



MONTHLY RESEARCH WEBINAR

ARGUS ANALYSTS' TOP PICKS FOR 2025

Moderator:

Jim Kelleher, CFA

Director of Research

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61 Broadway • NYC, N.Y. 10006
Telephone: (212) 425-7500

■ **Argus Analysts' Top Picks for 2025**

Jim Kelleher, CFA, Director of Research

John Eade, Argus President

■ **Argus Quick Notes**

Hidden Treasures in 2025

Shooting Stars and Falling Angels in 2024

New Coverage in 2024

ESG Companies on the Argus BUY list

Find these on the homepage of our website

■ **Portfolio Update: the Argus Dividend Growth Model Portfolio**

Dividends are an important element of total return

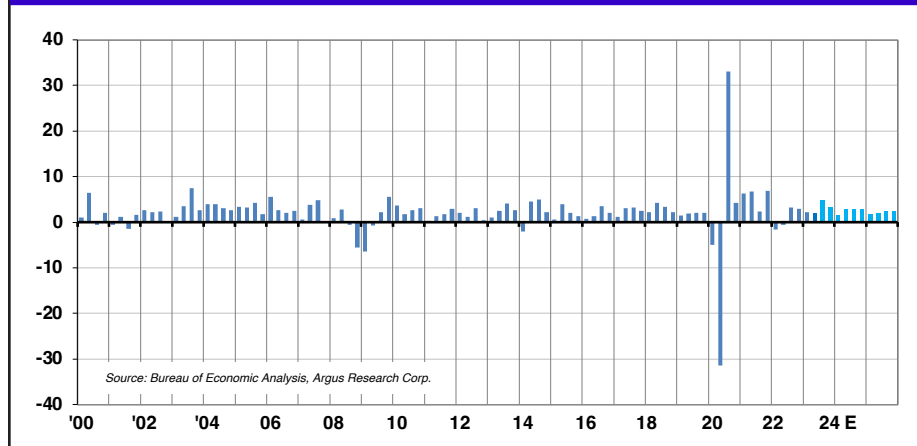
Dividend income accounted for 40%-plus of historical return

In down years, dividend income “softens the blow”

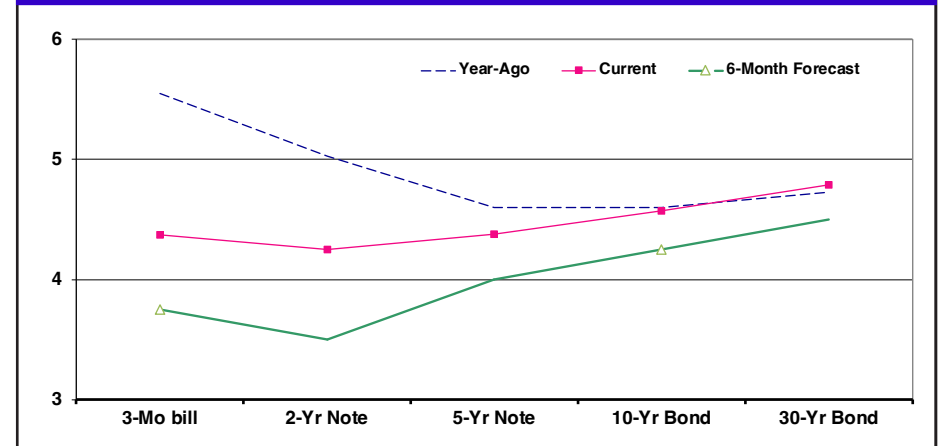
We believe Dividend Growth is an all-weather strategy

Find the Argus Dividend Growth MP on the homepage of our website

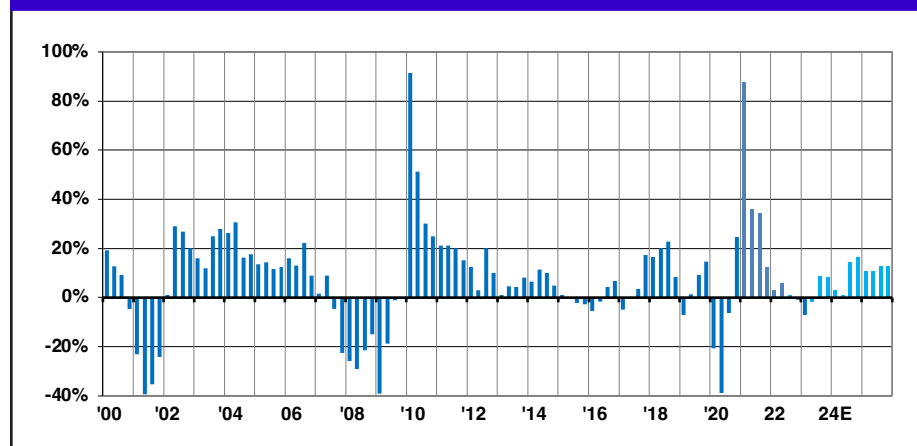
REAL GDP W/FORECASTS (%)



