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## The Cut - Edition 60

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

#### Events

##### IRF Presentation with Gerard Minack of [Minack Advisors](#)

"More Goldilocks: the US expansion keeps going"

**Wednesday 5th June at 10:00am**

The Lansdowne Club

[Confirm Attendance](#)

##### IRF Presentation with Matthieu Rimbault of [Palissy Advisors](#)

Oil's Fundamentals: Updated supply and demand forecasts, OPEC meeting impacts, current industry themes and high conviction equity ideas

**Thursday 6th June at 10:00am**

The Lansdowne Club

[Confirm Attendance](#)

[IRF Events Calendar](#)

#### Company & Sector Research

##### Europe

- **Nordic Real Estate** - Bullish after recent asset tours. Profit margins on developments 30%+. Rising capital values in sub-sectors e.g. industrials now 2x replacement costs. Nordics screen more attractive vs. most other real estate sectors in US/Europe on unlevered IRR basis. Favoured stocks: **Castellum** and **Wihborgs**. [Green Street Advisors](#) [Request Info](#)
- **Arcadis** (ARCAD NA) - Design & consultancy firm. Thorough analysis of net revenue and operating margin and moreover its trade receivables and DSO per region, demonstrating how last year's FCF was not a fluke - it is structurally on the mend. 22-page report. 60% upside. [The IDEA!](#) [Request Info](#) [IRF Event](#)
- **Imperial Brands** (IMB LN) - Prospective dividend yield just moved firmly up through its PER. There are obvious risks, but at the current price the share is paying an investor to take them on. Company will be able to hold its dividend and make the disposals it targets. [Willis Welby](#) [Request Info](#)

- **Learning Technologies Group** (LTG LN) - Primary research highlights structural issues at PeopleFluent, exacerbated by indiscriminate cost-cutting in pursuit of margin targets. 2018 margins have been boosted by acquisition accounting. Slower growth to persist, reinforced by Goodwill assumptions. 50% downside. [StockViews](#) [Request Info](#)
- **Novo Nordisk** (NOVOB DC) - Victoza channel mix concerns overstated; will be just 4% of total group sales by 2023 and company's gross margin will remain stable during this period. 25% above consensus on GLP-1 sales; Ozempic to significantly outperform. [Intrinsic Health](#) [Request Info](#)

## North America

- **uniQure** (QURE) - Leader in gene therapy; rapidly expanding clinical pipeline, strong patents and deep IP and manufacturing. **Reata Pharmaceuticals** (RETA) - Leading asset for orphan kidney disorder; \$5bn/year potential with very strong efficacy to date. Both companies offer 5-10x upside.
  - **Galapagos** (GLPG NA) - Closes long; over 600% return. Published 107 short ideas over the last 7 years with a 64% absolute return hit ratio. [Bios Research](#) [Request Info](#)
- **CSX Corp.** (CSX) - Tight trucking and rail capacity have created an 'overearning' situation. Price increases are ending; freight volumes are set to decline and margins are unsustainable.
  - Two previous short ideas: **Inogen** - Shares already down ~50% since initiated. **PTC** - Fell over 10% on earnings release last month. [Two Rivers Analytics](#) [Request Info](#)
- **Forescout Technologies** (FSCT) - Cybersecurity. Oversold; trades at 3.3x EV/C2020 sales vs. peer group of 6.9x, despite growing at 28% vs. peer at 16%. Deep moat to fend off new entrants. Ideally positioned to benefit from IT/OT convergence; broad adoption of multiple products within the userbase. PT \$50. [Summit Insights Group](#) [Request Info](#)
- **General Electric** (GE) - New CEO (Culp) had a stellar track record at **Danaher** improving already good businesses and acquiring growth. His lack of turnaround and distressed experience will constrain his ability to overcome GE's complexity and underappreciated challenges. [Paragon Intel](#) [Request Info](#)
- **GTT Communications** (GTT) - Cloud networking services provider. Thesis playing out. Missed estimates and reported negative FCF. No organic revenue growth and huge debt. Despite heavy sell-off recently (at \$27) still offers significant downside to \$5 PT. [BWS Financial](#) [Request Info](#)
- **KKR & Co.** (KKR) - Market is missing the large increase in earnings that will come from the recent ramp up in AUM. PT \$32 (current price

\$23); value sitting on balance sheet (\$16), fee-related earnings (\$10) and performance income (\$6). [Fordington Advisors](#) [Request Info](#)

- **Sinclair** (SBGI) - Transformational purchase of the RSNs from **Disney**; one of the best prices for an attractive media property of scale seen in 20+ years following media stocks. Despite huge moves in the stock already, significant upside remains. [Huber Research](#) [Request Info](#)
- **Stars Group** (TSG) - Announces highly valuable long term US sports betting partnership. Report breaks down the FOX deal. Will enable them to capture significant market share and propel the shares well above a (conservative) IV of US \$23.50. [Veritas Investment Research](#) [Request Info](#)
- **HY Energy names to suffer - Weatherford** files for bankruptcy; stock had been a favourite short (down 88% since call initiated May 18). Companies predicted to go through a major debt restructuring include: **C&J Energy Services, Patterson-UTI and Nabors Industries**. [Palissy Advisors](#) [Request Info](#) [IRF Event](#)
- **Mythical Unicorns: Why Uber & WeWork could pop like the dot-com bubble** - Article written for Forbes can be found [here](#). Will also be covering the dozen Spinoffs scheduled for completion between now and June. [The Edge](#) [Request Info](#)

