

MORNING NEWS CALL

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U.S. Edition

Wednesday, September 15, 2021

TOP NEWS

• Google says it offers more than \$10 billion in consumer benefits in S.Korea

Alphabet's Google said its presence in South Korea equates to nearly \$10.16 billion in economic benefits for its users, as the U.S. tech giant faces increased scrutiny from regulators and politicians.

• FTC staff to present findings on Big Tech's smaller acquisitions

Staff of the Federal Trade Commission will present their findings on business deals that tech platforms like Facebook and Alphabet's Google did that were sometimes too small to prompt antitrust review.

• Investor group sets tough climate blueprint for Big Oil

Investors managing more than \$10 trillion published an ambitious blueprint for energy companies seeking to tackle climate change, including sharp cuts to greenhouse gas emissions and a winding down of oil and gas production.

• Microsoft to buy back up to \$60 billion in shares; names Brad Smith vice chair

Microsoft said on Tuesday it will conduct an up to \$60 billion share buyback program, raise its quarterly dividend by 11%, and appoint company President Brad Smith as vice chair.

• SpaceX set to make history with first all-civilian crew launched into orbit

The latest in a recent line of space-obsessed billionaires was set for liftoff with three less wealthy private citizens along for the ride aboard a SpaceX rocket ship, seeking to become the first all-civilian crew launched into Earth orbit.

BEFORE THE BELL

U.S. stock index futures edged up on easing fears of an earlier-than-expected cut to monetary stimulus, even though a slowing economic recovery weighed on sentiment. **European shares** were down and **Asian equities** mostly ended lower on concerns over a slowing Chinese economy. The **dollar index** and **gold** prices were in the red. **Oil** gained after data showed a larger than expected drawdown in U.S. crude inventories.

STOCKS TO WATCH

IPOs

• **On Holding AG:** The shoe firm backed by Swiss tennis legend Roger Federer, on Tuesday priced its initial public offering well above the target range, valuing the company at over \$6 billion. On priced 31.1 million shares offered at \$24 each, compared with a target range of \$18 to \$20 per share, raising \$746.4 million, it said in a statement. The 20-time Grand Slam winner teamed up with the company earlier this year to develop the Roger Pro tennis shoe. The IPO comes at a time when athletic gear, especially shoes, has been flying off the shelves at most retailers as COVID-induced gym closures push more people to take up running to keep themselves fit. On is due to begin trading on the New York Stock Exchange today.

In Other News

• **Alphabet Inc:** Google said its presence in South Korea equates to nearly \$10.16 billion in economic benefits for its users, as the U.S. tech giant faces increased scrutiny from regulators and politicians. Google's announcement came a day after South Korea's antitrust agency fined Google 207 billion won for blocking customised versions of its Android operating system, in the company's second setback in the country in less than a month. The Korea Fair Trade Commission said this could be the ninth-biggest fine it has ever imposed. "We will continue to do our best to support our partners to grow and advance into the world and to positively contribute to the South Korean economy," Google Korea's Country Director Kim Kyoung-hoon said during the event.

