dissemination: 27-Apr-2023 20:32:21 UTC

27 April 2023

T-Mobile US [TMUS.OQ]
1Q23 Wrap: Core Revenue Healthy, FCFPS Tracking Ahead

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	149.94
Target price (US$)	175.00
52-week price range (US$)	152.41 - 121.73
Market cap(US$ m)	182,834
Enterprise value (US$ m)	258,391

Target price is for 12 months.

Research Analysts

Douglas Mitchelson

Grant Joslin

Jane Feng

Chirac Ndetan

1Q23 Wrap: Headline service revenue missed by $114M (+2.8% Y/Y vs. our +3.5% Y/Y), along with postpaid net adds 35k below at a still industry leading +538k, but underlying results suggest the core growth algorithm at T-Mobile is on track. Postpaid revenue was essentially in line (+5.9% Y/Y vs. our +6.1%), while revenues were a bit light at harder to forecast Prepaid ($39m below) and Wholesale & Other ($48m below). We also note T-Mobile improved churn and SOGA Y/Y again relative to AT&T/VZ. Management slightly raised full year guidance for postpaid net adds (midpoint from 5.25m to 5.5m), with postpaid phones reduced from 'half' to 'nearly half', suggesting essentially unchanged full year phone net add expectations. 2023 guides for flattish ARPU and +1% ARPA were also unchanged, leaving postpaid revenue also little changed as a corollary. At the same time, costs are offsetting any shortfalls in prepaid and wholesale & other revenues (which includes a two-month earlier sale of the SGMG wireline asset). 1Q EBITDA/FCF were $152m/$395m ahead, and the EBITDA/FCF full year guide midpoints were raised $50m. Overall, while 1Q23 might not be the typical beat and raise quarter, the top-line's underlying core trends seem on track, margins are a bit ahead, and with an outsized $4.6b stock buyback in 1Q (vs. our $3.0b) FCF/share is actually tracking ahead.

Forecast Update: 2Q23 appears to be tracking in line with our unchanged estimates for 610k postpaid phone net adds and $7.23B EBITDA estimates. We trim revenue 20bp-40bp each year in our forecast given 1Q results, raise EBITDA $50m in 2023 and leave it essentially unchanged for 2024+, while FCF is unchanged and we raise FCF/share 1%-2%. We also tweak EPS for non-cash items like D&A (2023 from $7.39 to $7.18).

Outlook: While 1Q results were reasonable, we expect investors will need to see further execution to build confidence in 2024 estimates. T-Mobile's new rate plans should be ARPU-accretive in 2H22, we expect the company will continue to outperform moderating wireless market growth (today's rural share gain disclosures were encouraging), and we will be closely watching the pace of stock buybacks following 1Q's higher levels. With TMUS trading at 10x '24 FCF/share, we believe little future wireless share gain or margin expansion is priced in, to say nothing of its levered equity return strategy. We reaffirm our Top Pick on TMUS.

- **Valuation:** Our DCF-based target remains $175.T-Mobile trades at 9x '23e/8x '24e EBITDA. Risks include macro; competition; wireless sector slowdown; allocation of capital.

Full Report

Date of Production: 28-Apr-2023 03:45:00 UTC Date of Dissemination: 28-Apr-2023 03:46:17 UTC

Redwood Trust [RWT.N]
Weaker Earnings to Lead to Lower Dividend, Outlook for Jumbo Mortgage Improving

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	6.62
Target price (US$)	9.00
52-week price range (US$)	10.44 - 5.59
Market cap(US$ m)	753
Enterprise value (US$ m)	753

Target price is for 12 months.

Research Analysts

Douglas Harter, CFA

William Nasta

RWTs earnings available for distribution (EAD) was $0.11, which was $0.11 lower than our estimate and $0.02 lower than the FactSet consensus. Lower Mortgage Banking (both residential and BPL) revenue was the primary driver of the miss relative to our estimate. RWT reported 1Q GAAP EPS of $0.02 and generated a 0.8% economic return (on GAAP book) in the quarter.

