ANALYST CURRENT FAVORITES®

JANUARY 5, 2021 | 6:50 AM EST

OVERVIEW

This publication contains current favorite stock ideas from the analysts in Equity Research. Analysts may only have one "buy" idea (from their stocks under coverage rated Strong Buy or Outperform) on the list at any given time. This list is updated only as changes to the list occur, and, thus, might not reflect the most current stock ratings or analyst selections in the event of interim changes.

CHANGE	COMPANY	TICKER	CLOSE	RATING	TARGET	INDUSTRY
	ACADIA Pharmaceuticals Inc.	ACAD-NASDAQ	$52.81	SB1	$65.00	Biotechnology
	Alaska Air Group, Inc.	ALK-NYSE	$49.24	SB1	$65.00	Hybrid Airlines
	Ameris Bancorp	ABCB-NASDAQ	$38.10	SB1	$44.00	Banking
	Blueprint Medicines Corporation	BPMC-NASDAQ	$104.57	SB1	$122.00	Biotechnology
	Boston Scientific Corporation	BSX-NYSE	$35.27	SB1	$39.00	Medical Devices
	Cadence Bancorporation	CADE-NYSE	$16.25	SB1	$18.00	Banking
	CareTrust REIT, Inc.	CTRE-NASDAQ	$21.42	SB1	$24.00	Healthcare REITs
	ChemoCentryx, Inc.	CCXI-NASDAQ	$58.90	SB1	$100.00	Biotechnology
	CVS Health Corporation	CVS-NYSE	$69.99	SB1	$90.00	Integrated Benefits Management
	Dave & Buster's Entertainment, Inc.	PLAY-NASDAQ	$27.01	SB1	$35.00	Restaurants
	EchoStar Corporation	SATS-NASDAQ	$20.93	SB1	$57.00	Satellite
	Enterprise Products Partners L.P.	EPD-NYSE	$19.29	SB1	$25.00	Midstream Suppliers
	Enviva Partners, LP	EVA-NYSE	$45.19	SB1	$48.00	Power
	GoDaddy Inc.	GDDY-NYSE	$81.78	SB1	$96.00	Internet Services
	i3 Verticals, Inc.	IIIV-NASDAQ	$32.82	SB1	$36.00	Financial Technology & Payments
	Intercontinental Exchange, Inc.	ICE-NYSE	$113.30	SB1	$131.00	Brokerages & Exchanges
	Jabil Inc.	JBL-NYSE	$42.17	SB1	$53.00	IT Supply Chain
	Kansas City Southern	KSU-NYSE	$200.98	SB1	$210.00	Railroad
	M.D.C. Holdings, Inc.	MDC-NYSE	$47.62	SB1	$61.00	Housing
	MAXIMUS, Inc.	MMS-NYSE	$73.07	SB1	$90.00	IT Services
	National Retail Properties, Inc.	NNN-NYSE	$39.35	SB1	$48.00	Net Lease REITs
	Old Republic International Corporation	ORI-NYSE	$18.29	SB1	$21.00	Commercial Lines
	Polaris Inc.	PII-NYSE	$95.71	SB1	$128.00	Leisure Products
	QUALCOMM Incorporated	QCOM-NASDAQ	$148.50	SB1	$150.00	Semiconductors
	Redwood Trust, Inc.	RWT-NYSE	$8.52	SB1	$12.00	Mortgage REITs & Real Estate Finance
	RingCentral, Inc.	RNG-NYSE	$382.20	SB1	$450.00	Application Software
✔	Signature Bank	SBNY-NASDAQ	$135.94	SB1	$153.00	Banking
	Teleflex Incorporated	TFX-NYSE	$403.13	SB1	$440.00	Hospital Supplies & Equipment
	Tempur Sealy International, Inc.	TPX-NYSE	$26.46	SB1	$32.00	Bedding & Residential Furniture
	Uniti Group Inc.	UNIT-NASDAQ	$11.66	SB1	$16.00	Wireline
	WESCO International, Inc.	WCC-NYSE	$76.58	SB1	$80.00	Specialty/Industrial Distribution
X	Wintrust Financial Corporation	WTFC-NASDAQ	$60.93	SB1	$73.00	Banking

CLOSE DATE AS OF JAN-4-2021 | ✔=Addition X=Deletion | SB1 - Strong Buy, MO2 - Outperform
Companies on the Raymond James Ltd. (Canadian) Research Restricted List will not appear on the Analyst Current Favorites®.

