

September portfolio

Our model portfolio was down 3.2% in August, while the OMXSGI benchmark index was down 0.8% during the same period. Year to date, our portfolio is up 12%, while the OMXSGI benchmark is up 4.5%. For September we keep 6 of 10 stocks, replacing SEB, Powercell, Cavotec and Platzer with BillerudKorsnäs, Kindred, Alfa Laval and RaySearch.

August portfolio

Our monthly portfolio was down 3.2% in August, while our benchmark index was down 0.8%, a relative performance of -2.4%. 3 out of 10 shares beat the benchmark index: Victoria Park, SEB and International Petroleum Corporation. Year to date, our portfolio is up 12%, while the OMXSGI benchmark is up 4.5%, a relative outperformance of 7.5%.

4 new shares in our September portfolio

In our September portfolio, we keep SOBI, SCA, International Petroleum Corporation, Victoria Park, Mr Green and Catena Media. We replace SEB, PowerCell, Cavotec and Platzer with BillerudKorsnäs, Kindred, Alfa Laval and RaySearch. After a period of a weak share price performance caused by production problems, BillerudKorsnäs looks attractively valued against the sector and we believe this provides a good opportunity to buy a quality company at a discount. Kindred have also had a weak performance lately and believe that this offers a good entry point. We believe that Alfa Laval is in a good position to benefit from important structural trends and that consensus estimates are too low. We also add RaySearch to our portfolio as we expect the US introduction of RayCare at ASTRO (24-27th September) could be a positive trigger and reverse the recent negative share price trend.

Sector

Investment Strategy

Portfolio

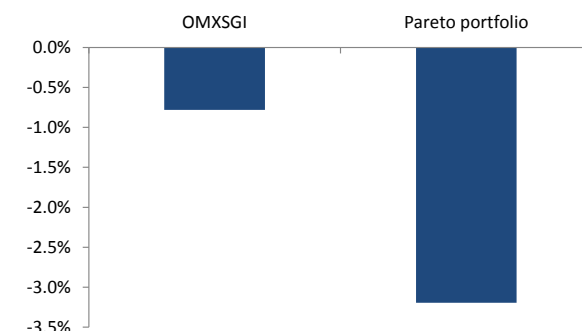
	Rec weight
ALFA	10 %
SOBI	10 %
SCA	10 %
BILL	10 %
IPCO	10 %
VICP	10 %
MRG	10 %
CTM	10 %
KIND	10 %
RAY	10 %
Sum	100 %

Performance

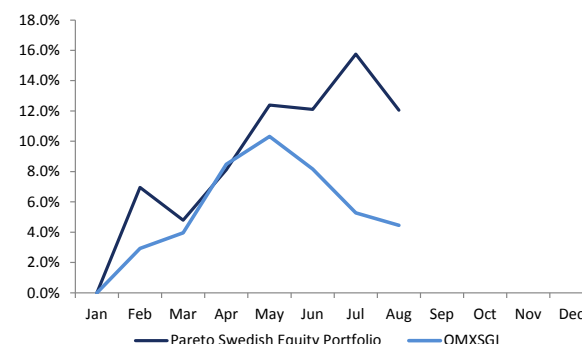
	Index Value 31/08/2017	Performance last period	Performance 2017 ²⁾
Total Portfolio ¹⁾	112.0	-3.2 %	12.0%
OMXSGI ¹⁾	104.5	-0.8 %	4.5%

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

Performance in August



Performance 2017 (YTD)



ALFA – BUY, TP SEK 220

Alfa Laval has underperformed the Swedish industrial sector by c.50% since the beginning of 2014 driven by weakness first in oil & gas and later in marine markets. We argue that consensus estimates are still too low, and the weak oil & gas and marine markets are well reflected in expectations. We argue there is upside in consensus order intake estimates in 2018E as 1) E&P budgets indicate an increase in spending and 2) regulatory tailwinds in marine will boost orders for scrubbers and ballast water management systems. We believe Alfa Laval is in a good position to benefit from these trends.

