

## December Portfolio

*Our model portfolio was down 2.9% in November, while the OMXSGI benchmark index was down 3.5% during the same period. Year to date, our portfolio is up 22.0% while OMXSGI is up 8.7%. For December we keep 6 of 10 stocks, replacing Telia, Securitas, Fabege and Victoria Park with Stora Enso, Hufvudstaden, Nobina and Getinge.*

### November Portfolio

Our monthly portfolio was down 2.9% in November, while our benchmark index (OMXSGI) was up 3.5%; a relative outperformance of 0.5%. 6 out of 10 stocks beat the benchmark index: Securitas, Fabege, Victoria Park, Kindred Group, Catena Media and International Petroleum Corporation (IPCO). Year to date, our portfolio is up 22.0%, while OMXSGI is up 8.7%; a relative outperformance of 13.3%.

### 4 new stocks in our December Portfolio

In our December Portfolio we keep SOBI, IPCO, Mr Green, Catena Media, Kindred Group and Magnolia. We replace Telia, Securitas, Fabege and Victoria Park with Stora Enso, Hufvudstaden, Nobina and Getinge.

We include Hufvudstaden after weak share price performance as the stock is lagging index significantly both YTD and in the past three months. The company normally reports strong Q4's and is also a winner on the exceptionally strong rental market in Stockholm and we see good risk/reward over the next month. Stora Enso is now in the final stage of a long transformation phase, from being very dependent on the structural declining Paper business, it is now seeing a majority of revenues and profits from areas geared for growth. We expect the share to have good performance in December with the short-term momentum continuing in pulp market. We also see an attractive dividend case in Stora Enso with lower investments going forward. We are bullish on Nobina and continue to believe that Q3 and Q4 will show a substantially better profitability development y/y (Q3 adjusted EBT +33%). In the quarter (Q3) no buses were put into traffic and none were taken out of service – hence, almost no start-up costs will have been incurred in the quarter. We chose to include Getinge in our December portfolio solely due to the distribution of Arjo, taking place in mid-December. We believe that there is a clear possibility that 1+1 > 2. We also believe Getinge is a classic turn-around case but that it will be an extended process to fix their problems.

## Sector

## Investment Strategy

### Portfolio

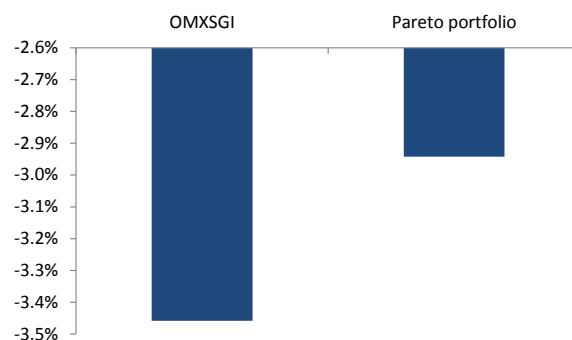
	Rec weight
Nobina	10 %
IPC	10 %
Sobi	10 %
Magnolia	10 %
Hufvudstaden	10 %
Stora Enso	10 %
Getinge	10 %
Kindred	10 %
Mr Green	10 %
Catena Media	10 %
<b>Sum</b>	<b>100 %</b>

### Performance

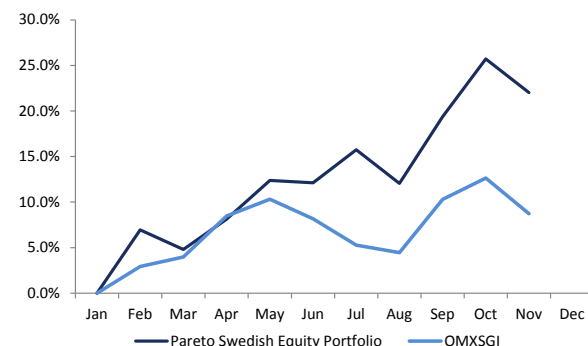
	Index Value	Performance	Performance
	30/11/2017	last period	2017 <sup>2)</sup>
Total Portfolio <sup>1)</sup>	122.0	-2.9 %	22.0%
OMXSGI <sup>1)</sup>	108.7	-3.5 %	8.7%

1) Rebased to 100 as per 01/02/2017 2) From 01/02/2017

### Performance in November



### Performance 2017 (YTD)



**SOBI – BUY, TP SEK 184**

Sobi continues to deliver on the launch trajectory for its haemophilia products, but this is still underappreciated by the market. Valuation multiples are getting more attractive by the day. We also believe time will be on our side and that the market will gradually acknowledge that the competitive threat from Hemlibra (emcizumab) With top-line data already out for HAVEN 3, we believe that any additional information coming out from the ASH conference in December will have limited impact on Sobi.

**KIND – BUY, TP SEK 130**

We view Kindred as the prime online gambling operator in the Nordics as it consistently over the last years has outgrown the market as well as holds the highest share of regulated revenue. Kindred's Q3 report was strong on most accounts; sales grew 36% y/y, of which 17% organic, explained by the strong sportsbook margin and strong underlying casino growth. Underlying EBITDA was 22% and 25% ahead of our and consensus estimates, respectively, due to higher sales, lower marketing costs and a higher gross margin. Q4 guidance was very strong, with sales +68% y/y over the first 23 days of October as the sportsbook margin was 50% above normal, +57% when excluding the acquisition of 32red. Kindred is well positioned ahead of FIFA 2018 and we have raised our estimates for 2017-2019 to reflect the higher sportsbook revenue and higher gross margin. The case remains intact and the marginal negative q/q FX effect we currently see for Q4 will not be able to derail the case.