ADDITIONS

Signature Bank

As investors are increasingly looking for winners in the post-pandemic world, we believe Signature Bank (SBNY) will stand out. We forecast a peer-best two-year pretax pre-provision income (PTPPI) CAGR of 12.3%, which compares to its peer group median 4% contraction and average 3% contraction. Additionally, the company disclosed that fourth-quarter 2020 average deposits are up more than 10% quarter-over-quarter, not annualized, which should prove to be among the best in the industry. Despite such attractive growth prospects, SBNY shares trade at a discounted valuation to its peers on both a P/TBV and forward P/E basis. Furthermore, its strong recruiting pipeline is likely to bring in 10-15 additional teams in early 2021, which may drive forward balance sheet growth above our recently revised projections. Finally, we believe

Signature is well-reserved for potential net charge-offs and believe extending deferrals (and the extension of TDR adjustments allowed by the recent $900 billion stimulus package) may result in fewer losses through the cycle than we and the Street currently model for.

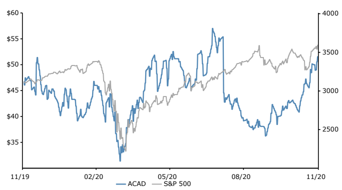
DELETIONS

Wintrust Financial Corporation

We remain bullish on WTFC shares and maintain our Strong Buy rating; however, we see higher upside potential in the near-term for shares of SBNY.

CURRENT LIST

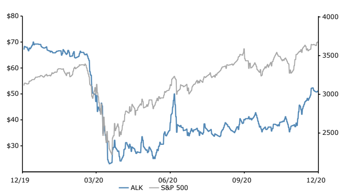
ACADIA Pharmaceuticals Inc.



ACAD-NASDAQ | $52.81 close
SB1 | $65.00 target
Market Cap (mln) $8,396
Dividend Yield 0.0%
Biotechnology
Danielle Brill, PharmD

We believe the dementia related psychosis (DRP) indication for ACAD's Nuplazid is a >$3B+ peak opportunity. We have a high level of conviction in approval given the robust Phase 3 efficacy data generated which led to early termination of the pivotal trial at its interim analysis. We think upside on approval is significant and love the set-up with Nuplazid's target PDUFA date approaching on April 3, 2021.

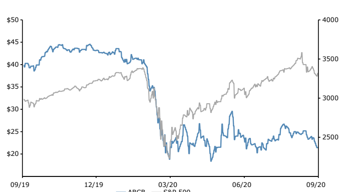
Alaska Air Group, Inc.



ALK-NYSE | $49.24 close
SB1 | $65.00 target
Market Cap (mln) $6,089
Dividend Yield 0.0%
Airlines | Hybrid Airlines
Savanthi Syth, CFA

While increased lock downs in the U.S. are leading to a moderation in bookings and an increase in cancellations for airlines in general, we believe the risk-reward is compelling for ALK, particularly with visibility to a likely recovery in travel demand in 2H21 following developments on the vaccine front. Supporting this view on this historically well-managed airline is Alaska's low-cost and capital-efficient DNA, flexibility from undecided fleet plans/commitments and upcoming lease expirations, as well as predominantly domestic focus. Additionally, we expect management to continue to execute on efficient capital raise (with no dilution of shareholders) and believe Alaska's upcoming oneworld membership and American partnership provides longer-term capital-efficient revenue upside.

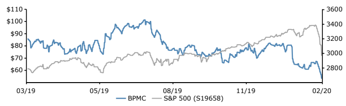
Ameris Bancorp



ABCB-NASDAQ | $38.10 close
SB1 | $44.00 target
Market Cap (mln) $2,648
Dividend Yield 1.6%
Banking
David P. Feaster, Jr., CFA

Significant YTD underperformance has provided a very compelling entry point and risk/reward profile heading into the 3Q20 earnings season for ABCB. With shares trading at TBV, we see limited downside and significant upside potential as we enter 3Q20 given the strength in the mortgage market. Furthermore, its best-in-class profitability and better-than-peer organic growth profile are not reflected in its current valuation, where we see an opportunity for multiple expansion as the market moves past its current credit focus and once again rewards growth.

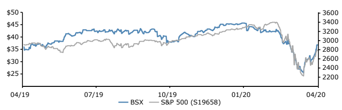
Blueprint Medicines Corporation



BPMC-NASDAQ | $104.57 close
SB1 | $122.00 target
Market Cap (mln) $5,828
Dividend Yield 0.0%
Biotechnology
Dane Leone, CFA

Our conviction in Blueprint Medicines is largely driven by our view of the ongoing development of avapritinib for indolent systemic mastocytosis (ISM), and that the EXPLORER study provides a positive outlook for the first results of PIONEER expected during ASH 2019. Our model currently forecasts for avapritinib commercial revenues to achieve ~$1B during 2025E, with about ~59% of revenues being generated from SM indications that consist of a pricing differential reflected by target dosing of 300mg QD for ASM, 200mg QD for SSM, and 100mg QD for ISM. The remaining 41% of revenue reflects the KIT GIST estimates from our model. Announcement of BLU-263 (next gen D816V targeted drug) IND submission during 1H20 should help to cement Blueprint's development of the SM marketspace. We believe commercial approval of avapritinib during 2020 could drive upside to shares if data readouts over the next 6-12 months are positive.

