BLA Private Wealth | RAYMOND JAMES®

**BLA Newsletter Issue #10 – February 2022**


## Six financial principles to strengthen your plan

With the basics in place, financial planning can be both easier and more successful. Here are six financial principles that can serve as a firm foundation for your financial plan.

### 1. Budget your way to wealth

Budgeting is simply a way to define what's left over after you pay your expenses from your income. But, as basic as it is, most Canadians don't have a household budget. Set yourself apart by taking the time to add up your monthly income, add up your monthly expenses and subtract your expenses from your income. Budgeting can help you identify cost-saving opportunities and plan to use any surplus to meet financial goals such as paying off debt, creating an emergency fund, building a plan to protect income and paying yourself first to accumulate long-term savings.

### 2. Understand how different investments are taxed

Taxes can take a huge bite out of investment returns without appropriate planning. Understanding the taxation of interest, capital gains, Canadian dividends, foreign non-business income and return of capital makes it possible to implement tax planning strategies. These may include sheltering investments associated with a higher tax liability inside registered plans, pursuing a buy-and-hold strategy that reduces turnover, and gifting publicly traded shares instead of cash to charity.

### 3. Be strategic with borrowing

Borrowing can be a powerful financial tool, providing leverage to achieve some of your goals today. However, the interest charged on loans can also be a drag on a financial plan, delaying the date at which people are able to meet their long-term objectives. No matter how much or how little debt you are carrying, it's important to know what you owe and develop a plan to repay it as efficiently as possible. Then you'll have the opportunity to redirect money that would have gone towards interest to much more satisfying goals.

### 4. Let your plan guide investing decisions

When you make investing decisions informed by your financial plan, you can more easily sidestep some of the biases that commonly affect investment decision-making. Your comprehensive plan should include strategies related to financial management, investment planning, insurance and risk management, tax planning, retirement planning and estate planning. Letting it guide you when you're considering buying or selling an investment can help you achieve your goals more efficiently.

### 5. Invest to achieve specific goals

What if, instead of assessing investment performance against market benchmarks, you tied success to specific goals with a separate mini-portfolio designed to meet each one? A goals-based approach starts by identifying as precisely as possible what you're saving for, then planning to make it happen based on the time horizon and risk tolerance associated with each goal. Finally, you can measure your progress towards the results that matter to you.

### 6. Maximize your legacy through estate planning

One consequence of the COVID-19 pandemic is that it has pushed many Canadians to start addressing their estate planning needs. Three essentials that should be in every estate plan are a will, powers of attorney for property and for healthcare, and a plan to minimize costs. Optional extras that can make a big difference include pre-paid funeral expenses, insurance to cover costs and leave a legacy and advanced strategies such as trusts.

## Webinar Invitation – Steadying Our Steps After a Challenging Season

Our way of life has radically shifted. As the world prepares to awaken, people are left at varying degrees of readiness. Some are nervous while others eagerly await returning to the rhythms and routines of their lives.

In this season of rising after challenging times, we are in a precious place of opportunity to co-create our future. As we plan our next moves, it is imperative that we acknowledge the past while also setting a steady course for re-entry.

In this presentation, Dr. Robyne Hanley-Dafoe will explore her conceptual framework for re-entry readiness that is based on the principles of psychological safety, resiliency, and productivity with purpose.

**Date: March 10, 2022**
**Time: 10:00 am PT/ 1:00 pm ET**

**Featuring:**

**Dr. Robyne Hanley-Dafoe**

*Expert on Resiliency and*
*Workplace Wellness*

*Dr. Robyne Hanley-Dafoe is a multi-award-winning psychology and education instructor who specializes in resiliency, navigating stress and change, and personal wellness in the workplace.*

*With over 13 years of teaching and research experience at Trent University, Robyne's work connects research-informed practices with everyday applications that are realistic, universal, and sustainable.*

**Click here to register**

## Insights – Earnings Season

This month, some of our portfolio holdings reported their quarterly financial results. Below are earnings updates from some of our portfolio holdings:

**Alphabet Inc. (GOOGL-US)** reported quarterly results that comfortably beat estimates. Revenue grew by 32% to $75.33 billion, compared to estimates of $72.17. Google's advertising revenue came in at $61.24 for the quarter, up 33% from $46.2 a year ago. They reported earnings of $30.69 per share, beating analyst estimates of $27.34 per share. Alphabet said its board approved plans for a 20-for-1 stock split.

