



Independent
Research
Forum

The Cut - Edition 90

Introducing the very best of Independent Research
from the IRF Providers

Dear <<First Name>>>,

Company & Sector Research

— Europe

Adyen (ADYEN NA)

Financials

Payment volume temporarily impacted by COVID, but high investments confirm the company's long-term focus. It has grown rapidly and is well-positioned re. the shift towards e-commerce and the growing complexity of payments. Expertise in software, in combination with its nimble platform, is a significant advantage vs. legacy firms such as banks and payment terminal vendors. Full report including sustainability analysis* available on request.

*FDA Corporate Sustainability Assessment provides an in-depth review of the way each company deals with matters of corporate governance, social and environmental issues.

[Request info](#)

[FDA](#)

Brembo (BRE IM)

Consumer Discretionary

A classic compounder - Highlights the impressive financial record and innovation of this world-leader in braking materials and braking technology. BRE has a median 10-year ROE of 21% and ROTE of 23% over the last 26 years. Also examines its brand power and the huge opportunity via EVs and **Tesla** et al. Forecasting 20% IRRs over an 8-year period.

[Request info](#)

[Holland Advisors](#)

Games Workshop (GAW LN)

Consumer Discretionary

Fantasy turns to reality - Due to a lack of coverage and perceived benefits from lockdown the stock now commands a 10x sales multiple. However, sales growth has been achieved via expansion into a trade channel which had structural risk even before COVID. Meanwhile, actual consumer end demand vs. the 'sell in' to trade seems to have flattened off. Explains how a trade pull back could unwind resulting in 2022 EBIT 50% below current expectations and that the implied valuation of IP potential is 100x income already.

[Request info](#)

[StockViews](#)

HighCo (HCO FP)

Communications

Resilience, rebound and new opportunities - HCO's marketing (coupons) and digital (SMS) solutions, developed over the last few years, are very well adapted to the crisis and new consumption patterns. Q2 results beat expectations and not only did they remain profitable in H1, but they also managed to improve their cash position. TP €6.00 (43% upside).

[Request info](#)

[LPE Research](#)

Temenos (TEMN SW)

Technology

Initiation report on the largest provider of packaged banking software outside the US - 2Xideas provides detailed analysis on why they expect the share price to double over the next 5 years, focusing on the company's strong market position, superior product and digitalisation tailwinds.

[Request info](#)

[2Xideas](#)

— North America

What US bank results tell us about the state of the economy

The recent results lock-in a view of the future thanks to a new accounting standard called CECL. This note extracts what that view is for the largest US banks and has been made freely available [here](#).

[Request info](#)[Fordington Advisors](#)

A preference for getting paid: Durable dividends & the market's dichotomy

Kailash's recent work on dividends shows that despite today's yield famine, the pay-outs offered by some of the most profitable and prudent firms are at record spreads to bond yields. Their durable dividend portfolio has provided significant protection for investors through past corrections and provides a safe haven for investors keen on mitigating risk and earning income.

[Request info](#)[Kailash Concepts](#)

Evaluating the integrity of company accounts

Behind the Numbers are forensic accounting experts with decades of experience. Their research process involves reviewing SEC filings, press releases and conference calls, as well as utilising their proprietary Earnings Quality Review rating scale*. They recently flagged concerns at **Mohawk**, **Keurig Dr Pepper** and **RealPage**.

*Focuses on the reliability and sustainability of a company's reported/adjusted earnings to provide invaluable insight into companies that are becoming more aggressive (or conservative) in their reporting.

[Request info](#)[Behind the Numbers](#)

Identifying companies trading at substantial discounts to their intrinsic / private market value

Boyar focus on value stocks whilst identifying potential catalysts to help unlock shareholder value. Recent coverage includes **Walt Disney** - 'one of the world's greatest businesses'; Disney+ opportunity underappreciated; TP \$183. **Berkshire Hathaway** - offers one of the best risk:rewards available right now. **Twitter** - ARPU growth potential, activists and likely acquisition target.

