

Daily US Equity Opening News

2nd August 2021: SQ acquires Afterpay; ZM agrees settlement fee

The Daily US Equity Opening News is uploaded at 1400BST/0900EDT recapping all the overnight equity news.

US RECAP: SPX -0.48% at 4,397, NDX -0.59% at 14,959, DJIA -0.42% at 34,935, RUT -0.80% at 2,222 **SECTORS:** Consumer Discretionary -2.77%, Energy -1.76%, Utilities -0.87%, Financials -0.73%, Communication Services -0.44%, Industrials -0.17%, Technology -0.08%, Health +0.08%, Consumer Staples +0.12%, Real Estate +0.32%, Materials +0.4%.

BARRON'S: GlaxoSmithKline (GSK) and Atlas Technical Consultants (ATCX) saw positive mentions in this week's edition of Barron's. US lawmakers appear to be close of passing the infrastructure-investment bill for USD 1trln, as such positive mentions for Vulcan Materials (VMC) and Martin Marietta Materials (MLM), which make concrete and asphalt; Caterpillar (CAT) and Terex (TEX), which make construction equipment; and United Rentals (URI), which rents the machinery. Atlas Technical Consultants (ATCX) is one infrastructure play that has been overlooked, Barron's says, and is a cheap way to play infra spending.

REGULATORS: China's securities regulator said it will seek closer cooperation with its US counterpart and will support overseas listings, after the SEC tightened disclosure for Chinese companies and voiced concern about Beijing's regulatory actions. In other news, Beijing's market regulator has fined three tutoring firms for acts such as false advertising, running unlicensed schools and illegal pricing, the Beijing Youth Daily reported. The three firms (Xueda Education, ABC Foreign Language School, 51talk) were fined a total of CNY 1.92mln (around USD 300k).

VACCINES: **Pfizer (PFE)** raised the price of its COVID vaccine by more than a quarter and **Moderna (MRNA)** by more than a tenth in the latest EU supply contracts as Europe battled supply disruptions and concerns about side effects from rival products, FT reported. The terms of the deals, struck this year for a total of up to 2.1bn shots until 2023, were renegotiated after phase 3 trial data showed their messenger ribonucleic acid vaccines had higher efficacy rates than cheaper shots developed by **Oxford/AstraZeneca (AZN)** and **Johnson & Johnson (JNJ)**. Moreover, the FDA is under pressure to give PFE/MRNA vaccines official approval, which could happen within a month.

LAWSUIT: **Zoom (ZM)** agreed to pay USD 85mln and bolster its security practices to settle a lawsuit claiming it violated users' privacy rights, CNBC reported. The suit claimed the company shared personal data with **Facebook (FB)**, **Google (GOOG)** and **LinkedIn (MSFT)**, and let hackers disrupt Zoom meetings in a practice called "Zoom bombing." Subscribers in the proposed class action would be eligible for 15% refunds on their core subscriptions or USD 25, whichever is larger, while others could receive up to USD 15, CNBC said.

DOW JONES

Apple (AAPL) (Information Technology/Technology Hardware, Storage & Peripherals) is reportedly – according to DigiTimes sources – set to significantly increase the adoption of integrated passive devices for its new iPhones and other iOS products, which would provide business opportunities for **TSMC (TSM)** and **Amkor (AMKR)**.

The Walt Disney Company (DIS) (Communication Services/Entertainment) is to require all salaried and non-union hourly employees in the US to be fully vaccinated by the end of September, CNBC reports.

NASDAQ 100

Alphabet Inc (GOOG) (Communication Services/Interactive Media & Services) - YouTube has temporarily suspended Sky News Australia following the platform's review of content for compliance with its COVID-19 policies.

S&P 500

Accenture (ACN) (Information Technology/IT Services) has acquired Lexta, a consulting firm specialized in IT benchmarking and IT sourcing advisory, with terms undisclosed.

Discovery (DISCA) (Communication Services/Broadcasting) is exploring a bid for Channel 4 that would challenge the BBC and ITV's dominance of British screens. Sources said Discovery was holding informal discussions about a potential takeover of Channel 4 if ministers press ahead with a privatisation in autumn. The explorations may not lead to an offer, but are a sign of serious interest.