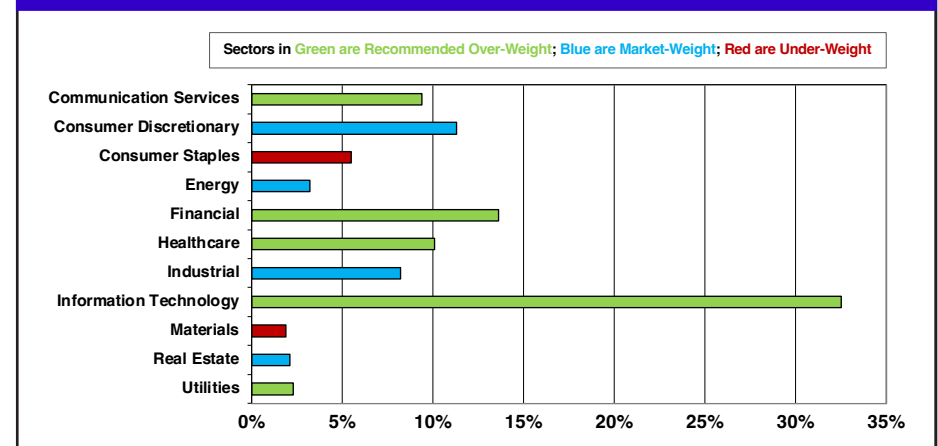
TREASURY YIELD CURVE (%)



