



Daily US Equity Opening News

21st August 2023: PANW profit beat & raised guidance; PR to acquire ESTE

- **FRIDAY CLOSE:** SPX -0.01% at 4,369, NDX -0.14% at 14,694, DJIA +0.07% at 34,500, RUT +0.51% at 1,859. **SECTORS:** Energy +0.94%, Utilities +0.39%, Consumer Staples +0.37%, Real Estate +0.28%, Industrials +0.12%, Technology +0.11%, Health -0.01%, Materials -0.08%, Financials -0.13%, Consumer Discretionary -0.32%, Communication Services -0.98%.
- **ENERGY:** Unions at **Woodside Energy's (WDS)** offshore gas platforms plan to strike by September 2nd over pay and conditions. This could disrupt LNG shipments from Australia's major exporter. The Offshore Alliance gave notice for the strike if their demands aren't met by Wednesday.
- **BARRON'S:** **Chevron (CVX), Matador Resources (MTDR), Permian Resources (PR), Pioneer (PXD)** positive mention saying that oil stocks were back. Adds energy stocks have been performing well recently while technology stocks have slowed. Rising oil and natural gas prices due to supply cuts and increased demand have contributed to this growth. Oil exploration and production companies, like PXD, are seen as attractive due to cost savings and higher returns for investors. **Mastercard (MA), Visa (V)** positively mentioned; said V and MA's dominance in electronic payments is not as threatened as it might seem, noting that their high profits come from processing fees, and despite potential challenges, the widespread use of credit cards and the limited merchant options for payment will likely maintain their strong position. **Moderna (MRNA), BioNTech (BNTX)** positive mention; said both stocks were a buy given their strong drug pipelines and cash holdings. Cautious mention for **VinFast (VFS)**.
- **CRYPTO:** SEC is likely to approve the creation of ETFs based on Ether futures contracts. The move would be a significant success for companies like Volatility Shares, Bitwise, Roundhill, and ProShares, which have applied to launch these ETFs. While the SEC hasn't specified which funds will be approved, sources cited by Bloomberg suggested that some could receive approval by October.
- **CHIP NAMES (NVDA, AMD, INTC):** UK is in talks with Nvidia, Advanced Micro Devices and Intel about procuring equipment for AI research, and has allocated GBP 100mln to the project, according to The Telegraph.
- **DRUG PRICES:** Biden admin is to announce a list of 10 drugs targeted for price negotiations with pharmaceutical companies. The programme aims to lower drug costs for seniors on Medicare. The list might include common treatments for conditions like arthritis, blood disorders, heart disease, and diabetes, leading drug manufacturers to challenge the move in court.

DOW JONES

- **Disney (DIS)** (Communication Services/Entertainment) CEO Bob Iger is seeking partners, including **Verizon (VZ)**, to launch a streaming version of ESPN, according to The Information. Verizon's CEO Hans Vestberg has expressed interest in collaborating with Disney for distributing the ESPN streaming service, and he has discussed with sports league executives earlier this year.
- **Goldman Sachs (GS)** (Financials/Capital Markets) CEO David Solomon is facing internal challenges and negative media coverage, including questions about his leadership style. But despite the criticism, he retains support from the bank's directors and major shareholders, according to FT. In other news, Goldman Sachs is reportedly exploring a sale of the investment advisory business it purchased four years ago, according to the FT.
- **Johnson & Johnson's (JNJ)** (Health Care/Pharmaceuticals) offer to its shareholders to exchange their shares of Johnson & Johnson common stock for shares of **Kenvue (KVUE)** common stock owned by Johnson & Johnson was oversubscribed. JNJ is to hold a 9.5% stake in Kenvue after share exchange offer.