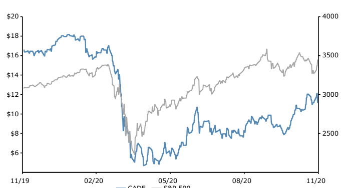
Boston Scientific Corporation



BSX-NYSE | $35.27 close
SB1 | $39.00 target
Market Cap (mln) $50,504
Dividend Yield 0.0%
Medical Devices
Jayson Bedford

Sentiment on BSX remains depressed, due partially to the COVID concerns around the moratorium on elective procedures, and the associated impact on Boston Scientific. We expect this 'impact' to be somewhat short-lived and believe Boston, with its multiple new product launches, will exit COVID playing offense. Boston Scientific should boast some of the strongest growth characteristics in large-cap med tech, which keeps us at Strong Buy and makes Boston our Analyst Current Favorite.

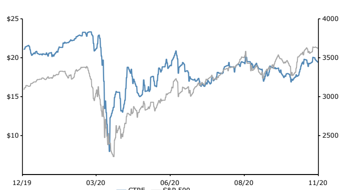
Cadence Bancorporation



CADE-NYSE | $16.25 close
SB1 | $18.00 target
Market Cap (mln) $2,047
Dividend Yield 1.8%
Banking
Michael Rose

We believe that the worst case credit losses are unlikely to materialize as economic scenarios have improved, which, coupled with Cadence Bancorporation's strong pre-tax, pre-provision income (PTPPI and sub tangible book value valuation, posit a compelling risk-reward dynamic. Moreover, with credit issues well documented, its recently announced dividend increase, oil prices recovering (energy loans are 10% of total loans), a better-than-peer core NIM outlook (where it continues to benefit from its interest rate collar), and strong PTPP ROA trends (ranks sixth among our SE/SW coverage universe for 2022), we now see upside potential vastly outweighing downside risk.

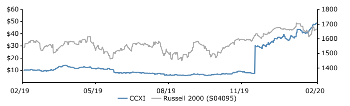
CareTrust REIT, Inc.



CTRE-NASDAQ | $21.42 close
SB1 | $24.00 target
Market Cap (mln) $2,051
Dividend Yield 4.7%
REITs | Healthcare REITs
Jonathan Hughes, CFA

With operator EBITDAR coverage for 3Q20 excluding CARES Act funding **above** pre-pandemic levels, we believe there is sufficient cushion should skilled nursing facility (SNF) fundamentals deteriorate from here. Additionally, external growth activity has resumed at CTRE earlier than peers thanks to its sector-leading balance sheet and an investment pipeline that remains full. We believe the announcement of additional external growth activity, historically the largest incremental driver of the stock, and further COVID-19 vaccine optimism are near-term upside catalysts.

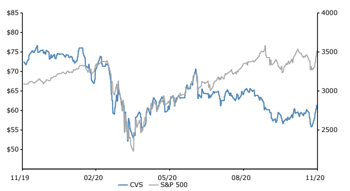
ChemoCentryx, Inc.



CCXI-NASDAQ | $58.90 close
SB1 | $100.00 target
Market Cap (mln) $4,076
Dividend Yield 0.0%
Biotechnology
Steven Seedhouse, Ph.D.

CCXI recently reported results from a Phase 3 clinical trial testing lead drug avacopan in an autoimmune disease called ANCA vasculitis. The strength of the results suggest avacopan will be approved and become the new standard of care in ANCA vasculitis, a potential multi-billion dollar peak sales opportunity. Given the opportunity in ANCA vasculitis and future indications where avacopan may also work, CCXI is undervalued based on our DCF model.

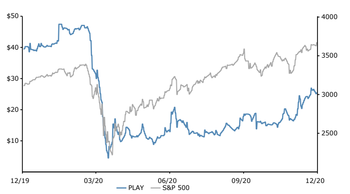
CVS Health Corporation



CVS-NYSE | $69.99 close
SB1 | $90.00 target
Market Cap (mln) $91,611
Dividend Yield 2.9%
Integrated Benefits Management
John W. Ransom

Shares of CVS Health have underperformed Managed Care peers who have had double-digit rallies over the past week as the political risk, which has been a meaningful overhang on the sector for the past two years, fades. Of note, the underperformance of the shares this year has been 100%+ attributable to multiple, which has fallen ~20% since our February 2020 estimates while management's new guidance of $7.40 is 4% higher than our original estimates. We think the stock re-rates higher due to both a strong 3Q report and the announced CEO transition, which will go into effect February 2021.