S&P 500 QUARTERLY EARNINGS GROWTH

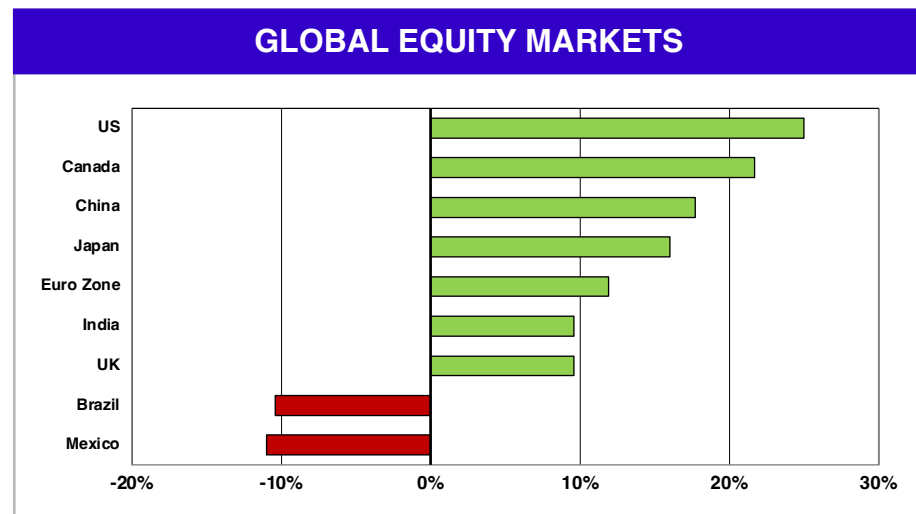
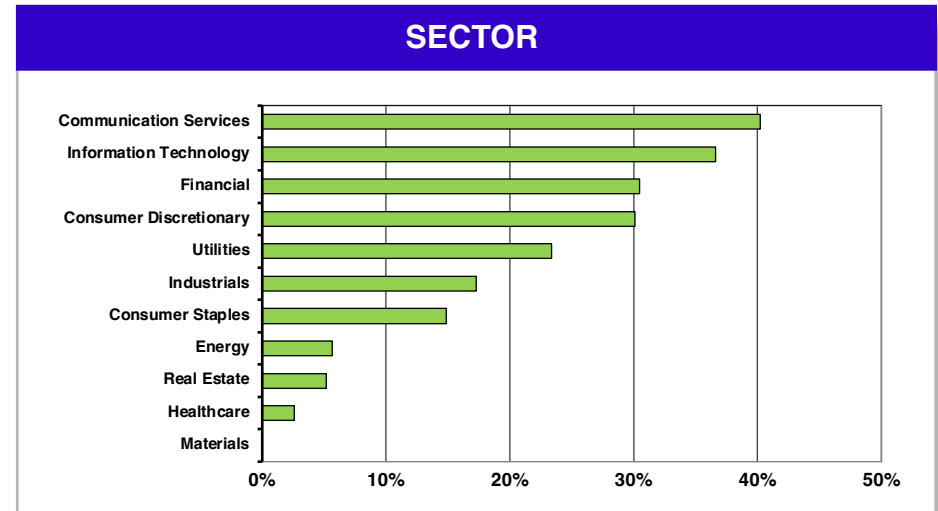
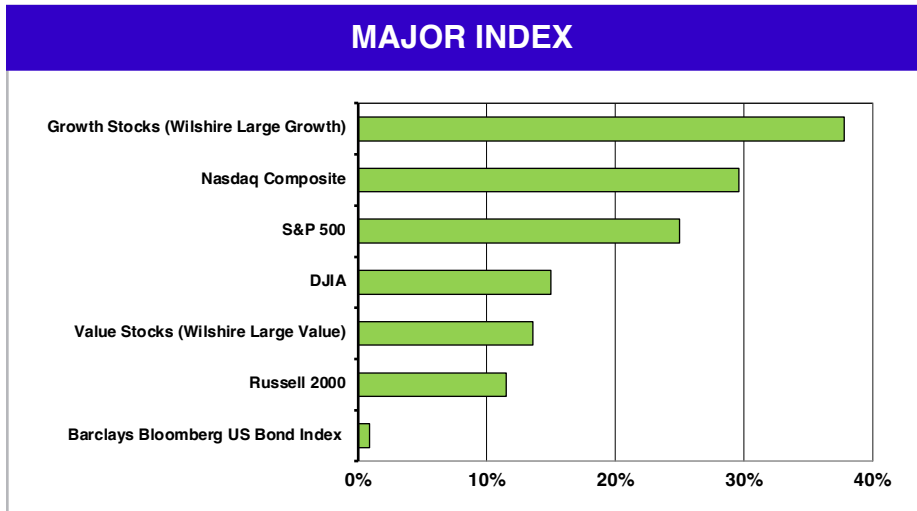


MARKET SECTOR DISTRIBUTION - PERCENT OF S&P 500



MARKET PERFORMANCE

DATA AS OF DECEMBER 31, 2024



COMMUNICATION SERVICES

- » Netflix Inc. (NFLX)

CONSUMER DISCRETIONARY

- » Amazon.com Inc. (AMZN)
- » Cava Group Inc. (CAVA)
- » Chipotle Mexican Grill Inc. (CMG)

CONSUMER STAPLES

- » J.M. Smucker Co. (SJM)
- » Target Corp. (TGT)

ENERGY

- » ConocoPhillips (COP)

FINANCIAL

- » Blackstone Inc. (BX)
- » Intercontinental Exchange Inc. (ICE)
- » Morgan Stanley (MS)

HEALTHCARE

- » Eli Lilly & Co. (LLY)
- » GE Healthcare Technologies Inc. (GEHC)

INDUSTRIAL

- » Delta Airlines Inc. (DAL)
- » L3Harris Technologies Inc. (LHX)
- » Parker-Hannifin Corp. (PH)
- » United Parcel Service Inc. (UPS)

INFORMATION TECHNOLOGY

- » Apple Inc. (AAPL)
- » Nvidia Corp. (NVDA)
- » Salesforce Inc. (CRM)

MATERIALS

- » Packaging Corp. of America (PKG)

REAL ESTATE

- » Kimco Realty Corp. (KIM)

UTILITIES

- » Southern Co. (SO)

