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## The Cut - Edition 45

Introducing the very best of Independent Research from the IRF Providers

### Events

#### IRF Lunch with David Roche

*[Independent Strategy](#)*

***'How to invest when democracy is under threat'***

**The Lansdowne Club**

**Wednesday 17th October, 12:30pm**

[Confirm Attendance](#)

[IRF Events Calendar](#)

### Company & Sector Research

#### Europe

- **Banco BPM** (BAMI IM): Finalised the sale of a business line related to the depository bank and fund administration business to BNP Paribas. The deal is clearly positive for the bank's restructuring. Services. Meet them at the upcoming [CEO Forum](#) [Hammer Research Partners](#) [IRF Event](#)
- **Burberry** (BRBY LN) - New line has been a huge success, breathing much needed life into the brand. Attracting a younger customer seeking the fashion-forward, form-fitting look that is trendy and daring while remaining classical and elegant. [Blueshift Research](#) [Request Info](#)
- **Easyjet** (EZJ LN) - Strong prices at +5% over last year instead of +3% guidance; expect capacity to rise +10% due to ex-Air Berlin Fleet integration and from 6 new A321 Neos. At 9.5x '18-'19 earnings the

Opportunity: [Advanced Investment Research](#)

- **Eutelsat Communications** (ETL FP) - Broken out of price and relative bases. European Base Formations - Technical Analysis of the European Stocks. [Messels](#) [Request Info](#)
- **Leroy Seafoods** (LSG NO): "Reeling It In" The stock has outperformed almost every other salmon stock since initiation in March, up over 60%; closing position as now trades well above original intrinsic value estimate. [StockViews](#) [Request Info](#)
- **Logitech** (LOGN SW) - Will continue to outpace its target to grow retail sales at a high single-digit rate as they add products and brands to their portfolio. Price target values company at 33.4x P/E (2019) and 23.4x EV/EBITDA (2019), non-GAAP basis. [Research Partners](#) [IRF Event](#)
- **uniQure NV** (QURE US): Dutch company listed in US. Very attractive catalytic calendar. Strong cash position, unrecognised leader in gene therapy with commercial scale manufacturing and leading clinical assets in both liver disease and CNS and a CV gene therapy collaboration with Bristol-Meyers. [Bios Research](#) [Request Info](#)

## North America

- **Cabot** (CBT) & **Orion Engineered Carbons** (OEC) - Very bullish on Carbon Black as '19 pricing is sticking in US and Europe, and US Manufacturers are trying to implement a surcharge to offset operating expenses that will begin to be incurred when scrubbers are installed over next 5 years. [Northcoast Research](#) [Request Info](#)
- **Cannabis** - Birth of New Industry - Legalisation and changing consumer attitudes have seemingly had a demographic impact on usage, with teen use declining and Boomer use increasing. Will this change increase the chances for legalisation at the Federal level? [Inferential Focus](#) [Request Info](#)
- **Dentsply Sirona** (XRAY) - Stock already down 20% since it was uncovered by their Earnings Quality model. Inventory issues. Poor dental trends weighing on sales. Company is badly structured. Increased competition and Amazon threats. Margins still far too high. [Two Rivers Analytics](#) [Request Info](#)
- **Elastic** (ESTC) - Technology business that provides combination of open-source and proprietary data search software used by Uber, Lift, Tinder, Barclays, Airbus, Samsung etc.; outperform rating on IPO - bullish on fundamentals, corporate governance, valuation and way peers have traded. [Renaissance Capital](#) [Request Info](#)

by acquisitions and changes in segment reporting. Fraud and corruption case begins later this year. [Gradient Analytics](#) [Request Info](#)

- **Twitter** (TWTR) - Revenue to increase by just 13% in both '19/'20; user growth slowing. Mistake to reduce R&D. White House to target social media companies, poses significant regulatory risk. [Huber Research Partners](#) [IRF Event](#)
- **Univar** (UNVR) - Chemical/ingredients distributor. Acquired Nexeo (former SPAC). Valued at 10.2x EV/EBITDA (PF LTM); 7.3% FCF Yield. Strategic review and possible sale of Nexeo's plastics business (~\$69m LTM EBITDA). M&A story. Previous ideas: WTB LN, ATKR, TVPT, PLYA. [Etalon Investment Research](#) [IRF Event](#)
- **Video Games** - Winners this holiday season: Take Two, Activision, Nintendo. Losers: EA, Ubisoft, Gamestop. Positive: Red Dead Redemption 2, NBA 2k19, CoD Black Ops IV. Negative: Battlefield V, Assassin's Creed, FIFA 19, Madden 19. [Gossamer Consulting Group](#) [Request Info](#)