- **Book Value:** GAAP book value was $9.40 in 1Q, down 1.6% for the quarter and 1.5% below CSe. RWT noted that substantially all the net fair value changes in the quarter were unrealized (with minimal expected change in future cash flow), meaning that RWT should be able to recover the value over time. Management noted that book value is flat so far in the second quarter.
- **Earnings outlook:** Management noted that it currently expects EAD (and GAAP EPS) to remain below the current dividend ($0.23) over the next few quarters given the continued lower contribution from mortgage banking.
- **Dividend outlook:** RWT also expects to lower their quarterly dividend by about 20-30% in the second quarter given the lower earnings outlook.
- **Liquidity:** As the end of the first quarter, RWT had $404 million of unrestricted cash, up from $259 million at the end of 4Q. RWT aims to utilize private capital partnerships to further strengthen their liquidity position. In the first quarter, RWT repurchased $33 million of its convertible debt, maturing in August 2023. RWT has repurchased an additional $17 million of the 2023 maturity convert so far in the quarter.
- **Residential Mortgage Banking:** The residential mortgage banking segment generated negative $1.3 million of net income in the quarter vs. our estimate of a $6.2 million gain. The miss vs. our estimate is a result of lower mortgage banking revenues ($3.1 million below CSe) and higher than expected operating expenses. Locks increased by $74 million in the first quarter to $74 million but is still $97 below CSe. The outlook is more favorable for RWT to deploy incremental capital to residential mortgage given the current challenges for regional banks. RWT expects to be able to partner with regional banks in order to drive incremental loan volume. This contribution is likely to build over the course of the year.

Additional details

- **BPL Mortgage Banking:** The business purpose mortgage banking segment generated negative $1.0 million of net income in 1Q vs. our estimate of a $3.5 million gain. Higher than expected operating expense was the main reason for the miss vs. our estimate. Total volume for the segment was 3.3% higher than expected ($438 million vs $424 million CSe).
- **Investment Portfolio:** The investment portfolio segment generated GAAP earnings of $35.5 million in 1Q, $7.1 million below our estimate, driven by lower-than-expected net interest income. RWT is targeting 15-20% ROEs going forward for the investment portfolio.

Full Report

Date of Production: 28-Apr-2023 02:29:47 UTC Date of Dissemination: 28-Apr-2023 02:30:42 UTC

CREDIT SUISSE

Essex Property Trust, Inc. [ESS.N]
1Q23 Earnings Beat Driven by Improving Delinquencies and Stronger Occupancy; FY23 Guidance Raised But Still Below Consensus

- **Overall Thoughts:** 1Q23 CFFO/sh of $3.65 beat consensus estimates at $3.61, primarily driven by higher-than-expected same store revenue due to lower delinquency and higher occupancy. ESS raised its FY23 CFFO guidance midpoint to incorporate the new top line growth by $0.03 to $14.78. However, increased guidance still remains below the FY23 consensus estimate at $14.85. Leasing metrics slowed in 1Q23 with same property new/renewal/blended lease growth rates at 1.2%/4.7%/2.9% vs. 0.8%/7.6%/3.8% in 4Q22. Preliminary April 2023 leasing metrics also showed a further slowdown with new/renewal/blended lease growth rates at 1.2%/4.2%/2.7%. This does not feel encouraging going into spring leasing season. However, with a solid quarter and the subsequent guidance raise, we expect markets to react positively especially with the stock trading at just 13.9x P/FFO vs the multifamily REIT peer set at 15.8x.
- **FY23 Guidance Raised; 2Q23 Guidance Established:** ESS revised its FY23 core FFO guidance to $14.59-$14.97 from $14.53-$14.97, with the new midpoint increasing 3 cents to $14.78 (vs guidance provided last quarter) but below the consensus estimate of $14.85. The company did not adjust its FY23 SS property growth guidance ranges, with these earnings drivers remaining at 1) 3.25%-4.75% for SS revenues, 2) 4.5%-5.5% for SS OpEx, and 3) 2.3%-4.9% for SS NOI. ESS also established 2Q23 earnings guidance with expected Core FFO range of $3.63-$3.75 (midpoint of $3.69 vs. consensus estimate of $3.77).
- **Key Questions:** 1) Current leasing trends into spring leasing season (including loss to lease), 2) financial health of resident base, especially in Seattle and SF (the SF portfolio underperformed in 1Q23 in regards to same store revenue growth at just 1.4%), 3) updated thoughts on delinquency expectations given the recent eviction moratorium expiration in LA County, 3) added thoughts on the current transaction market. Earnings call (4/28/23) at 1:00 PM EST (877-407-0784).

