Daily US Equity Opening News

21st November 2023: LOW revenue & SSS short whilst cutting FY outlook; Disappointing BBY guidance with cautious commentary

- **MONDAY CLOSE**: SPX +0.74% at 4,547, NDX +1.19% at 16,027, DJIA +0.58% at 35,151, RUT +0.52% at 1,807. **SECTORS**: Technology +1.5%, Communication Services +1.05%, Real Estate +0.79%, Health +0.52%, Consumer Discretionary +0.52%, Financials +0.33%, Industrials +0.32%, Materials +0.15%, Energy +0.12%, Consumer Staples -0.01%, Utilities -0.31%.

- **OPENAI**: OpenAI reportedly approached Anthropic regarding a merger, according to the Information. In other news, OpenAI investors are considering suing the Co. board after the CEO firing, according to Reuters sources.

- **EU CAR REGISTRATIONS**: EU New Car Registrations (Oct): +14.6% Y/Y; battery electric 14.2% Y/Y market share; This marked the fifteenth consecutive month of growth, with notable double-digit percentage increases in three of the largest markets: France (+21.9%), Italy (+20%).

- **PBMs**: Employers and unions are getting fed up with the companies they have used to control spending on prescription drugs as their costs continue to soar, according to WSJ. **Foot Locker (FL)** dropped **UnitedHealth's (UNH)** OptumRx last year while Teamsters fund recently reupped with its replacement for **CVS Health's (CVS)** Caremark.

DOW JONES

- **Apple (AAPL)** (Information Technology/Technology Hardware, Storage & Peripherals) aims to manufacture nearly USD 1tln worth of iPhones in India by the end of March 2024, if not June 2024, according to The Economic Times.

- **Merck (MRK)** (Health Care/Pharmaceuticals) to acquire Caraway Therapeutics for USD 610mln, payment to be expensed in Q4 '23.

- **Microsoft (MSFT)** (Information Technology/Software) CEO Nadella said they want to continue to partner with OpenAI and are open to people staying at OpenAI or coming to Microsoft.

NASDAQ 100

- **Analog Devices (ADI)** (Information Technology/Semiconductors & Semiconductor Equipment) Q3=4 2023 (USD): EPS 2.01 (exp. 2.00), Revenue 2.72bln (exp. 2.7bln). **GUIDANCE**: Q1 revenue 2.5bln (exp. 2.68bln), Adj. EPS 1.70 (exp. 1.89). **CEO COMMENTARY**: As outlined in Q3, expect customer inventory digestion to persist into the first half of the year, a reflection of our return to normal lead times and the challenging macro landscape.

- **Broadcom (AVGO)** (Information Technology/Semiconductors & Semiconductor Equipment) and **VMWare (VMW)** intend to close transaction on November 22nd, 2023. Before this, China's State Administration for Market Regulation (SAMR) decided to approve AVGO's acquisition of VMW with additional restrictive conditions.

- **Tesla (TSLA)** (Consumer Discretionary/Automobiles) raises the price of Model Y Long Range in China by CNY 2000 to CNY 304,400. Separately, Tesla and India are closer to an agreement to import EVs and set up a plant, while Tesla would commit to an initial minimum investment in any plant in India of around USD 2bln, according to Bloomberg.

- **Zoom Video Communications (ZM)** (Information Technology/Software) Q3 2023 (USD): EPS 1.29 (exp. 1.08), Revenue 1.14bln (exp. 1.12bln). **GUIDANCE**: Q4 EPS 1.13-1.15 (exp. 1.00), Revenue 1.125-1.13bln (exp. 1.13 bln). Raises FY24 EPS view to 4.93-4.95 (prev. 4.63-4.67, exp. 4.27), but lowers revenue to 4.506-4.511bln (prev. 4.52-4.53bln, exp. 4.5bln).