SOBI – BUY, TP SEK 200

Once again, we were caught by surprise by the sudden fall in share price of Sobi as Roche announced the highly expected US filing of emicizumab (ACE910). Since Roche presented already announced data on emicizumab at a conference at the end of June, Sobi shares have fallen by 17%, significantly underperforming the market. During this time, Sobi has presented an excellent Q2 report, confirming the positive launch of Elocta and Alprolix. We remain confident that these two products will have a bright future and that sales will not fall off a cliff if and when Roche launches emicizumab. The new CEO is adamant to take Sobi to the next level, something that could include M&A activity. As the business evolves, Sobi is rapidly moving from a justified premium valuation vs. peers to a situation where it is actually trading at a discount, despite expected higher growth and both revenues and profit. We believe it is time for a recovery for Sobi.

SCA – BUY, TP SEK 80

SCA's large forest holdings should be an attractive investment for pension funds etc, with their stable growth and the current low interest rates. We believe SCA's book value for the forest assets of SEK ~31bn is conservative and we estimate in our base case that a sale could be done at a SEK ~20/share premium to the book value, with a further SEK ~20-50/share upside potential in more bullish scenarios. We have a Buy recommendation and target price of SEK 80.

BILL – BUY, TP SEK 145

Since Q2 and our last report Billerud has continued to show a weak performance despite a further positive development of packaging prices. We have been cautious on Billerud for quite some time now, arguing a lack of short-term triggers except for M&A, but believe that the share has simply come down too much, and we now see a good opportunity to buy a quality company at a discount following internal production problems. Billerud has 100% exposure to packaging and deserves a premium valuation if it can control its internal problems going forward.

IPCO – BUY, TP SEK 40

International Petroleum Corporation is a recently launched Lundin Group E&P company which aims 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 price. IPCO was created through a spin-out of Lundin Petroleum's non-Norwegian, producing assets in Malaysia, France and the Netherlands, which means it has an asset portfolio which generates robust free cash flow at current oil price (and some resource upside), which can be leveraged to fund value-creating acquisitions. With the full backing of the Lundin Group, we view IPCO as well suited to deliver on its strategy. We expect recovering oil prices in Q3 to support the share and an initial asset acquisition (likely debt-funded) to be announced relatively shortly and act as a major trigger.

VICP – BUY, TP SEK 37

The share was up 3% in August and is up approximately 20% from April 2017. We argue the share still offers material upside with both near- and long-term potential, where new property acquisitions are imminent triggers. We focus primarily on the extraordinary NAV growth (16% q/q in Q2, 60% y/y) coupled with a moderate risk profile. The clear focus on residential properties, in cities with population growth, implies low risk for vacancies and regulated rental levels effectively lowers the operational risk. Significantly higher rents upon completed renovations drives property values, and NAV, and we argue that the share trades at a significant NAV discount. We estimate meaningful cash earnings and NAV growth from recurring and structured refurbishment of apartments and the recent Q2 report was yet another proof of the business model, in our view. We have a Buy recommendation and a target price of SEK 37.

MRG – BUY, TP SEK 61

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 Q2 report now confirmed. The company recently made a share issue of SEK 195m before fees which we believe will result in M&A in the upcoming months.

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. The ongoing revenue-model shift has punished growth short term but will bear fruit in 2018 why we see a good entry point after weak share performance after the Q2 report.

KIND – BUY, TP SEK 110

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 holding the highest share of regulated revenue. Kindred's Q2 2017 report was solid in terms of growth as sales were up 32%, of which 18% was organic, beating both our and consensus expectations by ~3%. Sportsbook revenue was strong growing 30% y/y and the Western Europe region is growing very fast due to the acquisition of 32Red and continued strong growth in France. Early Q3 2017 guidance supports continued growth in Q3 even though comps are tough. We think recent share pullback offers a good entry point ahead FIFA 2018.

RAY – BUY, TP SEK 235

We add RaySearch to our monthly portfolio as we expect US introduction of RayCare at ASTRO (24-27 September) could be a positive trigger. During ESTRO (Vienna) in May, RaySearch held well-visited preview demonstrations of its forthcoming oncology information system, RayCare, and we expect equal interest and positive news flow from an introduction at ASTRO. With the share being down roughly 11% since the Q2-report and roughly 31% last two months we expect the share to gain short term momentum flowing expected the introduction of RayCare at ASTRO.