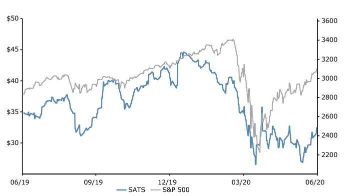
Dave & Buster's Entertainment, Inc.



PLAY-NASDAQ | $27.01 close
SB1 | $35.00 target
Market Cap (mln) $1,287
Dividend Yield 0.0%
Restaurants
Brian M. Vaccaro, CFA

PLAY is our top post-vaccine recovery idea with ample liquidity to weather near-term sales headwinds following its $550M high yield note offering in October. We see the potential for a significant sales and EBITDA recovery accelerating through 2021 as COVID concerns ease (post-vaccine), with a more robust recovery emerging in 2022 (2022 EBITDA estimate slightly above 2019). Applying an EV/EBITDA of ~7x (lower end of historical range) to our 2022 EBITDA estimate supports a very positive risk/reward from current levels (> 2:1).

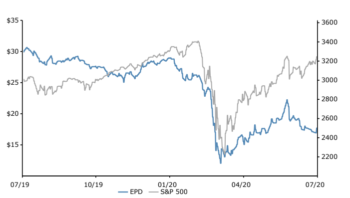
EchoStar Corporation



SATS-NASDAQ | $20.93 close
SB1 | $57.00 target
Market Cap (mln) $2,054
Dividend Yield 0.0%
Telecommunications Services | Satellite
Ric Prentiss

We believe there is significant value to be realized in SATS shares, especially with the company trading under 4.0x 2021E C-EBITDA. In addition to the growth at the Hughes operations, EchoStar also has non-operational assets (49% ownership stake in DISH Mexico and 15B MHz Pops of S-Band spectrum in the EU) plus a very strong balance sheet, with leverage ~0.0x, that we believe will be put to work

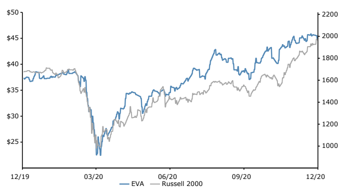
Enterprise Products Partners L.P.



EPD-NYSE | $19.29 close
SB1 | $25.00 target
Market Cap (mln) $42,108
Dividend Yield 9.2%
Midstream Suppliers
Justin Jenkins

Enterprise is not immune to the current bout of headwinds plaguing the broader midstream sector. However, in our view, Enterprise's unique combination of integrated assets, strong balance sheet, and track record of driving an attractive ROIC remain among the very "best in class." In turn, we see Enterprise as arguably the best positioned in the space to withstand the volatile macro landscape. It is our view that this should become increasingly apparent through the coming earnings season and into 2021. Enterprise also sports a very attractive distribution yield, making the total return proposition all the more compelling in our view. With a compelling entry point (actually trading about a half a turn below large-cap MLP peers) and a positive medium-term view, we think the timing is right for this addition.

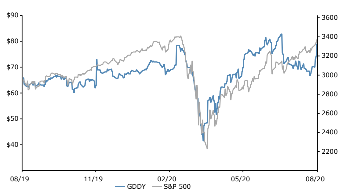
Enviva Partners, LP



EVA-NYSE | $45.19 close
SB1 | $48.00 target
Market Cap (mln) $1,797
Dividend Yield 6.9%
Renewable Energy and Clean Technology | Power
Pavel Molchanov

Following EU leaders' approval on December 11 of the European Climate Law - the world's most important environmental policy decision of 2020, and arguably ever - we take this opportunity to reaffirm our positive stance on Enviva. The EU is becoming the first major economy to mandate net zero CO2 emissions by 2050, and a 55% emissions cut by 2030 as the intermediate step. In this context, Enviva stands out as the only U.S.-based energy company whose revenue is currently derived nearly 100% from European utilities. Above and beyond pellet shipments to existing customers in the U.K., Belgium, and Denmark, Germany's coal phase-out will provide medium-term opportunities, potentially on an even larger scale. Initial contracts from German utilities are likely to be a source of near-term catalysts.

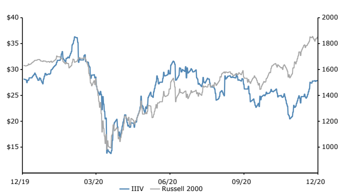
GoDaddy Inc.



GDDY-NYSE | $81.78 close
SB1 | $96.00 target
Market Cap (mln) $13,813
Dividend Yield 0.0%
Internet | Internet & Advertising Technology
Aaron Kessler, CFA

GoDaddy (GDDY) is our current favorite given: 1) accelerating customer adds (400K+ net new in 2Q); 2) accelerating traction for Websites + Marketing with 60% y/y growth in 2Q and increasing uptake of its commerce tier; 3) our belief we could see continued revenue/FCF upside given acceleration and continued strength in Domains and Business Apps; and 4) we see the valuation as attractive given our expectation for mid-teens long-term FCF growth.