- **Amazon.com Inc:** Rivian's first electric pick-up has rolled off the production line, the company's chief executive said on Tuesday. This makes the Amazon-backed Rivian the first to bring an electric pick-up to the market, ahead of Tesla, General Motors and other players. "This morning our first customer vehicle drove off our production line in Normal," founder and Chief Executive Officer RJ Scaringe said in a tweet, which included images of Rivian's R1T electric pick-up truck at its plant in Normal, Illinois. Rivian has received regulatory approvals from the National Highway Traffic Safety Administration, the U.S. Environmental Protection Agency and the California Air Resources Board, and its debut EVs are ready for sale in all 50 U.S. states, a company spokesperson said.
- **AT&T Inc:** The telecoms company said it anticipates that the pending deal to combine WarnerMedia's media assets with Discovery will close by the middle of 2022. AT&T is in the process of unwinding its expensive media investments to focus on its original business of providing phone and internet services. "After close of that transaction and on a pro-forma basis, AT&T expects annual revenues to grow at a low single digits compound annual growth rate (CAGR) from 2022 to 2024 with annual adjusted EBITDA and adjusted earnings per share growing at a CAGR in the mid-single digit range", AT&T Chief Financial Officer Pascal Desroches said in an update to shareholders on Tuesday. After the deal closing, the company said it anticipates annual dividends paid of \$8 billion to \$9 billion, reflecting a payout ratio of 40% to 43% on projected free cash flow of \$20 billion plus in 2023.
- **Citigroup Inc:** The bank expects third-quarter markets revenue to decline by a "low-to-mid teens" percentage from a year earlier and JPMorgan Chase expects a decrease of about 10%, according to executives of the two big banks. The lower revenues are a result of trading that has "normalized" from exceptionally high levels last year, when the pandemic was in full force, the executives said on Tuesday at a virtual investor conference held by Barclays. Citigroup CFO Mark Mason and JPMorgan operating committee member Marianne Lake said their equities business had performed better than fixed income.
- **Facebook Inc & Alphabet Inc:** Staff of the Federal Trade Commission will present their findings on business deals that tech platforms like Facebook and Alphabet's Google did that were sometimes too small to prompt antitrust review. The agency, which began holding open meetings after progressive Lina Khan became chair in June, will hear about Big Tech acquisitions done between 2010 and 2019. In addition to Facebook and Google, the agency also gathered data from Amazon.com, Apple and Microsoft. The five commissioners are also expected to vote to scrap guidelines put in place during the Trump administration regarding vertical deals, which combine a company with one of its suppliers. The new guidelines are expected to be tougher.
- **Hartford Financial Services Group Inc:** The Boy Scouts of America on Tuesday secured more than \$1 billion in new settlements to resolve sex abuse claims, with \$787 million coming from insurance group The Hartford and another \$250 million from the Church of Jesus Christ of Latter-day Saints, one of its chartered organizations. The agreements, announced by Hartford and the Coalition of Abused Scouts for Justice, will be subject to approval by U.S. Bankruptcy Judge Laurie Selber Silverstein, who oversees the Boy Scouts' bankruptcy. In exchange for The Hartford's payment, the Boy Scouts and its local councils will fully release the company from any obligation under policies that were mostly issued in the 1970s, the insurer said. The Hartford expects to take a \$137 million pretax charge in the third quarter for the higher payout.
- **Kansas City Southern:** The rail and transportation company has informed Kansas City Southern it was unlikely to make a new offer ahead of a Friday deadline to beat Canadian Pacific Railway's offer, a person familiar with the matter told Reuters Tuesday. The development will pave way for Kansas City Southern to sign a \$27.2 billion deal with Canadian Pacific. This compares with Canadian National's \$29.6 billion offer for the railroad operator. Canadian National had come under pressure from some investors, including hedge fund TCI, to abandon its pursuit of Kansas City Southern, which became fraught with risk after the U.S. Surface Transportation Board shot down its proposed voting trust structure for the deal.
- **Microsoft Corp:** The company said it will conduct an up to \$60 billion share buyback program, raise its quarterly dividend by 11%, and appoint company President Brad Smith as vice chair. Microsoft said the buyback program has no expiration date and may be terminated at any time, and that it would pay a dividend of \$0.62 per share - 6 cents over the previous quarter. The U.S. technology giant also called the vice chair position an updated executive role for Smith, who currently leads a team of over 1,500 staff in 54 countries, according to his biography on Microsoft's website. Smith will continue to report to Chief Executive Officer Satya Nadella, Microsoft said.
- **PepsiCo Inc:** The soda giant will cut back on the use of virgin plastic and expand its SodaStream sparkling-water business to more markets amid growing calls from consumers, clients and climate change advocates to combat plastic waste. As part of a new initiative called "pep+", the Lays chips and Pepsi maker said it aims to reduce virgin plastic use per serving by half across all brands by 2030, and use 50% recycled content in all its plastic packaging.

PepsiCo's ambitious plan to scale its SodaStream sparkling-water business globally could, if successful, help reduce the usage of more than 200 billion plastic bottles by 2030, Chief Executive Ramon Laguarta told Reuters in an interview. "While recycled plastic is part of the solution, we are creating a whole new model with SodaStream, which is essential to our growth strategy in beverages," Laguarta said.