■ **NETFLIX INC. (NFLX)**

Current Target Price: \$1040

Joseph Bonner, CFA

- **Netflix has developed from upstart Hollywood outsider to being the central player in long-form streaming video, what has now become the future of the entertainment business.**
- **While Netflix has ridden the powerful secular changes in media entertainment-consumption patterns away from linear cable broadcasting and toward streaming and mobile video, it also has consistently innovated, including with its algorithmic content recommendation/discovery features, and its first-mover advantages in both global-streaming expansion and a subscriber password-sharing crackdown to drive continued subscriber acquisition.**
- **Under long-time executives and now co-CEOs Ted Sarandos and Greg Peters, we expect Netflix to continue to rely on its robust content-release slate, while incrementally and iteratively expanding into new markets, including videogames, developing its lower cost advertising-supported subscription tier, and live sports-event programming to drive revenue and profit growth.**

■ **AMAZON.COM INC. (AMZN)**

Current Target Price: \$230

Jim Kelleher, CFA

- **The giant online retailer and cloud company posted above-consensus revenue and GAAP EPS revenue for 3Q24. While 4Q24 guidance was conservative, management reiterated its long-term upbeat outlook for both retail operations and AWS, and investors focused on improving operating leverage that drove strong EPS growth.**
- **AWS appears to be leveraging its leading market share in cloud to become a major player in the AI space, via internal architectures such as Amazon Bedrock, foundation models such as AWS Trainium and AWS Interfentia, and partnerships with Anthropic, Meta, and others. CEO Andy Jassy stated that AI is growing three-times faster than cloud at this stage of its development.**
- **Amazon plans to invest up to \$4 billion in Anthropic, a leading provider of AI foundation models and an advocate for the responsible deployment of generative AI. The Anthropic partnership meaningfully strengthens AWS at a key time in the AI gold rush.**
- **Amazon generated record cash flow from operations for 2023, and in 2024 appears on track for another strong cash-flow year.**
- **AMZN was a market and peer laggard in 2021 and 2022 and is again lagging the broad market in 2024. In our opinion, the multi-year lagging performance provides an opportunity to establish or dollar-average into undisputed category leader Amazon.**

■ **CAVA GROUP INC. (CAVA)**

Current Target Price: \$158

Christine Dooley

- **CAVA shares have outperformed the broader market and the industry over the past three months, gaining 39% compared to a 6% increase in the S&P 500, and a rise of 14% in the Consumer Discretionary industry ETF IYC.**
- **The company reported 3Q24 results that topped expectations, and management raised guidance.**
- **Management's credits the strong performance to the pace of new store openings that is ahead of schedule and higher-priced menu items, including the newly-launched grilled steak, which management calls a profit driver for the year.**

■ **CHIPOTLE MEXICAN GRILL INC. (CMG)**

Current Target Price: \$75

John Staszak, CFA

- In 2025, Chipotle plans to open 315-345 new restaurants, up from 285-315 in 2024.
- The company has a strong loyalty program, which consists of more than 40 million members and boosts same-store sales.
- Chipotle has begun using “Expeditors” to increase the number of orders that can be processed at a particular location.
- The company recently opened its 1,000th Chipotlane (drive-thrus designed to quickly process digital orders) and expects 80% of new restaurants to include this feature.

■ J.M. SMUCKER CO. (SJM)

Current Target Price: \$135

Taylor Conrad

- The company is driving growth through its key brands, especially Uncrustables, which are expected to generate annual of \$1.0 billion in FY26. The company has addressed capacity constraints by investing in a third Uncrustables production facility.
- It is also leveraging its other top brands, including Cafe Bustelo, which is one of the fastest-growing brands in the at-home coffee category, and Milk-Bone and Meow Mix, which are number one in their respective categories.
- The company also is focusing on the convenience food industry with its acquisition of Hostess Brands, while also divesting slower-growing pet food brands.

■ TARGET CORP. (TGT)

Current Target Price: \$175

Chris Graja, CFA

- The TGT shares have been pressured because inflation has reduced customers' spending on higher-margin discretionary merchandise.
- Currently, consumers are feeling better about the economy. Our expectation is that Target will be a beneficiary, with more than 30% upside to our \$175 target price.
- We believe that Target remains very relevant to its customers as a place where they can get food and staples at good prices, and stylish, budget-friendly clothing and home goods.
- Over the last five years, Target has raised the dividend at a compound annual rate of over 11%. The current dividend yield is about 3.3%.