S&P 500

- **Agilent Technologies (A)** (Health Care/Life Sciences Tools & Services) Q4 2023 (USD): Adj. EPS 1.38 (exp. 1.34), Revenue 1.69bln (exp. 1.67bln). **GUIDANCE**: Q1 adj. EPS 1.20-1.23 (exp. 1.32), Revenue 1.555-1.605bln (exp. 1.67bln). FY24 adj. EPS 5.44-5.55 (exp. 5.61), Revenue 6.71-6.81bln (exp. 6.98bln).

- **Best Buy (BBY)** (Consumer Discretionary/Specialty Retail) Q3 2024 (USD): Adj. EPS 1.29 (exp. 1.18), Revenue 9.76bln (exp. 9.9bln). **COMP SALES**: Enterprise -6.9% (exp. -5.71%); Internationals -1.9% (exp. -4.19%); US -7.3% (exp. -5.98%); US entertainment +20.6% (exp. +5.67%); US appliances -15.1% (exp. -8.2%); US computing & mobile phone -8.3% (exp. -6.4%); US consumer electronics -9.5% (exp. -6%). **COMMENTARY**: In the more recent macro environment, consumer demand has been even more uneven and difficult to predict. Based on the sales trends in Q3 and so far in November, believe it is prudent to lower our annual revenue outlook. Exec expects holiday shopping patterns will look even more similar to historical holiday periods than last year. Consumer demand weakened through Q3. **GUIDANCE**: FY24 EPS 6.00-6.30 (prev. 6.00-6.40, exp. 6.20), Revenue 43.1-43.7bln (prev. 43.8-44.5bln, exp. 44.16bn), Comp. sales -6 to -7.5% (prev. -4.5 to -6%).

- **Blackstone (BX)** (Financials/Capital Markets) is to shut the multi-strategy fund after assets fell 90% in four years, according to FT.

- **Caesars Entertainment (CZR)** (Consumer Discretionary/Hotels, Restaurants & Leisure) - Unions representing hospitality workers in Las Vegas said on Monday that thousands of members employed at Caesars Entertainment have voted to ratify a new five-year contract.

- **Hormel Foods (HRL)** (Consumer Staples/Food Products) raises annual dividend by 3% to USD 1.13/shr (prev. 1.10).

- **Jacobs (J)** (Industrials/Professional Services) Q4 2023 (USD): EPS 1.90 (exp. 1.87), Revenue 4.29bln (exp. 4.13 bln). **GUIDANCE**: FY24 adj. EPS 7.70-8.20 (exp. 8.40).

- **Keysight Technologies (KEYS)** (Information Technology/Electronic Equipment, Instruments & Components) Q4 2023 (USD): Adj. EPS 1.99 (exp. 1.87), Revenue 1.31bln (exp. 1.3bln). **GUIDANCE**: Q1 adj. EPS 1.53-1.59 (exp. 1.67), Revenue 1.235-1.255bln (exp. 1.24bln).

- **Lowe's Companies (LOW)** (Consumer Discretionary/Specialty Retail) Q3 2023 (USD): Adj. EPS 3.27 (exp. 3.03), Revenue 20.37bln (exp. 20.88bln); Comparable store sales -7.4% (exp. -4.9%). **GUIDANCE**: Cuts FY23 EPS view to 13.00 (prev. 13.20-13.60, exp. 13.32), Revenue 86bln (prev. 87-89bln, exp. 87.55bln), Comp. sales -5% (prev. -2% to -4%)

- **Martin Marietta Materials (MLM)** (Materials/Construction Materials) to sell South Texas cement business to **CRH (CRH)** for USD 2.1bln.

- **Medtronic (MDT)** (Health Care/Health Care Equipment & Supplies) Q2 2024 (USD): Adj. EPS 1.25 (exp. 1.18), Revenue 8bln (exp. 7.92bln). **GUIDANCE**: Raises FY24 organic revenue growth and EPS guidance; Adj. EPS 5.13-5.19 (exp. 5.12, prev. 5.08-5.16), Organic revenue growth 4.75% (prev. 4.5%). **COMMENTARY**: Exec does not see GLP-1 drugs impacting the cos. growth outlook, even long term

OTHER

- **ArcelorMittal (MT)** (Materials/Metals & Mining) mulls its first US LNG supply deal for its European steelmaking operations, according to the FT.