General Electric (GE) (Industrials/Industrial Conglomerates) has completed its previously announced one-for-eight reverse stock split and will begin trading on a post-split basis today.

Global Payments Inc. (GPN) (Information Technology/Data Processing & Outsourced Services) Q2 2021 (USD): Adj. EPS 2.04 (exp. 1.90), Revenue 2.14bln (exp. 1.86bln). Raises FY adj. EPS view 8.07-8.20 (exp. 8.01; 7.87-8.07), FY Revenue view 7.70-7.73bln (exp. 7.62bln; prev. 7.55-7.63bln) Raises share buyback programme to 1.5bln.

Loews (L) (Financials/Insurance) Q2 2021 (USD): EPS 2.86, Revenue 4.03bln vs prev. 2.31bln.

MSCI Inc (MSCI) (Financials/Financial Exchanges & Data) acquires Real Capital Analytics, a private company and the go-to data and analytics provider of the properties, transactions and participants that drive the commercial real estate capital markets globally, for USD 950mln in cash.

Parker Hannifin (PH) (Industrials/Machinery) is to take over **Meggitt (MEGGY)** in a GBP 6.3bln deal, FT reported. Meggitt shareholders will receive 800p/shr in cash, representing a premium of 71% vs Friday's closing price. Meggitt chair said it is unanimously recommended Parker's offer.

Royal Caribbean Cruises Ltd (RCL) (Consumer Discretionary/Hotels, Resorts & Cruise Lines) said only passengers with a negative COVID-19 test will be let aboard on cruises that are five nights or longer, irrespective of their vaccine status.

S&P Global (SPGI) (Financials/Capital Markets) and **IHS Markit (INFO)** (Industrials/Professional Services) announced an agreement to sell IHS Markit's Oil Price Information Services; Coal, Metals and Mining; and PetroChem Wire businesses to **News Corp (NWSA)** in a deal worth roughly USD 1.15bln.

OTHER

Alkermes (ALKS) (Health Care/Biotechnology) announced that the US FDA has granted Fast Track designation to nemvaleukin alfa, Cos. novel, investigational engineered interleukin-2 variant immunotherapy, for the treatment of mucosal melanoma.

Allianz (ALIZY) (Financials/Insurance) warned that the escalating legal dispute over actions its US investment funds undertook as the pandemic commenced mean that there is a risk that the matters relating to the Structured Alpha Funds could materially impact future financial results; however, due to the uncertainty, no provision has been recognised at this point in time.

AXA (AXAHY) (Financials/Insurance) H1 gross revenue EUR 53.8bln (prev. EUR 52.4bln), EBIT EUR 3.64bln (exp. EUR 3.22bln), net income EUR 4.00bln (exp. EUR 1.17bln). Estimated impact of the recent European flooding is around EUR 0.4bln.

BHP (BHP) (Materials/Metals & Mining) - Workers at BHP Escondida mine overwhelmingly rejected a final wage offer. Mining will continue during a period of obligatory government mediation. If no deal is reached in the 5-10-day period then strike action will begin. BHP has requested mediation in an attempt to reach a deal. Escondida is the world's largest copper mine and accounts for almost 5% of global copper supply. BHP holds around a 58% stake in the mine.

Blackstone Group Inc (BX) (Financials/Capital Markets) and **Hudson Pacific Properties Inc (HPP)** have planned to create a major film, TV and digital production complex in Brixton, London, for a total investment of USD 975mln, in what would be the first overseas expansion of their Sunset Studios platform.

Carrefour (CRRFY) (Consumer Staples/Food & Staples Retailing) has implemented a share buyback for a maximum amount of EUR 200mln.

CD&R is expected to place a counterbid to the GBP 2.54/shr Fortress consortium takeover for **Wm Morrison Supermarkets (MRWSY)**. Could be announced in the next few days, Times reported.

Credit Suisse (CS) (Financials/Capital Markets) Chair Hort-Osorio has purchased CHF 1mln of shares.

