

▶ **Wall Street Analysts' Most Recommended Stocks**

▶ **Filtered by risk**

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ALIBABA GROUP

CONSUMER DISCRETIONARY– INTERNET RETAILING

LAST TRADED: \$90

CONSENSUS TARGET: \$146 (62%)

Profile: Alibaba Group is one of the world's largest e-commerce and online marketplaces. China commercial is its largest business segment that includes Taobao (Online shopping) and Tmall(a platform for brands and retailers). International business segment includes Lazada (e-commerce) and Ali Express (Online retail). Local life service, Cainiao (logistics), Alibaba Cloud and digital media (Youku) are its other business segments/subsidiaries.

Fundamentals		Outlook
Mcap	\$232 bn	China's post-Covid recovery appears to be encouraging as the latest PMI spiked to 52.1 in Feb from 50.1 in Jan 2023. Nomura expects China to post a GDP growth of 5.3% in 2023.
P/E (2023E)	11.6x	
Year end	March	Alibaba's marketplaces' revenue is highly correlated to China's economic activity as it influences Gross Merchandise Value (GMV) and user traffic. The Group reported a 12% YoY growth in net income on a 2% YoY growth in revenue in Q3 FY2023. (March year end)
EPS 2024E	\$8.80	
EPS 2023E	\$7.77	
Next earnings day	May 24, 2023	Chinese officials signaled that they would ease regulatory pressure which was a major factor for the Chinese internet sector collapse in 2021 and 2022.
Div yield	-	Free cash flow increased 15% YoY to \$11.8 bn in Q3 FY2023 and the group repurchased \$3.3 bn of its ADRs which were impressive from a shareholder point of view
ROE	3%	
Institutional holding	37%	

Source:
Yahoo Finance
Morningstar,
Wall Street
Horizon

WALT DISNEY

COMMUNICATION SERVICES – ENTERTAINMENT

LAST TRADED: \$101

CONSENSUS TARGET: \$128 (+26%)

Profile: Walt Disney has key operations in theme parks, pay TV, sports broadcasting, movies and direct-to-consumer (Disney+, ESPN+, Hulu). Its parks and experiences segment accounted for 65% of its 2022 total operating income but only 34% of its overall revenue. The reopening of parks post the pandemic is likely to be a major growth driver in FY23.

Fundamentals		Outlook
Mcap	\$185 bn	Disney's board has brought back Bob Iger for a second time as CEO in Nov 22 and Bob has announced a \$5.5 bn annual cost savings plan by FY24 in order to enhance its profitability. The company is likely to reinstate a dividend by the end of 2023.
P/E (2023E)	24.3x	
Year end	December	
EPS 2024E	\$5.52	US Parks & experiences continues to be the major growth driver for Disney reporting a 27% YoY growth in Q1FY23 while segment operating income rose 31% yoy. These numbers were achieved despite US parks capacity was kept 20% below their pre-pandemic level.
EPS 2023E	\$4.15	
Next earnings day	May 09, 2023	The reopening of China should help in improving its international park performance in the quarters ahead.
Div yield	-	
ROE	4%	Direct to consumer is a weak area for the company due to losses at Disney+ and Hulu due to their high production costs while subscribers and ARPU need to improve further
Institutional holding	65%	

Source:
Yahoo Finance
Morningstar,
Wall Street
Horizon

COMCAST CORP

COMMUNICATION SERVICES –MEDIA

LAST TRADED: \$37
CONSENSUS TARGET: \$44 (+19%)

Profile: Comcast owns three main businesses – Comcast Cable, NBCUniversal and Sky. Comcast Cable is the largest cable system operator in the US competing against both satellite TV operators and telcos. NBCUniversal offers TV and streaming platforms, film and TV studios and theme parks . Comcast acquired Sky News and Sky Sports networks in 2018.

Fundamentals		Outlook
Mcap	\$157 bn	Comcast has announced that it would deploy DOCSIS 4.0 technologies to 10 mn US homes and businesses by Feb 2023 and would reach a 50 mn rollout by 2025. It is transforming its network to a cloud based architecture that can deliver to its customers a more robust 10G and DOCSIS 4.0 platform.
P/E (2023E)	10.1x	
Year end	December	
EPS 2023E	\$4.10	Comcast reported a 13% YoY growth in EPS in 2022 on a 4% growth in topline. It generated a free cash flow of \$12.6 bn and returned a capital of \$17.7 bn in 2022. The company has increased its dividend by 7.4% YoY to \$1.16 in 2023, which is its 15 th consecutive annual dividend hike.
EPS 2022E	\$3.65	
Next earnings day	Apr 26, 2023	In the event of a recession due to rate hikes, dividend stocks should outperform growth stocks and Comcast is a good dividend play.
Div yield	3.1%	
ROE	6%	
Institutional holding	87%	

Source:
Yahoo Finance
Morningstar,
Wall Street
Horizon

SOUTHWEST AIRLINES

INDUSTRIALS – AIRLINES

LAST TRADED: \$34

CONSENSUS TARGET: \$45 (+32%)

Profile: Southwest Airlines is the fourth largest U.S. airline in terms of revenue and it differentiates from other major US airlines by operating only single (Boeing 737) aircraft and a point-to-point service model. It has one of the lowest cost structure in the US airline industry and remained profitable even during severe downturns in the past. It always maintained a conservative balance sheet relative to its peers.

Fundamentals		Outlook
Mcap	\$20 bn	Southwest Airlines' revenue and margin should improve in 2023 as travelers return to skies and Boeing's plane delivery is expected to increase its capacity by 16% YoY.
P/E (2023E)	12.4x	
Year end	December	The company reported a loss in Q42022 due to operational disruption in Dec 2022 and may report a loss in Q1 2023. However, booking trend for March 2023 is very encouraging and revenue should increase in double digit in full year 2023.
EPS 2024E	\$3.90	
EPS 2023E	\$2.74	
Next earnings day	Apr 27, 2023	Cash and cash equivalents were \$12.3 bn at the end of 2022 while net debt was negative \$4.2 bn.
Div yield	2%	Demand and pricing outlook look good for US airlines as spring and summer travel resumes from March. Leisure, business and international travel may meet or even exceed pre-pandemic levels according to bookings data from major airlines .
ROE	5%	
Institutional holding	77%	

Source:
Yahoo Finance
Morningstar,
Wall Street
Horizon