**Starbucks Corp. (SBUX-US)** reported quarterly earnings ($0.72 per share, adjusted, vs. $0.80 per share expected) that have missed estimates due to greater-than-expected costs for labour and goods. The coffee chain will raise its menu prices in 2022 to offset inflationary cost pressures. Revenue grew by 19% to $8.05 per share, beating estimates of $7.96 billion. Comparable same-store sales increased by 13%. Starbucks expects cost pressures to intensify in Q2 (January – March) as Omicron disruptions escalated in January. EPS and margins in Q2 will be below prior year levels. Starbucks reiterated revenue guidance, but revised its FY22 guidance for EPS growth to 8-10%, which implies EPS of approx. $3.35 to 3.40 (vs. EPS of $3.10 in FY21). Starbucks guided EPS growth of 10% previously. Starbucks now expects to reach its long-term operating margin target of 18% to 19% in FY24 (previously expected in FY23).

**Meta Platforms Inc. (FB-US)** reported quarterly earnings that have missed expectations. Meta reported earnings of $3.67 per share, compared to analyst estimates of $3.84 per share. Facebook's global daily active users declined for the first time to 1.929 billion, down from 1.930 billion in the previous quarter. They issued a cautious outlook due to a decline in user engagement. Meta forecasted first quarter revenue to be in the range of $27 billion to $29 billion, compared to analyst estimates of $30.25 billion.

**Amazon.com Inc. (AMZN-US)** reported quarterly earnings that exceeded expectations ($5.80 per share, adjusted, vs. $3.57 per share expected), but revenue was just under estimates ($137.4 billion vs. $137.6 billion expected). Amazon Web Services (AWS) revenue grew by 40% year-over-year to $17.8 billion, with an operating profit of $5.29 billion. Amazon reported a big gain on Rivian's IPO in November. Earnings per share, including the Rivian gain, was $27.75 for the quarter.

**Thermo Fisher Scientific (TMO-US)** posted quarterly results that have beat expectations. Revenue for the full year grew 22% to $39.21 billion in 2021. Organic revenue growth was 17%. Organic growth from the base business was 14%. COVID-19 response revenue was $9.23 billion. Operating income increased by 27% in 2021, whereas adjusted operating margin was 31% or 130 basis points higher than 2020. EPS increased by 28% to $25.13 in 2021, which is $1.76 ahead of the previous guidance. TMO raised 2022 revenue guidance by $1.5B to $42B, which would result in 7% revenue growth over 2021. This is in-line with the company's long-term core organic revenue growth target of 7-9%. TMO raised full year adjusted EPS guidance by $1.07 to $22.43 per share.

**GFL Environmental (GFL-CA)** reported quarterly results that beat revenue expectations, but missed on earnings. Adjusted EBITDA of C$388 million in Q4 beat consensus estimates of C$377 million, while FY21 normalized adjusted FCF of C$540 million was slightly ahead of guidance. GFL put forth price increases of 5.1% to cover underlying inflation, and made it clear even the low end of 2022 price guidance (+4.5%-5.0%) will "more than cover" continued inflationary costs. Volumes increased by 3.4% with GFL opportunistically capturing new business in Western Canada. The big news in the quarter came in the form of the pending formation of Green Infrastructure Partners (GIPI) in which GFL will divest its Infrastructure business (C$395/55M in revenue/EBITDA) and combine it with a leading vertically integrated civil infrastructure company in Canada (CoCo Paving). Importantly, GFL will receive a leverage-neutral cash consideration (~C$250M) and retain a minority interest in GIPI. The move is expected to de-clutter the GFL story and optically improve margins by parsing off a lower-margin and non-core asset, but retaining upside.

**Dexcom (DXCM-US)** reported revenue that was in-line with consensus, but missed on earnings. Revenue grew 23% to $698.2 million and 20% on an organic basis. US revenue grew by 15% and international revenue grew 41%. Volume growth in conjunction with strong new customer additions continue to be the primary driver of revenue growth as awareness of real-time CGM increases. The year-end installed base is now at 1.25 million users. The launch of the new G7 CGM device is expected to trigger a new product cycle that should drive patient growth. DXCM does not guide quarterly, but noted that seasonality, in 2022, will be similar to that in 2021. DXCM expects COVID-omicron to affect volumes in 1Q, as it did in 4Q.

