

The Eagle Report

Opportunities Post Vaccination

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Post Vaccination: it is time to get positioned for the reopening of borders, first internally/regionally then internationally by mid-2022. In this report we focus on the consumer-led companies that we feel should benefit from the post vaccination reopening on economies, helping drive consumer spending back into the big cities and travel (regionally and globally).

We have selected companies across Europe, USA and Australasia that we feel are well positioned to benefit from this theme under two categories:

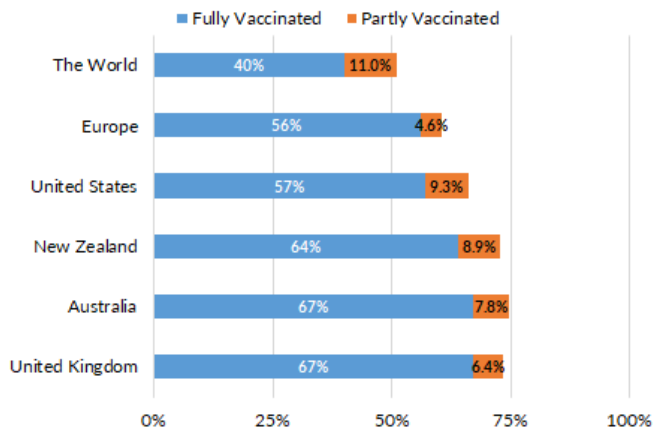
- **Enduring Growth Companies:** adidas, Amazon, Comcast, Fiserv, Kering, LVMH, Nike & Visa
- **Recovering Companies:** Booking.com, Delta Air Lines, Ryanair, Starbucks, Tourism Holdings, Uber, Walt Disney & Webjet



Thesis in Pictures

The world is getting vaccinated...

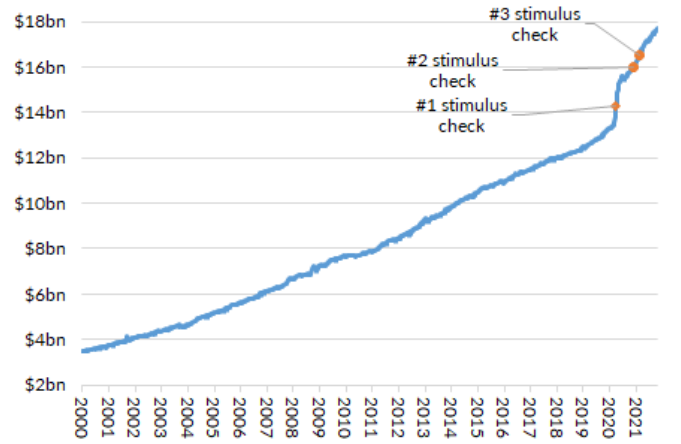
Figure 1. Vaccination rates worldwide



source: Forsyth Barr analysis, Our World in Data

Consumers have saved a lot of cash...

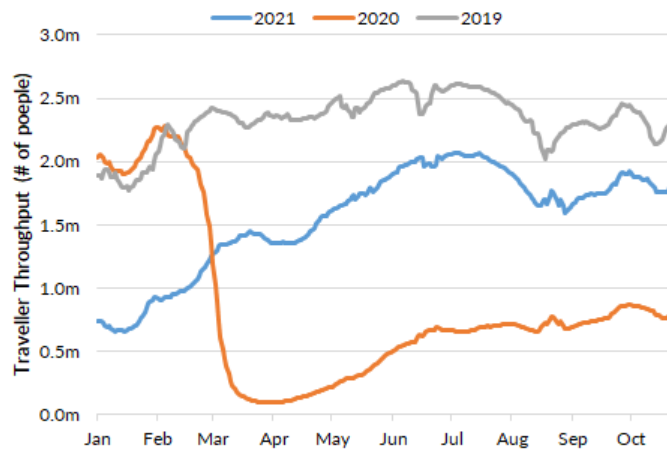
Figure 2. US Consumer bank deposits (US\$)



Source: Forsyth Barr analysis, FRED (Federal Reserve Bank of Saint Louis).