## RoW

- **China: B2B frozen food procurement market heats up** - In-depth sector research report. Catering industry is one of the most attractive areas to invest in the current macroeconomic context. Preferred companies: **Anjoy Food, Sanquan Foods, Guangzhou Restaurant**. [Horizon Insights](#) [Request Info](#)
- **Luckin Coffee IPO** - Examines the upcoming US IPO, including why the business model should be a concern for **Starbucks**, current marketing plans, the coffee market in China and a detailed financial model. Also provides background on the CEO and original backers. [Hedgeye](#) [Request Info](#)
- **Manila Water** (MWC PM) - One of the cheapest water utility companies in Emerging Markets. EV/EBITDA of 6.5x, P/B ratio of 0.85x and 4% dividend. Company will increase its tariff by ~23% over the next 3yrs, which will reignite revenue and operating profit growth. 119% upside. [Reperio Capital Research](#) [Request Info](#)

## Macro Research

### Developed Markets

- **PMI reality** - As market ebullience and bullish forecasts gather dust amidst severe monetary headwinds their analyses continue to point to PMI weakness in the US, Europe and China, extending to Q4 and perhaps beyond. [Click here](#) for the full report (freely available). [AAS Economics](#) [Request Info](#)
- **US-China trade: Strategies & roadmap** - Includes 'The Impossible Trade Deal Trinity', negotiations are over but for the shouting. 'Trump wants a deal' is a myth, aim all along was a full slate of tariffs. 'Electoral Politics', a trade war is more advantageous to Trump. Economic fallout is insignificant. China's strategy is also covered. [Macrolens](#) [Request Info](#)
- **Italy & Spain** - The narrative implied by the Italy vs. Spain bond spread appears to be at odds with that in the equivalent equity index ratio. Spreads are back close to all time wides, whilst the ratio of IBEX to MIB trades close to the lows. Can these co-exist? [Cross Asset Macro](#) [Request Info](#)
- **Europe & China: The new Japans** - All factors point to a prolonged, continued phase of secular stagnation. Examines the key investment themes. Previously provided analysis of the structural parallels that China shares with the Japan of the late 1980s. [Longview Economics](#) [Request Info](#)
- **Australia: Election risk** - Financial market participants are failing to appreciate the potential electoral strength of the Labour Party post-election and their ability to enact legislation. The likely shift in policy is not yet factored into the AUD. [Redward Associates](#) [Request Info](#)
- **The yield curve warns of US recession, but is the term structure now confirming it?** The skew in Treasury term premia warns of a manufacturing recession by mid-2019. Investors need to add more bond convexity to portfolios for protection. [CrossBorder Capital](#) [Request Info](#)

## Emerging Markets

- **More buffer in EM, with assets already trading at crisis valuations** - Abundant risk premium in EM markets, secularly healthier balance sheets vs. history, depressed economic conditions, foreign inflows at historically suppressed levels and no external deficits/net funding reliance. Recent reports include: Turkey, Mexico and Argentina. [Totem Macro](#) [Request Info](#)
- **India: Stress in the financial system** - Is exerting a negative impact on the real economy. Discusses eight elements of positive feedback loops that are inducing increased financial stress. **ADAG, ILFS, Zee, Supertech** and **UTI Mutual Fund** are all covered. [GlobalSource Partners](#) [Request Info](#)
- **China: Industrial output** - Growth evident in the country's industrial output in Q1 stalls going into Q2 despite strength in steel and other

construction materials. [CHR Economics](#) [Request Info](#)

- **Russia: New 'sovereign internet law'** - Government to route up to 95% of internet traffic through domestic servers by 2020. The Kremlin cannot easily copy Beijing's restrictions. The technical changes required will have far reaching implications, including significant investment requirements for foreign companies operating in Russia. [Oxford Analytica](#) [Request Info](#)
- **Korea: Kospi 200 Index** - Has twice failed to hold a rally above the 200 DMA, which continues to decline. The 50 DMA has rolled over; death cross forming with 200DMA? While there is support around 270, the medium-term outlook is now bearish. [Tempus Investment Research](#) [Request Info](#)
- **Thailand:** The junta gets its way with a new government - at a price. **Indonesia:** Economic torpor underlines the case for reforms. **Philippines:** The cost of politicking stacks up. [Centennial Asia Advisors](#) [Request Info](#)
- **China-US trade war** - Will be decided by who has a BoP crisis first and CNY oil adoption will be the key determinant of that. Positive view re. Russian equities, positioned to be a 'Kingmaker' in these ongoing trade tensions. [FFTI](#) [Request Info](#)

## Commodities

- **Oil** - The breakdown of US-China trade negotiations has cast a pall on the financial markets and pressured crude prices lower. However, as tensions in the Middle East over Iran sanctions rise and the other supply crimps start to be felt in the physical market, crude prices are likely to rally. [Vanda Insights](#) [Request Info](#)

**IRF works with 180 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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