**Nvidia Corp. (NVDA-US)** put up another exceptional quarter and guidance that beat consensus estimates. NVDA is seeing strong demand across its Gaming, Data Center and Professional Visualization market platforms. Each segment achieved record revenue for the quarter and full year. NVDA recorded quarterly revenue of $7.64 billion, up 53% from a year earlier and exceeded consensus estimates of $7.42 billion. Adjusted EPS increased by 69% to $1.32 per share, beating consensus estimates of $1.21. NVDA will not pursue the purchase of SoftBank Group's chip designer Arm Ltd. The two companies said the deal would face significant regulatory hurdles, with the U.S. FTC suing to block the deal in December. The buyout also faced scrutiny in Britain, the European Union, and China. Arm Ltd is now planning to list the company, with the NASDAQ being the mostly likely exchange.

**Airbnb (ABNB-US)** reported quarterly results that have beat analyst estimates on strong leisure travel demand. The impact of Omicron has quickly dissipated and guests are confidently booking for the summer travel season early in the year with particularly strength in U.S., Europe, and Latin America. Airbnb reported 4Q21 revenue of $1.53 billion (+78% y/y) and EPS of $0.08 (vs. consensus estimates of $1.46 billion and $0.04, respectively). Nights and Experiences booked increased 59% y/y with continued strength in North America (20% above 4Q19), EMEA (only slightly below 4Q19), and Latin America (22% higher than 4Q19). Cross-border travel achieved 76% recovery compared to 2019. Airbnb expects 1Q Nights and Experiences booked to exceed 1Q19.

**Shopify (SHOP-CA)** reported revenue and EPS that beat estimates. Total revenue in the 4Q was $1.38 billion (+41% y/y), made up of subscription solutions revenue (+26% y/y) and merchant solutions revenue (+47%). Shopify says more merchants are joining the platform and merchant solution gross merchandise volume exceeded $1 billion for the first time in a single quarter. Monthly recurring revenue growth of 23% decelerated ~9 points vs. 33% last quarter driven by tougher comps offsetting the additional merchants and retail POS Pro subscriptions. Total gross merchandise volume was $54.1 billion (+31% y/y) also topped consensus expectations of +29%. Management expects revenue growth should moderate from the 57% level in 2021, but continue to outpace overall e-commerce growth (consensus forecasts 33% revenue growth in 2022). Shopify does not expect the COVID-triggered acceleration of e-commerce in the first half of 2021 from lockdowns and government stimulus to repeat in the first half of 2022.

**Autodesk (ADSK-US)** reported solid 4Q fiscal 2022 results that exceeded consensus estimates on revenue and earnings despite continued supply chain and labor disruptions. Revenue grew 17% to $1.21 billion and EPS grew 27% (vs. consensus estimates calling for revenues of $1.19 billion and EPS of $1.46). Revenue by product family: AEC grew +17% y/y, MFG +4% y/y, AutoCAD/LT +20% y/y, and M&E +39% y/y. Subscription users grew to 6.02 million—growing +16.9% y/y, which is an acceleration relative to 15.2% y/y growth reported in the prior year. For fiscal 2023, Autodesk guided to revenue of $5.02 to $5.12 billion, adjusted operating margins of 37%, free cash flow of $2.13 to $2.21 billion, and EPS of $6.46 to $6.83.

**Royal Bank of Canada (RY-CA)** reported 1Q fiscal 2022 results that have beat analyst estimates, driven by strong performance in its wealth management and personal and commercial bank units. Revenue grew 1% to $13.07 billion, beating analyst estimates of $12.43 billion. The bank reported adjusted earnings of $2.87 per share, compared to analyst estimates of $2.72. Profit for the wealth management business grew by 24% to $795 million, and its personal and commercial banking business climbed 10% to $1.97 billion.

**Nutrien (NTR-CA)** reported revenue and EPS that beat estimates on strong global agriculture and crop demand. Nutrien generated revenue of $7.27 billion (+79% y/y) and adjusted EPS of $2.47 (+929% y/y) (vs. consensus estimates of $6.47 billion and $2.38, respectively). Management introduced robust 2022 guidance that calls for 1) Adjusted EBITDA of $10.0-$11.2 billion (+50% y/y at midpoint); 2) Adjusted EPS of $10.20-$11.80; and 3) sustaining capex of $1.2-$1.3 billion. Underpinning this guide, potash sales volume are expected to climb to 13.7-14.3 million tonnes (vs. 13.6 million in 2020), although they also hinted at potential upside. Nutrien raised its dividend by 4%.

Source: Raymond James research and company reports


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