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The Cut - Edition 32

**Introducing the very best of Independent Research from the IRF Providers**

## **IRF Lunch Invitation**

- **Guest Speaker Simon Hunt, [Simon Hunt Strategic Services](#) - China's Resurging Growth: Implications for the Copper Industry. Lansdowne Club, London - 3 May** [Confirm attendance](#)

## **Company Research**

### Europe

- **Accor** (AC FP) - Issues within the core business set to dominate for the rest of 2018. Pressure on management fees. Restructuring charges will weigh on cash flow. "New Businesses" unlikely to reach breakeven. Weak corporate governance structure - **[StockViews](#)** [request info](#)
- **Investec** (INVP LN) - CFO reducing stake despite steep share price decline; doesn't bode well for a near-term recovery. Glynn Burger sold 321,866 shares at £5.71. The stock also traded lower when he last sold shares at around the same price (July 17) - **[Smart Insider](#)** [request info](#)
- **FTSE 100 Stocks & Sector Review** - Expects opportunities to buy long term support levels in Dollar Earners (and other opportunities such as Miners at the bottom of one-year ranges) - **[Messels](#)**
  - **AstraZeneca** (AZN LN) - Recently added to their FTSE 100 Momentum Portfolio [request info](#)

### U.S.

- **Acacia Communications** (ACIA) - Improving outlook. Compelling new product ramps in 2019. Reportedly turned down significant offers to be acquired, which either makes the BOD crazy or there is light on the horizon following a tough 18 months - **[Inflection Point](#)** [request info](#)

- **Cinemark (CNK)** - Higher margins than peers. Ahead in the trend to provide luxury reclining seats. Concessions are a growth engine and opportunity for menu expansion. Autonomous ride sharing is a wild card for stimulating demand growth for movie theatres longer-term - [\*\*GARP\*\*](#)  
[request info](#)
- **Energen (EGN)** - An acquisition target? - Further Permian M&A expected after **Concho Resources** acquires **RSP Permian**. EGN has to be a favourite since it makes sense that deal-seekers should first take a look at companies that are already involved in strategic reviews - [\*\*Gordon Haskett\*\*](#) [request info](#)
- **NetApp (NTAP)** - Call with Senior Management to discuss competitive landscape, gross margins, capital return and what customers are telling them about their IT plans for both on/off prem. spending. Other upcoming calls include **Tencent & Shopify** - [\*\*Aliya Capital\*\*](#) [request info](#)
- **IPO research - Renaissance Capital**. Recent reports include:
  - **Dropbox (DBX)** - Rapid growth; strong FCF; more than doubled gross margin since 2015. Massive base of registered, non-paying users provides a long runway for growth
  - **Spotify Technology (SPOT)** - Favourable view on the fundamental story, but cautious given the uncertainty surrounding its direct listing and large overhang of shares held by insiders. Dependence on record labels for content limits long-term margins [request info](#)
- **Primary market research/channel checks - Blueshift**. Recent reports include:
  - **Kellogg's (K)**: Will their new growth strategy turn around declining sales? - Sales stabilising amid rocky shift from a direct-store delivery model to a warehouse system
  - **Netflix (NFLX)**: What does the deal with Ryan Murphy signal about the competition for original content with Disney, Fox and others? - Deal is a blow to Fox, but is NFLX spending recklessly? [request info](#)

## Japan

- **Tsuruha (3391 JP)** - Japan's leading drugstore operator has a long runway of growth ahead. The Company's strategy of regional dominance through store openings and bolt-on M&A provides superior growth and profitability relative to peers. This in turn strengthens its moat further - [\*\*2Xideas\*\*](#) [request info](#)

## Emerging Markets

- **Braskem** (BRKM5 BZ) - Earnings beat on improved operating rates and better-than-expected spreads. Trades at a 2018 EV-to-EBITDA of 5.2x; steep valuation discount is unwarranted relative to peers. Minimal exposure to the new China trade tariffs - [\*\*Alembic Global Advisors\*\*](#)  
[request info](#)
- **iQiyi** - Profitability is reliant on a continuing surge in paying users and better control of content costs. The two seem incompatible. Once it burns through the money raised in the IPO, the company may well be acquired by either **Alibaba** or **Tencent** - [\*\*RedTech Advisors\*\*](#) [request info](#)

## Macro Research

### Developed Markets

- **2Q18 Macro themes** - Global Divergences vs. consensus of Global Synchronised Recovery. US Peak Cycle: negative inflection in domestic economic growth. USD Bottoming? Is the USD the new VIX? - [\*\*Hedgeye\*\*](#)  
[request info](#)
- **LIBOR** is signalling that the US' ongoing nearly 4-year scramble to fund itself via the private sector is now getting critical. Contest between what LIBOR will break first: US tax receipts (and with it, the USD) or European banks - [\*\*FFTT\*\*](#) [request info](#)
- **Expect a low peak in rates in this cycle** - The cycle is solid but the secular trends have not changed. A levered world can't cope with high rates - [\*\*Minack Advisors\*\*](#) [request info](#)
- The internals for a number of the major **European markets** continues to deteriorate (first highlighted to clients 6 Feb). Both the **DAX** and **CAC** have initial Money Flow Unit targets at a minimum of -7% from here and -20% from the January 2018 high - [\*\*Cerundolo Investment Research\*\*](#)  
[request info](#)
- **French Energy** - EPS momentum has turned positive. **Europe** - Economic expectations fall sharply and long-term price momentum in **Financials** (and Banks) is turning negative - [\*\*IR&M\*\*](#) [request info](#)
- **European Banks** - Risk-off environment has triggered a sharp reverse for the sector, but the broader trends are moving in their favour. **Long-term yields** in developed countries to rise in the next 12 months - [\*\*Economic Perspectives\*\*](#) [request info](#)