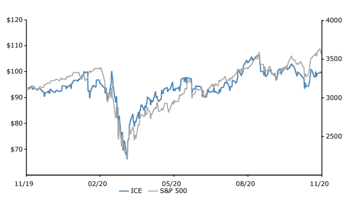
i3 Verticals, Inc.



IIIV-NASDAQ | $32.82 close
SB1 | $36.00 target
Market Cap (mln) $1,012
Dividend Yield 0.0%
Financial Technology & Payments
John Davis

Simply put, we think i3 Verticals represents the best risk/reward across our coverage universe. Specifically, we believe a macro recovery, as a vaccine becomes available in 2021, coupled with the company's significant M&A strategy and EBITDA multiple arbitrage opportunity should drive meaningful upside to numbers as well as multiple expansion.

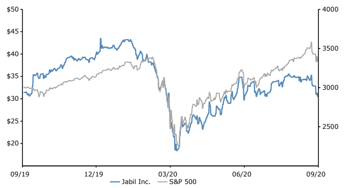
Intercontinental Exchange, Inc.



ICE-NYSE | $113.30 close
SB1 | $131.00 target
Market Cap (mln) $63,593
Dividend Yield 1.1%
Capital Markets | Brokerages & Exchanges
Patrick O'Shaughnessy

The recently completed acquisition of Ellie Mae should be highly complementary to ICE's existing mortgage services assets which, on a pro-forma basis, will represent ~20% of total revenues. We expect this acquisition to sustainably boost ICE's organic revenue growth profile, with ICE Mortgage Services growing in the high single-digits, as the company continues to gain share and introduce new products within a $10 billion addressable market. This business, combined with the legacy futures exchange and fixed income data franchise, should position ICE with an attractive long-term growth profile. When combined with a track record of diligent expense management and healthy capital returns to shareholders, we believe this should support EPS growth and multiple re-rating over time. Moreover, it is our expectation that an upcoming segment realignment will better highlight the value of ICE's mortgage franchise as well as its fixed income business.

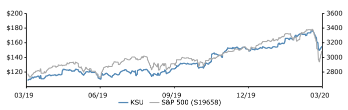
Jabil Inc.



JBL-NYSE | $42.17 close
SB1 | $53.00 target
Market Cap (mln) $6,345
Dividend Yield 0.8%
IT Supply Chain
Adam Tindle, CFA

A recent >10% pullback has created a more compelling entry point and risk/reward profile entering FY21 for JBL. We believe the sustainability of strong results across key metrics (operating margin, cash flow, ROIC) is likely as Jabil enters FY21 with 1) a path to attenuated virus-related expenses alongside ($160-170M headwind in FY20); 2) reduced core operating expenses (incremental ~$50M cost optimization); into 3) a mobility cycle in the second half of 2020. This creates a compelling setup for significant margin improvement, operating profit dollar growth, and cash flow, and we see growth alongside a valuation multiple improvement pushing the stock into the $40s as this occurs.

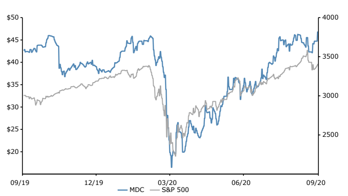
Kansas City Southern



KSU-NYSE | $200.98 close
SB1 | $210.00 target
Market Cap (mln) $18,812
Dividend Yield 0.9%
Transportation Services | Railroad
Patrick Tyler Brown, CFA

We are adding KSU to the Analyst Current Favorites® list on what we view is a very favorable risk/reward skew based on both favorable top line trends and operational successes via precision scheduled railroading (PSR) initiatives. While the industry volume backdrop for U.S. railroads continues to be weak, KSU is the only U.S. Class I railroad posting positive growth that has the potential to come in above guidance, in our view. Further, on the PSR front, we get the sense continued scrutiny of operations could uncover more opportunities for efficiencies and cost savings beyond what the company is currently guiding to. All said, all these actions together should drive high incremental margins and potentially accelerate KSU's operating ratio and EPS growth goals through 2021 and, importantly, ahead of investor expectations.

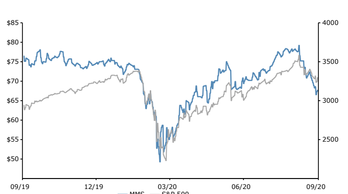
M.D.C. Holdings, Inc.