## RoW

- **China Merchants Port** (144 HK) - 6.14x EV/EBITDA and on a Price to Book of 0.65x. Depressed multiples unwarranted given the company is consistently profitable, financial health, corporate governance and growth potential. [Reperio Capital Research](#) [Request Info](#)
- **Didi Group & Meituan** (3690 HK) - Review of Ride-hailing Consumer 3Q18 Survey shows that Didi has 80% share and good reviews on quality, wait time and value for money. Meanwhile Meituan with poor reviews seems to have headwinds. [RedTech Advisors](#) [IRF Event](#)

## Macro Research

### Developed Markets

- **Brexit: Going blind without eyelids** - Withdrawal expected to occur blind to the future UK-EU27 trading relationship. Theresa May's replacement to negotiate it during the transition phase; result will be a Canada-style trade deal. [Heteronomics](#) [Request Info](#)
- **Eurozone - ECB wants to exit QE**. Labor market report shows Italy, Germany and Greece are seeing rising employment. However, France is

- **Italy - Growth rates will remain weak** long term as the economy stagnates. Citizens with ability and ambition will leave due to overvalued real exchange rates. Italy will continue to require funding by EU; will they remain in it for much longer!? [Andrew Hunt Economics](#) [IRF Event](#)
- **Sweden - Weaker than expected Q2 GDP**, faltering house prices undermining domestic demand as exports weaken. Inventory build means production needs to be cut aggressively. Talk of rate hikes are premature; if weakness persists watch out! [MI2 Partners](#) [IRF Event](#)
- **Trade Deals** - Peace in North America does not mean end of Trade War with China. US may be making deals with Mexico and Canada, but such deals are a long way off with China which is bearish RMB and industrial metals prices. [Prestige Economics](#) [Request Info](#)
- **Japanese Inflation** - Market has remained subdued despite a > 50% YoY rise of Brent priced in JPY. Given the historical relationship between Oil, FX, Japanese CPI and Japan 10yr inflation market, the latter looks too cheap relative to the expected future path of CPI in Japan. [Cross Asset Macro](#) [IRF Event](#)
- **Japan Policy targeting Yen** - Switched monetary policy from targeting liquidity to targeting yen against peer currencies including Yuan. Japan is now acting more like a typical Asian EM with a pronounced liquidity cycle. [CrossBorder Capital](#) [Request Info](#)
- **Impending (equity) down-move of Importance** - New moves begin with compressions so you should now start to sell rallies and be prepared even to sell weakness. [click here for more HED Capital Management](#) [Request Info](#)

## Emerging Markets

- **Africa's huge infrastructure investment requirements** - Face an annual shortfall of USD 68bn unless financing commitments increase sharply. (Report covers possible solutions). [Oxford Analytica](#) [Request Info](#)
- **Brazil Politics - Palocci plea bargain** deal could harm Haddad as secrecy of plea bargain deal signed by former Minister under the PT has been lifted. PT campaigns in '10 and '14 when Dilma Rouseff was elected and re-elected cost R\$1.4bn, more than double the amount declared. [GlobalSource Partners](#) [Request Info](#)
- **China Economics - Problems for Xi Jinping** through Trump's trade tariff tirade and US allies lining up to curb China's high Tech ambitions. No

months are critical for China. [Ergo Economics](#)

- **Emerging Markets pain** - Getting hit with a double whammy: weaker currencies and higher imported oil prices. Sell and Short - Top picks India and China. [Belkin Report](#) [Request Info](#)
- **Kazakhstan - Economy expanded** by 3.8%yoy Jan to Aug and this momentum should continue. Supply side, output of extractive industries are main driver of growth and Domestic demand strong as revival in bank lending. However, when Russia sneezes Kazakhstan catches a cold.

[Emerginomics](#)

IRF Event

## Commodities

- **APPEC Conference - Oil market entering a period of extreme volatility.** Bulls grab the headlines, but not everyone buys into \$100 oil. Why is US supply not coming to the rescue? Shandong teapots are bouncing back. IMO:2020 the perfect storm? [Vanda Insights](#) [Request Info](#)
- **Silver/Gold: Silver to outperform gold** - Reiterating the bearish gold view (rising real interest rates, strong dollar, high valuation), silver looks set to outperform gold given relative value, futures positioning and a supportive macro backdrop. [Topdown Charts](#) [Request Info](#)

*Preferences: We are always looking for ways to improve The Cut. If you have any suggestions please let us know.*

**IRF works with 150 Independent Research Providers and Specialist Data Providers, which cover all the major Asset Classes, Sectors and Regions utilising a variety of methodologies.**

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