- **Regeneron Pharmaceuticals Inc:** The biotechnology company said on Tuesday the U.S. government will buy 1.4 million additional doses of its COVID-19 antibody cocktail, REGEN-COV. The cocktail, a combination of antibodies casirivimab and imdevimab, was authorized in November for emergency use by the U.S. Food and Drug Administration. The new agreement brings the total doses purchased by the U.S. government to nearly 3 million. The company, which completed its contract with the U.S. government of supplying 1.5 million doses in the second quarter, said it would supply the additional doses by Jan. 31 at a cost of \$2,100 per dose. That values the latest contract at \$2.94 billion.
- **Snap Inc:** Snapchat's owner has hired a longtime online safety advocate as its first global head of platform safety, Snap told Reuters, as the company continues to ramp up efforts around user safety and as social media firms face mounting global pressure from regulators and lawmakers. Snap said that after a long search it hired Jacqueline Beauchere, who will represent its safety work to regulators, lawmakers and partners and help advise on new policies and initiatives. "We are committed to helping parents, stakeholders and advocates understand how young people experience our products and how we approach critical issues around safety and trust," Snap's vice president of global policy Jen Stout said in a statement.
- **Uber Inc:** The ride-hailing firm's Chief Technology Officer Sukumar Rathnam is stepping down as the company's head of engineering, a spokesperson of the ride-hailing company said late on Tuesday. The spokesperson did not specify the reason for Rathnam's departure but Business Insider reported earlier that he had been increasingly at odds with chief product officer Sundeeep Jain. Rathnam, who joined Uber about a year ago, plans to leave in early October, the spokesperson said. It was unclear how Uber's engineering teams will be structured after Rathnam leaves, according to Business Insider.

ANALYSIS

Biden's lofty climate goals collide with political, economic reality

President Joe Biden campaigned on a promise to restore U.S. leadership in the global fight against climate change and followed up with a dizzying number of executive orders and lofty targets to slash emissions.

ANALYSTS' RECOMMENDATION

- **Chevron Corp:** JPMorgan cuts rating to neutral from overweight, primarily on valuation, but also factoring in higher guided energy transition spending.
- **Crocs Inc:** Piper Sandler raises target price to \$212 from \$185 following the company's investor day during which it provided a plan for \$5 billion in sales by 2026.
- **Fortinet Inc:** Evercore ISI raises target price to \$330 from \$315 to reflect positive industry trends.
- **Gulfport Energy Corp:** JPMorgan raises rating to neutral from underweight following the company's emergence from a Chapter 11 bankruptcy filing.

ECONOMIC EVENTS (All timings in U.S. Eastern Time)

0830 **NY Fed Manufacturing** for Sep: Expected 18.00; Prior 18.30
 0830 (approx.) **Import prices mm** for Aug: Expected 0.3%; Prior 0.3%
 0830 (approx.) **Export prices mm** for Aug: Expected 0.5%; Prior 1.3%
 0830 (approx.) **Import prices yy** for Aug: Prior 10.2%
 0915 (approx.) **Industrial production mm** for Aug: Expected 0.5%; Prior 0.9%
 0915 (approx.) **Capacity utilization SA** for Aug: Expected 76.4%; Prior 76.1%
 0915 (approx.) **Manufacturing output mm** for Aug: Expected 0.4%; Prior 1.4%
 0915 (approx.) **Industrial production yoy** for Aug: Prior 6.56%

COMPANIES REPORTING RESULTS

No major S&P 500 companies are scheduled to report for the day.

CORPORATE EVENTS (All timings in U.S. Eastern Time)

0800 **Brooge Energy Ltd**: Q2 earnings conference call
0800 **Canaan Inc**: Q2 earnings conference call
0830 **Weber Inc**: Q3 earnings conference call
1000 **Raven Industries Inc**: Shareholders Meeting
1100 **First Midwest Bancorp Inc**: Shareholders Meeting
1200 **Methode Electronics Inc**: Annual Shareholders Meeting
1400 **Deckers Outdoor Corp**: Annual Shareholders Meeting
1500 **Conagra Brands Inc**: Annual Shareholders Meeting
1500 **Old National Bancorp**: Shareholders Meeting

EX-DIVIDENDS

ADT Inc: Amount \$0.03
American International Group Inc: Amount \$0.32
Ares Management Corp: Amount \$0.47
Cincinnati Financial Corp: Amount \$0.63
Eversource Energy: Amount \$0.60
Fidelity National Financial Inc: Amount \$0.40
First Financial Bankshares Inc: Amount \$0.15
HCA Healthcare Inc: Amount \$0.48
Hillenbrand Inc: Amount \$0.21
Horace Mann Educators Corp: Amount \$0.31
Intercontinental Exchange Inc: Amount \$0.33
Mercury General Corp: Amount \$0.63
New Mountain Finance Corp: Amount \$0.30
Rayonier Inc: Amount \$0.27
Renasant Corp: Amount \$0.22
Synovus Financial Corp: Amount \$0.33
Universal Display Corp: Amount \$0.20
Vistra Corp: Amount \$0.15
Western Union Co: Amount \$0.23

(All analysts' estimates are according to I/B/E/S Refinitiv data)

PICTURE OF THE DAY



Brianna Werbil, 18, fishes in flood waters surrounding a neighbourhood in the aftermath of Hurricane Nicholas in League City, Texas, September 14. REUTERS/Adrees Latif

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