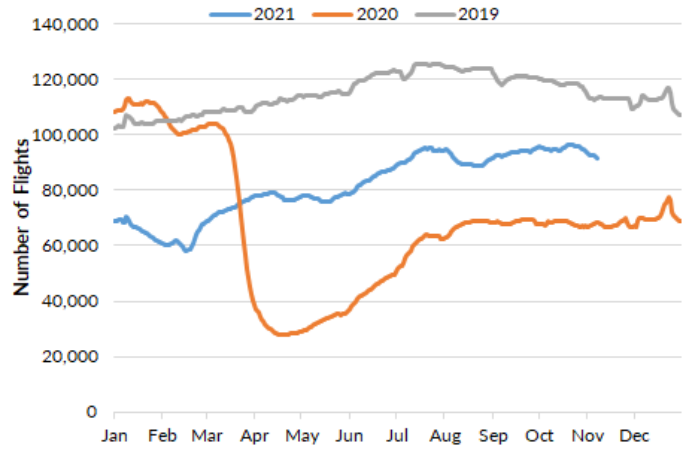
Travel checkpoints are trending upwards to 2019 levels...

Figure 3. TSA checkpoint travel numbers - 7d moving average



Source: Forsyth Barr analysis, Transportation Security Administration

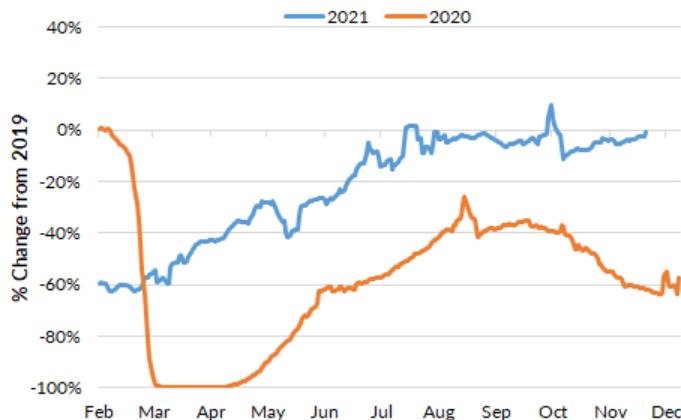
Figure 4. Global Commercial Flights - 7d moving average



Source: Forsyth Barr analysis, Flight Radar 24

Restaurant's are returning to growth from 2019 levels....

Figure 5. Seated diners – 7d moving average

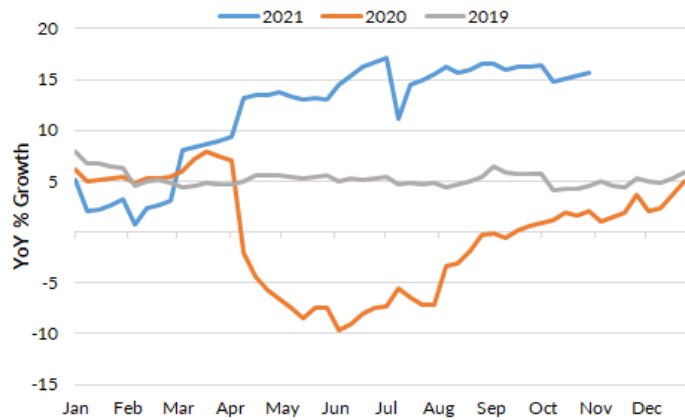


Source: Forsyth Barr analysis, Open Table

Open Table collects data from amount of seated diners from online, phone, and walk-in reservations to measure how COVID19 has been impacting restaurants around the globe.

Retail sales growth is strong...