- **Baidu (BIDU)** (Communication Services/Interactive Media & Services) topped on EPS and operating profit while revenue only marginally beat. MAUs fell short. CEO said online marketing revenue is to outpace China's GDP growth going forward

- **Burlington Stores (BURL)** (Consumer Discretionary/Specialty Retail) marginally topped on profit and ever-so-slightly missed on revenue. Narrowed FY23 EPS view to the top end of the prior range.

- **DICK'S Sporting Goods (DKS)** (Consumer Discretionary/Specialty Retail) topped Wall St. consensus on the top and bottom line while SSS surprisingly rose but GM missed. Raised FY23 adj. EPS and comp. store sales growth guidance. In commentary, said Q3 comps were driven by increases in both transactions and average tickets.

- **Dycom (DY)** (Industrials/Construction & Engineering) beat on the top and bottom line, and sees Q4 revenue growth flat Y/Y.
- **GlaxoSmithKline (GSK)** (Health Care/Pharmaceuticals) to commence Phase III trials of a low-carbon version of the metered dose inhaler Ventolin in 2024.
- **Kohl's (KSS)** (Consumer Discretionary/Broadline Retail) beat on profit and gross margin, but revenue and merchandise inventories fell short.
- **LivaNova (LIVN)** (Health Care/Health Care Equipment & Supplies) has detected a cybersecurity incident that has resulted in a disruption of portions of its information technology systems. Promptly after detecting the issue, LIVN began an investigation with assistance from external cybersecurity experts and is coordinating with law enforcement.
- **MorphoSys AG (MOR)** (Health Care/Biotechnology) announced strong topline results from the Phase 3 MANIFEST-2 study investigating pelabresib, an investigational BET inhibitor, in combination with the JAK inhibitor ruxolitinib compared with placebo plus ruxolitinib in JAK inhibitor-naive patients with myelofibrosis.
- **Nio (NIO)** (Consumer Discretionary/Automobiles) said it would partner with Changan Automobile (000625 SZ) to develop battery-swapping EVs, in an attempt by the loss-making Chinese EV maker to ease costs.
- **Rivian (RIVN)** (Consumer Discretionary/Automobiles) announced changes in product organization; CEO Scaringe is assuming direct responsibility for all product functions
- **Stellantis (STLA)** (Consumer Discretionary/Automobiles) signs MoU with CATL (300750 HK) to consider developing EV LFP battery cells for Europe; considering the possibility of a joint investment in the form of a JV with equivalent contributions.
- **Symbotic (SYM)** (Industrials/Machinery) posted a slightly shallower loss per share than expected and beat on revenue. Next quarter guidance surpassed expectations.
- **Trip.com Group (TCOM)** (Consumer Discretionary/Hotels, Restaurants & Leisure) surpassed expectations on the top and bottom line.
- **TSMC (TSM)** (Information Technology/Semiconductors & Semiconductor Equipment) weighs a third Japan chip plant that would make 3-nanometer chips, which could about USD 20bln, according to Bloomberg citing people familiar with the matter.

BROKER MOVES

UPGRADES

- AIG (AIG) upgraded to Buy from Hold at Argus
- Black Hills (BKH) upgraded to Neutral from Underperform at Mizuho
- C3.ai (AI) upgraded to Outperform from Perform at Oppenheimer
- Celanese (CE) upgraded to Neutral from Underweight at Piper Sandler
- Cloudflare (NET) upgraded to Outperform from Perform at Oppenheimer
- DigitalOcean (DOCN) upgraded to Outperform from Perform at Oppenheimer
- Entergy (ETR) upgraded to Buy from Neutral at BofA
- Equinix (EQIX) upgraded to Outperform from Perform at Oppenheimer
- Gen Digital (GEN) upgraded to Overweight from Equal Weight at Morgan Stanley
- Playtika (PLTK) upgraded to Buy from Neutral at Citi
- Vale (VALE) upgraded to Buy from Neutral at Goldman Sachs
- Western Digital (WDC) upgraded to Neutral from Sell at Goldman Sachs
- Xylem (XYL) upgraded to Buy from Hold at Deutsche Bank