■ CONOCOPHILLIPS (COP)

Current Target Price: \$150

Bill Selesky

- **ConocoPhillips boasts superior capital efficiency. It has seen significant drilling and completion efficiency tailwinds across its Lower 48 operations, supporting low-single-digit production growth in 2025 at flat rig activity levels, much higher than its peer-group.**
- **Additionally, the company recently increased its expected synergies from the MRO acquisition to more than \$1 billion. This new target includes the original \$500 million of G&A and operating cost reductions (which should be realized within 12 months), plus an incremental \$500 million from capital optimization and combining operations. Including this, we forecast 2025 capex of \$12.75 billion and shareholder returns of about \$10 billion (at \$70 WTI).**
- **In Alaska, ConocoPhillips has disclosed 600-1,200 mboe of reserves between the Willow and Narwhal developments. On top of this, it has indicated that more than 75% of its North Slope portfolio is undrilled, which could result in significant resource upside over time. Under the incoming Trump administration, a changing permitting environment could create an opportunity for the company to appraise and develop additional prospects in the region.**

■ **BLACKSTONE INC. (BX)**

Current Target Price: \$202

Stephen Biggar

- **We believe that Blackstone has strong long-term underlying earnings potential, particularly from growth in fee-based AUM, which should benefit from more fund vehicles becoming fee-eligible.**
- **We expect a material step-up in fee-related earnings in 2025 due in part to the exit of fee holidays on certain flagship products.**
- **The company also has \$172 billion in dry powder, allowing it to take advantage of market dislocations.**
- **Stable to lower interest rates should also facilitate improved transaction activity, leading to an acceleration of monetizations from Blackstone's portfolio companies.**

■ INTERCONTINENTAL EXCHANGE INC. (ICE)

Current Target Price: \$171

Kevin Heal

- Intercontinental is benefiting from positive trends in its core data business, including increased demand for real-time data and analytics, the growing popularity of passive index investing, and the need for greater price transparency.
- It is also enjoying a better balance between recurring and transaction revenues.
- Management expects the Black Knight acquisition to strengthen the ICE Mortgage business, which spans the entire workflow of the mortgage process. ICE Mortgage Services touches almost all U.S. mortgages from origination to securitization.

■ MORGAN STANLEY (MS)

Current Target Price: \$130

Stephen Biggar

- We look for a considerable improvement in revenues from capital-markets businesses in 2025, reflecting a rebound in investment banking as the change in U.S. presidential administrations likely will result in a less-onerous regulatory environment for approvals of mergers and acquisitions, a release of pent-up demand for initial public offerings, and greater debt issuance from lower interest rates.
- We also see a healthy environment for the company's Wealth Management franchise, which is nearly 50% of revenues, as near-record equity market valuations and good inflows lead to higher assets under management and associated fee revenues.
- The company has outlined several operating strategies, including gaining market share, expanding the client base and deepening relationships, realizing acquisition synergies, demonstrating operating leverage, and returning excess capital.

■ ELI LILLY AND CO. (LLY)

Current Target Price: \$980

Jasper Hellweg

- We expect that Eli Lilly will continue to benefit from sales of its GLP-1 franchise, including its anti-diabetic medication Mounjaro and its obesity medication Zepbound.
- Already highly successful in currently approved indications, the company's GLP-1 products should receive additional approvals for other indications, expanding their addressable market.
- The company also has a newly approved treatment for mild cognitive impairment and mild dementia due to Alzheimer's disease. The once-monthly Kisunla is the first and only amyloid plaque-targeting therapy, with evidence to support stopping therapy when amyloid plaques are removed. That can result in lower treatment costs and fewer infusions compared to the competition.
- Looking ahead, Eli Lilly has a drug, mirikizumab, which is currently under regulatory review with the FDA for moderately to severely active Crohn's disease.

■ **GE HEALTHCARE TECHNOLOGIES INC. (GEHC)**

Current Target Price: \$110

David Toung

- **GE Healthcare delivered strong operating results as an independent company following its spin-out from GE in December 2022. Results demonstrated solid execution in expanding market share and launching new products.**
- **The company leverages its leading market positions and its brand in Imaging, Ultrasound, Patient Care Solutions, and Pharmaceutical Diagnostics (PDx) through sales of equipment and consumables and by expansion of digital solutions. Products are used in the diagnosis, treatment, and ongoing care of patients.**
- **Going forward, the company, with its strong balance sheet and operating cash flow, is focused on developing new products and digital solutions and increasing the operating margin.**
- **We note opportunity in the PDx segment, which offers radiotracers for rapid and noninvasive diagnosis of cancers and cardiovascular conditions, as well as other disease states.**

■ DELTA AIRLINES INC. (DAL)

Current Target Price: \$70

John Staszak

- To maintain its strong position as a high-end brand, Delta has been spending on its lounge network and onboard entertainment systems.
- Its brand loyalty is evident in its frequent flyer repurchase rate of almost 90%.
- Rising equity markets and increased home values have led to solid growth in the leisure segment, with sales to business customers likely to continue recovering.
- Trading at just 7.7-times our 2025 earnings estimate, the shares appear undervalued.
- Our target price of \$70 is a more than a 15% increase from current levels.