Figure 6. U.S. weekly retail sales growth - year-over-year

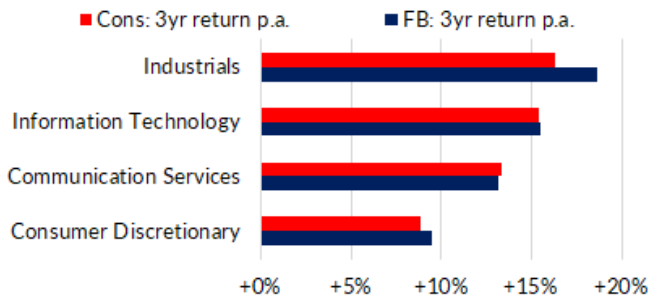


Source: Forsyth Barr analysis, Bloomberg, Redbook Index

The Johnson Redbook Index covers a sample of large US general merchandise retailers representing about 9,000 stores.

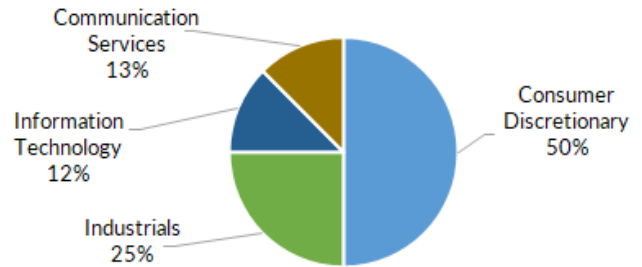
The Eagle Report: Post Vaccination Picks

