



Daily US Equity Opening News

21st September 2023: CSCO to acquire SPLK; GOOG talks of dropping AVGO as chip supplier

WEDNESDAY CLOSES: SPX -0.94% at 4,402, NDX -1.46% at 14,970, DJI -0.22% at 34,440, RUT -0.9% at 1,810.
SECTORS: Communication Services -1.89%, Technology -1.77%, Consumer Discretionary -1.09%, Materials -1.03%, Energy -0.96%, Financials -0.66%, Industrials -0.39%, Health +0.02%, Utilities +0.1%, Real Estate +0.13%, Consumer Staples +0.15%.

AGS (MOS, CF, NTR): Analysts at RBC said that the US Court of International Trade ruling that the ITC's decision to impose duties on Russian and Moroccan phosphate imports lacked enough evidence, and could be bad news for US phosphate producers, especially Mosaic, as it introduces uncertainty in US pricing compared to global standards.

HOLLYWOOD STRIKE (CMCSA, NFLX, DIS, WBD): Negotiations for the WGA and Hollywood studios meet again today to try to resolve the near five-month standoff.

DOW JONES

Apple Inc. (AAPL) (Information Technology/Technology Hardware, Storage & Peripherals) new iPhone models unveiled last week are missing a proprietary silicon chip that Apple had spent several years and billions of dollars trying to develop in time for the rollout which would allow it to cut ties with **Qualcomm (QCOM)**, according to WSJ. Former engineers and execs familiar with the project stated the obstacles to finishing the chip were largely of Apple's own making, the Journal added.

Chevron Corp. (CVX) (Energy/Integrated Oil & Gas) - Australia's industrial arbitrator proposed steps to the U.S. refiner and unions to resolve a long-running dispute over pay and conditions at two liquefied natural gas (LNG) projects, to end strikes that have roiled world gas markets, reported Reuters.

Cisco Systems (CSCO) (Information Technology/Communications Equipment) is to acquire **Splunk (SPLK)**; the proposed deal is for USD 157/shr in cash, representing c. USD 28bln in equity value SPLK President and CEO Gary Steele will join CSCO's exec leadership team reporting to Chair and CEO Chuck Robbins. The deal is expected to be cash flow positive and gross margin accretive in the first fiscal year post-close. The acquisition has been unanimously approved by boards of directors of both sides. The deal will accelerate CSCO's revenue growth and GM expansion. Deal expected to be non-GAAP EPS accretive in year two.

NASDAQ 100

Amazon.com Inc. (AMZN) (Consumer Discretionary/Internet & Direct Marketing Retail) has decided not to charge a 2% fee to sellers who ship their own products, a move that might help it avoid antitrust issues, Reuters reported. The fee was supposed to start on October 1st.

Broadcom Inc. (AVGO) (Information Technology/Semiconductors) - **Google (GOOGL)** executives have extensively discussed dropping Broadcom as a supplier of artificial intelligence chips as early as 2027, according to The Information citing a person with direct knowledge of the effort. In that scenario, Google would fully design the chips, known as tensor processing units, in-house, the sources added.

Keurig Dr. Pepper (KDP) (Consumer Staples/Beverages) named packaged foods industry veteran Tim Cofer as its new Chief Executive, replacing Bob Gamgort.

Starbucks Corp. (SBUX) (Consumer Discretionary/Restaurants) raised its quarterly dividend to USD 0.57/shr from USD 0.53.



S&P 500

CrowdStrike (CRWD) (Information Technology/Software) announced new targets to be achieved within 3-5 years. It announced a New Target Model of Subscription gross margin at 82%-85% of revenue (+400bps vs prior target), operating margins of 28-32% (+900bps vs prior target), and free cash flow margin of 34-38% (midpoint is +500bps vs prior target).

D. R. Horton (DHI) (Consumer Discretionary/Homebuilding) Paul J. Romanowski, Co-COO, will become President and CEO of D.R. Horton, effective October 1st; David V. Auld will transition to Executive Vice Chair.

Exxon Mobil Corp. (XOM) (Energy/Integrated Oil & Gas) expects its motor fuels and chemicals to reach USD 16bln in earnings by 2027, up USD 4bln from current levels as demand continues to rise.