NASDAQ 100

- **Broadcom (AVGO)** (Information Technology/Semiconductor & Semiconductor Equipment) - UK CMA clears Broadcom's (AVGO) USD 69bln purchase of **VMWare (VMW)** following Phase 2 investigation. Adds that the deal does not substantially reduce competition. Broadcom announced they still expect the deal to close on schedule, affirming it will close on October 30th, 2023.
- **Gilead (GILD)** (Health Care/Biotechnology) has announced partial clinical hold on Magrolimab studies in AML; studies in solid tumours unaffected; working with regulatory authorities to determine next steps.
- **Kraft Heinz (KHC)** (Consumer Staples/Food Products) sees a USD 25bln opportunity in revamping Lunchables for school cafeterias, tapping a new market and drawing pushback, according to WSJ.
- **Meta (META)** (Communication Services/Interactive Media & Services) is telling employees they must adhere to the return-to-office policy, requiring most office-based employees to work in person at least three days a week, according to Business Insider. Managers will monitor compliance and repeated failure could lead to job loss. Fully remote workers are exempt from this mandate. Elsewhere, according to WSJ, a web version of the new text-first app Threads is set to be unveiled this week.
- **Old Dominion Freight Line (ODFL)** (Industrials/Ground Transportation) has offered USD 1.5bln to acquire Yellow's terminal portfolio out of bankruptcy, surpassing a previous USD 1.3bln bid from Estes Express Lines. Both offers are stalking horse bids, setting the minimum price for a future Chapter 11 auction.
- **Palo Alto Networks (PANW)** (Information Technology/Software) Q4 2023 (USD): Adj. EPS 1.44 (exp. 1.28), Revenue 1.95bln (exp. 1.96bln), Remaining Performance Obligations +30% to 10.6bln. **Q1 GUIDANCE:** Q1 revenue view 1.82-1.85bln (exp. 1.92bln), Billings view 2.05-2.08bln (exp. 2.07bln). **FY24 GUIDANCE:** Revenue view 8.15-8.20bln (exp. 8.38bln), Billings 10.9-11.0bln (exp. 10.7bln), EPS 5.27-5.40 (exp. 4.99). Post-earnings, PANW had its price target raised at a plethora of brokerages, such as Wells Fargo, UBS, Baird, JPM, and BofA amongst others.
- **Regeneron (REGN)** (Health Care/Biotechnology) received approval from the FDA for its drug Veopoz (pozelimab) to treat the rare blood disease CHAPLE in both adults and children aged 1 year and older. This marks the first FDA-approved treatment for this condition. Separately, WSJ said, a quicker-than-expected US approval of Regeneron's high-dose eye disease drug, Eylea, should help return the blockbuster treatment back to growth in the next few years.

S&P 500

- **Capital One (COF)** (Financials/Consumer Finance) has sold an office loan portfolio worth almost USD 900mln, reflecting challenges in the CRE sector due to remote work and empty office buildings during the pandemic. A spokesperson didn't disclose details about the deal or the buyer.
- **Citigroup (C)** (Financials/Banks) CEO Jane Fraser is reportedly considering a major restructuring plan to break up the bank's largest division, the Institutional Clients Group (ICG), into its primary business segments: investment and corporate banking, global markets, and transaction services, according to the FT. This potential change would give Fraser greater control and reshape reporting lines within the bank.
- **DuPont (DD)** (Materials/Chemicals) is in advanced discussions to sell its Delrin resins unit to private equity firm The Jordan Company for about USD 1.8bln. The deal could be announced this week, though no final decision has been reached. The move is part of DuPont's focus on specific sectors after reorganisation.
- **Ford (F)** (Consumer Discretionary/Automobiles) - NHTSA probes circa. 64k 2021-2022 Ford (F) Mustang Mach E's as their high voltage battery contactors could overheat causing a loss of motive power.
- **General Motor's (GM)** (Consumer Discretionary/Automobiles) Cruise self-driving unit will reduce its robotaxis in San Francisco by 50% as authorities investigate recent crashes, according to ABC. Follows a driverless Cruise vehicle which collided with an emergency vehicle. This decision comes after California's approval for Cruise and Waymo to operate self-driving taxis 24/7 in the city.
- **Kroger (KR)** (Consumer Staples/Consumer Staples Distribution & Retail) has quietly become the biggest sushi seller in the US, according to Business Insider. America's largest grocery retailer sells more than 40mln pieces of



sushi a year, and wants to become a destination for more than just groceries. Analysts said it underscored how supermarkets are increasingly selling more prepared foods.

- **Marsh & McLennan (MMC)** (Financials/Insurance) is to acquire Australia's Honan Insurance for about AUD 700mln, according to AFR. This involves purchasing TA Associates' 80% stake in Honan. The deal, to be finalised in 2023, will expand Marsh's presence in Australia, New Zealand, and Asia.