Ericsson (ERIC) (Information Technology/Communications Equipment) has secured a 3% share in China Telecom /China Unicom's joint 5G project tender, **Nokia (NOK)** does not secure any share, according to sources.

Ferrari (RACE IM) (Consumer Discretionary/Automobiles) Q2 2021 (EUR): Revenue 1.04bln (exp. 1.035bln), net profit 206mln (exp. 203mln), adj. EBITDA 386mln (exp. 373mln). FY21 guidance upgraded: 450mln (prev. 350mln).

Foot Locker (FL) (Consumer Discretionary/Specialty Retail) is to buy WSS and Atmos for a combined USD 1.1bln, according to WSJ. WSS for USD 750mln and Atmos USD 360mln.

Heineken (HEINY) (Consumer Staples/Beverages) H1 revenue EUR 9.97bln (exp. EUR 9.91bln), operating profit +109% at EUR 1.6bln. Beer volume +9.6%, with strong growth in Heineken at +19.6%. COVID remains an area for caution as do rising commodity costs which will begin impacting in H2 and have a material effect in 2022, at current levels. Overall, it expects full year financial results to remain below 2019. Will apply its regular dividend policy for 2021 and pay an interim dividend of EUR 0.28/shr.

HSBC (HSBC) (Financials/Banks) Q2 2021 (USD): Adj. revenue 12.52bln (exp. 12.57bln). Adj. Pretax 5.56bln (exp. 4.73 bln); proposes a H1 interim dividend of 0.07/shr. CET1 ratio 15.6% (exp. 15.8%). NII 13.098bln (prev. 14.509bln). In terms of credit losses, HSBC expects the charge for 2021 to be materially lower than the medium-term range, and possible a net release for the year. Cost reduction programme is on track. Sees mid-single digit lending growth for the FY.

Ipsen (IPSEY) (Health Care/Pharmaceuticals) and **Exicure (XCUR)** (Health Care/Biotechnology) have signed an exclusive collaboration agreement to research, develop, and commercialize novel Spherical Nucleic Acids as potential investigational treatments for Huntington's disease and Angelman syndrome.

Li Auto (LI) (Consumer Discretionary/Automobiles) delivered 8,589 Li ONEs in July 2021, surpassing the 8,000 vehicle milestone for the first time while hitting a new record. Deliveries up 11.4% M/M and 251.3% Y/Y.

Nio (NIO) (Consumer Discretionary/Automobiles) delivered 7,931 vehicles in July, up 124.5% Y/Y.

ON Semiconductor (ON) (Information Technology/Semiconductors & Semiconductor Equipment) Q2 2021 (USD): Adj. EPS 0.63 (exp. 0.50), Revenue 1.67bln (exp. 1.61bln).

Rivian, Amazon-backed (AMZN) EV maker, is in talks with UK ministers over a factory in Britain. Rivian, which counts Amazon and **Ford (F)** among its shareholders, is exploring building its first car production facility outside the US on a site near Bristol, Sky News reported.

Robinhood (HOOD) (Financials/Capital Markets) sold IPO shares to over 300,000 customers, according to WSJ.

Square (SQ) (Information Technology/IT Services) Q2 2021 (USD): Adj. EPS 0.66 (exp. 0.30), Revenue 1.96bln (exp. 5.05bln). In other news, the payments firm of **Twitter (TWTR)** co-founder Jack Dorsey, will purchase buy now, pay later firm **Afterpay (AFTPY)** for 29bln. The deal represents a 30% premium in an all-stock bid for Afterpay; Afterpay board unanimously recommended the deal. The takeover underscores the popularity of a business model that has upended consumer credit by charging merchants a fee to offer small point-of-sale loans which their shoppers repay in interest-free instalments, bypassing credit checks.

Xpeng (XPEV) (Consumer Discretionary/Automobiles) delivered 8,040 EVs in July, its highest ever monthly deliveries, up 22% M/M and up 228% Y/Y.

XPO Logistics (XPO) (Industrials/Air Freight & Logistics) has completed its spin off of GXO Logistics (GXO) creating two independent, publicly traded companies.