Full Report

Date of Production: 27-Apr-2023 23:54:07 UTC Date of Dissemination: 27-Apr-2023 23:55:15 UTC

UNDERPERFORM

Rating	UNDERPERFORM
Price (27-Apr-23, US$)	211.46
Target price (US$)	195.00
52-week price range (US$)	345.11 - 196.17
Market cap(US$ m)	13,643
Enterprise value (US$ m)	19,483

Target price is for 12 months.

Research Analysts

Tayo Okusanya, II, CFA, CPA

Sam Choe, CFA, CAIA

Adam Hamilton

SLM Corp [SLM.OQ]

Q1 2023 Earnings- EPS Beat on Better NII, Loan Sale in Q2–Will Restart Share Repurchase

- SLM reported 1Q EPS of $0.47 vs CSe $0.40 and FS cons of $0.35. Q1 was driven by higher NII (+$0.07 impact) w/ NIM margin 33 bps higher than Q422, lower prov.(+$0.02), partially offset by higher opex (-$0.02) driven by higher comp & benefits expenses and one time reorganization cost. Originations of $2.4 billion (+12% y/y) were higher than CSe of $2.3 billion and the highest originations in the company's history. Sallie reiterated 2023 guidance of $345-385 mil NCOs, and EPS of $2.50-$2.70. $2 billion of the 3 billion private loan sales expected for 2023 will close in early May (we believe at a mid-single digit premium), with the remaining $1 billion expected to take place likely in Q3. Our 2023/2024 EPS estimates are now $2.62/$3.06, respectively, from $2.57/$3.03. Our $20 target price is based on ~6.5x our 2024 EPS estimate.
- **Strong Q1:** We view Q1 positively as credit performance improved and origination numbers and margins were strong. 27% of the originations coming from freshman group, which will generate more loans over time due to borrower serialization. Management noted there is a good demand for its loan sale with new bidders and we estimate the premium will be around 6%. We also expect significant share repurchase activity starting early May, and our expectation for the full year is $500 mil of share repurchase.
- **Positives: (a)** Portfolio credit performance in the quarter was improving, as NCO for private loans totaled $83 mil vs $116 mil last Q, and loans delinquent of 30+ days were 3.4% of loans in repayment vs 3.8% in last Q and prior year's 3.5%. **(b)** Deposits have been stable throughout the banking issues in April, as 98% of SLM's depositor base was insured. Total deposits were $22.96 billion in Q1 23 vs $21,19 billion in Q4 22. **(c)** Executing the loan sale will allow the resumption of share repurchase as $2bn of loan sales should free up in excess of $450mm of capital. **(d)** originations were up 12%, and while management kept their guide at 7%, this is a very strong start to the year.

Full Report

Date of Production: 28-Apr-2023 02:47:52 UTC Date of Dissemination: 28-Apr-2023 02:49:06 UTC

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	15.27
Target price (US$)	20.00
52-week price range (US$)	20.14 - 11.27
Market cap(US$ m)	3,699
Enterprise value (US$ m)	3,699

Target price is for 12 months.

Research Analysts

Moshe Orenbuch

The Hartford [HIG.N]
1Q23 Results In-line with Pre-Announcement; Strong Written Premium Growth in Commercial Lines, Rate Increases in Personal Lines

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	69.91
Target price (US$)	104.00
52-week price range (US$)	78.90 - 60.63
Market cap(US$ m)	21,839
Enterprise value (US$ m)	21,839

Target price is for 12 months.