FactSet (FDS) (Financials/Capital Markets) Q4 23 (USD): Adj. EPS 2.93 (exp. 3.50), revenue 536mln (exp. 535mln). FY24 Adj. EPS view 15.65-16.15 (exp. 16.65). Revenue view 2.21-2.23bln (exp. 2.23bln).

FedEx Corporation (FDX) (Industrials/Air Freight & Logistics) Q1 24 (USD): Adj. EPS 4.55 (exp. 3.73), revenue 21.7bln (exp. 21.80bln). Said Q1 results improved primarily due to the execution of the company's DRIVE programme initiatives and continued focus on revenue quality. It added about 400k in average daily volume by the end of Q1, aided by the threat of strikes at UPS (UPS). Cost per package was -2% in Q1. Expects to maintain the majority of volume added in Q1, and that DRIVE actions will gain traction throughout the remainder of the year; is on track to complete One FedEx in June 2024. Expects to repurchase an additional USD 1.5bln of common stock during fiscal 2024. Narrows FY 24 adj. EPS outlook to USD 17.00-18.50 (exp. 17.50, from 16.50-18.50), and raises FY 24 revenue outlook to approximately flat Y/Y (vs prior forecast of flat to low-single-digit-percent revenue growth).

General Motors (GM) (Consumer Discretionary/Automobile Manufacturers) reportedly lays off 2,000 workers in Kansas due to a ripple effect from the UAW strike, according to the FT.

Grabholdings (GRAB) (Industrials/Ground Transportation) is reportedly among buyers for Delivery Hero's (DHER GY) Foodpanda, its Southeast Asian business.

KB Home (KBH) (Consumer Discretionary/Household Durables) Q3 23 (USD): Adj. EPS 1.80 (exp. 1.38), revenue 1.59 bln (exp. 1.46bln), Q3 homes delivered -7% to 3,375 (exp. 3,126), Q3 net orders +52% Y/Y to 3,097 (exp. 3,385), Q3 backlog -35% Y/Y to 7,008 (exp. 7,540), Q3 average selling price -8.3% Y/Y to 470k (exp. 470k), Q3 adj. housing gross margin 21.5% (prev. 27% Y/Y). Lifted its FY23 housing revenue outlook to about USD 6.31bln (prev. saw 5.8-6.2bln), and sees FY23 average selling prices at USD 481k (prev. saw 485k), sees FY23 average community count +9% Y/Y, and sees homebuilding operating income at around 11.3% (prev. saw 11.0%).

Norfolk Southern Corp. (NSC) (Industrials/Railroads) - President Biden issued an order to make Norfolk Southern responsible for a train accident in Ohio, Fox reported. The government will also help affected communities if they need more assistance because of the accident's lasting impact. Separately, Federal regulators have approved Norfolk Southern acquisition of Cincinnati Southern; city voters will also have to approve the USD 1.62bln deal to sell the municipally owned railroad.

OTHER

AAR Corp. (AIR) (Industrials/Aerospace & Defense) signed an exclusive multi-year foreign military distribution agreement with Pall Corporation.

GlobalFoundries (GFS) (Information Technology/Semiconductors & Semiconductor Equipment) received USD 3.13bln contract from the Defense Microelectronics Activity (DMEA) for a 10-year period, provides access to advanced microelectronics and trusted processes for the Department of Defense and other federal agencies.

Nio (NIO) (Consumer Discretionary/Automobiles) has launched an Android smartphone priced between USD 900-1,000, which it expects many of its users to buy, especially those who currently use iPhones or flagship Android phones like Huawei, CNBC reported. The new phone is USD 150 cheaper than a similar Huawei device, the report added.

Samsung (SSNLF) (Information Technology/Technology Hardware, Storage & Peripherals) - Goldman Sachs raised the price target to KRW 93k (prev. 88k), with a Buy rating; GS said it has a more constructive long-term outlook for Samsung Electronics due to AI, but in the near-term, sees weaker earnings driven by costs related to larger memory production cuts on slow non-AI demand recovery.