[Request info](#)[Boyar Research](#)

Albertsons Companies (ACI)

Consumer Staples

Recent IPO of one of the largest food retailers in the US with 2,252 stores and \$62bn in revenue. ACI currently trades at 5.6x EV/EBITDA (FY19) and est. 10% FCF Yield (if conv. pref converted). Like Etalon's previous IPO ideas (**TeamViewer**

+108% and **JDE Peet's**) they believe the company is ideally positioned (sector-wise) in the current macro environment.

[Request info](#)

[Etalon Investment Research](#)

Baxter International (BAX)

Healthcare

In need of an overhaul - Joe Almeida (Chairman & CEO) has done a poor job refreshing his aging Board. The long tenures on the Audit Committee were a major part of the accounting problems from 2016-19. The new 73-year-old Audit Chair is not a CPA; 6 of the 11 current independent directors are over 70 years old and 5 of them have served as BAX directors for over 15 years.

[Request info](#)

[Management CV](#)

Cooper Companies (COO)

Healthcare

Albert White (CEO) purchased 1,000 shares at \$278 - first since 2010 (when he made a series of timely purchases at much lower prices) and his largest. In addition, Holly Sheffield (Chief Strategy Officer) purchased another \$250k worth of shares. Having upgraded the stock last month following her previous share buying and that of Agostino Ricupati (Chief Accounting Officer), Smart Insider has now increased the stock's rank to +1 (highest conviction rating).

[Request info](#)

[Smart Insider](#)

Dynatrace (DT)

Technology

Beneficiary of the ongoing digital transformation (DX) that is being accelerated by COVID. Possesses the best and most effective tools to monitor hybrid cloud infrastructure; competition is at least a year or two behind. Company to beat and raise estimates: FY21E revenue of \$652m & EPS \$0.50 and FY22E \$817m & \$0.65.

[Request info](#)

[Summit Insights Group](#)

Paychex (PAYX)

Technology

280first platform detects meaningful language changes in security filings. Those changes often reflect undisclosed internal discussions, intentions, or active projects. One recent example is PAYX. The added language suggests that the company might need to sell securities at a loss to satisfy its short-term liquidity requirements - which has obvious negative implications.

[Request info](#)

[280first](#)

Virgin Galactic (SPCE)

Consumer Discretionary

Mid-term financial projections could make it one of the most attractive business models in Alembic's coverage universe, as it posits EBITDA margins of >46% by 2023. Explores challenges re. building customer backlog and pricing. A likely (small) capital raise next year (COVID related delays) does not derail the story. The new CEO is a definite positive. Company viewed as a takeover candidate.

[Request info](#)

[Alembic Global Advisors](#)

— Japan

Japanese reflation plays offer huge upside

Looks at basic industry stocks that stand to benefit from a Japanese/global reflationary recovery, modelling them out to 2023. The research focuses on steady businesses (no huge sales hit this year), strong B/S, history of positive operating margins, good FCF generators and diversified revenue streams. Top picks include **Dowa Holdings** (60% upside), **Hanwa Co.** (101%) and **Sojitz** (53%).

[Request info](#)

[Churchill Research](#)

Sony (6758) vs Nintendo (7974)

Technology

Pelham Smithers previews Aug Q1 results - He revises up his targets for Nintendo for the full year and also straightens out a couple of points about Sony, including the likelihood of them selling (a 'game-changing') 9-10m PS5's in FY20. Sony is the high risk, high return option, but if you think this is the time to go for low-froth COVID beneficiaries, then Nintendo is the better choice.

[Request info](#)

[Pelham Smithers Associates](#)

— Australia

Sydney Airport (SYD)

Industrials

Is now the right time? - SYD is currently receiving significant attention from investors given it is >30% off its peak share price, has a long-term concession and a privileged market position. No dividend is expected and it will not breach covenants this year. This analyst has been covering the stock for over 10 years - mostly with a positive recommendation, but believes there are more risks to consider in making an investment decision.