Research Analysts

Andrew Kligerman

Joel Hurwitz, CFA

Michael Domiano

Alfred Miller

- **Core EPS of $1.68 as pre-announced on April 13, vs $1.66 y/y.** Pre-tax catastrophe (cat) losses of $(185)M in-line with CS est. $(186)M. Combined ratio (C/R) of 95.7%, vs. 90.4% y/y and CS est. 95.9%; underlying C/R of 90.4%, vs. 88.5% y/y and CS est. 90.6%. Net EPS of $1.66. Buybacks of $350M. Pre-tax net investment income (NII) of $26M from limited partnerships, $489M from fixed income, vs CS est. $26M and $481M, respectively.
- **P&C Commercial written premiums (WP) of $3.1B, up 11% y/y**, incl. 12% in Small Commercial, 10% in Mid & Large Commercial, and 10% in Global Specialty. Increased renewal written pricing by 4.5% (6.8% ex. Workers' Comp (WC)). CEO Chris Swift cited renewal written pricing in Standard Commercial Lines, excluding WC, up 8.1%, above loss cost trends. **Underlying C/R of 88.5% (vs. CS 88.6% and 88.3% y/y)**, ex. (4.2) p.p. of PYDs and cats. After-tax core earnings were $436M vs. $456M y/y, on higher cat losses, lower net favorable prior year developments (PYD), and higher underlying loss ratio primarily driven by slightly deteriorated workers' compensation results, partially offset by higher NII.
- **P&C Personal core earnings were $0M vs. $84M y/y,** primarily on higher underlying loss ratio driven by higher auto severity, higher unfavorable PYD, and higher cat losses, partially offset by earned pricing increases and higher NII. WP of $747M up 6% y/y. Underlying C/R of 97.0% (including Auto underlying C/R of 105.1%) vs. 88.5% y/y and CS est. 97%, ex. (9.1) p.p. of PYDs and cats. Renewal written price increases of 10% in Auto (~25.2% in last twelve months) and 13.9% in HO.
- **Group Benefits core earnings of $90M, vs. $6M y/y.** Total loss ratio of 75.2% vs. 82.0% y/y; 12-point improvement in group life loss ratio, driven by lower mortality, and a 2.8-point improvement in group disability loss ratio, driven by favorable long-term disability incidence. Core margin of 5.2% vs. 0.4% y/y. Sales of $475M up vs. $396M y/y.
- **Mutual Funds core earnings were $37M vs. $50M y/y,** on daily average AUM of $127B off (15)% vs. $150B y/y. Net outflows of $(1.2)B vs. $(0.4)B y/y.
- **Corporate core loss of $(35)M vs. $(48)M y/y,** on lower interest expense and higher NII.
- **Stock Reaction:** Modest outperform vs. peers on 4/28 on strong written premium growth in commercial lines and price increases in personal lines.
- **Conference Call Details:** April 28 call at 9:00 a.m. EST, registration required.

Full Report

Date of Production: 28-Apr-2023 00:54:13 UTC Date of Dissemination: 28-Apr-2023 00:55:18 UTC

CREDIT SUISSE

Life & Health Insurance | Earnings

27 April 2023

Principal Financial Group [PFG.OQ]
1Q23 Initial Read: EPS Beats but Flows Mixed, Buyback/Capital Weak; Added Disclosure to Address Commercial Real Estate Concerns

UNDERPERFORM

Rating	UNDERPERFORM
Price (27-Apr-23, US$)	74.66
Target price (US$)	75.00
52-week price range (US$)	95.00 - 61.13
Market cap(US$ m)	18,141
Enterprise value (US$ m)	17,340

Target price is for 12 months.