Figure 7. 3yr Returns: GIC Breakdown



Source: Forsyth Barr analysis

Figure 8. GIC Breakdown



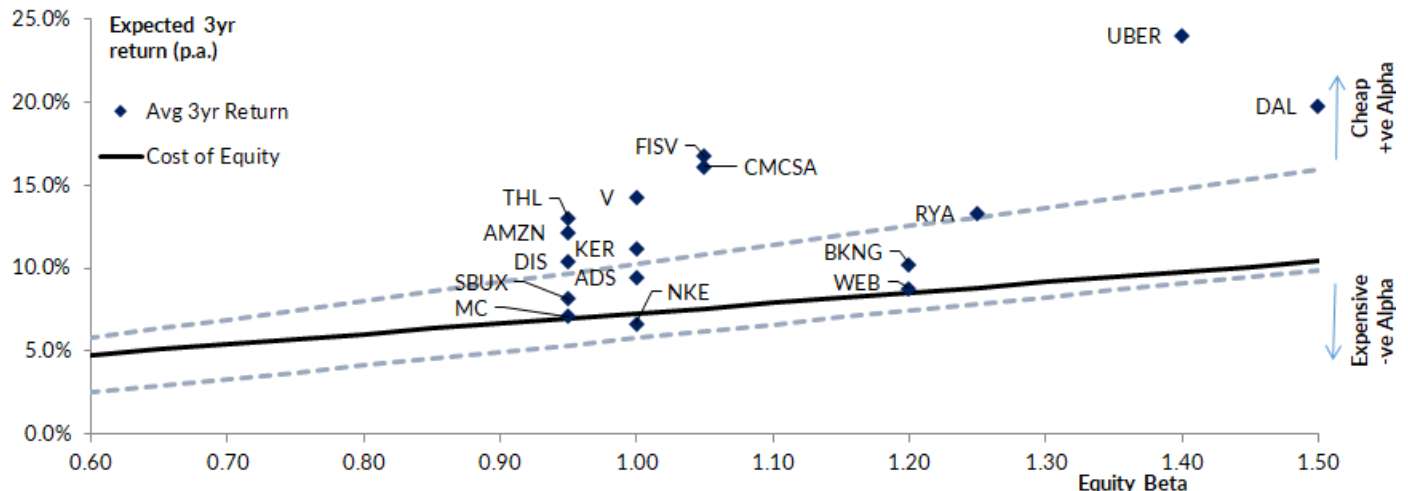
Source: Forsyth Barr analysis

Figure 9. Fundamentals

Company	Code	12m chg %	Price (local)	12m TP (Cons.)	Equity beta	Cons: 3yr return p.a.	FB: 3yr return p.a.	Avg 3yr Return	12-mth FCST PE	24-mth FCST PE	2-yr EPS Growth	12m fwd div yld
Enduring Growth Companies												
adidas AG	ADS	+11.4%	€284.8	€326.9	1.00	10.2%	8.3%	9.2%	29.0x	23.5x	19.5%	1.4%
Amazon	AMZN	+8.7%	US\$3,318.1	US\$4,085.0	0.95	12.1%	13.2%	12.7%	45.7x	34.7x	28.5%	0.0%
Comcast	CMCSA	+23.6%	US\$52.3	US\$65.5	1.05	13.8%	17.1%	15.5%	14.1x	12.3x	13.2%	2.1%
Fiserv	FISV	+5.8%	US\$102.0	US\$133.0	1.05	14.7%	16.1%	15.4%	15.9x	13.6x	15.6%	0.0%
Kering	KER	+25.7%	€651.8	€770.1	1.00	11.4%	10.5%	11.0%	22.4x	20.0x	10.9%	1.9%
LVMH Moet Henn.	MC	+69.9%	€683.4	€740.0	0.95	7.9%	5.7%	6.8%	29.5x	26.8x	9.9%	1.3%
Nike	NKE	+38.2%	US\$166.3	US\$177.8	1.00	7.4%	6.3%	6.8%	40.5x	32.8x	17.1%	0.7%
Visa	V	+16.6%	US\$212.5	US\$275.6	1.00	14.5%	13.5%	14.0%	29.2x	24.8x	15.3%	0.7%
Recovering Companies												
Booking Holdings	BKNG	+52.0%	US\$2,489.7	US\$2,534.8	1.20	6.2%	12.2%	9.2%	29.7x	22.1x	21.0%	0.0%
Delta Air Lines	DAL	+30.1%	US\$40.4	US\$54.2	1.50	17.8%	19.2%	18.5%	9.7x	6.9x	47.5%	0.0%
Ryanair Holdings	RYA	+40.7%	€17.2	€19.3	1.25	10.2%	15.5%	12.8%	n/a	11.6x	33.9%	0.1%
Starbucks	SBUX	+25.9%	US\$109.8	US\$122.1	0.95	9.0%	5.0%	7.0%	33.3x	29.2x	12.3%	1.8%
Tourism Holdings	THL	+27.3%	NZ\$2.75	NZ\$3.10	0.95	12.3%	13.7%	13.0%	26.6x	10.5x	81.8%	1.0%
Uber Technologies	UBER	+32.9%	US\$44.4	US\$68.3	1.40	22.9%	24.2%	23.5%	n/a	n/a	805.6%	0.0%
Walt Disney	DIS	+39.9%	US\$170.2	US\$205.3	0.95	11.6%	8.4%	10.0%	32.1x	25.7x	19.8%	1.0%
Webjet	WEB	+85.3%	A\$6.4	A\$6.0	1.20	4.0%	12.3%	8.2%	n/a	17.8x	37.4%	0.8%
Median					1.00	11.5%	12.8%	11.8%	29.2x	22.1x	19.6%	0.8%

Source: Forsyth Barr analysis

Figure 10. Average forecast return of Analyst target price and Dynamic PE frameworks



Source: Forsyth Barr analysis

Vaccination Beneficiaries

We have compiled this report of investment ideas to identify companies that we feel will benefit from the potential upside (and deliver positive earnings surprises) of economies opening up after populations have been vaccinated against the COVID-19 virus.

In identifying the target companies we focussed our attention on three key segments of the market with a consumer bias: [1] reopening the borders should see a rapid recovery in tourism related stocks (airlines, online travel agents, cruise companies, rental car & motorhome operators, hotels and airports); [2] reopening America should see consumers heading back to the big cities; and [3] global consumer brands as cash-flush consumers look to spend their savings more broadly than when under lockdown.

Whilst it remains uncertain how indebted governments around the world will manage elevated public sector debt levels, we believe consumers feel ready for the next phase of the recovery and this should see a strong uplift in consumer spending trends.