**MRG – BUY, TP SEK 67**

Mr Green is an online gambling operator with one of the strongest brands out there. Over the years, the share has been hurt by operational troubles, but having taken most of the technical platform in-house, the company started an operational turnaround last year and got back on the growth track, which the Q3 report continued to show. This summer the company made a share issue of SEK 195m before fees which we believe will result in M&A in the upcoming months. MRG November performance was hit by a secondary placing and worries about the Austrian tax issue, however we have already taken this into account in our valuation approach of MRG.

**IPCO – BUY, TP SEK 47**

International Petroleum Corporation is a recently launched Lundin Group E&P company with a strategy to act as a vehicle for acquisition-driven growth at a time when many other oil companies are under financial stress due to the low oil prices. IPCO announced in late September its first major acquisition of the Suffield natural gas and heavy oil assets in Canada in a fully debt-financed deal. Suffield will become the new cornerstone asset of IPCO's portfolio, and we view the transaction as NAV accretive for IPCO, which is not yet fully appreciated by the market. We expect IPCO to trade well into the year-end as expectations rise ahead of the company's CMD planned for early 2018 (likely early Feb), where more information will likely be shared on the value-creation potential at Suffield.

**STERV – BUY, TP EUR 15**

Stora Enso are now in the last phase of their long transformation phase, from being very dependant on the structurally declining Paper business, it is now seeing a majority of revenues and profits from areas geared for growth. After a very strong performance these last 12 months the share has had a period of somewhat weaker performance, down 3% in November. We expect this to revert in December with short-term momentum in the pulp market continuing and the Q4 report closing up. The valuation gap to the sector has narrowed during the past years and as the ramp-ups continue (Beihai expected to reach EBITDA break-even in Q1) we believe that the revaluation will continue. On top of the valuation potential and despite the past years strong share price performance we also see an attractive dividend case in Stora Enso with lower investments going forward, estimating a yield of 4.1% for 2018E

**HUFV – BUY, TP SEK 147**

We upgraded to Buy (Hold) on Tuesday 28 November and increased our target price to SEK 147 (144) well ahead of the Q4 report due out 15 February 2018. The share has clearly underperformed the real estate index in 2017 and is now trading at an attractive NAV valuation. In addition, we believe it is smart to be long the stock ahead of, or over, the Q4 report since Hufvudstaden normally reports strong value changes in Q4. Despite limited support from yield contraction in the market, one could assume that the time-lag will support property book values further. In addition, the strong rental trend in Stockholm and Gothenburg for office space should provide support to value growth as well.

**MAG– BUY, TP SEK 120**

We argue that Magnolia is misunderstood by the market currently and unfairly punished by the negative sentiment for co-op developers, given Magnolia's very limited exposure to the co-op market. The latter part of 2016 and the first nine months of 2017 have been optimistic for the company in terms of strategic partnerships and smart acquisitions, although this has not yet been seen in earnings. The outlook for Q4 2017 and 2018 looks encouraging and we assume 2017 EPS of SEK 7.82, implying 33% growth y/y, and a further 70% growth in 2018 to SEK 13.29, meaning the share trades at a 2018E P/E of ~5x which is very attractive in our view, not least given the low-risk and capital-efficient business model. We recently reiterated our Buy recommendation and target price of SEK 120. **Please note that Pareto Securities acts as advisor to the acquirer of Magnolia's project Fasanen.**

**GETI – HOLD, TP SEK 150**

We chose to include Getinge in our December portfolio solely due to the distribution of Arjo, taking place in mid-December. We believe that there is a clear possibility that 1+1 > 2, and that Arjo could be an interesting holding going forward. Getinge is an obvious and classic turn-around case, but we believe it will be an extended process to fix the problems that have dragged along for several years. However, with the FDA problems related to Getinge, Arjo has received little attention and remain in good condition after going through a tough restructuring a couple of years ago. Global presence, good cash-flow, an active M&A agenda and a potential takeover candidate, are ingredients that will put Arjo at the centre stage for once. Extraordinary General Meeting of Getinge will be December 4, last day of trading in Getinge with the right to receive Arjo shares will be December 6, and the first day of trading for Arjo is planned to be December 12.

**NOBINA – BUY, TP SEK 55**

We are bullish on Nobina's Q3 2017/18E (as well as Q4) and we continue to believe that Q3 and Q4 will show a substantially better profitability development y/y (Q3 adjusted EBT +33%). In the quarter (Q3) no buses were put into traffic and none were taken out of service – hence, almost no start-up costs will have been incurred in the quarter. Moreover, no extra costs for temporary additional driver education (which we have seen in recent quarters) have been incurred and we believe that Swebus has had a negligible loss in the quarter (the company stated in the Q2 report that the recent restructuring of Swebus will provide annual savings of SEK 10m). For the Group, fewer contract migration costs and an improved contract performance due to raised contract maturity age and an increased share of incentive contracts will lead to a good EBT growth in the coming years. Nobina's sales are characterised by stability and predictability as 96% of its revenues are on long-term contracts (c.8 years) with publicly owned counterparties. Moreover, the contracted compensation is index linked, which increases the stability of margins. On 29 November, we raised our adjusted EPS for 2017/18E by 5% and our target price to SEK 55 (53) with a reiterated Buy rating. The Q3 results (September to November) are due out 21 December.

**CTM – BUY, TP SEK 118**

Catena Media is one of the leading affiliate marketing companies within iGaming, driving the affiliate consolidation. With acquisition-driven growth and easy comparisons we expect strong growth ahead. We believe the CMD December 6th will be a trigger for the share as the company will present how to reach its long-term target of EUR 100m in EBITDA in 2020 (well above our estimate).