Research Analysts

Andrew Kligerman

Joel Hurwitz, CFA

Michael Domiano

Alfred Miller

- **Reported operating EPS of $1.48, vs. CS/cons' $1.43/$1.50.** PFG called out $(0.12) of net unfavorable notable items in reported operating EPS (CS estimate included ~$(0.12) of unfavorable notables). "**Normalized" EPS of $1.60 was above CS comparable $1.55**. Net loss per share of $(0.58) was driven by accounting impacts from the reinsured businesses. PFG repurchased $150M of shares in 1Q23 (vs. CS est. of $225M).
- **Excess capital was $1.8B at 1Q23-end (vs. ~$1.5B q/q), but included $700M of debt issuance proceeds in 1Q23** that is earmarked for 2Q23 redemptions/maturities. Pro-forma excess capital was $1.1B, as 1Qs are typically seasonally weak capital-generating quarters and the company accelerated capital deployment for new business opportunities. **The company reiterated its 75-85% full year free cash flow target**.
- **PFG provided additional details over its investment portfolio, including commercial real estate (CRE) exposure in its earnings presentation**. Overall CRE metrics were strong, including nearly $3B unrealized gains in the CRE equity portfolio.
- **RIS pre-tax earnings ex. notables (p-t earnings) of $263M beat CS est. of $243M** largely on lower expenses (some one-time benefits and favorable timing). **Net cash inflows for fee-based accounts were $0.3B, vs. CS est. of $3.4B,** as the results were impacted by a low-fee large case leaving the platform in the quarter**.** Spread-based accounts saw net inflows of $0.4B, supported by $0.6B of pension risk transfer sales.
- **PGI p-t earnings of $109M vs. CS est. of $113M**. The modestly weaker results were driven largely by higher-than-expected seasonal expenses. Net inflows were solid at $0.4B.
- **Principal International p-t earnings of $79M modestly above CS est. of $75M**.
- **Specialty Benefits p-t earnings of $95M slightly below CS est. of $99M**, in-part due to higher commission accruals. Top-line growth remained strong with 10% y/y growth. Reported loss ratio was 62.5% (vs. 60-65% target and CS est. of 62.7%). **Individual Life p-t earnings of $25M missed CS est. of $38M on elevated mortality**.
- Corporate p-t loss of $(96)M vs. CS est. of $(100)M.
- **Stock Rx:** Mixed and likely dependent on further commentary on the investment portfolio (with added disclosure positive at first look). Results were mixed, with solid earnings / PGI flows, but offset by weak buyback / pro-forma capital level and further RIS flow headwinds.
- **Conference Call Details:** April 28 at 10 a.m. ET, 877-407-0832

Full Report

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CREDIT SUISSE

27 April 2023

Amgen, Inc. [AMGN.OQ]
1Q23 Second Opinion

UNDERPERFORM

Rating	UNDERPERFORM
Price (27-Apr-23, US$)	240.34
Target price (US$)	220.00
52-week price range (US$)	292.39 - 224.46
Market cap(US$ m)	128,393
Enterprise value (US$ m)	154,735

Target price is for 12 months.

Research Analysts

Trung Huynh

Carson Wong

- **1Q23 is a mixed bag of performance.** Amgen 1Q23 sales came in line with expectations. However, results were mixed. Amgen's largest immunology products Otezla and Enbrel missed significantly (-17% and -29%), impacted by lower net pricing from patient mix and increasing rebates, as well as inventory destocking. Additionally, Amjevita was -6% light, with most US sales related to inventory build, and Lumakras missed -7% on lower net selling price. These misses were offset by strong performance of growth drivers Xgeva (10% beat), Repatha (11% beat), Kyprolis (12% beat), and Evenity (15% beat), as well as established products Nplate (16% beat), and Neulasta (23% beat). On the strength of the growth drivers Amgen increased its FY23 guidance to $26.2-27.3bn from $26.0-27.2bn (CSe $26.3bn) and non-GAAP EPS to $17.60-18.70 from $17.40-18.60 (CSe $17.72).
- **Building pipeline reflects increasing costs.** The team highlighted several late-stage trial starts for olpasiran, rocatinlimab, tarlatamab, AMG 133, & AMG 786. There are also several novel Phase 1 assets in development (AMG 130, and AMG 193). While we are encouraged by the new trials, we highlight the need to keep investing in the business. With Amgen spending in both R&D and SG&A, we are at the lower-end of EPS guide (CSe $17.72).
- **Reiterate Underperform rating and $220 Target Price.** We make minor modelling adjustments post results. Our 2023 and 2024 EPS forecasts are relatively unchanged, but we now expect 2025 EPS of $18.77 (from $18.51 prior) given the strength of Tezspire, Repatha, Evenity, and Xgeva, partially offset by lowered Otezla and Enbrel estimates.
- **Catalysts and Risks:** (1) Amjevita interchangeability data in 1H23, (2) Phase 2b INCEPTION data for Tezspire Uticaria in 1H23, (3) Phase 2 data for Tezspire COPD in 2023. Risks: I&I is more durable and pricing does not deteriorate significantly, further Lumakras data are positive, biosimilars outperformance on Amjevita, pipeline success.
- **Valuation:** Our target price of $220 is based on a 50:50 blended DCF valuation of $191 and a relative P/E of $250. Amgen trades on a 2024 PE of 13.0x, a 22% discount to US peers, on 16.2x. On EV/NPV Amgen trades on 1.46x vs peers on 1.26x.