[Request info](#)

[Rimor Equity Research](#)

— Emerging Markets

EM Banks: Measuring response & resilience

EM banks need to be prepared for the deteriorating credit quality outlook. This report screens balance sheet resilience - leverage ratio, NPL ratio and coverage - and which banks have been proactive in bolstering of loan loss reserves. Preferred names include **China Merchants Bank** in Asia, **Credicorp** and **Banorte** in LatAm and **CIB** of Egypt in CEEMEA.

[Request info](#)

[Galliano's Latin Notes](#)

Macro Research

— Developed Markets

US: V-shaped recovery will not happen

The Fed's damaging behaviour has forced investors into the equity and credit markets. Talks of a V-shaped economic recovery to justify equity markets' optimism will not come true. When COVID is no longer deemed a threat there will be a "post-war boom" in spending, but we'll have to wait until 2021 to see it.

[Request info](#)

[Andrew Hunt Economics](#)

The Anglosphere Rides Again: Uniting around an anti-Chinese geo-strategy

The Anglosphere is re-emerging as a key geopolitical entity in a polarising world dominated by the new Cold War between US and China, and the Quad (US, Japan, India, Australia) is emerging as a new grouping in an attempt to “contain” the rise of China.

[Request info](#)

[Rosa & Roubini Associates](#)

US: Can a bull market begin without the banks?

Whenever the relative performance of banking stocks has breached a major support level, such events have signalled periods of financial stress and bear markets. Investors should expect more pain ahead for the banking sector; the credit cycle is not yet complete for the latest expansion cycle and banks are bracing for a wave of bankruptcies, and the Fed is about to engage in financial repression that will depress banking profitability.

[Request info](#)

[Pennock Idea Hub](#)

Low liquidity and a thirsty Fed

With liquidity levels moving decisively lower from here through year-end, this will weigh on risk assets. Expects higher real rates, driven by a move lower in breakevens, to weigh on US equities (primarily technology), as multiples get compressed. The Fed will be left in a difficult spot as the curve moves towards zero, opening the door for yield curve control and negative interest rates.

[Request info](#)

[Pervalle Global Research](#)

What's next for America's cities? Nothing good

Recent events have shown cities to be ungovernable. Anecdotal evidence indicates that urban migration is slowing and will eventually lead to a collapse of the tax base as businesses and the wealthy head to the countryside. Once COVID clears we will not see a full revival of demand and many businesses will not come out alive.

[Request info](#)

[The Political Forum](#)

China's corporate borrowing fall

Data shows a Q2 corporate borrowing decline even as the cost of capital slid clear across the board. Large and state firms are viewing the nascent recovery differently to SMEs and private firms - unlike the former, the latter saw loan demand slide hard, suggesting many Chinese companies are sitting out capital raising altogether until the landscape improves further. There will be implications for US and European policymakers.

[Request info](#)

[China Beige Book](#)

An alternative forecast of world population

A newly released SDG forecasting model differs significantly from the oft-cited UNPD forecast, using educational attainment and contraception as explanatory variables instead of relying on the demographic transition theory. It predicts population growth to cease for the first time in history, Sub-Saharan Africa to overtake Asia's population, and the US to overtake China as the largest economy in 2100 - 50 years after being overtaken by China.

[Request info](#)

[Hokenson Demographics](#)

How to position for oncoming inflation

The very channel by which inflation will come (e.g. flows out of USD) will be very positive for EMFX and most high-yield EM local bonds. We are transitioning into a phase of money leaving the US (supporting other assets and hitting the dollar) and investors should take advantage of the extremely cheap high-yielding EMFX and EM bonds. However, the flows that created these pricing dislocations are over, yet the dislocations remain.

[Request info](#)

[Totem Macro](#)

Crossroads of Conflict

The US-China conflict will only worsen in the coming months, spurred on by cyber-attacks that Beijing is sure to start amidst the US Presidential election. We will also see countries in the Silk Road increasing their financial demands on China, although the government can rest knowing their alternative financial architecture will help them challenge the US and the dollar, thus alleviating some of the pain.