MDC-NYSE | $47.62 close
SB1 | $61.00 target
Market Cap (mln) $3,089
Dividend Yield 3.4%
Housing
Buck Horne, CFA

Following the September 14 operating update that quarter-to-date net order growth has surged +75% y/y through August - which we suspect may be the strongest growth rate in the homebuilding sector, we are adding Strong Buy-rated MDC Holdings to the Analyst Current Favorites® ist. Our data and channel checks continued to highlight remarkable new home demand specifically in suburban Denver, Colorado (where MDC is based and holds the leading market share position), as well as strong recoveries in other MDC strongholds like Phoenix and Las Vegas. With MDC shares trading at just ~1.5x adjusted book value and under 8x our FY21 EPS estimate amid explosive demand growth and pricing power, we now believe MDC represents the best risk/reward opportunity across our homebuilding coverage list.

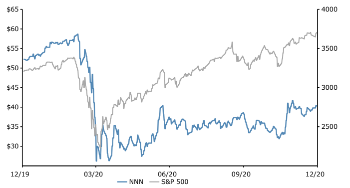
MAXIMUS, Inc.



MMS-NYSE | $73.07 close
SB1 | $90.00 target
Market Cap (mln) $4,490
Dividend Yield 1.5%
IT Services
Brian Gesuale

While we view most government IT names as being less favorably positioned in the coming months, MMS sits on the other end of the spectrum with easing comparisons, a pivot to organic growth, and favorable exposure to a weakening macro. Longer-term, the company will continue to benefit from secular tailwinds (i.e. aging demographic, increasing needs for social programs, etc.) which together with improved short-term dynamics will drive outperformance and makes MMS one of the best counter-cyclical opportunities in our coverage. As we look ahead, we believe the next four years are likely to be more favorable for MMS given odds of higher unemployment, a recovery in the adoption of mainstream employment programs, and an improved geopolitical backdrop.

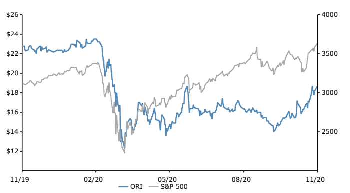
National Retail Properties, Inc.



NNN-NYSE | $39.35 close
SB1 | $48.00 target
Market Cap (mln) $6,836
Dividend Yield 5.3%
REITs | Net Lease REITs
RJ Milligan

Getting ahead of NNN's return to its warranted blue-chip multiple. NNN has been one of the worst-performing net-lease REITs in 2020 (-25% YTD vs. the sector -11%), lagging the group given its outsized exposure to the most COVID-impacted categories, lower cash collections/higher deferrals, and a pause in its external growth. However, NNN's cash collections improved to 94% in October (among the best for non-rated net-lease strategies), and we expect NNN to come off the sidelines in 1H21 and re-start its external growth. We continue to believe the market needs three boxes checked for the stock to work: 1) cash collections in the mid-90%; 2) greater certainty on the portfolio cash run-rate factoring in tenant fallout; and 3) a return to external growth. With two of the three boxes checked (and the remaining box likely to be checked in 1H21), we believe there will be meaningful outperformance as NNN re-rates back to its historical multiple (or higher) as the market looks past the short-term noise (deferrals/concerns about COVID shutdowns/a pause in acquisitions) and begins to focus on the longer-term (2022 cash run rate/re-instated guidance/balance sheet firepower/high-quality management team with a solid track record).

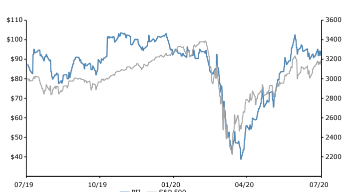
Old Republic International Corporation



ORI-NYSE | $18.29 close
SB1 | $21.00 target
Market Cap (mln) $5,561
Dividend Yield 4.6%
Insurance | Commercial Lines
C. Gregory Peters

ORI is our Analyst Current Favorite against the backdrop of an improving trend in the company's commercial auto loss ratio and the strongest pricing environment for commercial lines business in at least 15 years. We also have a positive outlook for ORI's Title Insurance segment amid very low mortgage rates and strong refinancing activity. Importantly, ORI has historically reported only limited catastrophe losses, and we do not expect the ongoing COVID-19 pandemic to have a material impact on the company's EPS generation over the next several quarters. We believe ORI represents a compelling risk/reward opportunity in light of the stock's discounted valuation and regular dividend yield of 4.5%. We also expect the stock to outperform in a continued rotation into cyclicals scenario.

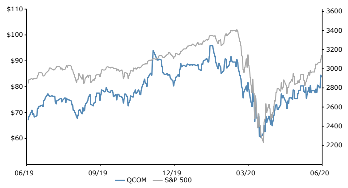
Polaris Inc.



PII-NYSE | $95.71 close
SB1 | $128.00 target
Market Cap (mln) $5,905
Dividend Yield 2.6%
Leisure Products
Joseph Altobello, CFA

Our Strong Buy rating and bullish stance on the shares of Polaris are based on our view that the North American powersports market remains healthy despite the onset of COVID-19, and the company is poised to outperform its product categories through a compelling innovation cycle, while headwinds from tariffs are likely to abate over time. Thus, we forecast meaningful market share gains, progress on trade, and strong free cash flow generation, with PII's dividend secure given its ample liquidity and favorable financial covenants.