Full Report

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Kemper [KMPR.N]

KMPR Announces Preliminary Estimates for 1Q23 Results

OUTPERFORM

Rating	OUTPERFORM
Price (27-Apr-23, US$)	52.08
Target price (US$)	78.00
52-week price range (US$)	68.05 - 41.26
Market cap(US$ m)	3,331
Enterprise value (US$ m)	4,718

Target price is for 12 months.

Research Analysts

Andrew Kligerman

Joel Hurwitz, CFA

Michael Domiano

Alfred Miller

KMPR announced estimated results for 1Q23 on April 27, 2023, ahead of its earnings release scheduled for May 8, 2023.

- **KMPR expects to report adjusted operating loss between $(70)-(60)M, or adjusted EPS of ~$(1.10)-$(0.94) vs CS/cons' $0.22/$0.01 and $(0.94) y/y.**
- **Combined ratios were adversely impacted by prior year claim reserve additions of ~$42M and catastrophes of $29M (vs. CS est. of $15M).** Management attributed the reserve developments primarily to higher Bodily Injury and Property Damage frequency. KMPR cited that Specialty P&C's higher than expected frequency was also due to short-term impacts of new business writings, mix, and "geographic differences utilizing modified opening practices for newly reported claims."
- **Our take:** Likely underperform vs. peers on 4/28, on EPS miss and unfavorable reserve developments, although KMPR has already recently traded down in sympathy with releases from PGR and HIG.
- **Valuation – Reiterate Outperform.** Our rating and $78 target price are based on applying a conservative P/E multiple to our estimated 2025 EPS estimate and discounting back a year. Our 2025 estimate is boosted by rising premiums and a return to ~95% C/R. Downside risks include slower-than-expected rate increases in California, sustained loss cost inflation in 2023, and issues with deconsolidation towards a reciprocal structure.

Full Report

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Construction & Engineering | Weekly Analysis

28 April 2023

What's Cookin' - Beat and Retreat

Research Analysts

Jamie Cook, CFA

Chigusa Katoku

Anika Dholakia

The Machinery group underperformed this week down 5.8% with REVG and URI leading the way down 5.8% and 5.1% respectively. First quarter earnings season has begun and despite very strong beats across sales margins and earnings and bullish outlooks from corporates stocks are underperforming. This is the exact opposite of how the group traded in the back half of 2022 when the market was concerned on the macro however EPS beats and raises continued and the group traded up on the positive news. We believe the market is concerned the earnings beats are backwards looking and that margins are near peak. While visibility remains high for the group almost through year end, dealer inventories remain at the lower end of targeted ranges but are normalizing and supply chain appears to be improving as well. In addition to macro concerns, in the second half there should be less incentive to order with supply chain normalizing creating risk book to bill disappoints in the second half of the year. Additionally, with order books largely full through year end and books for 2024 not yet open this could cause orders to disappoint. While there may be an air pocket as we adjust to a more normal post COVID environment, we believe the fundamentals for the group should be supported by stimulus like IIJA, the IRA and broader on-shoring investment creating a cycle with greater duration which should be a positive fo the group. Next week we have another week of heavy earnings and we expect more in terms of beats and stocks not getting credit.

Links to Notes:

PCAR Q1 Earnings Note

RUSHA Q1 Earnings First Blush

URI Q1 Earnings First Blush

CAT Q1 Earnings First Blush

OSK Q1 Earnings First Blush

Full Report

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Mining Nuggets
This Week's Top Metals & Mining News

Research Analysts
Fahad Tariq, CPA, CA
Jessica Xu

Included in this weekly publication are top news stories – including commodity and company commentary – in addition to a chart pack with industry and company metrics.

