

August portfolio

Our model portfolio was up 3.2% in July, while the OMXSGI benchmark index was down 3.0% during the same period. Year to date, our portfolio is up 15.6%, while the OMXSGI benchmark is up 4.9%. For August, we keep 8 of 10 stocks, replacing Elekta and Investor with Cavotec and PowerCell.

July portfolio

Our monthly portfolio was up 3.2% in July, while our benchmark index was down 3.0%, a relative outperformance of 6.2%. All the stocks in our portfolio beat the benchmark index except for Investor and SOBI. In particular, Mr Green (up 29.2%) outperformed driven by a strong Q2 report showing growth in sales and margins, thus confirming the company turnaround which helped re-rate the share. IPC (up 12%) and SCA (up 5%) also had a strong month in July.

2 new shares in our August portfolio

In our August portfolio, we keep SEB, SOBI, SCA, International Petroleum Corporation, Platzer, Victoria Park, Mr Green and Catena Media. We replace Elekta and Investor with Cavotec and PowerCell. Cavotec is reporting Q2 numbers on August 2nd and we believe the company will have seen further stabilisation in underlying markets, a return of larger orders and a stable day-to-day business. The fuel cell technology company PowerCell is now entering into commercialization phase with a pipeline of more than ten potential orders in the near term, and, moreover, through the recently announced AutoStack Industry project PowerCell is cooperating with BMW, Daimler, Ford and Volkswagen, opening up for the possibility of direct orders from these major car manufacturers.

Sector

Investment Strategy

Portfolio

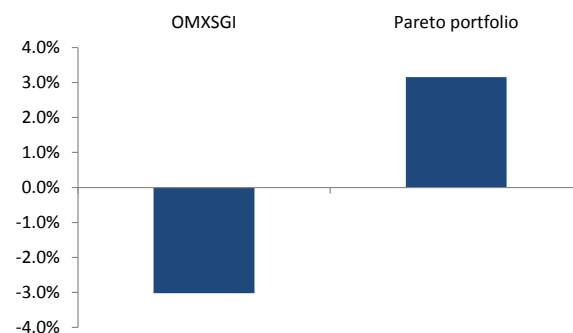
	Rec weight
SEB	10 %
SOBI	10 %
SCA	10 %
IPCO	10 %
PLAZ	10 %
VICP	10 %
MRG	10 %
CTM	10 %
CAV	10 %
PCELL	10 %
Sum	100 %

Performance

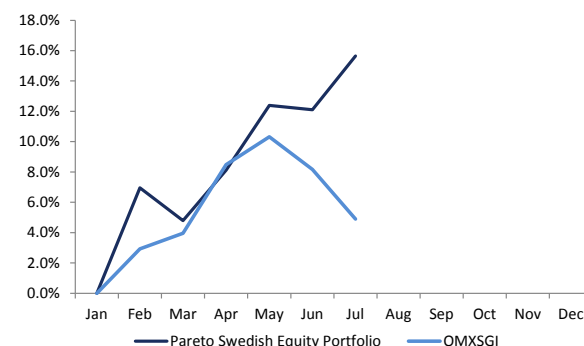
	Index Value 31/07/2017	Performance last period	Performance 2017 ²⁾
Total Portfolio ¹⁾	115.6	3.2 %	15.6%
OMXSGI ¹⁾	104.9	-3.0 %	4.9%

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

Performance in July



Performance 2017 (YTD)



SEB – BUY, TP SEK 115

SEB's strong Q2 report confirmed our view that it is positioned to profit from in the activity corporate space, as shown by the strong investment bank revenues in the quarter. With Swedish and European indicators like PMI figures pointing to strong business sentiment, we expect to see large corporate activity and an increase in investment going forward. We consider the share to be attractive at current pricing, at P/E'17e 13.0x, compared with the average of NDA, SHB and SWED at 14.1x. Following the report and our subsequent positive estimate revisions, we increase our target price on SEB to SEK 115 (110) and reiterate our Buy recommendation.