BROKER MOVES

UPGRADES

- **AllianceBernstein (AB)** upgraded to Buy from Neutral at Citi
- **Avantor (AVTR)** upgraded to Overweight from Neutral at Piper Sandler
- **Bancolombia (CIB)** upgraded to Hold from Underweight at Grupo Santander
- **Bloomin' Brands (BLMN)** upgraded to Buy from Hold at Deutsche Bank
- **Consolidated Communications (CNSL)** upgraded to Neutral from Sell at Citi
- **Credicorp (BAP)** upgraded to Neutral from Sell at Citi
- **Dolby (DLB)** upgraded to Outperform from Market Perform at Barrington
- **Encompass Health (EHC)** upgraded to Strong Buy from Outperform at Raymond James
- **Encompass Health** upgraded to Strong Buy from Outperform at Raymond James

- First Solar (FSLR) upgraded to Positive from Neutral at Susquehanna
- Futu Holdings (FUTU) upgraded to Buy from Neutral at Bocom
- GreenSky (GSKY) upgraded to Equal Weight from Underweight at Stephens
- Infinity Pharmaceuticals (INFI) upgraded to Overweight from Neutral at JPMorgan
- LKQ Corp. (LKQ) upgraded to Outperform from Market Perform at Raymond James
- LKQ Corp. (LKQ) upgraded to Outperform from Market Perform at Raymond James
- Newell Brands (NWL) upgraded to Equal Weight from Underweight at Wells Fargo
- Square (SQ) upgraded to Outperform from Neutral at Oddo BHF
- Veoneer (VNE) upgraded to In Line from Underperform at Evercore ISI
- WisdomTree (WTEF) upgraded to Outperform from Market Perform at Keefe Bruyette

DOWNGRADES

- AptarGroup (ATR) downgraded to Market Perform from Outperform at William Blair
- Balchem (BCPC) downgraded to Equal Weight from Overweight at Stephens
- Byline Bancorp (BY) downgraded to Equal Weight from Overweight at Stephens
- Estee Lauder (EL) downgraded to Hold from Buy at Deutsche Bank
- Grainger (GWW) downgraded to Market Perform from Outperform at Raymond James
- Grainger (GWW) downgraded to Market Perform from Outperform at Raymond James
- LexinFintech (LX) downgraded to Outperform from Buy at CLSA
- Liberty Oilfield Services (LBRT) downgraded to Neutral from Buy at Goldman Sachs
- Lufax (LU) downgraded to Neutral from Buy at Goldman Sachs
- Misonix (MSON) downgraded to Neutral from Buy at BTIG
- ResMed (RMD) downgraded to Hold from Buy at Needham
- SciPlay (SCPL) downgraded to Sector Weight from Overweight at KeyBanc
- Teladoc (TDOC) downgraded to Hold from Buy at Argus
- Telephone and Data (TDS) downgraded to Underweight from Neutral at JPMorgan
- U.S. Cellular (USM) downgraded to Underweight from Neutral at JPMorgan

INITIATIONS

- Byrna Technologies (BYRN) rated new buy at B Riley Securities; PT USD 31
- Cano Health (CANO) rated new outperform at Credit Suisse; PT USD 18
- ChargePoint (CHPT) rated new neutral at Goldman; PT USD 24
- Doma Holdings (DOMA) rated new market outperform at JMP; PT USD 14
- Kura Sushi USA (KRUS) rated new outperform at William Blair
- Levi Strauss (LEVI) rated new buy at Stifel; PT USD 38
- MarketWise (MKTW) rated new market outperform at JMP; PT USD 17
- MarketWise (MKTW) rated new neutral at Baird; PT USD 16
- Noah Holdings ADRs (NOAH) rated new buy at Orient Securities; PT USD 54.37
- PMV Pharmaceuticals (PMVP) rated new buy at Guggenheim; PT USD 56
- Rapid7 (RPD) reinstated overweight at KeyBanc; PT USD 135
- Ree Automotive (REE) rated new outperform at Cowen; PT USD 15

EX DIVIDENDS

- Conagra Brands Inc - USD 0.31

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