- **Gold price action:** Gold prices were little changed this week, edging slightly higher to $1,987/oz at the time of this writing, up 0.2% from $1,983/oz at the end of last week. The current 10Y U.S. TIPS yield (i.e., real rate) is 1.26%, vs. a recent low of 1.06% (April 6, 2023) and a recent high of 1.66% (March 8, 2023).

- **Q1-23 earnings kicked off this week:** Q1-23 earnings for our coverage universe kicked off this week, beginning with New Gold on April 26 after market – New Gold reported Q1-23 EPS of $0.03 vs. $0.01 consensus and $0.04 CSe. Recall that on April 10 New Gold pre-released Q1-23 production of 82.5koz (GEO production of 104.9koz), with strong Rainy River production driven by better-than-expected underground grades. On April 26, Alamos Gold reported Q1-23 EPS of $0.12 vs. $0.10 consensus and CSe. On April 27, Newmont reported Q1-23 EPS of $0.40 vs. $0.33 consensus and $0.28 CSe. On April 27, Agnico Eagle reported Q1-23 EPS of $0.58 vs. $0.49 consensus and $0.47 CSe. On April 27, Eldorado Gold reported Q1-23 EPS of $0.11 vs. $0.04 consensus and CSe.

- **Hudbay signs renewable power supply agreement in Peru:** On April 27, Hudbay announced it signed a 10-year energy supply agreement, which comes into effect in January 2026, with ENGIE Energía Perú to supply renewable energy to Constancia. Hudbay estimates Scope 1 and 2 GHG emissions will decline 40% from 2021 levels because of this agreement.

- **Peru's copper mining sector could benefit from JVs:** On April 25, Bloomberg reported that Victor Gobitz, Antamina CEO and President of Peru's mining chamber SNMPE, suggested joint venture agreements as a means to unlock copper projects in remote areas in Peru (i.e., the Northern Andes): "One way to have a smaller footprint and have a more efficient investment is to join the projects…or if it's not a project with several partners, a joint venture, then have common infrastructure, such as just one tailings dam."

- **"How to buy gold" Google searches hit record level:** According to Google Trends data, the phrase "how to buy gold" has reached record levels in the U.S. (even higher than when gold prices reached all-time highs in 2020). Gold prices are up ~9.4% ytd and hovering ~$1,995/oz at the time of this writing, with investors still concerned about sticky inflation, elevated interest rates for longer, and/or a potential recession – these are all scenarios that historically have been positive for gold.

- **Gold heist in Toronto:** On April 17 (but with more detailed reporting this week), a $20mm shipment of gold was stolen from Toronto's Pearson International Airport. Security company Brinks was coordinating the shipment, which arrived in Toronto on an Air Canada flight and was taken to a holding facility.

Full Report

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Canadian Infrastructure
Infrastructure Action: Honing-in on Hydrology amidst the Results Reality

Research Analysts

Andrew M. Kuske

James Aldis

Selena Zhou

On May 16th and 17th, Credit Suisse will host the 2023 Renewables and Utilities Conference in New York with currently ~40 companies across the ecosystem for a variety of meetings and panel discussions. Please contact us or your sales representative for details along with seeing Credit Suisse Renewables & Utilities Conference.

MIFID II Notice: This event is only open to CS clients who are in scope for MIFID II and pay for interactions [and not solely CS Plus portal access] [and CS Clients who are not in scope for MIFID II]. It is your responsibility to ensure you are entitled to attend and not receiving an inducement.

- **Key Thoughts:** With the results reality underway in the Canadian Infrastructure sector, we focus on somewhat mixed hydrology data across the US Pacific Northwest, but specifically highlight largely deficient snowpack comparison in British Columbia in 2023 versus 2022. A potential rapid spring run-off may help bolster power prices in Alberta supporting robust ratings (both Outperform) on **Capital Power (CPX)** and **TransAlta Corp (TA)** – even at a time of more generation coming into the market (see recent AESO content).