Our shortlisted companies have a global bias with operations across Europe, the USA and Australasia. We have divided our consumer-exposed companies into two categories:

- Recovering Companies: Booking.com, Delta Air Lines, Ryanair, Starbucks, Tourism Holdings, Uber, Walt Disney & Webjet
- Enduring Growth Companies: adidas, Amazon, Comcast, Fiserv, Kering, LVMH, Nike & Visa

Figure 11. Fundamentals

Company	Code	12m chg %	Price (local)	Market Cap	12m FCST PE	24m FCST PE	36m FCST PE	2-yr EPS Growth	PEG	12m fwd Gr div yld	GICS sector
Enduring Growth Companies											
adidas AG	ADS	+11.4%	€284.8	€57.1bn	29.0x	23.5x	20.1x	19.5%	1.5x	1.4%	Cons. Discretionary
Amazon	AMZN	+8.7%	US\$3,318.1	US\$1,682.8bn	45.7x	34.7x	27.6x	28.5%	1.6x	0.0%	Cons. Discretionary
Comcast	CMCSA	+23.6%	US\$52.3	US\$238.8bn	14.1x	12.3x	10.9x	13.2%	1.1x	2.1%	Comm. Services
Fiserv	FISV	+5.8%	US\$102.0	US\$67.3bn	15.9x	13.6x	11.8x	15.6%	1.0x	0.0%	Info. Technology
Kering	KER	+25.7%	€651.8	€81.5bn	22.4x	20.0x	18.1x	10.9%	2.1x	1.9%	Cons. Discretionary
LVMH Moët Hennessy	MC	+69.9%	€683.4	€345.0bn	29.5x	26.8x	24.4x	9.9%	3.0x	1.3%	Cons. Discretionary
Nike	NKE	+38.2%	US\$166.3	US\$263.3bn	40.5x	32.8x	28.2x	17.1%	2.4x	0.7%	Cons. Discretionary
Visa	V	+16.6%	US\$212.5	US\$464.5bn	29.2x	24.8x	21.2x	15.3%	1.9x	0.7%	Info. Technology
Recovering Companies											
Booking Holdings	BKNG	+52.0%	US\$2,489.7	US\$102.2bn	29.7x	22.1x	19.0x	21.0%	1.4x	0.0%	Cons. Discretionary
Delta Air Lines	DAL	+30.1%	US\$40.4	US\$25.9bn	9.7x	6.9x	5.7x	47.5%	0.2x	0.0%	Industrials
Ryanair Holdings	RYA	+40.7%	€17.2	€19.4bn	n/a	11.6x	9.4x	33.9%	n/a	0.1%	Industrials
Starbucks	SBUX	+25.9%	US\$109.8	US\$129.6bn	33.3x	29.2x	25.8x	12.3%	2.7x	1.8%	Cons. Discretionary
Tourism Holdings	THL	+27.3%	NZ\$2.75	NZ\$0.4bn	26.6x	10.5x	8.0x	81.8%	0.3x	1.0%	Industrials
Uber Technologies	UBER	+32.9%	US\$44.4	US\$84.4bn	n/a	n/a	28.1x	805.6%	n/a	0.0%	Industrials
Walt Disney	DIS	+39.9%	US\$170.2	US\$309.3bn	32.1x	25.7x	22.4x	19.8%	1.6x	1.0%	Comm. Services
Webjet	WEB	+85.3%	A\$6.4	A\$2.4bn	n/a	17.8x	14.2x	37.4%	n/a	0.8%	Cons. Discretionary
Median					29.2x	22.1x	19.5x	19.6%	1.6x	0.8%	

Source: Forsyth Barr analysis

Enduring Growth Companies

Adidas (ADS). The pandemic had a sharp negative early impact on Adidas sales in 2020. But the shift to online shopping enabled ADS to leverage its direct-to-customer (DTC) online service, which helped to quickly restore sales. As borders open up and consumers head back to work in the big cities we feel this will see a surge in sales back to the physical stores, which will complement ADS's enhanced on-line services. In addition, we see a revival of sporting events boosting demand for its promotional merchandise.