SOBI – BUY, TP SEK 200

Sobi remains one of our top picks within the health care sector, as we believe that the market underestimates the commercial opportunity of its haemophilia products Eloca and Alprilix. The recent and unexpected weakness in the share price provides an excellent buying opportunity ahead of the Q2 report due July 19. We believe the weakness is, once again, related to the market's overcautious stance regarding the potential competitive threat that might come from e.g. emicizumab (ACE910) from Roche. Roche recently released an update from the HAVEN 1 and 2 trials with emicizumab, an update that did not add much to what was already known. The decision to keep Partner Products was a tad disappointing, but if the price was not right we believe it was better to keep the asset than sell it at a discount. The new CEO sees hidden values but we believe the proof of that is still in the pudding.

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.

IPCO – BUY, TP SEK 45

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 prices. 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. The company also publishes its Q2 report on 8 August.

PLAZ – BUY, TP SEK 60

On July 7th Platzer announced the divestment of residential building rights in Södra Änggården at a gross value of SEK 1.7bn (SEK 100m remaining to be divested), which was in line with our estimates. The total divestment of SEK 1.8bn is expected to bring forward SEK 6-7 in equity per share (SEK 720-840m in total) that will be reported as a SEK ~1bn (SEK 8.58 per share) property value change when the zoning plan for the area is approved in Q1 2018, according to our assumptions. If adjusting for a SEK ~8.58 per share value change, the share is currently trading at a ~10% discount to adjusted Q2 EPRA NAV (57.36). We are surprised the share is up a mere 1% since the divestment was announced, and argue it should be trading closer to its adjusted Q2 EPRA NAV of SEK 57.36 as we believe the risks related to the zoning plan are rather limited. We have a Buy recommendation and a target price of SEK 60.

VICP – BUY, TP SEK 37

The share was down 2.1% in July, following a strong aggregated performance (+19.1%) in April-June. 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 125

Catena Media is one of the leading affiliate marketing companies within iGaming, leading the affiliate consolidation. With acquisition-driven growth and easy comparisons we expect strong growth in the Q2 report in August which is the next visible trigger. Although, having recently tapped another bond of EUR 50m, we also expect further acquisitions. The share has traded down and we see a good entry point before the Q2 report.

CAV – BUY, TP SEK 35

We believe Cavotec is seeing a stabilisation in underlying markets and a (slow) return of larger orders – as we have been highlighting for the past two quarters, seeing the same signs for other related peers (e.g. Alfa Laval, Wärtsilä, etc) in certain end markets. The company is reporting its Q2 on 2 August and we still believe that the day-to-day business remained stable in the quarter and we expect the book-to-bill ratio to have been positive in the quarter. The Cavotec share has been out of favour among investors in the past couple of years although we believe this should change in the years to come. We believe that the company's restructuring through, for example, reduced overhead costs, better underlying markets, its new strategic plan and low valuation, bodes well for a significant positive share price revaluation during 2017. Finally, even though we believe the new strategic plan (EUR 500m in revenue and >12% EBIT margin in 2021) is slightly too ambitious, it is a good stretch goal and could provide further upside to our estimates. Buy, target price SEK 35.

PCELL – BUY, TP SEK 65

We expect PowerCell's superior-performance fuel cell technology to benefit from important structural trends within mainly transportation and energy storage and PowerCell is now entering into a commercialisation phase with, for example, a recent order from a Chinese customer of SEK >200m and a pipeline of more than ten potential orders. Moreover, through the important newly disclosed AutoStack Industry project, PowerCell is cooperating with, for example, BMW, Daimler, Ford and Volkswagen, opening up for the possibility of potential direct orders from these companies. We see this development as gradual, even though we also expect a positive share price movement in the near-term (the company is reporting its Q2 on 18 August). Buy, target price SEK 65 – with a long-term fundamental value of SEK 90.