Highlights

Exports remain in focus with AltaGas Ltd.'s (ALA) Q1 2023 print and the Ridley Island Energy Export Facility (REEF) news (CS Note: *At-a-Glance: Robust Results along with Enhancing the Export Excellence*) and on the "other coast" **Braya Renewable Fuels** completed the financing for the conversion of the 18k bpd Come-By-Chance refinery to renewable fuel operations (Press Release).

In carbon capture news, the **Carbon Capture Coalition** released a "**Federal Policy Blueprint**" available here and the US Department of Energy release a report entitled "**Pathways to Commercial Liftoff: Carbon Management**" available here.

Full Report

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Mortgage Insurance: ILN Delinquencies Declined Modestly in March

Research Analysts

Douglas Harter, CFA

William Nasta

Cory Johnson

1. March Trends

- **Credit Quality**: The 60+ day delinquency rate decreased by 3 bps for the MI ILN portfolios in March (most recently released data); excluding the payoff of an ILN delinquencies were down 1 bp. For the full quarter delinquencies were down 8 bps. Each of the MIs showed a decrease in delinquencies this month, ranging from -1 bps to -10 bps. ESNT showed the largest drop (10 bps) in the month but excluding the payoff of an older ILN its delinquencies were down 1 bp for the month.
- **Track Record**: Historically there has been a high correlation (64-98% r^2) between the quarterly delinquency performance of the ILN portfolio and the total company delinquency rate. As of the end of 4Q, the ILN's represented 51% of the total RIF for the MIs. Given the limited amount of new issuance, this percentage has been declining since 4Q 2021. The lack of issuance also causes the ILN portfolio to season to a greater extent than the overall portfolio as it is not benefiting from the recent NIW. Along these lines ACGL reported a 12 bp decline in delinquencies for the whole portfolio vs. 6 bps for the ILN portfolio. These changes could result in less predictability in the ILN portfolio.
- **LTV**: The average home price adjusted LTV was stable n the month at 72.7% for the ILN portfolio. The HPA-adjusted LTV remains favorable compared to 87.5% LTV without the benefit of HPA. As expected, the accrued benefit of HPA is more significant on older vintages than newer ones. The housing market is showing continued signs of slowing with the Case Shiller National index increasing by 2.0% y/y in February; the index's smallest y/y gain since 2012. The index increased 0.2% m/m and is now down 4.9% from the June 2022 peak.
- **Persistency**: Consistent with higher seasonal turnover the persistency rate in the ILN portfolio declined in March but still stands substantially higher than a year ago.

2. ILN Issuance Trends

- **Issuance**: There were no additional ILNs issued in March (or yet in 2023). There were 4 ILNs issued in 2022 totaling $1.2 billion of coverage compared to $4.9 billion (heavily weighted to the first half of the year) in 2021. The decline in issuance volume is a combination of lower industry NIW, but also more challenging securitization markets. The lower level of issuance combined with continued runoff of existing deals has caused the total RIF covered by ILNs to decline 16% from a year ago as of 4Q.
- **Spreads**: Similar to other securitized products, the spreads on new ILN issuance widened over the course of 2022. ESNT's most recent issuance saw blended spreads of 630 bps over SOFR, which was 170 bps wider than MTG's deal in April and 350-400 bps wider than where deals were priced in the second half of 2021. AGCL's pricing was an additional ~100 bps wider than ESNT's.
- **XOL**: The increased cost of execution of ILN's has pushed more reinsurance towards XOL with a panel of reinsurers.

3. GSE CRT Spreads

- **Spreads tighter in April**: We look to the performance of GSE CRT spreads as another measure of investor sentiment towards residential mortgage credit. CRT spreads are tighter across the stack in April with the B-tranches 35-75 bps tighter.
- **2021/2022 vintages spreads widest**: Given the impact of home price appreciation, older vintages trade at a narrower spread than the 2021/2022 vintages. The older vintages have retraced much of their widening over the past couple of months and are at or below early 2022 levels, while the 2021 vintage remains relatively wide compared to the beginning of 2022.
- **Valuation vs. CRT spreads**: Looking back to the beginning of 2020 MI stock prices and GSE CRT B-tranches have exhibited a high level of correlation (60% r^2), especially for the larger moves. Based on this correlation, MI prices are at the higher level of the range vs. CRT prices.

Full Report

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