Amazon (AMZN). The COVID-19 pandemic strengthened AMZN's ecommerce businesses, which made it a clear beneficiary in CY20. The market seems overly focussed on AMZN's ecommerce business slowing from the elevated sales in CY20. We expect its ecommerce business to continue to grow at attractive rates as AMZN expands its Prime Eligible services globally. In addition to being well exposed to the consumer, AMZN is expanding across multiple new areas of growth, namely: [1] AWS (cloud services, which also includes building Big Data analytics and dedicated artificial intelligence algorithms across multiple sectors including: healthcare, renewable energy, financial services and cyber security); [2] Digital Entertainment through Amazon Prime; [3] Communications through its newly created company, Kuiper, which plans to launch 3,236 satellites into low Earth orbit (these will be deployed in five

phases, with broadband service beginning once it has 578 satellites in orbit); and [4] Participating in the roll out of data centres to grow and expand its services to the business sector.

Comcast (CMCSA). CMCSA has a broad consumer exposure, predominately in the USA through its US media and telco operations spanning broadband and mobile services, cable and broadcast TV, film and TV content, theme parks, and a stake in streaming service Hulu. CMCSA also owns NBCUniversal, DreamWorks Animation, and Sky Plc. We feel CMCSA is well positioned to benefit from the uplift in advertising spending across its content platforms and recovery in viewership for sporting events.

Fiserv (FISV). Rather than buy into the value trap of the major banks, which we feel are still vulnerable to disruption, we have selected FISV for its leading transactional technology/infrastructure that reportedly touches almost every US consumer. America’s re-opening should see FISV’s products and services benefit from the uplift in consumer transactions.

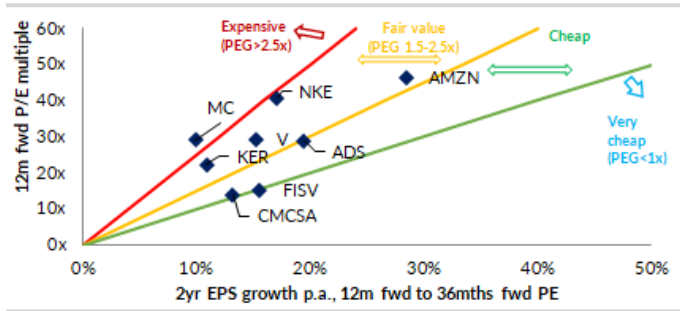
Kering (KER). We are conscious that the regulatory policy changes in China threaten the outlook for sales growth from Chinese consumers. However, we still feel the luxury consumer sector (KER owns the Gucci brand) should see a solid uplift in demand for its products from the re-opening of international borders and consumers returning to work in the big cities, where the luxury global brands have generally been more affected.

LVMH Moët Hennessy Louis Vuitton (MC/LVMH). MC has been a long-time favourite luxury brand conglomerate for model portfolios and has continued to perform well despite the obvious challenges it faced post COVID-19 protecting its premium price-points and fulfilling customer demand. In addition to the brands represented in the company name – Louis Vuitton leather goods, Moët & Chandon champagne (founded in 1743),and Hennessy cognac – LVMH also owns an enviable list of leading global luxury brands, including Christian Dior, Givenchy, Marc Jacobs, Stella McCartney, Loro Piana, Kenzo, Celine, Fendi, Fenty, Bulgari, Royal Van Lent, Princess Yachts, and Belmond Hotels. In our view, LVMH should see a strong uplift in sales growth over the next few years.

Nike (NKE). We like NKE for the same underlying reasons as adidas (outlined above). In our view, Nike has the leading global position in athletic apparel design. A global athletic wear survey from one of our research partners indicated NKE has the highest net promoter scores in the segment and consumers have strong purchase intentions. As a streetwear and sneaker brand NKE is well placed to benefit from the athleisure (comfortable and casual attire) trend. Nike has adapted well post COVID-19 and driven sales and profitability through its DTC channels. Looking forward, we see NKE also benefitting from re-opening America and the re-opening of international borders.

