



# MERCURY FOREIGN DESK AUGUST EDITION

Since our July edition of Mercury Foreign Desk, global equities staged a recovery on improving risk sentiment as investors became less fearful about inflation. The S&P 500 rose by 6.7% since 22 July 2022 to close at 4,228.48 on 19 August 2022. Despite the recent recovery, pessimism seems to be returning with the macroeconomic outlook of Europe being dim and slowing economic growth in China. Regardless of what the global economy does, we think that investors should focus on investing in quality companies with healthy balance sheets at reasonable prices.

The following are highlights of foreign stocks that we have issued reports on:

## First Republic Bank

**Target Price: USD181.50**

**Price as at 19 August 2022: USD163.54**

Bloomberg: FRC:US | Reuters: FRC.N | Stock Code: FRC

Please click here to read our latest report on FRB:

<https://bit.ly/3RYLuIc>

### Company Overview

First Republic Bank (FRB) is a California-chartered commercial bank and trust company headquartered in San Francisco with deposits insured by the FDIC. FRB offer private banking, private business banking and private wealth management, including investment, trust and brokerage services.

### Investment Merits

- 2Q22 deposits rose 23.0% yoy to USD165.6 bn as at 30 June 2022
- Revenue increased 22.6% yoy to USD1.5 bn in 2Q22; net interest income rose 24.1% to USD1.2 bn
- Credit quality remained strong with nonperforming assets standing at 7 basis points of total assets as at 30 June 2022

## EOG Resources Inc.

**Target Price: USD124.67**

**Price as at 19 August 2022: USD118.75**

Bloomberg: EOG:US | Reuters: : EOG.N | Stock Code: EOG:NYSE

Please click here to read our latest report on EOG:

<https://bit.ly/3dMHg6O>

### Company Overview

EOG Resources, Inc. is one of the largest crude oil and natural gas exploration and production companies in the United States. EOG produced 920.7 thousand barrels of oil equivalents per day in 2Q22. Crude oil and condensate made up 50.4% of production and 96.2% of production is based in the US in 2Q22.

### Investment Merits

- 2Q22 revenue surged 79.0% to USD7.4 bn driven by increased production and higher average crude oil, NGLs, and natural gas prices
- 2Q22 net income jumped 146.7% to USD2.2 bn
- EOG remains committed to returning capital to shareholders

## Polaris Inc.

**Target Price: USD158.71**

**Price as at 19 August 2022: USD121.54**

Bloomberg: PII:US | Reuters: : PII.N | Stock Code: NYSE: PII

Please click here to read our latest report on Polaris:

<https://bit.ly/3Cvj15U>

### Company Overview

Polaris Inc. is engaged in the manufacturing of powersports vehicles namely snowmobiles, off-road vehicles (ORV), motorcycles, and boats. The Group's portfolio of brands include Polaris Snowmobiles, Indian Motorcycle, RZR off-road vehicles, and Bennington boats.

### Investment Merits

- 2Q22 revenue rose 7.9% to USD2.06 bn on increased pricing, partially offset by lower volume
- 2Q22 net loss of USD4.6m; 2Q22 net profit from continuing operations of USD142.0m
- Divestment of Transamerican Auto Parts could allow Polaris to focus on growing its more profitable segments



## RH

**Target Price: USD243.53**

**Price as at 19 August 2022: USD298.30**

Bloomberg: RH:US | Reuters: RH.N | Stock Code: NYSE:RH

Please click here to read our latest report on RH:

<https://bit.ly/3oqF5aX>

### Company Overview

RH offers merchandise assortments across a number of categories, including furniture, lighting, textiles, bathware, décor, outdoor and garden, and child and teen furnishings. RH has retail locations throughout the United States, Canada, and the U.K.

### Investment Merits

- Focus on upgrading retail store portfolio has driven commendable growth
- Revenue grew at a 4-year CAGR of 11.4% to USD3.8 bn in FY21, while RH Galleries (excluding Waterworks Showrooms) dipped from 70 at end-FY17 to 67 at end-FY21
- Continuously upgrading product assortment to be more compelling to the luxury customer
- Expansion into Europe could become a significant driver of growth

## Meituan

**Target Price: HKD253.94**

**Price as at 19 August 2022: HKD169.90**

Bloomberg: 3690:HK | Reuters: 3690.HK | Stock Code: 3690.HK

Please click here to read our latest report on Meituan:

<https://bit.ly/3RYlrRj>

### Company Overview

Meituan operates a web-based shopping platform for consumer products and retail services. Meituan connects consumers and businesses to provide online eating delivery services while also engaging in the operation of a bike-sharing app, Mobike. Meituan also provides community group buying (CGB) services through Meituan Select.

### Investment Merits

- Food delivery is staging a turnaround following the relaxation of the total lockdown policy
- Though a late comer in the Community Group Buying business, Meituan managed to rival market leader Pinduoduo by securing 35% market share

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