OTHER

- **Alibaba's (BABA)** (Consumer Discretionary/Broadline Retail) e-commerce units Taobao and Tmall in China are hiring over 2,000 entry-level employees, a sign of Big Tech's growth after downsizing, according to China's SCMP. BABA seeks fresh graduates for roles in areas like engineering and data in cities including Hangzhou, Beijing, and Shanghai, and plans to hire 15,000 employees this year after reducing its workforce previously.
- **Exelixis (EXEL)** (Health Care/Biotechnology) and **Ipsen (IPSEY)** (Health Care/Pharmaceuticals) announced that the global phase 3 CONTACT-02 pivotal trial met one of two primary endpoints, demonstrating a statistically significant improvement in progression-free survival at the primary analysis.
- **Nikola (NKLA)** (Industrials/Machinery) files to sell USD 125mln of A-1 senior convertible notes due 2024.
- **Permian Resources (PR)** (Energy/Oil, Gas & Consumable Fuels) is to acquire **Earthstone Energy (ESTE)** in an all-stock transaction for USD 4.5bln, inclusive of debt. Each share of Earthstone common stock will be exchanged for a fixed ratio of 1.446 shares of Permian Resources common stock.
- **Re/Max Holdings (RMAX)** (Real Estate/Real Estate Management & Development) is cutting 7% of its workforce as part of a restructuring effort, according to MarketWatch; expects a one-time termination benefits cost of around USD 2.8-3.3mln, most recognised in Q3. This follows a previous reduction of about 17% of its workforce in 2022.
- **Sculptor (SCU)** (Financials/Capital Markets) said it received an unsolicited proposal from a third party and the latest bid headline valuation is higher than Rithm transaction but bidder has not demonstrated adequate funding committed for any of its bids. Added Special Committee has not determined that the bid is or is reasonably expected to lead to a superior proposal. Followed reports that Boaz Weinstein and several other investors including Bill Ackman and Mac Lasry have made a rival offer for Sculptor Capital Management (SCU) of over USD 12/shr.
- **SoftBank's (SFTBY)** (Communication Services/Wireless Telecommunication Services) Arm Ltd. chip designer saw its revenue drop about 1% last year to USD 2.68bln. Despite this, its parent company, SoftBank, plans to value Arm at up to USD 70bln in the upcoming IPO. Elsewhere, Reuters reports that SoftBank has acquired the 25% stake in Arm that it does not directly own from its Vision Fund unit, which values the chip designer at USD 64bln; details of the transaction will be unveiled on Monday when Arm makes public the filing for its IPO.
- **TSMC (TSM)** (Information Technology/Semiconductor & Semiconductor Equipment) affirmed FY23 Revenue -10% in USD terms, according to DigiTimes.

BROKER MOVES

UPGRADES

- Acushnet Holdings (GOLF) upgraded to Buy from Hold at Jefferies
- AppFolio (APPF) upgraded to Overweight from Equal Weight at Stephens
- ArcBest (ARCB) upgraded to Outperform from Peer Perform at Wolfe Research
- Cogent (CCOI) upgraded to Neutral from Sell at Goldman Sachs
- Insulet (PODD) upgraded to Buy from Neutral at Citi
- Liberty SiriusXM (LSXMB) upgraded to Buy from Neutral at Seaport Research
- XPeng (XPEV) upgraded to Buy from Neutral at BofA

DOWNGRADES

- Alpha Metallurgical (AMR) downgraded to Market Perform from Outperform at TD Cowen
- Coca-Cola Femsa (KOF) downgraded to Neutral from Outperform at Grupo Santander
- Insulet (PODD) downgraded to Neutral from Outperform at Baird



- Medical Properties Trust (MPW) downgraded to Underweight from Neutral at JPMorgan
- Napco Security (NSSC) downgraded to Hold from Buy at Lake Street
- Napco Security (NSSC) downgraded to Market Perform from Outperform at William Blair
- Napco Security (NSSC) downgraded to Neutral from Buy at B. Riley
- Sarcos Technology (STRC) downgraded to Hold from Buy at Jefferies
- Tracon Pharmaceuticals (TCN) downgraded to Hold from Buy at JonesResearch

INITIATIONS

- Alphabet (GOOGL) rated new overweight at Guotai Junan Sec; PT USD 150.92
- Atour Lifestyle ADRs (ATAT) rated new buy at Sealand Securities
- Expro Group Holdings NV (XPRO) reinstated inline at Evercore ISI
- FMC Corp (FMC) rated new neutral at JPMorgan; PT USD 90
- Grocery Outlet (GO) rated new overweight at Guotai Junan Sec
- Merus BV (MRUS) rated new outperform at Cowen
- Oceaneering (OII) reinstated inline at Evercore ISI; PT USD 24
- Target (TGT) rated new neutral at CTBC Securities; PT USD 138

EX DIVIDENDS

- Bgc Group Inc - USD 0.01
- Carpenter Technology Corp - USD 0.20
- Columbia Sportswear Co - USD 0.30
- Energizer Holdings Inc - USD 0.30
- John B Sanfilippo & Son Inc - USD 0.80
- Microchip Technology Inc - USD 0.41
- Monro Inc - USD 0.28
- Nordson Corp - USD 0.68
- Prudential Financial Inc - USD 1.25

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