[Request info](#)

[Inferential Focus](#)

China & Iran: Heads Up

HFE has recently been examining the growing relationship between these two countries - looking at the impact of China's (expected) new pact with Iran to trade 1m barrels per day of crude oil for essential goods, technology and investment infrastructure. Re. the Belt & Road initiative - explains why the most efficient and secure trade between Xian in China and Europe's rail network runs through Iran (not Russia) and what the implications of this will be.

[Request info](#)

[High Frequency Economics](#)

ESG

The UK's clean and green future

Primary's extensive report investigates COVID's impact on green technologies. Even in the absence of explicit government policy, private and academic enterprises are driving the UK towards its '2050 net zero goal'. The report includes policy recommendations, a breakdown of industries driving forward a sustainable future and highlights firms that will both benefit and lose out.

[Request info](#)

[Primary Access & Research](#)

Commodities

Could gold be 40% undervalued?

Greater gains in gold lie ahead because liquidity must keep expanding. While the US led the latest liquidity stimulus, China is now following. Debt is still too high vs. liquidity - large debts require liquidity, and this will drive gold higher. Gold bullion needs to rise to ~US\$2,500/oz.

[Request info](#)

[CrossBorder Capital](#)

Oil: What is going to happen to production?

OPEC and non-OPEC production has fallen by an amazing 13.5m barrels/day since March. 52% of the combined supply drop has come from the non-OPEC group, with the US, Russia and Canada leading the decline charge. If global oil prices continue to increase which countries can quickly boost production? What

about US capabilities where we've seen a 2.8m barrels a day drop? Mike Rothman, founder of Cornerstone, provides his expert opinion.

[Request info](#)

[Cornerstone Analytics](#)

IRF works with 230 Independent Research Providers and Specialist Data Providers, which cover all the major Asset Classes, Sectors and Regions utilising a variety of methodologies.

For further information please contact us at:

Edward Blad

Edward@independentresearchforum.com

+44 (0)203 405 7120

Bloomberg IB / eblad3@bloomberg.net

[LinkedIn](#)

Alexis Vatistas

Alexis@independentresearchforum.com

+44 (0)203 405 7123

Bloomberg IB / avatistas6@bloomberg.net

[LinkedIn](#)

Jenny Metta

Jenny@independentresearchforum.com

+44 (0)203 405 7126

Bloomberg IB / jmetta2@bloomberg.net

[LinkedIn](#)

Hamish Adam

Hamish@independentresearchforum.com

[LinkedIn](#)

The Cut is, for the purposes of Recital 29 to MiFID II, non-substantive material; it does not constitute 'research' within the context of MiFID II. It selectively provides compact historical summaries of associated Independent Research Providers' analyses and projections. Independent Research Forum does not substantiate nor endorse any respective such views or commentary, nor does it extend substantive analysis of any securities in any respect. This publication exclusively reproduces established instances of historic third-party commentary and opinion.

This publication references companies upon which research providers have previously published research reports, notes and briefs. No investment decision should be made on the basis of any comments about the published research reports without first reviewing those related research reports.

This summary is for informational purposes only and is not limited to companies on which research providers have published or may publish research now or in the future. Under no circumstances is it to be used or considered as an offer to sell or a solicitation of an offer to buy any security, bank debt or trade claim. While the information contained in this summary is believed to be current as of the date hereof, we do not represent or guarantee that the summary is current or complete, and it should not

be relied upon as such.

We reserve the right to add or drop coverage of a company or industry, or change the analyst covering any particular company or industry at our sole discretion. Decisions to publish or terminate coverage are based on a variety of factors. As a result, coverage of such issues frequently may be characterised by either isolated reports, long periods between reports, or no reports at all. Our views of a security, issuer, industry or sector may change without the issuance of a new report. IRF is not regulated under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

Copyright © 2020 Independent Research Forum, All rights reserved.

You are part of the IRF contact list.

Our mailing address is:

Independent Research Forum

68 Lombard Street

London, EC3V 9LJ

United Kingdom

Want to change how you receive these emails?

You can [update your preferences](#) or [unsubscribe from all future campaigns](#).

[Add us to your address book](#)