### Emerging Markets

- **Hungary Elections** - Result is likely to herald a period of noticeable changes, but cannot completely reverse the powerful trends that are in play currently: a major improvement of private sector balance sheets; a strengthening industrial sector; and a powerful wage convergence trend - **ADA Economics** [request info](#)
- **Pakistan** - Tax amnesty to encourage funds back onshore and to push companies and individuals into the formal economy. Also cutting top rate of income tax. Pakistan has decent economic fundamentals and will be a major beneficiary of China's Belt & Road Initiative - **Asianomics** [request info](#)
- **China** - Establish long-term strategic positions in bonds/equities as leadership intends on winning "three tough battles" - to curb pollution, alleviate poverty, and reduce financial risks - **Stray Reflections**. Also covers how **President Trump is hastening the collapse of America's global hegemony** [request info](#)
- **Rising protectionism could produce headwinds for Asian countries** hoping to make a smooth transition from developing to developed nation status by producing premature deindustrialisation - **DeSaque Macro Research** [request info](#)

#### Frontier Markets

- Only weakness in Argentina, one of the largest Frontier Markets, is marring an increasingly bright relative picture, far and wide - **Tempus Investment Research** [request info](#)

#### Commodities

- **Utilities step into blockchain to stay ahead of Europe's energy shakeup** - **Enerchain**, is a forerunner of further uses of the technology and has widespread support across the industry. A 30% cut in SG&A is a robust incentive to make it work - **Commodity Intelligence** [request info](#)
- **Dairy sector in trouble in New Zealand** - Falling prices and increasing costs, coupled with a payment shock associated with a regulatory shift is significantly impacting farmers profitability. Bank exposure to the sector is substantial - **Redward** [request info](#)

### Researchers Visiting London

- **Inferential Intelligence with John Trudgian of Williams Inference. 9-20 April** [request meeting](#)
- **US Media, Internet, Information Services and Credit Rating Agency Companies with Craig Huber of Huber Research** - Moody's, S&P, Facebook, Netflix, Tribune Media, Sinclair, Twitter. **12-13 April & 16-18 April** [request meeting](#)
- **Equity Valuation, Risk & Market Timing with Rob McCreery & Chris Tinker of Libra Investment Services** - Lloyds, Fiat, Stora Enso, Steinhoff, Unilever, Burberry. **12-14 April & 5-7 May** [request meeting](#)
- **Global Equities with Henrik Munk-Nielsen of 2Xideas** - Analog Devices, ASML, Fastenal, Henry Schein, Novo Nordisk, Sensata, Thermo Fisher, Tsuruha. **17 & 19 April** [request meeting](#)
- **Japanese Equities with Rhiannon & Rowan Ewart-White of Storm Research** - Don Quijote, TechnoPro, Fullcast, and Sumco. **25 April** [request meeting](#)
- **Behavioural Science with Herman Brodie of Prospecta. 28-31 May** [request meeting](#)
- **Financials: Keeping an Eye on Washington with Charles Gabriel & Ian Katz of Capital Alpha Partners** - Perception of US de-regulatory trend oversimplifies matters. Still in the cross-hairs: Non-bank Specialty Finance, Credit Bureaus, Cards, Insurers, Banks, Mortgage Insurers, Fannie and Freddie, Marketplace lenders, & more. **2-4 July** [request meeting](#)

### Events Associated with IRF

- **The Little Inflation With The Big Bite - Economic Perspectives** presentation at Innholders Hall, London. **25 April** [Confirm attendance](#)

Note: All **bold underlined** text are clickable links to Research Provider Overviews.

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**information on IRF and our IRPs, or if you have any specific research requirements, please contact us at:**

**Edward Blad**

[Edward@independentresearchforum.com](mailto:Edward@independentresearchforum.com)

+44 (0)203 405 7120

**Bloomberg IB** / [eblad2@bloomberg.net](mailto:eblad2@bloomberg.net)

[LinkedIn](#)

**Alexis Vatistas**

[Alexis@independentresearchforum.com](mailto:Alexis@independentresearchforum.com)

+44 (0)203 405 7123

**Bloomberg IB** / [avatistas6@bloomberg.net](mailto:avatistas6@bloomberg.net)

[LinkedIn](#)

**Declan Wooloughan**

[Declan@independentresearchforum.com](mailto:Declan@independentresearchforum.com)

+44 (0)203 405 7125

**Bloomberg IB** / [dwooloughan3@bloomberg.net](mailto:dwooloughan3@bloomberg.net)

[LinkedIn](#)



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