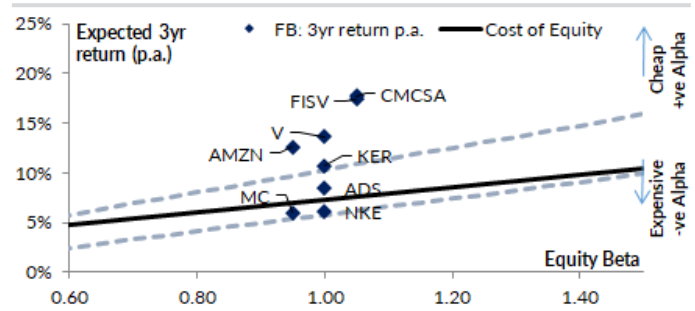
Visa (V). V is the world’s largest retail electronic payments network, providing financial institutions with product platforms including credit cards, debit cards, prepaid cards, and cash access programs. V’s growth outlook is underpinned by a move from cash to electronic payments and the increasing penetration of ecommerce and online transactions. V is set to benefit, post vaccination, from the resumption of spending back in the big cities on the back of people returning to work and the resumption of international travel.

Figure 12. 12-mth fwd PE vs. 2yr EPS growth p.a.



Source: Forsyth Barr analysis

Figure 13. Forecast 3yr return p.a: Forsyth Barr



Source: Forsyth Barr analysis

Recovering Companies

Booking Holdings (BKNG). The travel industry has been one of the most affected sectors over the past 18 months. The good news is that governments are outlining plans to re-open international borders, which we feel will accelerate demand for international travel from mid-2022 (in the northern hemisphere summer). We believe BKNG should be a huge beneficiary from the anticipated rebound in international travel through its leading portfolio of brands: booking.com, Priceline (which offers discount bookings for hotels, cars, airline tickets, cruises, and vacation packages), Agoda, KAYAK, RentalCars, and OpenTable.

Delta Air Lines (DAL). The curse of the airline industry has generally tarnished the sector as un-investable over the long term. However, one benefit of COVID-19 for airlines (this also includes Ryanair) is the survivorship bias for those airlines that have the

capital backing and the product/brand loyalty to emerge more profitable than pre COVID-19. DAL is recognised as the leading American airline, and we feel DAL will benefit in two steps: [1] Through the increase in travel across the Americas; [2] From a rebound in international travel for vaccinated travellers by the June quarter of 2022.

Ryanair (RYA). In our view, RYA is well positioned to be an early beneficiary of international borders opening up as vaccination levels hit required targets to enable the looming travel boom over 2022/23. In mid-September RYA outlined its revised target to grow passenger numbers by 25m per annum to 225m passengers by 2026. As the northern hemisphere exits winter in early 2022, and assuming the international borders re-open on the back of vaccination passports, RYA, by being proactive with its fleet purchases, should be able to better capitalise than its peers on the rising travel demand profile.

Starbucks (SBUX). With more than 33,000 retail stores worldwide, SBUX is the world's leading retailer and roaster of specialty coffee. Furthermore, SBUX's Channel Development segment represents an attractive opportunity for the company to leverage the success of the Starbucks retail store model and make the brand available through multiple channels – supermarkets, airports, offices, cafeterias, vending machines, and restaurants. Given SBUX's global restaurant network, we believe the company will benefit from the global trend to return to work in the big cities and from reopening of international borders.