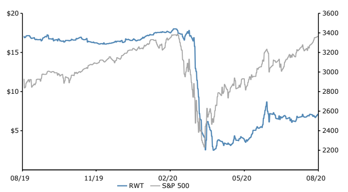
QUALCOMM Incorporated



QCOM-NASDAQ | $148.50 close
SB1 | $150.00 target
Market Cap (mln) $167,954
Dividend Yield 1.8%
Semiconductors
Chris Caso

Qualcomm is, in our view, in the very early innings of a multi-year 5G cycle, set to drive revenue growth on both the QCT (CDMA technologies) and QTL (licensing) sides of the business. Additionally, we believe the most underappreciated aspect of the stock is the implication of the recently signed Oppo/Vivo agreement, meaning that all major handset OEMs have now signed current agreements, which we believe will protect QTL revenue regardless of the outcome of the pending FTC case. Because that's been the biggest overhang on the stock, we believe this development will have a significant positive impact on sentiment and the multiple. Finally, while overall handset unit sales are tracking to a ~10% y/y decline in 2020, 5G penetration remains strong, and as 5G is launched in more markets - highlighted by the 5G iPhone launch this fall - the company is set to benefit from the mix-shift toward higher-value sales.

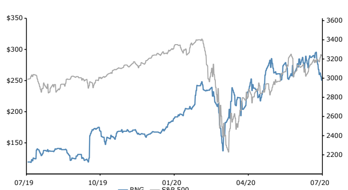
Redwood Trust, Inc.



RWT-NYSE | $8.52 close
SB1 | $12.00 target
Market Cap (mln) $954
Dividend Yield 6.6%
REITs | Mortgage REITs & Real Estate Finance
Stephen Laws

We expect recovering asset values to drive Strong Buy-rated Redwood Trust's book value higher and new investments to be accretive to existing portfolio returns. Book value increased ~30% in 2Q as asset valuations partially recovered. With unrealized marks versus December 31 of ~$3 per share remaining at June 30, continued recovery could have a material positive impact on book value, which was $8.15 per share at June 30. Given the strong demand for single-family housing and potential benefits should jumbo refinance activity increase, we believe an additional recovery of unrealized losses is likely. Additionally, given actions taken in the first half of the year to increase liquidity, reduce marginable leverage, reduce overall leverage, and sell pre-COVID originated loans, we believe Redwood Trust is now positioned to make new investments that we expect to be accretive to current portfolio returns.

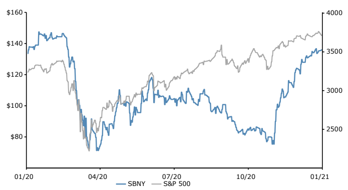
RingCentral, Inc.



RNG-NYSE | $382.20 close
SB1 | $450.00 target
Market Cap (mln) $34,257
Dividend Yield 0.0%
Application Software
Brian Peterson, CFA

We believe that RNG is well positioned to sustain recent momentum across the enterprise and channel segments, which should drive continued upside for consensus projections over the next several quarters. Moreover, shares trade at only a slight premium to the 20-30% growth SaaS group, which we believe remains conservative in light of RNG's solid competitive positioning and compelling market opportunity

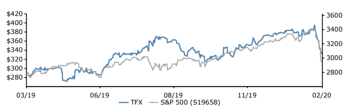
Signature Bank



SBNY-NASDAQ | $135.94 close
SB1 | $153.00 target
Market Cap (mln) $10,613
Dividend Yield 1.6%
Banking
David J. Long, CFA

As investors are increasingly looking for winners in the post-pandemic world, we believe Signature Bank (SBNY) will stand out. We forecast a peer-best two-year pretax pre-provision income (PTPPI) CAGR of 12.3%, which compares to its peer group median 4% contraction and average 3% contraction. Additionally, the company disclosed that fourth-quarter 2020 average deposits are up more than 10% quarter-over-quarter, not annualized, which should prove to be among the best in the industry. Despite such attractive growth prospects, SBNY shares trade at a discounted valuation to its peers on both a P/TBV and forward P/E basis. Furthermore, its strong recruiting pipeline is likely to bring in 10-15 additional teams in early 2021, which may drive forward balance sheet growth above our recently revised projections. Finally, we believe Signature is well-reserved for potential net charge-offs and believe extending deferrals (and the extension of TDR adjustments allowed by the recent $900 billion stimulus package) may result in fewer losses through the cycle than we and the Street currently model for.