■ **L3HARRIS TECHNOLOGIES INC. (LHX)**

Current Target Price: \$300

Kris Ruggeri

- **Ongoing geopolitical tensions are creating a favorable backdrop for the company.**
- **We expect L3Harris to benefit from its record backlog and existing government contracts. The third quarter book-to-bill ratio was 1.4.**
- **LHX also is benefiting from a more-efficient cost structure and AI tools that allow it to manage program issues and minimize cost overruns. The higher demand and productivity efforts are helping the company to increase margins.**
- **Management also works closely with its customers to better understand their critical needs. To this end, it recently made acquisitions and divestitures that helped align its portfolio with important areas of the U.S. defense budget.**
- **On P/E, the shares are trading well below their five-year historical range and below the company's peer group.**

■ **PARKER-HANNIFIN CORP. (PH)**

Current Target Price: \$710

John Eade

- **The PH shares have outperformed the market and the Industrial sector consistently over trailing three-month, one-year and five-year periods. We expect this trend to continue.**
- **Parker-Hannifin manufactures motion and control technologies. In the future, we expect Parker to focus on electrification, clean technologies, digitization, and aerospace. These are good long-term businesses.**
- **The balance sheet is clean, and the company has an impressive history of raising the dividend, most recently by 10% in April.**
- **From a technical standpoint, the shares are in a bullish trend of higher highs and higher lows that dates back to June 2022.**
- **On valuation, compared to the peer group, Parker's multiples are mixed -- but generally point to undervaluation, especially given the company's long-term track record of performance.**

■ UNITED PARCEL SERVICE INC. (UPS)

Current Target Price: \$150

Kris Ruggeri

- During the recent quarter, UPS experienced meaningful revenue and profit growth for the first time in over two years amid higher volume and pricing gains.
- We expect further growth from its contract win with the U.S. Postal Service and its growing health-care logistic business.
- UPS also pays an attractive dividend that currently yields 5.2% and resumed share-repurchases, signaling management's confidence in future growth.
- The company has two cost-cutting initiatives that are ahead of plan.
- On P/E, the shares are trading at the bottom of their five-year historical range and below the company's peer group.

■ **APPLE INC. (AAPL)**

Current Target Price: \$280

Jim Kelleher, CFA

- **With the launch of new iPhones, Apple has entered the generative AI space after being on the sidelines for nearly two years following ChatGPT’s launch in November 2022.**
- **Apple is a product perfecter rather than a product pioneer. Much as iPhone was a late entrant in the mobile phone space, Apple’s version of AI was not the first; but it was specifically designed to optimize Apple devices and services.**
- **“Apple Intelligence” has now been enabled for iPhone 16 devices, which were first introduced in September 2024. By mainly positioning these new enhancements on its highest end “Pro” series iPhones, the company seeks to drive a robust new upgrade cycle in 2025 and beyond.**
- **Although some view these products as “AI-Lite,” the market believes Apple will continue to enhance on-device generative AI in future models.**
- **We look for solid EPS growth in the next two years based on strong appetite for Apple’s hardware and related demand for Apple’s services, including App Store, iCloud, and much more. Apple benefits from aggressive shareholder-return policies and from a perpetually refreshed roster of desirable products.**
- **We believe the current environment represents an opportunity to establish or dollar-average into positions in AAPL.**

■ NVIDIA CORP. (NVDA)