Snap Inc (SNAP) (Communication Services/Interactive Media & Services) COO Jerry Hunter sold 124.7K shares on September 18th for a total USD 1.1mln.

Splunk (SPLK) (Information Technology/Software) President and CEO Gary Steele sold 9,600 shares on September 18th at a price of USD 120.08/shr.

US Steel (X) (Materials/Metals & Mining) is reportedly having a disagreement with rival company **Cleveland-Cliffs (CLF)** over a confidentiality agreement, according to Reuters. US Steel wants Cleveland-Cliffs to sign a standstill agreement to prevent them from challenging US Steel's board while exploring a potential purchase. Cleveland-Cliffs refuses to sign this agreement, as they want to keep their options open. US Steel is insisting on this condition for Cliffs to access their sale process, and they're treating all bidders equally in this regard, the report added.

BROKER MOVES

UPGRADES

- Enphase Energy (ENPH) upgraded to Buy at Seaport Global Securities
- European Wax (EWCZ) upgraded to Overweight at Piper Sandler; PT USD 22
- Five9 (FIVN) upgraded to Buy at Deutsche Bank; PT USD 80
- Grab Holdings (GRAB) upgraded to Buy at DBS Bank; PT USD 4.29
- HealthEquity (HQY) upgraded to Outperform at Baird; PT USD 87
- International Paper (IP) upgraded to Buy at Truist Secs; PT USD 43
- New Jersey Resources (NJR) upgraded to Neutral at JPMorgan; PT USD 46
- Nutanix (NTNX) upgraded to Buy at BofA
- Truist Financial (TFC) upgraded to Outperform at KBW; PT USD 36

DOWNGRADES

- Brighthouse Financial (BHF) downgraded to Sell at Goldman; PT USD 43
- Seelos Therapeutics Inc (SEEL) downgraded to Neutral at Cantor
- ARS Pharmaceuticals Inc (SPRY) downgraded to Market Perform at Leerink; PT USD 3
- Frontier Airlines (ULCC) downgraded to Neutral at Citi; PT USD 5.50

INITIATIONS

- Agree Realty (ADC) initiated at Overweight at Wells Fargo; PT USD 70
- Alvotech (ALVO) initiated at Equal-Weight at Barclays; PT USD 10
- Broadstone Net Lease (BNL) initiated at Market Perform at JMP
- CRH ADRs (CRH) reinstated Buy at Redburn; PT USD 75
- EPR Properties (EPR) initiated at Underweight at Wells Fargo; PT USD 40
- Essential Properties (EPRT) initiated at Overweight at Wells Fargo; PT USD 27
- Four Corners Property (FCPT) initiated at Overweight at Wells Fargo
- Gaming and Leisure (GLPI) initiated at Equal-Weight at Wells Fargo; PT USD 50
- Geopark (GPRK) initiated at Buy at Jefferies; PT USD 14.50
- Iridium Communications (IRDM) initiated at Buy at WestPark Capital; PT USD 65
- NNN REIT Inc (NNN) initiated at Equal-Weight at Wells Fargo; PT USD 40
- Organon (OGN) initiated at Overweight at Barclays; PT USD 28
- Overstock (OSTK) initiated at Neutral at BTIG
- Petrobras ADRs (PBR) initiated at Buy at Jefferies; PT USD 19.20
- Public Storage (PSA) resumed Equal-Weight at Morgan Stanley
- Spirit Realty (SRC) initiated at Underweight at Wells Fargo; PT USD 36
- Semantix (STIX) initiated at Outperform at Bradesco BBI; PT USD 3
- VICI Properties (VICI) initiated at Overweight at Wells Fargo; PT USD 36
- WP Carey (WPC) initiated at Equal-Weight at Wells Fargo; PT USD 66
- YETI Holdings (YETI) initiated at Neutral at B Riley; PT USD 50

EX DIVIDENDS

- Federal Realty Investment Trust - USD 1.09
- Flowserve Corp - USD 0.20
- International Flavors & Fragrances Inc - USD 0.81



- Korn Ferry - USD 0.18
- Qifu Technology Inc - USD 0.25
- World Wrestling Entertainment LLC - USD 3.86

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