DOWNGRADES

- Agilon Health (AGL) downgraded to Hold from Buy at Deutsche Bank
- Exelon (EXC) downgraded to Neutral from Buy at Mizuho
- Foot Locker (FL) downgraded to Neutral from Buy at BTIG
- Hershey (HSY) downgraded to Sector Perform from Outperform at RBC Capital
- Incyte (INCY) downgraded to Neutral from Buy at Goldman Sachs
- Mainz Biomed (MYNZ) downgraded to Neutral from Overweight at Cantor Fitzgerald
- NanoString (NSTG) downgraded to Neutral from Outperform at Baird
- Precision Drilling (PDS) downgraded to Sector Perform from Outperform at National Bank
- Riskified (RSKD) downgraded to Neutral from Buy at UBS
- Six Flags (SIX) downgraded to Neutral from Buy at Rosenblatt
- Waste Connections (WCN) downgraded to Peer Perform from Outperform at Wolfe Research
- Zions Bancorp (ZION) downgraded to Neutral from Buy at Citi

INITIATIONS

- ACI Worldwide (ACIW) rated New Buy at Seaport Global Securities; PT USD 31
- Advanced Energy (AEIS) rated New Equal-Weight at Wells Fargo; PT USD 100
- Array (ARRY) rated New Neutral at Mizuho Securities; PT USD 19
- Boot Barn (BOOT) rated New Buy at B Riley; PT USD 92
- Compass (COMP) reinstated Hold at Deutsche Bank; PT USD 2.70
- Enphase Energy (ENPH) rated New Buy at Mizuho Securities; PT USD 131
- First Solar (FSLR) rated New Buy at Mizuho Securities; PT USD 188
- Hannon Armstrong (HASI) rated New Buy at Mizuho Securities; PT USD 30
- Maxeon Solar (MAXN) rated New Neutral at Mizuho Securities; PT USD 7
- Newmont Corp (NEM) rated New Outperform at Macquarie; PT USD 45
- Opendoor Technologies (OPEN) rated New Hold at Deutsche Bank; PT USD 2.80
- Oxford Industries (OXM) rated New Neutral at BTIG
- Performance Food (PFGC) reinstated Overweight at Piper Sandler; PT USD 72
- Premier Financial Corp (PFC) rated New Market Perform at Hovde Group
- ReNew Energy (RNW) rated New Buy at Mizuho Securities; PT USD 8
- Sarepta (SRPT) reinstated Outperform at Wedbush; PT USD 224
- Shoals Technologies (SHLS) rated New Buy at Mizuho Securities; PT USD 18
- SolarEdge (SEDG) rated New Buy at Mizuho Securities; PT USD 108
- Soleno (SLNO) reinstated Buy at Guggenheim; PT USD 40
- Sunnova Energy (NOVA) rated New Buy at Mizuho Securities; PT USD 20
- SunPower (SPWR) rated New Neutral at Mizuho Securities; PT USD 5
- Sunrun (RUN) rated New Buy at Mizuho Securities; PT USD 23
- Sysco (SYY) reinstated Neutral at Piper Sandler; PT USD 73
- Talos Energy (TALO) rated New Buy at Canaccord; PT USD 24
- US Foods Holding (USFD) reinstated Neutral at Piper Sandler; PT USD 45
- Vestis (VSTS) rated New Buy at Jefferies; PT USD 20
- Vinfast Auto Ltd (VFS) rated New Outperform at Wedbush; PT USD 12
- Zillow (ZG) rated New Buy at Deutsche Bank; PT USD 50

EX DIVIDENDS

- Amcor PLC - USD 0.125
- Discover Financial Services - USD 0.70
- Evergy Inc - USD 0.6425
- Loews Corp - USD 0.0625
- Marriott International Inc - USD 0.52
- Microchip Technology Inc - USD 0.439

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