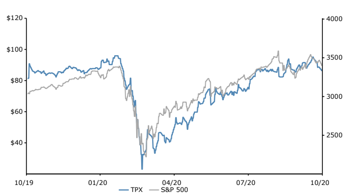
Teleflex Incorporated



TFX-NYSE | $403.13 close
SB1 | $440.00 target
Market Cap (mln) $18,774
Dividend Yield 0.3%
Hospital Supplies & Equipment
Lawrence Keusch

We believe that the critical care tilt of the Teleflex (TFX) portfolio should allow for relative insulation to the extent elective procedures outside of the U.S. slow. Looking forward, we see drivers for durable 6-7% growth with UroLift (treatment for benign prostate enlargement) and Manta (large bore vascular closure) as opportunities for upside. In addition, operating margin expansion remains visible with potentially ~400 bp of improvement through 2021. Finally, we note that the balance sheet remains sound at 2.7x leverage with capital allocation targeted at accretive M&A. The risk is that COVID-19 spreads meaningfully through the U.S., impacting elective urology procedures temporarily and UroLift.

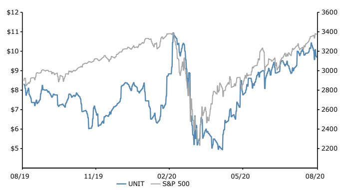
Tempur Sealy International, Inc.



TPX-NYSE | $26.46 close
SB1 | $32.00 target
Market Cap (mln) $5,460
Dividend Yield 0.0%
Furniture & Furnishings Suppliers | Bedding & Residential Furniture
Bobby Griffin, CFA

Given the continued benefit the entire bedding/furniture category is seeing from a strong U.S. housing environment and the YTD underperformance of Tempur Sealy's stock versus its bedding/furniture peers, we are selecting TPX as our Analyst Current Favorite. Importantly, Tempur Sealy continues to experience broad-based order growth across geographies and distribution channels, illustrating the strength of Tempur Sealy's portfolio of brands and its expanding omni-channel distribution model. Moreover, given the store closures earlier this year due to the COVID-19 pandemic, we believe the 2021 organic sales comparison is actually reasonable, thereby setting up Tempur Sealy well for an attractive 1H21. All-in, we see an attractive risk/reward setup in owning TPX, given its current valuation and underperformance YTD versus other high-end bedding/furniture peers.

Uniti Group Inc.



UNIT-NASDAQ | $11.66 close
SB1 | $16.00 target
Market Cap (mln) $2,714
Dividend Yield 5.1%
Telecommunications Services | Wireline
Frank G. Louthan, IV

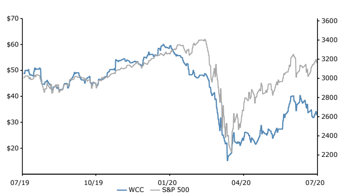
We believe the outlook for UNIT is significantly improved in light of the Windstream settlement and the latter's subsequent emergence from bankruptcy.

The fiber network remains the primary upside to the name, with UNIT agreeing to acquire Windstream fiber assets and IRU contracts totaling ~$29M in annual EBITDA. We believe UNIT can drive significantly higher levels of revenue off of this fiber that is similar and interconnected with its other fiber networks. Additionally, it can monetize this to improve the balance sheet and leverage.

As it pertains to the dividend, our prior thesis of a significant dividend cut was based on the assumption that the cash payments to Windstream as part of the settlement would flow through the income statement, thus burdening net income and the math prescribing its dividend. **We now believe that number will be closer to where it was this year, so any cut is likely to be less aggressive than we originally thought, if at all.**

Lastly, we note that **UNIT currently trades at a roughly ~6x discount to the triple net lease REITs while it has traded at only a ~4x discount to that same group historically.** Even before the lawsuit, we remind investors there was always an overhang related to Windstream, including the potential for it to go bankrupt. **Given that the legal question has now been resolved, and WIN has gone through bankruptcy, we believe the historical overhang, along with a significant portion of the risk to having Windstream as their largest tenant, has largely dissipated.**

WESCO International, Inc.



WCC-NYSE | $76.58 close
SB1 | $80.00 target
Market Cap (mln) $3,832
Dividend Yield 0.0%
Specialty/Industrial Distribution
Sam J. Darkatsh

WESCO distributes electrical, communications, and maintenance, repair, and operations (MRO) products to customers in industrial, construction, utility, and commercial/institutional end-market verticals, primarily in North America. Our constructive thesis is predicated on WESCO's now-closed acquisition of competitor Anixter in a deal we expect to be highly accretive (30+% on a conservative basis) along with positioning WESCO now as the clear scale-advantaged player in the electrical distribution industry – an industry in dire need of consolidation. At present levels, we peg the forward FCF yield in the double digits, and at ~25% FY22 FCF. Further, we imagine the potential downside is limited, given that private equity firm CD&R offered to buy WESCO for $68/share in late 2019.

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Market Perform (Hold)	38%	33%	13%	17%
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