Current Target Price: \$175

Jim Kelleher, CFA

- Nvidia, our top pick in semiconductors for a third straight year, provides CPU-based computing architecture enabling generative AI. As the key supplier of “picks and shovels” in the generative AI gold rush, Nvidia has seen its revenue and profit soar.
- Nvidia’s products and solutions span hardware (GPUs, CPUs, clusters, and supercomputers); multiple new software products and inference platforms; acceleration libraries; and new cloud services and AI foundations.
- Based on the company’s amazing traction in AI, Nvidia has become the top global semiconductor company by revenue, with fiscal 3Q25 revenue of \$35.1 billion rising 90% annually.
- At its GTC event in spring 2024, Nvidia introduced the Nvidia Blackwell platform, which is designed to meet the multi-modal AI challenge and enables generative AI on trillion-parameter large language models (LLMs). The Nvidia B200 Tensor Core GPU, the world’s most-powerful chip, powers the HGX B200 server platform.
- While awaiting B200-based products, key server customers including Dell Technologies, Hewlett-Packard Enterprise, and Super Micro Computer, are shipping huge volumes of prior-generation GPU servers for applications acceleration, model training and inference, and other AI tasks.
- We recommend establishing or adding to positions in this preeminent vehicle for participation in the AI economy. We believe that most technology investors should own NVDA in the age of deep learning, AI, and GPU-driven applications acceleration levels.

■ SALESFORCE INC. (CRM)

Current Target Price: \$420

Joseph Bonner, CFA

- Salesforce is looking to its new Agentforce, agentic generative AI platform, to begin to drive revenue in 2025.
- Salesforce has chosen a differentiated strategy from other large tech companies in Gen AI, focused in the critical value of customer data to implement actual business-use cases rather than spending billions developing frontier AI models that could become commoditized.
- Salesforce is looking for close to double-digit revenue growth, EPS growth in the low twenties, and strong cash-flow growth.
- Our long-term growth rate forecast is 16%.

■ **PACKAGING CORP. OF AMERICA (PKG)**

Current Target Price: \$250

Alexandra Yates

- **Packaging Corp. of America is a leading manufacturer of containerboard and corrugated products in North America.**
- **We think the PKG shares are attractive as we expect the company to benefit from long-term growth in e-commerce. We also expect the continued realization of price increases in 2025**
- **PKG faces competition from other containerboard companies such as International Paper, but we expect PKG to continue to outperform the industry and the S&P 500 in 2025 as the company looks to meet record demand for containerboard.**
- **Looking ahead, management is working to build inventory and focus on cost-cutting measures.**

■ **KIMCO REALTY CORP. (KIM)**

Current Target Price: \$27

Marie Ferguson

- **Kimco is a last-mile real estate investment trust (REIT) specializing in the acquisition, development, and management of open-air shopping centers. The company's portfolio consists of 567 U.S. shopping centers and mixed-use assets.**
- **In our view, Kimco is positioned for above-peer-average growth from portfolio acquisitions and ongoing leasing momentum.**
- **Currently, about half of annual base rents (ABR) come from anchor tenants, including over 25% from major grocery chain stores that drive foot traffic to Kimco properties. Additionally, about 80% of ABR comes from national tenants.**
- **Kimco acquired a 79-acre retail asset that at time of acquisition in fall 2024 was 99% occupied. The property is in an upscale region near Orlando, Florida and adds to the 56 properties added in 1Q24.**
- **Kimco has recognized the value of multi-use retail destinations that include smaller tenants, and has maintained relationships with fast-food and coffee retailers, fitness centers, dollar stores, and retail chains.**
- **The company's increasingly diversified base of anchor stores, which includes Home Depot and T.J. Maxx, has also boosted stability and minimized risks from tenant bankruptcies and current reliance on grocery anchors.**
- **The current 4.3% annual dividend yield is above the peer average.**

■ SOUTHERN CO. (SO)

Current Target Price: \$95

Marie Ferguson

- Atlanta-based Southern Co. is an electric and gas utility and wholesaler, with nine million customers and 41,000 megawatts of generating capacity. The company provides natural gas to customers in Illinois, Georgia, Virginia, and Tennessee, and owns regulated electric utilities serving Georgia, Alabama, and Mississippi.
- One of the largest U.S. utilities, Southern has a well-run base of regulated assets and a presence in states with favorable population trends.
- The company is retiring coal-fired plants and increasing its use of renewables -- a shift in the generation mix that regulators tend to view favorably.
- Vogtle 3 became operational in July 2023 and, at the end of April 2024, Vogtle 4 became fully operational. Southern's four nuclear generators are the largest source of clean energy in the U.S. and should bring long-term cost savings.
- We expect earnings will benefit from a growing number of residential and commercial customers, growth in data center demand, gradual elimination of Vogtle construction costs, and lower operating costs of the new nuclear plants.
- The current yield of about 3.5% is above the peer average.

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