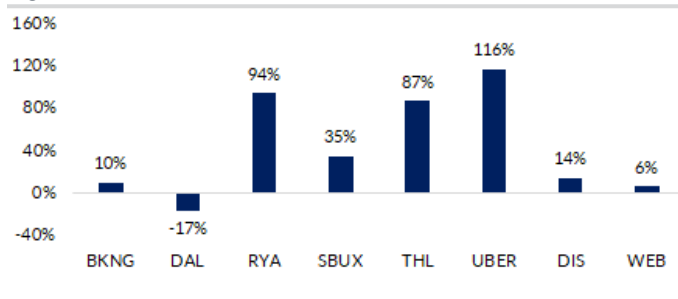
Tourism Holdings (THL). The pandemic caused a collapse in demand for renting motorhomes. THL managed this risk by de-fleeting and strengthening its balance sheet, so when demand returns it can re-build its fleet and return to profitability. THL is the largest provider of holiday campervans for rent and sale in Australia, New Zealand and the USA. THL owns a 49% stake in Just Go in the UK and in NZ operates the iconic Kiwi Experience and Discover Waitomo experiences. A recovery from THL's international customers across its NZ/AU operations is expected by 2023, whereas in the US the recovery should already be well under way over 2022.

Uber Technologies (UBER). UBER stands to benefit as people return to the city, for both work and social interaction. UBER's Mobility division, which connects drivers to passengers travelling from point A to B, has been significantly impacted by the pandemic and has still not recovered to pre-pandemic levels. Its delivery division (Uber Eats) has had a positive period of accelerated adoption which has seen gross bookings triple from 2019 levels. Pre-pandemic, the gross bookings mix was around 76% mobility/24% delivery, whereas this has almost reversed in the current environment to be around 38% mobility/62% delivery. As consumers return to the big cities we expect the mobility division to recover and exceed its prior 2019 levels. In our view, UBER should achieve profitability sooner than the market expects and the magnitude of profitability over the medium term could also positively surprise.

Walt Disney (DIS). We have been impressed with how DIS has navigated its way through the collapse in revenue from its Parks, Experience, and Cruise operations. DIS used the COVID-19 stay-at-home period to drive uptake of its streaming service Disney+ globally. Disney+ is stacked with original content from its studio brands (The Walt Disney Studios and Walt Disney Television), and has dedicated content hubs for brands such as Disney, Pixar, Marvel, Star Wars, National Geographic, and Star in some countries. DIS also owns movie studio 21st Century Fox. We have a very positive long term outlook for Disney+ and believe the imminent recovery from its Park and Cruise operations could positively surprise. DIS provides exposure to the return of cruising (as do dedicated cruise companies Royal Caribbean Cruises [RCL] and Carnival Corp [CCL] both of which also look interesting at current prices).

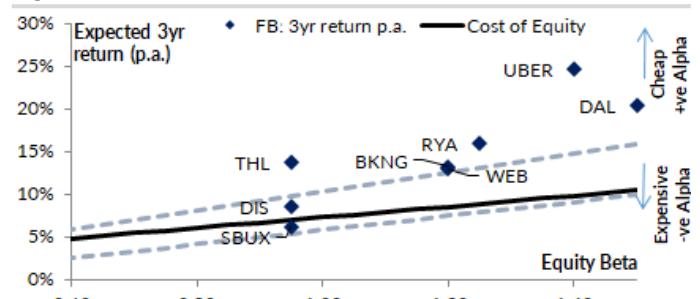
Webjet (WEB) is now through the worst of the COVID-19 impact on its travel operations, having re-capitalised its balance sheet. We expect WEB will return to profitability faster than the market currently expects for the following reasons: [1] WebBeds (the B2B division) is already benefitting from increasing domestic travel bookings across Europe and the Americas, with a further boost in bookings expected through the anticipated return to international travel over 2022; [2] WEB has substantially lowered operating costs from the high fixed-cost WebBeds business that should see EBITDA margins comfortably exceed prior peak levels by FY23; [3] WEB's largest B2C business, Webjet.com.au, has gained substantial market share through the pandemic; and [4] WEB's strong capital position should enable it to expand its operations via complementary M&A opportunities.

Figure 14. FY19A EPS vs. 24-mth FCST EPS



Source: Forsyth Barr analysis, (12-mth FCST EPS-FY19A)/abs(FY19A)

Figure 15. Forecast 3yr return p.a: Forsyth Barr



Source: Forsyth Barr analysis

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